

## HIGHLIGHTS

 **INTEREST EXPENSE**  
REDUCED BY **26%**

 **NET INTEREST INCOME**  
INCREASED BY **17%**

 **NON-INTEREST INCOME**  
INCREASED BY **35%**

 **OPERATING INCOME**  
INCREASED BY **21%**

 **COST TO INCOME RATIO**  
REDUCED TO **50%**

 **BORROWED FUNDS**  
REDUCED BY **12%**

## STATEMENT FROM BOARD OF DIRECTORS

The Board of Directors of **dfcu** Limited presents the 2021 consolidated financial results.

**dfcu** demonstrated resilience in 2021 showing continued improvement in most of the top line figures driven by strong income growth and cost control. Operating income grew by 21% year on year while cost to income ratio improved to 50%, an indication that the Company is beginning to reap benefits due to efficiencies derived from its investment in technology and cost optimisation.

The Company booked large loan impairments during the year resulting from the adverse effects of the pandemic related disruptions on many of our business customers. This consequently had a significant impact on the earnings for the period. While the economy was fully reopened in January 2022, we are cautious that some of our business customers may have a long recovery lag. The Company will continue offering tailored interventions to selected sectors and business recovery loans to SME's who form the core of our business customers.

The investments we are making in our digital transformation and payments ecosystem initiatives will continue to enable customer

transactions, revenue growth and sustain our momentum on cost containment.

The challenges posed by the operating environment during the period have demonstrated that our solid balance sheet, stable capital base, committed shareholders and resilient staff place the Company in a good state to rebound on the overall financial performance.

Looking forward, we will commence the implementation of our enhanced customer obsessed five-year strategy which should deliver the Company to transforming lives and businesses with innovative solutions and empowered people.

The Board would like to thank our regulators, shareholders, customers and staff as well as our other stakeholders for their commitment to the continued growth of our Company.

### Board of Directors

## dfcu Group Extract of Consolidated Financial Statements for the year Ended 31 December 2021

### REPORT OF THE INDEPENDENT AUDITOR ON THE PUBLISHED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS OF dfcu LIMITED

#### Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2021, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of dfcu Limited (the "Company" or "Group") for the year ended 31 December 2021.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements in accordance with the basis of preparation described in the notes accompanying the summary consolidated financial statements.

#### Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda. Reading the summary consolidated financial statements and the

auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

#### The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 30 March 2022. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the current period.

#### Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in the notes accompanying the summary consolidated financial statements.

#### Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

*Ernst & Young*

Ernst & Young  
Certified Public Accountants  
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Plot 18 Clement Hill Road  
Shimoni Office Village  
P.O. Box 7215, Kampala, Uganda  
Date: 30 March 2022

II. Summary Consolidated Statement of Financial Position	dfcu Group	
	2021	2020
	Shs 'M	Shs 'M
<b>Assets</b>		
Cash and balances with Bank of Uganda	516,802	606,750
Balances with banking institutions	229,524	195,441
Marketable (trading) securities	6,700	58,357
Loans and advances (Net)	1,508,410	1,775,316
Investment securities	552,290	517,005
Equity investments	7,701	9,651
Other assets	118,147	131,149
Derivative financial instruments	647	-
Current income tax recoverable	214	-
Deferred income tax asset	26,336	12,688
Property and equipment	91,035	107,208
Investment property	18,795	19,242
Intangible asset	31,042	36,681
Assets held for disposal	29,089	29,089
<b>Total assets</b>	<b>3,136,732</b>	<b>3,498,577</b>
<b>Liabilities and shareholders' equity</b>		
Customer deposits	2,282,205	2,595,347
Derivative financial instruments	308	97
Balances due to banking institutions	-	10,968
Other liabilities	66,196	76,548
Current income tax payable	-	1,773
Borrowed funds	159,900	181,852
Subordinated debt	31,907	36,560
Provisions	2,190	2,520
<b>Total liabilities</b>	<b>2,542,706</b>	<b>2,905,665</b>
Share capital	14,963	14,963
Share premium	185,683	185,683
Retained earnings	390,120	356,157
Proposed dividends	-	37,651
FVOCI Reserve	3,260	(1,542)
<b>Total shareholders' equity</b>	<b>594,026</b>	<b>592,912</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,136,732</b>	<b>3,498,577</b>

III. Summary Consolidated Statement of Comprehensive Income	dfcu Group	
	2021	2020
	Shs 'M	Shs 'M
<b>Income</b>		
Interest on deposits and placements	11,011	21,461
Interest on loans and advances	280,522	262,845
Interest on government and other securities	63,266	59,516
Foreign exchange income	29,296	19,300
Fee and commission income	62,500	50,773
Net income from other financial instruments at FVTPL	2,002	486
Other income	1,539	297
<b>Total income</b>	<b>450,136</b>	<b>414,678</b>
<b>Expenditure</b>		
Interest expense on deposits	(62,707)	(89,579)
Interest expense on borrowings	(10,344)	(14,437)
Interest expense on financial lease liability	(8,458)	(6,418)
Impairment losses on financial instruments	(148,358)	(30,632)
Fair value losses on other financial instruments	(30,861)	(50,488)
Operating expenses	(183,523)	(191,639)
<b>Total expenditure</b>	<b>(444,251)</b>	<b>(383,193)</b>
<b>Profit before income tax</b>	<b>5,885</b>	<b>31,485</b>
Income tax credit/(expense)	3,427	(7,408)
<b>Profit after tax</b>	<b>9,312</b>	<b>24,077</b>
Other comprehensive income	4,802	(944)
<b>Total comprehensive income</b>	<b>14,114</b>	<b>23,133</b>
<b>Earnings per share</b>	<b>12.45</b>	<b>32.18</b>

IV. Summary Consolidated Statement of Cash Flows	dfcu Group	
	2021	2020
	Shs 'M	Shs 'M
<b>Cash flows from operation activities</b>		
Interest receipts	365,454	324,654
Interest payments	(106,057)	(107,257)
Net fee and commission receipts	62,500	50,773
Net income from other financial instruments at FVTPL	2,002	486
Net trading and other income received	30,835	18,995
Recoveries on loans previously written off	3,460	2,804
Interest paid on the lease liability	(2,040)	(986)
Cash payments to employees and suppliers	(215,819)	(120,605)
Income tax paid	(14,377)	(17,977)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>125,958</b>	<b>150,887</b>
<b>Changes in operating assets and liabilities</b>	<b>(107,695)</b>	<b>218,014</b>
<b>Net cashflow from operating activities</b>	<b>18,263</b>	<b>368,901</b>
<b>Net cash used in investing activities</b>	<b>(12,997)</b>	<b>(33,305)</b>
<b>Net cash used in financing activities</b>	<b>(60,535)</b>	<b>(85,981)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>(55,269)</b>	<b>249,615</b>
Cash and cash equivalents at 1 January	597,841	347,708
Unrealised gain on cash and cash equivalents	294	518
<b>Cash and cash equivalents at 31 December</b>	<b>542,866</b>	<b>597,841</b>

#### V. Summary Consolidated Statement of Changes in Equity

	Share Capital	Share premium	Distributable Reserves	FVOCI Reserve	Proposed dividend	Total
	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M
<b>At 31 December 2020</b>	<b>14,963</b>	<b>185,683</b>	<b>356,157</b>	<b>(1,542)</b>	<b>37,651</b>	<b>592,912</b>
Profit for the year	-	-	9,312	-	-	9,312
FVOCI revaluation	-	-	-	4,776	-	4,776
Loss allowance FVOCI	-	-	-	26	-	26
Dividend paid	-	-	-	-	(13,000)	(13,000)
Proposed dividends adjustment	-	-	24,651	-	(24,651)	-
Dividend proposed	-	-	-	-	-	-
<b>At 31 December 2021</b>	<b>14,963</b>	<b>185,683</b>	<b>390,120</b>	<b>3,260</b>	<b>-</b>	<b>594,026</b>

#### V. Message from the Directors

The summary consolidated financial statements are extracted from the audited consolidated financial statements in accordance with the dfcu Limited accounting policies which entail applying the guidance in the Financial Institutions (External Auditors) Regulations, 2010 to prepare the summary consolidated statement of financial position and summary consolidated statement of comprehensive income. The criteria for preparing the summary consolidated statement of changes in equity and summary consolidated statement of cash flows entails presenting subtotals derived from the audited consolidated financial statements and condensing some of the line items in the audited consolidated financial statements as indicated in the captions used in the summary consolidated financial statements. The full set of the consolidated financial statements will be available at our registered office at dfcu Towers and on our website www.dfcugroup.com after approval by the members during the Annual General Meeting.

The consolidated financial statements were approved by the Board of Directors on 29 March 2022.

The Board does not recommend payment of a dividend for the year 2021.

The date and related details of the Annual General Meeting will be availed in a later communication.



Dr Aminah Zawedde,  
Acting Chairperson, dfcu Limited.



Kironde Lule  
Director, dfcu Limited

## dfcu Bank Limited Extract of Financial Statements for the year Ended 31 December 2021

### REPORT OF THE INDEPENDENT AUDITOR ON THE PUBLISHED SUMMARY FINANCIAL STATEMENTS OF dfcu BANK LIMITED

#### Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2021, the summary statement of comprehensive income for the year then ended, and related notes, are derived from the audited financial statements of dfcu Bank Limited for the year ended 31 December 2021.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

#### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the requirements of the Companies Act, 2012, the Financial Institutions Act, 2004 (as amended) and Financial Institutions

Regulations of Uganda. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

#### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 30 March 2022. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

#### Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Financial Institutions (External Auditor) Regulations, 2010.

#### Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

*Ernst & Young*

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Plot 18 Clement Hill Road  
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P.O. Box 7215, Kampala, Uganda  
Date: 30 March 2022

II. Summary Statement of Financial Position	dfcu Bank	
	2021	2020
	Shs 'M	Shs 'M
<b>Assets</b>		
Cash and balances with Bank of Uganda	516,802	606,750
Balances due from other banks	229,524	195,441
Marketable (trading) securities	6,700	58,357
Loans and advances (Net)	1,508,410	1,775,316
Amounts due from group companies	14,633	15,932
Investment securities	552,290	517,005
Equity investments	7,701	9,651
Other assets	120,131	130,624
Derivative financial instruments	647	-
Deferred income tax asset	24,181	11,523
Property and equipment	136,881	153,459
Intangible asset	30,579	36,218
Assets held for disposal	29,089	29,089
<b>Total assets</b>	<b>3,177,568</b>	<b>3,539,365</b>
<b>Liabilities and shareholders' equity</b>		
Customer deposits	2,282,205	2,595,347
Balances due to other banks	-	10,968
Amounts due to group companies	2,882	197
Derivative financial instruments	308	97
Other liabilities	128,142	141,785
Current income tax payable	437	2,722
Borrowed funds	154,661	177,350
Subordinated debt	31,907	36,560
Provisions	2,190	2,520
<b>Total liabilities</b>	<b>2,602,732</b>	<b>2,967,546</b>
Share capital	30,000	30,000
Share premium	175,197	175,197
Retained earnings	366,379	328,513
Proposed dividends	-	39,651
FVOCI Reserve	3,260	(1,542)
<b>Total shareholders' equity</b>	<b>574,836</b>	<b>571,819</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,177,568</b>	<b>3,539,365</b>

III. Summary Statement of Comprehensive Income	dfcu Bank	
	2021	2020
	Shs 'M	Shs 'M
<b>Income</b>		
Interest on deposits and placements	11,011	21,461
Interest on loans and advances	282,789	265,284
Interest on government and other securities	63,266	59,516
Foreign exchange income	29,317	17,504
Fee and commission income	62,461	50,743
Net income from other financial instruments at FVTPL	2,002	486
Other income	(261)	297
<b>Total income</b>	<b>450,585</b>	<b>415,291</b>
<b>Expenditure</b>		
Interest expense on deposits	(62,852)	(89,591)
Interest expense on borrowings	(9,892)	(14,014)
Interest expense on financial lease liability	(8,458)	(6,418)
Impairment losses on financial instruments	(148,358)	(30,632)
Fair value losses on other financial instruments	(30,861)	(50,488)
Operating expenses	(179,690)	(191,595)
<b>Total expenditure</b>	<b>(440,111)</b>	<b>(382,738)</b>
<b>Profit before income tax</b>	<b>10,474</b>	<b>32,553</b>
Income tax credit/(expense)	2,741	(8,236)
<b>Profit after tax</b>	<b>13,215</b>	<b>24,317</b>
Other comprehensive income	4,802	(944)
<b>Total comprehensive income</b>	<b>18,017</b>	<b>23,373</b>

IV. Other disclosures	dfcu Bank	
	2021	2020
	Shs 'M	Shs 'M
<b>Contingent liabilities</b>		
Acceptances and letters of credit	-	-
Guarantees and performance bonds	443,974	271,869
<b>Total</b>	<b>443,974</b>	<b>271,869</b>
<b>Commitments</b>		
Undrawn stand-by facilities and other commitments to lend	26,650	37,289
<b>Total</b>	<b>26,650</b>	<b>37,289</b>
Non performing loans and other assets	274,049	94,095
Interest in suspense	47,529	13,188
Bad debts written off	37,579	13,905
Large loans exposures	480,430	351,286
Insider loans exposures	1,744	2,179
<b>Capital Position</b>		
Core capital	517,120	482,159
Supplementary capital	28,356	39,987
<b>Total qualifying capital</b>	<b>545,476</b>	<b>522,146</b>
<b>Total Risk Weighted Assets (RWA)</b>	<b>2,475,815</b>	<b>2,493,694</b>
Core capital to RWA	20.89%	19.34%
Total Qualifying capital to RWA	22.03%	20.94%

#### V. Message from the Directors

The summary financial statements are extracted from the audited financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010. The above summary statement of financial position and summary statement of comprehensive income were audited by Ernst & Young and received an unqualified opinion. The financial statements were approved by the Board of Directors on 14 March 2022 and discussed with Bank of Uganda on 23 March 2022.



**Jimmy D. Mugerwa**  
Chairman, dfcu Bank



**Mathias Katamba**  
Managing Director, dfcu Bank



**William Ssekabembe**  
Director, dfcu Bank



**Angelina Namakula Ofwono**  
Company Secretary, dfcu Bank

## A one-on-one with the CEO of dfcu Bank, the trading subsidiary of dfcu Limited.



Mathias Katamba  
Chief Executive Officer  
dfcu Bank

A strong leap forward achieved on the core business metrics, but one area impacted our Customers and the Bank's earnings

Following the release of the 2021 financial results, we held a one - on - one interview with Mathias Katamba, the Chief Executive Officer of dfcu Bank, the main trading subsidiary of dfcu Limited.

### What are the highlights of the Bank's performance?

We delivered strong topline growth with a 21% increase in operating income driven by a 17% increase in net interest income and a 35% increase in non-interest income. We also achieved a 26% reduction in interest expense, and improved operational efficiency demonstrated by a significant improvement in the cost to income ratio from 63% to 49%.

### What drove the significant topline growth?

As part of our retail strategy, we introduced new solutions in the various customer segments focusing on small businesses and supporting financial inclusion. In doing so we further reduced the composition of fixed deposits on our balance sheet. In our quest to deepen the support for key business sectors, we widened our offerings in the global financial markets and trade finance space hence increasing our outreach and trading volumes.

Our deliberate focus on improving the customer journey saw us increase investment in digital channels including expansion of the intelligent ATM fleet, new functionalities on both agent and online banking, and onboarding new partners supporting payments. These initiatives translated into increased utilization of our digital channels.

### How have you managed to consistently reduce operating costs in a challenging environment?

The Bank continued to invest in systems, technology and good practices in our pursuit of operational excellence. The benefits from process automation and digitization of customer journeys as indicated earlier reduced the cost to serve customers, consequently bringing down the cost to income ratio from 63% to 49% for the year.

### We noted a reduction in net loans and advances. What caused this?

Due to the slow economic activity, the Bank took a cautious approach to credit growth focusing on the specific sectors that remained active in the period while providing relief to those had restrictions. Whilst there was a reduction in the lending book,

it is important to note that the number of borrowing customers increased during the period, underpinning our retail focus.

### With all the progress noted above, what impacted the Bank's earnings?

We achieved a good leap forward on the core metrics with robust growth in total income and continued reduction in operating costs. The pre-provisioning profit i.e. profit before provisions, fair value losses and tax grew significantly from Ushs 114 Billion in 2020 to Ushs 190 Billion in 2021. The Bank's overall profit was significantly impacted by the loan impairment charge, resulting from the adverse impact of the Covid - 19 pandemic, the associated containment measures on our customers businesses and the impairment of the financial asset. We continued to support our customers, especially those operating in sectors that remained locked down for an extended period, with credit relief and business recovery loans.

The full reopening of the economy provides renewed optimism about the prospects of our business customers getting back to full operations which will improve their repayment ability, increasing demand for credit and providing a positive outlook for our performance.

### What are the other highlights for the year?

During the year we intensified our engagement and interaction with customers, stakeholders and community at large using various platforms.

The weekly Investment Club financial literacy sessions provided avenues for continuous engagement, feedback and learning. Furthermore, the Women in Business program continued to nurture the

entrepreneurial spirit of women through regular tailored trainings.

The introduction of flagship lending solutions for small and informal businesses where they acquire credit with flexible collateral requirements has enabled us to support many upcoming entrepreneurs across the country. Additionally, through other programs such as the Top 100 Medium Sized Company Survey done in conjunction with our partners we offered a platform and opportunities to harness value and build sustainable businesses.

Through the Agribusiness Development Centre, a partnership between dfcu and Rabobank foundation, we complemented efforts towards improving the skills set within the Agriculture sector, by providing technical support to Farmer Based Organization's (FBOs) within the agricultural value chain.

### What should customers and stakeholders expect from dfcu going forward?

Following the full reopening of the economy, we expect that economic activity will bounce back with real GDP projected to grow by 6% in 2022. We also expect demand for credit to return as businesses recover and reposition for growth.

We will continue to focus on the growth of our retail business, supporting businesses and individuals in the post covid recovery during 2022, in addition to building resilience in our loan book through rehabilitation and debt recovery programs.