



dfcu Limited

Consolidated and Separate
Financial Statements

For The Year Ended 31 December 2025

**GOING
FURTHER,
TOGETHER**

dfcu Bank is regulated by the Central Bank of Uganda and is registered under Registration Number 90 010000085469.

Customer deposits are protected by the Deposit Protection Fund of Uganda up to UGX 10 million. T&Cs apply.

dfcugroup    

dfcu Bank    

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TABLE OF CONTENTS	PAGE
Group information	1-2
Directors' report	3
Statement of directors' responsibilities	4
Independent auditor's report	5-9
Financial statements:	
Consolidated statement of comprehensive income	10
Company statement of comprehensive income	11
Consolidated statement of financial position	12
Company statement of financial position	13
Consolidated statement of changes in equity	14
Company statement of changes in equity	15
Consolidated statement of cash flows	16
Company statement of cash flows	17
Notes to the consolidated and separate financial statements	18-119
Supplementary information	
Principal shareholders and share distribution	120

GROUP INFORMATION**DIRECTORS**

JD Mugerwa*	-	Chairman
A. Zawedde*	-	Non-executive Director
L. Kironde*	-	Non-executive Director (Resigned 10 July 2025)
F. Pelser***	-	Non-executive Director
BT Arimi*	-	Non-executive Director
F Gimara*	-	Non-executive Director
K Keto*	-	Non-executive Director (Appointed 10 July 2025)

*Ugandan

***South African

CORPORATION SECRETARY

Ligomarc Advocates
Plot 17 Baskerville Avenue, Kololo
P. O. Box 8230
Kampala, Uganda

AUDITOR

KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts Building
Plot 2 & 4A, Nakasero Road
P. O. Box 3509
Kampala, Uganda

REGISTERED OFFICE

Plot 26 Kyadondo Road
P. O. Box 2767
Kampala, Uganda

GROUP INFORMATION (CONTINUED)

MAIN CORRESPONDENT BANKS**Citibank N.A New York**

International Services
Citibank N.A New York
399 Park Avenue, New York, NY
10043 U.S.A

Citibank N.A London

International Services
Citibank N.A London
Citigroup Centre, Canada square
Canary Wharf, London E14 5LB

First Rand Bank

6th Floor, 1 Merchant Place
Corner Fredman & Rivonia Road
Sandton, South Africa

Bank of China

Zhongyin Tower
Yincheng Zhong Road
Shanghai, China

Kenya Commercial Bank (KCB)

Kencom House, Moi Avenue
Nairobi, Kenya

dfcu Bank Limited

Plot 26 Kyadondo Road
P. O. Box 70
Kampala, Uganda

GROUP'S SOLICITORS**M/s MMAKS Advocates**

4th Floor Redstone House
Plot 7 Bandali Rise-Bugolobi Kampala

S&L Advocates

14, MacKinnon Road, Nakasero
P. O. Box 2255, Kampala

M/s A.F Mpanga Advocates

Plot 26 Kyadondo Road, Nakasero
P. O. Box 1520 Kampala

K&K Advocates

K&K Chambers
Plot 5A2 Acacia Avenue
P. O. Box 6061, Kampala

M/s Arcadia Advocates

3rd Floor Acacia Place
Plot 6 Acacia Avenue
P. O. Box 28997, Kampala

KTA Advocates

Plot 4 Hannington Road
P. O. Box 37366, Kampala

KSMO Advocates

5th Floor Crested Towers
17 Hannington Road
P. O. Box 23064, Kampala

Kentaro Mugerwa & Company Advocates

2nd Floor Mukwano Courts
Plot 13 Buganda Road, Kampala

Kalenge, Bwanika, Ssawa & Co. Advocates

KBS Chambers
Plot 30, Lumumba Avenue
P. O. Box 8352, Kampala

Amber Solicitors & Advocates

6th Floor Lourdel Towers
Plot 1 Lourdel Road, Kampala

Muganwa Nanteza and Co Advocates

Plot 1-3 Coral- Crescent, Lower Kololo
Nice Apartments
P. O. Box 8543, Kampala

Ligomarc Advocates

Plot 17 Baskerville Avenue, Kololo
P. O. Box 8230, Kampala

DIRECTORS' REPORT

The directors submit their report together with the audited consolidated and separate financial statements of dfcu Limited ("the Company") and its subsidiaries, dfcu Bank Limited and dfcu Foundation (together "the Group") for the year ended 31 December 2025, which disclose the state of affairs during the period under review. The Company owns majority of the ordinary shares of dfcu Bank Limited which is the sole trading entity of the Group and is a member of dfcu Foundation.

PRINCIPAL ACTIVITIES

The Group is engaged in the business of financial services and real estate. The Bank (subsidiary) is licensed under the Financial Institutions Act Cap 57, Laws of Uganda to undertake the business of commercial banking. The Foundation on the other hand empowers selected market segments through capacity building, accelerator opportunities and strategic linkages that foster innovation, collaboration and sustainable growth.

The Group's balance sheet closed at Ushs 3.715 trillion in 2025 (2024: Ushs 3.429 trillion), net loans and advances of Ushs 1.265 trillion (2024: 1.132 trillion) and customer deposits of Ushs 2.714 trillion (2024: Ushs 2.356 trillion).

RESULTS AND DIVIDEND

The Group's profit for the year was Ushs 74.9 billion (2024: Ushs 72.1 billion). The directors recommend the payment of a final dividend for the year ended 31 December 2025 of Ushs 16,317 million (2024: 15,027 million) or Ushs 21.81 per share (2024: Ushs 20.09 per share).

DIRECTORS

During the financial year and up to the date of this report, other than as disclosed in Note 47 to the consolidated and separate financial statements, no director has received or become entitled to receive any benefit other than directors' fees and amounts received under employment contracts for executive directors. The aggregate amount of emoluments for directors' services rendered in the financial year is disclosed in Note 47 of the consolidated and separate financial statements.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Group is a party whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Group.

The directors who held office during the year and to the date of this report are set out on page 1.

COMPANY REGISTRAR

The registrar of the Company is C&R Group located at the address below:

4th Floor, DTB Centre, Kampala Road
P.O Box 74895
Kampala
Uganda

AUDITOR

The Group's external auditor, KPMG, were appointed during the year and being eligible have expressed willingness to continue in office in accordance with Section 167(2) of the Companies Act, Cap 106 Laws of Uganda, and Section 62(1) of the Financial Institutions Act Cap 57, Laws of Uganda.

ISSUE OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements were approved and authorised for issue in accordance with a resolution of the directors dated 27 March 2026.

By order of the Board



Ligomarc Advocates

Plot 17 Baskerville Avenue, Kololo
P. O. Box 8230
Kampala, Uganda

COMPANY SECRETARY

Date: 27 March 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Group's directors are responsible for the preparation of consolidated and separate financial statements set out on pages 9 to 118 that give a true and fair view of the consolidated and separate financial position of dfcu Limited, comprising the consolidated and separate statements of financial position as at 31 December 2025, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of material accounting policies in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies Act, CAP 106 Laws of Uganda and Financial Institutions Act Cap 57 Laws of Uganda.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.


The directors have made an assessment of the ability of the Group to continue as going concern and have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the IFRS Accounting Standards and in the manner required by the Financial Institutions Act Cap 57, Laws of Uganda and Companies Act, CAP 106 Laws of Uganda.

Preparation and approval of the consolidated and separate financial statements

The consolidated and separate financial statements of dfcu Limited for the year ending 31 December 2025 have been prepared by CPA Rebecca Birungi, P - 0457 on behalf of the Board of Directors.

The consolidated and separate financial statements of dfcu Limited, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 27 March 2026.


.....
Director
.....
Director
.....
Secretary

Date: 27 March 2026



KPMG
Certified Public Accountants
of Uganda
3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda
Reg No. AF0026

Tel +256 312 170 080/1
Fax +256 414 340 318
Email info@kpmg.co.ug
Internet www.kpmg.com/eafrica

Independent auditor's report

To the shareholders of dfcu Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of dfcu Limited ("the Group and Company") set out on pages 10 to 120, which comprise the consolidated and company statements of financial position as at 31 December 2025, and the consolidated and company statements of comprehensive income, consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 December 2025, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, Cap. 106 Laws of Uganda and Financial Institutions Act, Cap. 57 Laws of Uganda.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated and separate financial statements of public interest entities in Uganda. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We did not identify any key audit matters for the company.

Independent auditor's report

To the shareholders of dfcu Limited (Continued)

Report on the audit of the financial statements (Continued)

Expected credit loss on loans and advances to customers

The disclosures associated with impairment of loans and advances to customers are set out in the financial statements in the following notes:

- Note 3(a) - Impairment losses on financial assets,
- Note 5h(vii) - Impairment,
- Note 6B - Credit risk,
- Note 18 - Credit loss expense on financial assets and
- Note 23 - Loans and advances to customers.

Key audit matter	How the matter was addressed in our audit
<p>The net loans and advances to both retail and corporate customers of the group totaled Ushs 1,265 million as at 31 December 2025 which represents 34% of total assets, after taking into account the expected credit loss (ECL) allowance amounting to Ushs 40,938 million.</p> <p>Management exercises significant judgement, estimation and applies subjective assumptions when determining both the timing and the amounts of the ECL for the loans and advances to customers.</p> <p>Key areas of judgement and estimation included:</p> <ul style="list-style-type: none"> ▪ The determination of significant increase in credit risk (SICR) within the loans staging process which is based on quantitative and qualitative factors such as days past due and delinquency or forbearance respectively. ▪ The measurement of expected credit losses is dependent upon key assumptions relating to Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Within the LGD model, the estimation of the amount and timing of future cashflows and collateral values requires significant judgment. <p>The Group is also required to adequately disclose the uncertainties inherent in the key judgments and material inputs applied in determining ECL.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of the credit management processes and performing end to end process assessments to identify the key systems, applications and controls used in the determination of ECL with the assistance of our IT specialists. ▪ Evaluating the design and implementation and operating effectiveness of management review control over the ECL estimate provision. ▪ Evaluating the predictive capability of the model by comparing the prior period ECL estimate with the actual results of the estimate (write-offs) in the current year. ▪ Selecting a sample of facilities from the Group's loan book and evaluated whether loan facilities sampled are correctly staged/classified by comparing the credit risk information for each facility against the Group's staging criteria for each stage of the facility. This also included evaluating the appropriateness of the Group's SICR criteria by assessing reasonableness of qualitative staging decisions such as the borrower's financial performance by reviewing latest financial reports submitted to the Group and correspondences between the borrower and the Group. Quantitative staging criteria such as days past due was assessed by evaluating the repayment history and the last repayment date and re-aging sampled loans; ▪ Assessing that the inputs into the expected credit loss models are reasonable by selecting a sample of key data inputs such as the quarterly loan books, cost and time to realization of the sale of collateral, recoveries, collateral values and agreeing this to underlying records such as facility agreements, loan account statements and valuation reports. ▪ Testing the accuracy of the historical Probabilities of Default by performing recalculations based on the historical transitions while the financial risk management specialists assisted with evaluating the predictive capability of the model.

Independent auditor's report

To the shareholders of dfcu Limited (Continued)

Report on the audit of the financial statements (Continued)

Expected credit loss on loans and advances to customers

The disclosures associated with impairment of loans and advances to customers are set out in the financial statements in the following notes:

- Note 3(a) - Impairment losses on financial assets,
- Note 5h(vii) - Impairment,
- Note 6B - Credit risk,
- Note 18 - Credit loss expense on financial assets and
- Note 23 - Loans and advances to customers.

Key audit matter	How the matter was addressed in our audit
<p>Due to the significant judgment applied by management and the significant audit effort required, the determination of ECLs was considered to be a key audit matter.</p>	<ul style="list-style-type: none"> ▪ Assessing the reasonableness of the LGD assumptions applied such as adjustments to collateral values by performing re-calculations and obtaining evidence of sales of collateral including adverts and proof of payment for the parameters used in deriving the adjustments such as date of advertisement, actual date of sale, proceeds from sale and advertising costs. ▪ Testing the model's mathematical soundness by reperforming the ECL calculations using the parameters – PD, LGD, and EAD and comparing the results with our independent calculations for a sample of credit facilities. ▪ Evaluating the adequacy of disclosures in the financial statements, including whether the credit risk disclosures, appropriately disclose the key assumptions and judgements used in determining the expected credit losses in accordance with IFRS 7 Financial Instruments Disclosures and IFRS 9 Financial Instruments.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Consolidated and Separate financial statements for the year ended 31 December 2025", which includes Group information, Directors' report, Statement of directors' responsibilities, other supplementary information and principal shareholders and share distributions, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report

To the shareholders of dfcu Limited (Continued)

Report on the audit of the financial statements (Continued)

Directors responsibilities for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by Companies Act, Cap. 106 Laws of Uganda and Financial Institutions Act, Cap. 57 Laws of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



Independent auditor's report

To the shareholders of dfcu Limited (Continued)

Report on the audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Companies Act, Cap. 106 Laws of Uganda and Financial Institutions Act, Cap. 57 Laws of Uganda we report to you, solely based on our audit of the consolidated and separate financial statements that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account have been kept by the Group and Company, so far as appears from our examination of those books; and
- iii. The consolidated and company statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Stephen Ineget – P0401.

KPMG
Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda

CPA Stephen Ineget

Date: 28 March 2026



Consolidated statement of comprehensive income for the year ended 31 December 2025

	Note	2025 Ushs M	2024 Ushs M
Interest income calculated using the effective interest method	9(a)	409,243	359,868
Other interest and similar income	9(b)	2,753	1,698
Interest expense calculated using the effective interest method	10	(107,382)	(94,269)
Net interest income		304,614	267,297
Fees and commission income	13	65,250	66,529
Net trading and other income	11	46,642	24,901
Net income from other financial instruments at FVTPL	12	5,405	1,909
Net total income		421,911	360,636
Operating expenses	14	(332,005)	(292,664)
Fair value losses on other financial assets at fair value through profit or loss	27	(79)	(716)
Expected credit (loss)/recovery on financial assets	18	(9,951)	12,007
Profit before tax		79,876	79,263
Income tax expense	20(a)	(4,882)	(7,176)
Profit after tax for the year		74,994	72,087
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain/(loss) on FVOCI financial assets net of tax	41	3,157	(6,353)
Changes in ECL on FVOCI financial instruments	41	459	1,294
Total other comprehensive income		3,616	(5,059)
Total comprehensive income for the year		78,610	67,028
Attributable to:			
Equity holders of the Company		78,610	67,028
Earnings per share:			
Basic earnings per share	19	100.24	96.35
Diluted earnings per share	19	100.24	96.35

All the profit after tax for the year, other comprehensive income and total comprehensive income are attributable to equity holders of the Company.

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Company statement of comprehensive income for the year ended 31 December 2025

	Note	2025 Ushs M	2024* Ushs M
Dividend income	17(b)	30,055	13,615
Fees and commission income	13	869	789
Other income	11	7,023	7,128
Operating expenses	14	(12,932)	(8,865)
Operating profit		<u>25,015</u>	<u>12,667</u>
Interest income	9	1,068	554
Interest expense	10	(841)	(1,587)
Net interest income		<u>227</u>	<u>(1,033)</u>
Profit before tax		25,242	11,634
Income tax expense	20(a)	(1,777)	(1,091)
Profit for the year		<u>23,465</u>	<u>10,543</u>
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income for the year		<u>23,465</u>	<u>10,543</u>

*The prior year Company statement of comprehensive income has been re-presented to align to the requirements of IAS 1 and clearly reflect the operations of the holding company.

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2025

	Note	2025 Ushs M	2024 Ushs M
Assets			
Cash and balances with Bank of Uganda	21	468,076	434,817
Deposits and balances due from other banks	22	246,690	211,315
Government and other securities:			
Trading assets	26	157,177	73,724
Investment securities at FVOCI	25	619,028	582,723
Investment securities at amortised cost	25	656,467	728,018
Other receivables from Bank of Uganda	29(b)	832	832
Derivative financial instruments	45	865	2,064
Loans and advances to customers	23	1,265,799	1,132,199
Investment in equity shares	24	1,209	6,543
Other assets	27	36,794	33,619
Deferred income tax asset	31	113,343	87,859
Property, equipment and right-of-use assets	29(a)	85,750	80,362
Investment property	28	18,584	18,849
Intangible assets	30	45,369	36,148
Total assets		3,715,983	3,429,072
Liabilities			
Customer deposits	33	2,714,571	2,356,281
Derivative financial instruments	45	792	457
Deposits due to other banks	34	14,004	120,256
Other liabilities	35	82,604	88,101
Borrowed funds	37	124,943	149,482
Special funds	36	1,193	1,193
Current income tax payable	20(d)	5,512	4,685
Deferred income tax liability	31	1,035	-
Provisions	44(a)	3,493	4,364
Total liabilities		2,948,147	2,724,819
Equity			
Share capital	38	14,963	14,963
Share premium	38	185,683	185,683
FVOCI reserve	41	(243)	(3,859)
Retained earnings	40	551,116	488,743
Regulatory reserve	39	-	3,696
Proposed dividend	17(a)	16,317	15,027
Total equity		767,836	704,253
Total equity and liabilities		3,715,983	3,429,072

The consolidated and separate financial statements set out on pages 10 to 119 were approved and authorised for issue by the Board of Directors on 27 March 2026 and signed on its behalf by:



Director



Director



Secretary

Date: 27 March 2026

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Company statement of financial position as at 31 December 2025

	Note	2025 Ushs M	2024 Ushs M
Assets			
Amounts due from Group companies	47(b)	2,599	2,092
Other assets	27	65	195
Current income tax recoverable	20(d)	904	745
Investment in subsidiaries	32	203,293	203,293
Investment property	28	36,131	36,595
Total assets		242,992	242,920
Liabilities and equity			
Liabilities			
Amounts due to Group companies	47 (a)	4,435	13,214
Other liabilities	35	2,466	2,777
Deferred income tax liability	31	1,035	311
Total liabilities		7,936	16,302
Equity			
Share capital	38	14,963	14,963
Share premium	38	185,683	185,683
Retained earnings	40	18,093	10,945
Proposed dividends	17(a)	16,317	15,027
Total equity		235,056	226,618
Total equity and liabilities		242,992	242,920

The consolidated and separate financial statements set out on pages 10 to 119 were approved and authorised for issue by the Board of Directors on 27 March 2026 and signed on its behalf by:



.....
Director



.....
Director



.....
Secretary

Date: 27 March 2026

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2025

	Share capital	Share premium	Retained earnings	Regulatory reserve	FVOCI revaluation reserve	Proposed dividends	Attributable to equity holders of the parent	Total
Note	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
For the year ended 31 December 2024:								
As at 1 January 2024	14,963	185,683	427,310	8,069	1,200	6,808	644,033	644,033
Comprehensive income:								
<i>Profit for the year</i>	-	-	72,087	-	-	-	72,087	72,087
Other comprehensive income:								
<i>Loss allowance FVOCI</i>	41	-	-	-	1,294	-	1,294	1,294
<i>FVOCI revaluation</i>	41	-	-	-	(6,353)	-	(6,353)	(6,353)
<i>Transfer of regulatory reserve to retained earnings</i>	39	-	4,373	(4,373)	-	-	-	-
Total comprehensive income	-	-	76,460	(4,373)	(5,059)	-	67,028	67,028
Transactions with shareholders:								
<i>Dividends paid</i>	17(a)	-	-	-	-	(6,808)	(6,808)	(6,808)
<i>Proposed dividends</i>	17(a)	-	(15,027)	-	-	15,027	-	-
Total transactions with shareholders	-	-	(15,027)	-	-	8,219	(6,808)	(6,808)
As at 31 December 2024	14,963	185,683	488,743	3,696	(3,859)	15,027	704,253	704,253
For the year ended 31 December 2025:								
As at 1 January 2025	14,963	185,683	488,743	3,696	(3,859)	15,027	704,253	704,253
Comprehensive income:								
<i>Profit for the year</i>	-	-	74,994	-	-	-	74,994	74,994
Other comprehensive income:								
<i>Loss allowance FVOCI</i>	41	-	-	-	459	-	459	459
<i>FVOCI revaluation</i>	41	-	-	-	3,157	-	3,157	3,157
<i>Transfer of regulatory reserve to retained earnings</i>	39	-	3,696	(3,696)	-	-	-	-
Total comprehensive income	-	-	78,690	(3,696)	3,616	-	78,610	78,610
Transactions with shareholders:								
<i>Dividends paid</i>	17(a)	-	-	-	-	(15,027)	(15,027)	-15,027
<i>Proposed dividends</i>	17(a)	-	(16,317)	-	-	16,317	-	-
Total transactions with shareholders	-	-	(16,317)	-	-	1,290	(15,027)	(15,027)
As at 31 December 2025	14,963	185,683	551,116	-	(243)	16,317	767,836	767,836

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2025

	Note	Share capital Ushs M	Share premium Ushs M	Retained earnings Ushs M	Proposed dividends Ushs M	Total Ushs M
For the year ended 31 December 2024:						
At 1 January 2024		14,963	185,683	15,429	6,808	222,883
Comprehensive income:						
<i>Profit for the year</i>		-	-	10,543	-	10,543
Total comprehensive income		-	-	10,543	-	10,543
Transactions with shareholders:						
<i>Dividends paid</i>	17	-	-	-	(6,808)	(6,808)
<i>Dividends proposed</i>	17	-	-	(15,027)	15,027	-
Total transactions with shareholders		-	-	(15,027)	8,219	(6,808)
At 31 December 2024		14,963	185,683	10,945	15,027	226,618
For the year ended 31 December 2025:						
At 1 January 2025		14,963	185,683	10,945	15,027	226,618
Comprehensive income:						
<i>Profit for the year</i>		-	-	23,465	-	23,465
Total comprehensive income		-	-	23,465	-	23,465
Transactions with shareholders:						
<i>Dividends paid</i>	17	-	-	-	(15,027)	(15,027)
<i>Dividends proposed</i>	17	-	-	(16,317)	16,317	-
Total transactions with shareholders		-	-	(16,317)	1,290	(15,027)
At 31 December 2025		14,963	185,683	18,093	16,317	235,056

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December

	Note	2025 Ushs M	2024 Restated Ushs M
Operating activities:			
Profit before tax		79,876	79,263
Adjustment for:			
Depreciation of property, equipment and right-of-use assets	29(a)	19,144	18,884
Depreciation of investment property	28	312	523
Amortisation of intangible assets	30	7,494	6,122
Unrealised foreign exchange loss/(gain)	11	1,258	(2,134)
Loss/(profit) on disposal of fixed assets	11	798	(120)
Fair value losses on assets at fair value through profit and loss	27	79	716
Expected credit loss/(recovery) on financial assets	18	9,951	(12,007)
Gain on sale of equity investments	24	(839)	(124)
Interest income	9	(411,996)	(361,566)
Interest expense	10	107,382	94,269
Grant income	9	(1,989)	-
Grants received		3,084	-
Dividends income		-	(353)
Reversal/increase in provisions and employee benefits		(78,406)	(39,546)
Cash from operating activities before changes in operating assets and liabilities		(263,852)	(216,073)
Changes in operating assets and liabilities			
Decrease/(increase) in government and other securities		35,245	(346,157)
Increase in Bank of Uganda cash reserve requirement		(10,445)	94,790
(Increase)/decrease in loans and advances to customers		(153,792)	13,118
Increase in other assets		(556)	(3,828)
(Decrease)/increase in balances due to other banks		(106,252)	85,223
Increase in customer deposits		358,290	37,709
(Decrease)/increase in other liabilities		(812)	5,156
		(142,174)	(330,062)
Interest received		414,805	361,123
Interest paid		(102,356)	(85,101)
Income tax paid	20(d)	(30,054)	(23,498)
Net cash inflows/(outflows) from operating activities		140,221	(77,538)
Investing activities			
Purchase of property and equipment	29(a)	(24,648)	(16,332)
Purchase of intangible assets	30	(17,516)	(15,611)
Dividends received		-	353
Proceeds from sale of investments in equity shares	24	6,251	826
Proceeds from sale of property and equipment		133	261
Net cash outflows used in investing activities		(35,780)	(30,503)
Financing activities			
New borrowings received	37	7,024	78,651
Principle paid on borrowings	37	(35,994)	(6,352)
Principle paid on lease liability	43	(2,169)	(2,493)
Dividends paid to shareholders	17	(15,027)	(6,808)
Net cash (outflows)/inflows used in financing activities		(46,166)	62,998
Net increase/(decrease) in cash and cash equivalents		58,275	(45,043)
Effect of exchange rate changes on cash and cash equivalents held		(86)	624
Cash and cash equivalents at start of year*		530,102	574,521
Cash and cash equivalents at end of year	46	588,291	530,102

*The prior year cash and cash equivalents have been restated to consider 50% of the minimum balance advised by Bank of Uganda. Refer to note 46 and 52 for the details of the impact of the change.

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Company statement of cash flows for the year ended 31 December

	Note	2025 Ushs M	2024 Ushs M
Operating activities:			
Profit before tax		25,242	11,634
Adjustment for:			
Depreciation of investment property	28	1,383	1,535
Unrealised foreign exchange loss	11	16	12
Interest income	9	(1,068)	(554)
Interest expense	10	841	1,587
Dividend income	17(b)	(30,055)	(13,615)
Reversal/increase in provisions and employee benefits		93	(342)
Cash from operating activities before changes in operating assets and liabilities		(3,548)	257
Changes in operating assets and liabilities			
Decrease in amounts due to group companies		(8,779)	(7,114)
(Increase)/decrease in other assets		(130)	102
(Decrease)/increase in other liabilities		(151)	37
		(12,608)	(6,718)
Interest income received		1,068	554
Income tax paid	20(d)	(1,212)	(1,139)
Net cash outflows from operating activities		(12,752)	(7,303)
Investing activities			
Purchase of investment property	28	(919)	(87)
Dividends received	17(b)	30,055	13,615
Net cash inflows from investing activities		29,136	13,528
Financing activities			
Interest expense paid		(857)	(1,897)
Dividends paid to shareholders	17	(15,027)	(6,808)
Net cash outflows used in financing activities		(15,884)	(8,705)
Net increase/(decrease) in cash and cash equivalents		500	(2,480)
Effect of exchange rate changes on cash and cash equivalents held		7	14
Cash and cash equivalents at start of year		2,092	4,558
Cash and cash equivalents at end of year	46	2,599	2,092

The accounting policies and notes on pages 18 to 119 form an integral part of these financial statements.

Notes to the consolidated and separate financial statements

1. General information

dfcu Limited ('the Company') is incorporated in Uganda under the Companies Act of Uganda as a public limited liability company and is domiciled in Uganda. Some of the Company's shares are listed on the Uganda Securities Exchange (USE). The Company is domiciled in Uganda and the address of its registered office is:

Plot 26 Kyadondo Road
P.O. Box 2767
Kampala, Uganda

For purposes of reporting under the Companies Act, Cap 106 Laws of Uganda, the balance sheet is represented in these consolidated and separate financial statements by the statement of financial position and the profit and loss account is represented by the statement of comprehensive income.

2. Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with and comply with the with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Financial Institutions Act Cap 57, Laws of Uganda and Companies Act, CAP 106 Laws of Uganda. They were approved and authorised for issue by the Company's board of directors on 27 March 2026. Details of the Group's accounting policies are included in Notes 4 and 5.

The consolidated and separate financial statements are presented in Uganda Shillings (Ushs), which is the Group's functional currency. All amounts have been rounded to the nearest million (Ushs M), unless otherwise indicated.

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies included in Note 4 and 5.

The preparation of the consolidated and separate financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated and separate financial statements, are disclosed in note 3.

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 7

3. Material accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

i) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time ECL basis and the qualitative assessment.

Notes to the consolidated and separate financial statements (continued)**3. Material accounting judgements, estimates and assumptions (continued)****a) Impairment losses on financial assets (continued)**

- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Refer to Note 5(l) for further information on determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

ii) Going concern

The Group's directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

iii) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

For further details about determination of fair value please see Note 6E.

iv) Effective Interest Rate (EIR) method

The Group's EIR method recognises interest income using a rate of return that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Refer to note 5(a) for further information on the Group's policy.

v) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Uganda tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer to Note 5(k) and 31 for further information on recognition of deferred tax assets and utilization of carried forward tax losses.

vi) Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory assessments, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its financial statements.

Notes to the consolidated and separate financial statements (continued)

3. Material accounting judgements, estimates and assumptions (continued)

f) Provisions and other contingent liabilities (continued)

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

For further details on provisions and other contingencies see Note 44.

vii) Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

viii) Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Group's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

4. Changes in material accounting policies

a) New accounting standards, amendments and interpretations

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments did not have a material impact on the Group's financial statements

b) New and amended accounting standards and interpretations issued but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning on or after 1 January 2026 and earlier applications is permitted. However, the Group has not yet adopted early the new and amended accounting standards in preparing these financial statements.

i) IFRS 18 Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

Notes to the consolidated and separate financial statements (continued)

4. Changes in material accounting policies (continued)

b) New and amended accounting standards and interpretations issued but not yet effective (continued)

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

ii) IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

iii) IAS 21 The Effects of Changes in Foreign Exchange Rates

Under the final amendments of this standard, a company with a non-hyperinflationary functional currency but a hyperinflationary presentation currency translates all the financial statement amounts (including comparatives) using the closing rate at the latest reporting date. The final amendments also provide guidance for a company with hyperinflationary functional and presentation currencies that has a foreign operation with a non-hyperinflationary functional currency. In this case, the company restates the comparative information of the foreign operation included in the company's previously issued financial statements by applying the general price index under paragraph 34 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, and translates all amounts of the foreign operation other than comparatives using the closing rate at the latest reporting date. The standard will become effective for reporting periods beginning on or after 1 January 2027, with early adoption permitted. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

The following are other new and amended accounting standards and interpretations issued but not yet effective and the Group is working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Effective date	New accounting standards or amendments
1 January 2026	Classification and Measurement of Financial Instruments – Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>
	Annual Improvements to IFRS Accounting Standards – Amendments to: <ul style="list-style-type: none"> • IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>; • IFRS 7 <i>Financial Instruments: Disclosures</i> and its accompanying <i>Guidance on implementing IFRS 7</i>; • IFRS 9 <i>Financial Instruments</i>; • IFRS 10 <i>Consolidated Financial Statements</i>; and • IAS 7 <i>Statement of Cash flows</i>
	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7
To be determined	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>

5. Material accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Consolidation

The consolidated financial statements comprise the financial statements of dfcu Limited and its subsidiaries, dfcu Bank Limited and dfcu Foundation as at 31 December 2025.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity (investee) and has the ability to affect those returns through its power over the entity.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****b) Operating income (continued)**

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Dividend income

Dividend income is recognised when the right to receive payment is established.

b) Operating income***i. Interest income and expense***

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 5(i)(vii) and 6B.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

b) Operating income (continued)

iv. Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases. Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

v. The Effective Interest Rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR.

The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

c) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income, which includes fees and commissions from ledger fees, money transfers, low balance fees, statement fees, unpaid cheques charges, URA licensing, ATM commissions, letters of credit fees, letters of guarantee, telegraphic transfer fees, and other fees and commissions- is recognised as the related services are performed.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

A contract with a customer that results in a recognised financial instrument in the Group's consolidated and separate financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not include multiple performance obligations.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****c) Fees and commission (continued)**

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. More details on the various type of fees and commissions recognised in the scope of IFRS 15 are included in Note 13.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Contract balances

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- 'Fees and commissions receivables' included under 'Other assets', which represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.
- 'Unearned fees and commissions' included under 'Other liabilities', which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Group performs.

d) Net trading and other income

'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences, for financial assets and financial liabilities held for trading.

e) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

f) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment. Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

g) Foreign currency translation

Items included in the consolidated and separate financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and separate financial statements are presented in Uganda Shillings which is the Group's functional currency. Foreign currency transactions are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities

*i. Recognition and initial measurement**Date of recognition*

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated (e.g., Loans and advances to customers are recognised when funds are transferred to the customers' accounts and the Bank recognises balances due to customers when funds are transferred to the Bank).

All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or reduced by transaction costs that are directly attributable to its acquisition or issue respectively, for an item not at fair value through profit or loss. The fair value of a financial instrument at initial recognition is generally its transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income.

In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

ii. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

- The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
 - the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
 - how the performance of the portfolio is evaluated and reported to the Group's management;
 - the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*ii. Classification**Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration RE the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****h) Financial assets and liabilities (continued)**

- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

iii. Derecognition**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. Modifications of financial assets and financial liabilities**Financial assets**

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****h) Financial assets and liabilities (continued)**

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Financial assets

If the terms of a financial asset were modified, then the Group evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

vi. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments - e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure - are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii. Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments as they are classified and measured at FVPL

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

Restructured financial assets (continued)

This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different. In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the EGL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

Measurement of impairment

The Group calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. Details are included in Note 6B.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. Details are included in Note 6B.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. Details are included in Note 6B.

When estimating the ECL, the Group considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs, as set out in 6B.

When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For debt security held at fair value through OCI (FVOCI): If in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired debt security at FVOCI was always recognised in OCI.

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on investment securities at FVOCI were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Group also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

viii. Designation at fair value through profit or loss

Financial assets

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial liabilities

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 7 sets out the amount of each class of financial asset or financial liability that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Ugandan Financial Institutions Act Cap 57, Laws of Uganda requirements

In addition to the measurement of impairment losses on loans and advances in accordance with IFRS Accounting Standards as set out above, the Group is also required by the Financial Institutions Act Cap 57, Laws of Uganda to estimate losses on loans and advances as follows:

- i) A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Financial Institutions Credit Classification Regulations, 2005, as follows:
 - a) substandard assets with arrears period between 90 and 179 days – 20%;
 - b) doubtful assets with arrears period between 180 days and 364 days – 50%;
 - c) loss assets with arrears period over 365 days – 100%.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****h) Financial assets and liabilities (continued)**

In addition to the arrears period, companies must follow subjective criteria in arriving at the classification attributable to the assets.

ii) A general provision of at least 1% of their total outstanding credit facilities net of specific provisions.

Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act Cap 57, Laws of Uganda exceed amounts determined in accordance with IFRS, the excess is taken to a regulatory reserve as an appropriation of retained earnings. Otherwise, the regulatory reserve is reduced to the extent that the provision for impairment determined in accordance with IFRS exceeds that determined in accordance with the Financial Institutions Act Cap 57, Laws of Uganda and the amount taken back to retained earnings.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

ix. Staff loans

In the normal course of business, the Group advances loans to employees at below market rate. These loans are measured initially at fair value. The favourable loan term offered to employees are dependent on the continued employment and therefore relate to services to be rendered in future periods.

ix Staff loans (continued)

The interest benefit is forfeited if the employee leaves the Group. The benefit is a long term benefit to the employees and the discount arising from the difference between the nominal value and the market value is treated as a prepayment and expensed in profit or loss in the period in which the services are rendered.

i) Property, equipment and right-of-use assets**i. Recognition and measurement**

Property and equipment is stated at cost excluding the costs of day-to-day servicing, net of accumulated depreciation and/or accumulated impairment losses, if any. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

ii. Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation of owned assets is calculated using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Land is not depreciated.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

i) Property, equipment and right-of-use assets (continued)

iii. Depreciation (continued)

The estimated useful lives of significant items of property and equipment are as follows:

Buildings	40 years
Furniture, fittings and equipment	6 – 7 years
Computer equipment	3 – 5 years
Motor vehicles	4 years
Work-in-progress	Not depreciated

Leasehold improvements are amortised over the shorter of the estimated useful life of the improvements, and the remaining lease term.

Management and directors review the residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is prospectively adjusted.

j) Intangible assets

i. Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Goodwill: that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Software: acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Intangible assets with finite lives are amortised over their useful economic lives using the straight line method and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. The estimated useful life of the Bank's software is 5 years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Amortisation methods, residual values and useful lives are reviewed at each reporting period and adjusted if appropriate.

iv. Derecognition

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised profit or loss when the asset is derecognised.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****k) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

iii. Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made. The Group considers IFRIC 23 Uncertainty over Income Tax Treatments in applying judgement for any open tax matters.

The consideration is of whether it is probable that the tax authority will accept an uncertain tax treatment. If the Group concludes that the position is not probable of being accepted, the effect of the uncertainty is reflected in the Group's accounting for income taxes.

l) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk change in fair value, and are used by the Group in management of its short-term commitments. Cash and cash equivalents excludes the cash reserves requirement held with the central Bank.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

m) Employee benefits***(i) Retirement benefit obligations***

The Group makes contributions to a defined contribution benefit scheme for its eligible employees. A defined contribution benefit scheme is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity (fund).

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****m) Employee benefits (continued)**

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iii) Other entitlements

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services; they exclude termination benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under a short-term cash bonus only if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and if the obligation can be measured reliably.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

n) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 28 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank's policy as described in Note 5(v) - Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****n) Leases (continued)**

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents lease liabilities in 'other liabilities' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

o) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated and company statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

p) Dividends

Dividends on ordinary shares are recognised as a liability and charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all any potentially dilutive ordinary shares which comprise share options granted to employees

r) Loans and advances

'Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

'Loans and advances' were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Group did not intend to sell immediately or in the near term.

Loans and advances to banks were classified as loans and receivables. Loans and advances to customers included:

- those classified as loans and receivables;
- those designated as at FVTPL; and
- finance lease receivables.

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Group chose to designate the loans and advances as measured at FVTPL as described in (J)(viii), they were measured at fair value with face value changes recognised immediately in profit or loss.

Loans and advances also included finance lease receivables in which the Group was the lessor.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****s) Financial guarantees and loan commitments**

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

- the Group recognises a loss allowance;

Liabilities arising from financial guarantees and loan commitments are included within other liabilities.

Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off statement of financial position transactions and disclosed as contingent liabilities. Estimates of the outcome and financial effect of contingent liabilities is made by management based on the information available up to the date the consolidated and separate financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

t) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

u) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

v) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's consolidated and separate financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

Deposits and Borrowings are the Group's sources of debt funding.

Deposits and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest rate method.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

w) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

i. Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

ii. Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

iii. Group levies

A provision for Group levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

x) Investment securities

The 'investment securities' caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****x) Investment securities (continued)**

The Group elects to present in OCI changes in the fair value of certain investments in debt instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Fair value gains and losses on such debt instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

y) Share capital and reserves*i. Share issue costs*

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Retained earnings / accumulated losses

Retained earnings relates to accumulated prior year earnings/ losses adjusted for profit or loss for the year, proposed dividend and transfers to and from the regulatory credit risk reserves.

z) Proposed dividends

The process of proposing dividends to shareholders is governed by a structured policy to ensure transparency, compliance, and shareholder value maximization. Directors may propose dividends during the annual general meeting (AGM) based on available profits and strategic considerations, subject to rigorous assessment and regulatory approval. The proposed dividends reserve represents amounts allocated from retained earnings for dividends that have been recommended by the board of directors but have not yet been formally declared and approved at the annual general meeting. The reserve reflects management's intention to distribute profits to shareholders, subject to shareholder approval, and is not available for distribution until such approval is obtained.

aa) Investment property

Property held for long term rental yields and not occupied by the Group is classified as investment property. A portion of the property at Plot 26 Kyadondo is occupied by the Company's subsidiary, dfcu Bank Limited, and is classified as property, plant and equipment in the consolidated and separate financial statements. The remaining portion is held for long term rental yields and is accounted for as investment property. An investment property is defined under IAS 40, Investment property, as a property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation. Depreciation of investment property is calculated using the straight-line method over their estimated useful lives at a rate of 2.5%, and is recognised in profit or loss.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any). Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the net carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

bb) Comparatives

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes to the consolidated and separate financial statements (continued)**5. Material accounting policies (continued)****cc) Grants****i) Donor grants**

All donor grants are received in dfcu Foundation. When received, they are initially recognized as deferred income at fair value and recorded as liabilities for the period.

The portion of the grants utilized to purchase property and fixed assets are transferred as deferred income in liabilities and subsequently the portion of the depreciation expense of the same assets for the period is recognized in the Statement of Comprehensive Income as grant income. Grants utilized to reimburse program related expenditure are recognised as grant income for the period.

Donor grants received in kind, through the provision of gifts and/or services, are recorded at fair value. For ongoing projects and programs, any expenditures yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as Grants receivable.

ii) Grant income

Grant income is recognised to the extent that the Foundation fulfils the conditions of the grant. This income is transferred from the deferred grant income account and recognized as income in the statement of comprehensive income.

A portion of the Foundation's donor grants are for the funding of projects and programs, and for these grants, income recognized is matched to the extent of actual expenditures incurred on projects and programs for the period. For donor grants restricted to funding procurement of fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed asset.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management

The Group's financial assets are classified as amortised cost, fair value through profit and loss, and fair value through other comprehensive income and all financial liabilities are measured at amortised cost. The carrying amounts for each class of financial assets and financial liabilities are included in the table below;

	Note	Group	
		2025 Ushs M	2024 Ushs M
Financial assets			
Amortised cost:			
Cash and balances with Bank of Uganda	21	468,076	434,817
Deposits and balances due from other banks	22	246,690	211,315
Loans and advances to customers	23	1,265,799	1,132,199
Investment securities: Measured at amortised cost	25	656,467	728,018
Other financial assets	27	8,554	7,508
		<u>2,645,586</u>	<u>2,513,857</u>
FVOCI			
Investment securities: Measured at fair value	25	619,028	582,723
		<u>619,028</u>	<u>582,723</u>
FVTPL			
Mandatorily at FVTPL			
Trading assets	26	157,177	73,724
Equity investments	24	1,209	6,543
Derivative financial instruments	45	865	2,064
Designated at FVTPL			
Other assets: Measured at fair value	27	3,922	5,476
		<u>163,173</u>	<u>87,807</u>
		<u>3,427,787</u>	<u>3,184,387</u>
Financial liabilities			
Measured at FVTPL			
Derivative financial instruments	45	792	457
Measured at amortised cost:			
Customer deposits	33	2,714,571	2,356,281
Balances due to other banks	34	14,004	120,256
Borrowed funds	37	124,943	149,482
Special funds	36	1,193	1,193
Other financial liabilities	35	82,604	88,101
		<u>2,937,315</u>	<u>2,715,313</u>
		<u>2,938,107</u>	<u>2,715,770</u>
Company			
	Note	2025 Ushs M	2024 Ushs M
Financial assets			
Measured at amortised cost:			
Amounts due from Group Companies	47(b)	2,599	2,092
Other assets: Measured at amortised cost excluding prepayments	27	-	116
		<u>2,599</u>	<u>2,208</u>
Financial liabilities			
Measured at amortised cost:			
Amounts due to Group Companies	47(a)	4,435	13,214
Other financial liabilities	35	2,466	2,777
		<u>6,901</u>	<u>15,991</u>

Notes to the consolidated and separate financial statements (continued)**6 Financial risk management (continued)****6A Strategy in using financial instruments**

By their nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit, and performance and other bonds.

The Group also trades in financial instruments. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. The fair value gains or losses arising from trading in financial instruments are recognised in profit or loss under net trading and other income. Foreign exchange and interest rate exposures and associated derivatives are normally economically hedged by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

6B Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Group by failing to pay amounts in full when due. Impairment allowances are provided for losses that have been incurred at the reporting date. Credit risk is the most important risk for the Group's business. Therefore, management carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet commitments. Credit risk management and control is centralised in the credit risk management team, which reports regularly to management and the Board.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a portion is personal lending where no such facilities can be obtained.

Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The Group's policy is to hold cash cover for most of the commitments and hence the credit risk arising from such commitments is less than for direct borrowing. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than for direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group makes such commitments at market rates. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Maximum exposure to credit risk before collateral held

	Group	
	2025 Ushs M	2024 Ushs M
Balances with Bank of Uganda (note 21)	220,712	243,738
Loans and advances to banks (note 22)	246,690	211,315
Loans and advances to customers (note 23)	1,265,799	1,132,199
Trading assets (note 26)	157,177	73,724
Investments in securities (note 25)	1,275,495	1,310,741
Other financial assets (note 27)	12,476	12,984
Credit risk exposures on off-statement of financial position items (note 42)		
- Guarantee and performance bonds	227,806	301,453
- Commitments to lend	13,995	30,653
	3,420,150	3,316,807

	Company	
	2025 Ushs M	2024 Ushs M
Amounts due from Group Companies (note 47(b))	2,599	2,092
Other financial assets (note 27)	-	116
	2,599	2,208

The above represents the worst-case scenario of the Group and Company's credit risk exposure as at 31 December 2025 and 2024, without taking account collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

As shown above, 44% of the total maximum exposure is derived from loans and advances to banks and customers (2024: 40%), whilst 37% represents investments in government securities (2024: 39%).

Loans and advances to major corporate borrowers and to individuals borrowing more than Ushs 30 million are secured by collateral in the form of charges over land and buildings and / or plant and machinery or corporate guarantees.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

The Group exercises stringent controls over the granting of new loans;

- 90% of the loans and advances portfolio are in stage 1;
- 58% of the loans and advances portfolio are backed by collateral; and
- 100% of investments in debt securities are government securities.

Loans and advances are summarised as follows:

	Group	
	2025 Ushs M	2024 Ushs M
Stage 1	1,174,999	1,017,324
Stage 2	46,797	83,793
Stage 3	84,941	51,828
Gross	1,306,737	1,152,945
Less: Allowance for impairment (note 23)	(40,938)	(20,746)
Net carrying amount	1,265,799	1,132,199

Loans and advances in stage 1

The credit quality of loans and advances that were in stage 1 can be analysed by reference to the internal rating system adopted by the Group:

	Group	
	2025 Ushs M	2024 Ushs M
Grades 1-6 (Low-fair / higher risk)	1,174,999	1,017,324

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Loans and advances in stage 1 (continued)

An expected credit loss of Ushs 3,526 million (2024: 5,877 million) has been estimated and recognized in the financial statements. This classification reflects the requirement to account for potential future credit losses on performing loans, even in the absence of any signs of default. The 12-month ECL approach has been applied, considering the probability of default (PD) and loss given default (LGD) to ensure prudent risk management and financial reporting.

Loans and advances in stage 2

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances in stage 2 were as follows:

	Group	
	2025 Ushs M	2024 Ushs M
Past due up to 30 days	22,508	29,495
Past due 31 - 60 days	17,171	31,213
Past due 61 - 89 days	7,118	23,085
	46,797	83,793

An expected credit loss of Ushs 1,440 million (2024: 987 million) has been calculated and recognized in the financial statements. This classification reflects a significant increase in credit risk since initial recognition, even though the loans are not considered impaired. Under the lifetime ECL approach, the provision is based on the probability of default (PD) and loss given default (LGD), ensuring prudent risk assessment and financial reporting.

Loans and advances in stage 3

The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that borrowers provide it. The Group may take collateral in the form of a first charge over real estate, machinery and equipment, automobiles and other liens and guarantees.

Because of the Group's focus on customers' credit worthiness, the Group does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For stage 3 loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

At 31 December 2025, the gross carrying amount of stage 3 loans to customers amounted to Ushs 83,840 million (2024: Ushs 51,331 million), and overdrafts amounted to Ushs 1,101 million (2024: Ushs 497 million), and the value of identifiable collateral held against those loans and advances amounted to Ushs 231,003 million (2024: Ushs 147,682 million).

Below is a summary of Group stage 3 loans with the respective value of security;

	Loans		Overdrafts		Total	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Loans and advances	83,840	51,331	1,101	497	84,941	51,828
Fair value of collateral	230,441	147,158	562	524	231,003	147,682

i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The table below provides a mapping of the Group's internal credit risk grades.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

i. Credit quality analysis (continued)

Group's internal rating grade	Internal rating description	IFRS 9 Staging
1-6	Low-fair risk	Stage 1
BA1-B3	Medium risk	Stage 1
7-9	Higher risk	Stage 2
10	Substandard	Stage 3
11	Doubtful	Stage 3
12	Loss	Stage 3

Loans and advances to customers at amortised cost - Group

		2025 Ushs M			
	IFRS 9 12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	0-27.87	1,174,999	-	-	1,174,999
Grades 7-9 Higher risk	27.88-29.37	-	46,797	-	46,797
Grade 10: Sub standard	29.38-65.31	-	-	44,359	44,359
Grade 11: Doubtful	65.32-82.46	-	-	4,671	4,671
Grade 12: Loss	82.47-84.00	-	-	35,911	35,911
		1,174,999	46,797	84,941	1,306,737
Loss allowance		(3,526)	(1,440)	(35,972)	(40,938)
Carrying amount		1,171,473	45,357	48,969	1,265,799

		2024 Ushs M			
	IFRS 9 12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	0-27.87	1,017,324	-	-	1,017,324
Grades 7-9 Higher risk	27.88-29.37	-	83,793	-	83,793
Grade 10: Sub standard	29.38-65.31	-	-	44,359	44,359
Grade 11: Doubtful	65.32-82.46	-	-	4,671	4,671
Grade 12: Loss	82.47-84.00	-	-	2,798	2,798
		1,017,324	83,793	51,828	1,152,945
Loss allowance		(5,877)	(987)	(13,882)	(20,746)
Carrying amount		1,011,447	82,806	37,946	1,132,199

Balances with Bank of Uganda - Group

		2025 Ushs M			
	IFRS 9 12-month PD	Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	220,976	-	-	220,976
Loss allowance		(264)	-	-	(264)
Carrying amount		220,712	-	-	220,712

		2024 Ushs M			
	IFRS 9 12-month PD	Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	243,793	-	-	243,793
Loss allowance		(55)	-	-	(55)
Carrying amount		243,738	-	-	243,738

Although the Bank of Uganda is internally risk-graded as medium risk, it is appropriately classified under Stage 1 in IFRS 9 ECL modelling because there has been no significant increase in credit risk (SICR) since initial recognition, the probability of default remains extremely low due to its sovereign central bank status, and forward-looking macroeconomic indicators do not materially elevate its credit risk, thereby justifying the recognition of 12-month ECL rather than lifetime ECL.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Deposits and balances due from other banks - Group

		2025 Ushs M			
IFRS 9 12-month PD ranges		Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	246,705	-	-	246,705
Loss allowance		(15)	-	-	(15)
Carrying amount		246,690	-	-	246,690

		2024 Ushs M			
IFRS 9 12-month PD ranges		Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	211,350	-	-	211,350
Loss allowance		(35)	-	-	(35)
Carrying amount		211,315	-	-	211,315

Other financial assets - Group

		2025 Ushs M			
IFRS 9 12-month PD ranges		Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	12,481	-	-	12,481
Loss allowance		(5)	-	-	(5)
Carrying amount		12,476	-	-	12,476

		2024 Ushs M			
IFRS 9 12-month PD ranges		Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	13,038	-	-	13,038
Loss allowance		(54)	-	-	(54)
Carrying amount		12,984	-	-	12,984

Investment securities at amortised cost - Group

		2025 Ushs M			
IFRS 9 12-month PD		Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	660,474	-	-	660,474
Loss allowance		(4,007)	-	-	(4,007)
Carrying amount		656,467	-	-	656,467

		2024 Ushs M			
IFRS 9 12-month PD		Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	730,906	-	-	730,906
Loss allowance		(2,888)	-	-	(2,888)
Carrying amount		728,018	-	-	728,018

All investment securities at amortised cost were done with Bank of Uganda. Although the Bank of Uganda is internally risk-graded as medium risk, it is appropriately classified under Stage 1 in IFRS 9 ECL modelling because there has been no significant increase in credit risk (SICR) since initial recognition, the probability of default remains extremely low due to its sovereign central bank status, and forward-looking macroeconomic indicators do not materially elevate its credit risk, thereby justifying the recognition of 12-month ECL rather than lifetime ECL.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Off statement of financial position financial – Group

		2025 Ushs M			
	IFRS 9 12-month PD	Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	241,801	-	-	241,801
Loss allowance		(1,108)	-	-	(1,108)
Carrying amount		240,693	-	-	240,693
		2024 Ushs M			
	IFRS 9 12-month PD	Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	332,106	-	-	332,106
Loss allowance		(1,445)	-	-	(1,445)
Carrying amount		330,661	-	-	330,661

Disclosure of credit quality on off statement of financial position items has been expanded and comparative information has been presented for the first time. Although off statement of financial position items are risk-graded under medium risk, they are appropriately classified under Stage 1 in IFRS ECL modeling because there have been no significant increase in credit risk since initial recognition and the probability of default remains extremely low.

Investment securities measured at FVOCI

Management determines significant increase in credit risk on government securities when the credit rating of the country deteriorates from one grade category to another since initial recognition. There hasn't been any significant increase in credit risk since initial recognition of the government securities. The oldest government securities held by the Bank are from 2017 and Government of Uganda has been within the speculative grade: highly speculative for almost 20 years since 2005 based on Moody's, Fitch and S&P. Based on that, management has graded the bonds as stage 1 and considered a 12 months PD in the ECL computation. The expected credit loss relating to investment securities measured at FVOCI amounted to Ushs 1,904 million (2024: Ushs 1,445 million) and is recorded in the OCI. (See note 41). The credit rating grade of the investment securities at FVOCI is B3.

Cash and cash equivalents

The Group held cash and cash equivalents of Ushs 461,816 million at 31 December 2025 (2024: Ushs 414,072 million). The cash and cash equivalents are held with central bank of Uganda and financial institution counterparties that are rated at least AA-to AA+, based on Moody's ratings.

Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Note	Group		Principal type of collateral held
		2025 Ushs M	2024 Ushs M	
Balances with Bank of Uganda	21	220,712	243,738	None
Loans and advances to banks	22	246,690	211,315	None
Loans and advances to retail customers:	23			
Mortgage lending		118,415	97,869	Residential property 100%
Personal loans		528,522	448,010	None
Loans and advances to corporate customers:	23			
Finance leases		23,040	16,048	Property and equipment Commercial property, floating charges over corporate assets 100%
Others		595,822	570,272	
Trading assets	26	157,177	73,724	None
Investment debt securities	25	1,275,495	1,310,741	None
Other financial assets	27	12,476	12,984	None
Off balance sheet items:				
-Guarantee and performance bonds	42	227,806	301,453	None
-Undrawn commitments	42	13,995	30,653	None

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

	Company		Principal type of collateral held	
	2025 Ushs M	2024 Ushs M		
Amounts due from Group Companies	47(b)	2,599	2,092	None
Other assets excluding prepayments	27	-	116	None

Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Group's focus on corporate customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For stage 3 loans, the Group obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2025, the net carrying amount of stage 3 loans and advances to corporate customers amounted to Ushs 41,767 million (2024: Ushs 40,440 million) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to Ushs 56,813 million (2024: Ushs 42,916 million). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Other types of collateral and credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available. There are assets which are fully/over collateralised for which ECL has been recognised.

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

31 December 2025	Note	Group		
		Maximum exposure to credit risk Ushs M	Total collateral Ushs M	Associated ECL Ushs M
Balances with Bank of Uganda	21	220,976	-	264
Loans and advances to banks	22	246,705	-	15
Loans and advances to customers	23	1,306,737	2,544,610	40,938
Trading assets	26	157,177	-	-
Investment debt securities at fair value through other comprehensive income	25	619,028	-	1,904
Investment securities at amortised cost	25	660,474	-	2,103
Other financial assets	27	12,476	-	5
Off-statement of financial position items:				
-Guarantee and performance bonds	42	227,806	-	1,108
-Undrawn commitments	42	13,995	-	-
		3,465,374	2,544,610	46,337

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

31 December 2024	Note	Maximum exposure to credit risk	Total collateral	Associated ECL
		Ushs M	Ushs M	Ushs M
Balances with Bank of Uganda	21	243,793	-	55
Loans and advances to banks	22	211,350	-	35
Loans and advances to customers	23	1,152,949	5,467,150	20,746
Trading assets	26	73,724	-	-
Investment debt securities at fair value through other comprehensive income	25	582,723	-	1,445
Investment securities at amortised cost	25	728,018	-	2,888
Other financial assets	27	12,984	-	54
Off-statement of financial position items:				
-Guarantee and performance bonds	42	301,453	-	1,449
-Undrawn commitments	42	30,653	-	-
		<u>3,337,647</u>	<u>5,467,150</u>	<u>26,672</u>

31 December 2025	Note	Company		
		Maximum exposure to credit risk	Total collateral	Associated ECL
		Ushs M	Ushs M	Ushs M
Amounts due from Group Companies	47(b)	2,599	-	-
Other financial assets	27	-	-	-
		<u>2,599</u>	<u>-</u>	<u>-</u>
31 December 2024				
Amounts due from Group Companies	47(b)	2,092	-	-
Other financial assets	27	116	-	-
		<u>2,208</u>	<u>-</u>	<u>-</u>

*ii. Amounts arising from ECL***Inputs, assumptions and techniques used for estimating impairment**

See accounting policy in Note 5(i).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Credit risk grades (continued)

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files-e.g. audited financial statements, management accounts, budgets and projections.	Internally collected data on customer behavior- e.g. utilisation of credit card facilities	Payment record - this includes overdue status as well as a range of variables about payment ratios
Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes, data from credit reference agencies, press articles, changes in external credit ratings, actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	Affordability metrics	Utilisation of the granted limit
	External data from credit reference agencies, including industry-standard credit scores	Requests for and granting of forbearance
		Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for corporate exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process. The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if:

- Quantitative; the counterparty is past due for more than 30 days
- Qualitative; the account has been restructured for financial distress reasons
- Qualitative; Poor outlook for the specific sector or industry and any other relevant available information such as Credit Bureau data

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Group presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on its contractual payments.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- An exposure is forbore or modified due to financial difficulties of the borrower
- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the median scenario reflecting a most-likely outcome, and two less likely scenarios, one upside and one downside. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, that is consumer price index (CPI) and inflation, and credit risk and credit losses.

During the year 2025, the Group reviewed and updated the credit risk models to include other macro economic variables like central bank rate, exchange rates, interest rates, and deposit rates. In 2024, the key drivers for credit risk for the portfolio, retail unsecured and corporate models were the consumer price index (CPI) and inflation trends.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Incorporation of forward-looking information (continued)

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

31 December 2025						
Key drivers	ECL Scenario	2025	2026	2027	2028	2029
		%	%	%	%	%
Central Bank Rate	Downside-30%	11	12	12	11	11
	Base case-50%	11	12	12	11	11
	Upside-20%	11	11	12	11	10
CPI trends	Downside-30%	141	146	150	154	159
	Base case-50%	136	141	145	149	153
	Upside-20%	131	135	140	144	148
Interest Rates	Downside-30%	14	14	15	16	15
	Base case-50%	14	13	15	16	15
	Upside-20%	13	13	14	16	14
Savings Deposit Rates	Downside-30%	3	3	3	3	4
	Base case-50%	3	3	3	3	3
	Upside-20%	3	3	3	3	3
Time Deposit Rates	Downside-30%	12	12	12	11	12
	Base case-50%	12	12	12	11	12
	Upside-20%	12	11	11	11	11
Treasury Bills Rates	Downside-30%	19	19	17	16	16
	Base case-50%	19	18	17	16	16
	Upside-20%	18	18	16	15	15
		UGX	UGX	UGX	UGX	UGX
Exchange Rates (USD)	Downside-30%	3,968	4,020	4,073	4,126	4,179
	Base case-50%	3,680	3,729	3,778	3,827	3,876
	Upside-20%	3,392	3,437	3,482	3,528	3,573

As part of the model enhancements, management expanded the set of quantitative forward-looking macroeconomic variables beyond those disclosed in the prior year. In addition to CPI, the model now incorporates exchange rates, Central Bank Rate (CBR), market interest rates, savings deposits, time deposits, and treasury bill rates. This represents a deliberate enhancement that is intended to improve the accuracy, robustness, and economic relevance of the ECL estimates by capturing more accurately, the evolving economic environment and its effect on the observed portfolio behavior.

The expanded variable set was subject to statistical testing, economic assessment, and model validation, with final inclusion based on relevance, significance, stability, and avoidance of multicollinearity.

31 December 2024						
Key drivers	ECL Scenario and weights	2024	2025	2025	2026	2027
		%	%	%	%	%
CPI trends	Upside-20%	145	163	174	183	191
	Base case-50%	156	175	188	197	205
	Downside-30%	167	188	201	212	220
Inflation trends	Upside-20%	1.92	2.46	2.77	2.55	2.02
	Base case-50%	3.02	3.82	4.29	3.96	3.16
	Downside-30%	4.24	5.33	5.98	5.52	4.43

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Assessment and calculation of ECL

The calculation of ECL involves significant accounting judgements, estimates and assumptions. These are set out in Note 5(i) - Financial assets and liabilities under the material accounting policies and Note 3 - Material accounting judgements, estimates and assumptions.

ECL sensitivity analysis

The table below shows the loss allowance on loans and advances to corporate and retail customers assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements.

As at 31 December 2025

	Base Ushs M	Pessimistic Ushs M	Optimistic Ushs M	Probability weighted Ushs M
Gross exposure				
Corporate	631,443	631,443	631,443	631,443
Retail	657,294	657,294	657,294	657,294
	1,288,737	1,288,737	1,288,737	1,288,737
Loss allowance				
Corporate	2,223	2,381	2,043	2,223
Retail	2,742	2,962	2,333	2,742
	4,965	5,343	4,376	4,965

As at 31 December 2024

	Base Ushs M	Pessimistic Ushs M	Optimistic Ushs M	Probability weighted Ushs M
Gross exposure				
Corporate	602,636	602,636	602,636	602,636
Retail	550,309	550,309	550,309	550,309
	1,152,945	1,152,945	1,152,945	1,152,945
Loss allowance				
Corporate	3,165	3,196	3,117	3,159
Retail	2,699	2,715	2,674	2,696
	5,864	5,911	5,791	5,855

Below is a sensitivity analysis for the key parameters considered by the Bank in determining expected credit losses. The tables show the increase/ (decline) in profit before income tax and equity for instantaneous parameters shocks.

	2025		2024	
	Corporate Ushs M	Retail Ushs M	Corporate Ushs M	Retail Ushs M
Impact on profit before tax:				
+10% probability of inflation shock	2,355	3,012	3,165	2,699
-10% probability of inflation shock	(2,355)	(3,012)	(3,165)	(2,699)
+10% probability of CPI shock	2,091	2,472	3,278	2,756
-10% probability of CPI shock	(2,091)	(2,472)	(3,278)	(2,756)
Impact on equity:				
+10% probability of inflation shock	1,648	2,109	2,216	1,889
-10% probability of inflation shock	(1,648)	(2,109)	(2,216)	(1,889)
+10% probability of CPI shock	1,464	1,730	2,295	1,929
-10% probability of CPI shock	(1,464)	(1,730)	(2,295)	(1,929)

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Impact on modelled ECL allowance

The Group's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the lack of experience of similar events could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Group expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December 2025 are set out in the following table:

	Modelled ECL Ushs m	Post-model adjustments Ushs m	Management overlays Ushs m	Total ECL Ushs m	Adjustments as a % of total ECL
31 December 2025					
Total corporate and retail lending	40,099	-	839	40,938	2%
31 December 2024					
Total corporate and retail lending	19,746	-	1,000	20,746	5%

Management overlays relate to additional subjective ECL made on a customer as a result of additional information management received regarding the operations of the customer that could potentially increase the credit risk.

Post-model adjustments

Post model adjustments are adjustments to the ECL balance as part of the year end reporting process to reflect late updates to market data, known model deficiencies and expert credit adjustment. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes. There were no post model adjustments in 2025 (2024: Nil)

Management overlays

Management overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the bank's definition of post model adjustments because they are not calculated at a granular level through modelled analysis. As at 31 December 2025, the management overlays recognized in the financial statements amounted to Ushs 839 million (2024: Ushs 1,000).

The Group has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the bank is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 5(i)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Modified financial assets (continued)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

The following tables provide a summary of the Group's forbore assets, which are all under Stage 2. There are none under Stage 3.

31 December 2025		Gross carrying amount of modified stage 2 loans			Carrying amount before modification
	Gross carrying amount of Stage 2 loans Ushs M	Temporary modification to T&Cs Ushs M	Permanent modification to T&Cs Ushs M	Total performing modified loans Ushs M	Ushs M
Corporate loans	21,273	-	571	571	687
Retail loans	25,524	-	14,957	14,957	16,534
	46,797	-	15,528	15,528	17,221
31 December 2024					
Corporate loans	50,891	-	30,377	30,377	34,529
Retail loans	32,903	-	3,200	3,200	8,011
	83,794	-	33,577	33,577	42,540

The prior period gross carrying amounts have been updated to include the carrying amount before modification for comparative purposes.

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

	Post- modification		Pre-modification	
	Gross carrying amount Ushs m	Corresponding ECL Ushs m	Gross carrying amount Ushs m	Corresponding ECL Ushs m
31 December 2025				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	3,446	6	5,258	30
Facilities that reverted to (Stage 2/3) LTECL having once cured	9	1	196	9
Total	3,455	7	5,454	39
31 December 2024				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	48,995	53	27,980	179
Facilities that reverted to (Stage 2/3) LTECL having once cured	274	9	226	40
Total	49,269	62	28,206	219

No modification gain or loss was recognised in the financial statements, as the resulting impact was assessed by management to be immaterial to the financial statements.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs is discussed above under the heading, 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee. However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis.

The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- loan amount
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

	Exposure Ushs		External benchmarks used	
			Moody's Rating	Basel Rating (sovereign)
	2025	2024	PD	LGD
Government securities – Amortised cost	656 bn	728 bn	2.44%	10%
Government securities – FVOCI	619 bn	583 bn	2.44%	10%

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6B Credit risk (continued)

i. Impaired financial assets

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

Loans and investment debt securities that were in stage 2

Loans and investment debt securities that were in stage 2 are those for which contractual interest or principal payments were past due but the Group believed that impairment was not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group. The amounts disclosed exclude assets measured at FVTPL.

ii. Concentrations of credit risk

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and credit commitments is shown below.

	2025		2024	
	Loans and advances	Credit Commitments	Loans and advances	Credit Commitments
As at 31 December				
Agriculture	2%	0%	6%	7%
Manufacturing	13%	6%	13%	16%
Infrastructure and energy	9%	0%	11%	0%
Information Communication Technology	0%	46%	2%	3%
Trade and Commerce	25%	45%	22%	13%
Public Sector	0%	0%	2%	0%
Financial Institutions	1%	0%	3%	0%
Education and Health	7%	3%	6%	7%
Personal and Household	43%	0%	35%	54%
	100%	100%	100%	100%

As at 31 December 2025 and 2024, the Group had no exposures to a single borrower or group of related borrowers exceeding 25% of the total capital of the subsidiary (dfcu Bank Limited).

6C Liquidity risk

Liquidity risk is the risk that the Group is unable to meet payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Management of liquidity risk

The Group's objective to managing liquidity is to ensure that there will always be sufficient liquidity to meet its liabilities and other obligations when they fall due under both normal and stressed conditions in line with the Group's Assets and Liabilities Management (ALM) policies without incurring unacceptable losses or risking damage to the Group's reputation.

ALM policies are approved by the Group's Assets and Liabilities Board Committee (ALCO) and the Board of Directors. The purpose of ALCO is to stipulate and monitor the business philosophy of the Group as to the cost, structure and mix of assets and liabilities to maximise profitability within acceptable set risk limits.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market divided by any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

Management of liquidity risk (continued)

The Financial Institutions (Liquidity) Regulations, 2024 became effective on 19 June 2024. The regulations require financial institutions to maintain an adequate level of liquidity and to manage a liquidity risk appetite to meet all known obligations and commitments and to plan for unforeseen obligations and commitments. In order to comply with these Regulations, the Bank has implemented an International Liquidity Assessment Process (ILAAP) and monitors its liquid assets, the liquid assets ratio, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). Management has put up a contingent recovery fund to help to mitigate unexpected liquidity gaps.

Liquid assets ratio

In assessing the liquid assets ratio, the Group has considered its highly liquid assets as a percentage of deposits from customers, which are considered to be due on demand.

Details of the reported Group's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	2025	2024
At 31 December	45.2%	34.2%
Average for the period	39.3%	36.5%
Maximum for the period	49.1%	41.2%
Minimum for the period	31.5%	31.8%

The table below summarises the net position as at 31 December 2025 and 31 December 2024 based on contractual maturity.

Net position as at 31 December 2025**(Group)****Months**

Long / (short) Gap

Long / (short) Cumulative Gap

Cumulative Gap / Total Assets

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	(935,618)	120,182	(17,691)	522,636	558,370
Long / (short) Cumulative Gap	(935,618)	(815,436)	(833,127)	(310,491)	247,879
Cumulative Gap / Total Assets	(25%)	(22%)	(22%)	(8%)	7%

Net position as at 31 December 2024**(Group)****Months**

Long / (short) Gap

Long / (short) Cumulative Gap

Cumulative Gap / Total Assets

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	(884,692)	291,670	(117,177)	45,341	801,369
Long / (short) Cumulative Gap	(884,692)	(563,022)	(710,199)	(664,858)	136,511
Cumulative Gap / Total Assets	(26%)	(17%)	(20%)	(19%)	4%

Net position as at 31 December 2025 (Company)**Months**

Long / (short) Gap

Long / (short) Cumulative Gap

Cumulative Gap / Total Assets

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	2,005	(1,645)	(2,635)	(2,027)	-
Long / (short) Cumulative Gap	2,005	360	(2,275)	(4,302)	-
Cumulative Gap / Total Assets	1%	0.1%	(1%)	(2%)	-

Net position as at 31 December 2024 (Company)**Months**

Long / (short) Gap

Long / (short) Cumulative Gap

Cumulative Gap / Total Assets

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	1,174	(1,130)	(3,740)	(10,087)	-
Long / (short) Cumulative Gap	1,174	44	(3,696)	(13,783)	-
Cumulative Gap / Total Assets	1%	2%	(3%)	(7%)	-

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

Liquidity coverage ratio

The Bank has also considered the liquidity coverage ratio (LCR). The LCR represents the Bank's high quality liquid assets (HQLA) expressed as a percentage of the Bank's net cash out flows.

Details of the Bank's LCR at the reporting date and during the reporting period were as follows.

	2025	2024
At 31 December	360%	379%
Average for the period	367%	271%
Maximum for the period	433%	379%
Minimum for the period	277%	219%

As disclosed in the table above, the LCR was higher than the regulatory requirement of 100% as at, and during the years ended 31 December 2025 and 31 December 2024.

Net stable funding ratio

The Financial Institutions (Liquidity) Regulations, 2024 require financial institutions to maintain on an on-going basis, a net stable funding ratio (NSFR) of not less than one hundred percent. The NSFR represents the Bank's available stable funding as a percentage of the required stable funding.

As disclosed in the table below, the NSFR exceeded the requirement of 100% as at, and during the years ended 31 December 2025 and 31 December 2024:

	2025	2024
At 31 December	186%	246%
Average for the period	201%	190%
Maximum for the period	286%	246%
Minimum for the period	176%	150%

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

The following are the remaining contractual maturities financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

2025	Group						
	Carrying Amount Ushs M	Gross nominal inflow/(outflow) Ushs M	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Financial liability by type							
Customer deposits	2,714,571	3,040,357	2,372,853	203,985	455,074	8,445	-
Balances due to other banks	14,004	14,004	14,004	-	-	-	-
Derivative financial instruments	792	792	792	-	-	-	-
Other financial liabilities excluding lease liability	57,355	57,355	57,355	-	-	-	-
Lease liability	25,249	40,035	16,670	2,067	11,581	9,162	555
Borrowed funds	124,943	132,440	15,195	10,666	28,906	77,673	-
Special funds	1,193	1,193	1,193	-	-	-	-
Total liabilities	2,938,107	3,286,176	2,478,062	216,718	495,561	95,280	555
Financial assets by type							
Cash and balances with Bank of Uganda	468,076	468,076	468,076	-	-	-	-
Loans and advances to other banks	246,690	255,620	255,620	-	-	-	-
Loans and advances to customers	1,265,799	1,443,012	243,548	421,024	213,778	386,186	178,476
Government and other securities	1,432,672	1,604,594	393,263	55,801	380,257	326,326	448,947
Equity investments at fair value through profit and loss	1,209	1,209	-	-	-	71	1,138
Derivative financial instruments	865	865	865	-	-	-	-
Other financial assets	12,476	13,020	5,633	4,791	2,071	525	-
Total assets	3,427,787	3,785,396	1,367,005	481,616	596,106	713,108	628,561
Net liquidity gap	(489,680)	(499,220)	1,111,057	(264,898)	(100,545)	(617,828)	(628,006)
Net off-statement of financial position items	(241,801)	(739,883)	1,091,189	(102,249)	(90,423)	(28,091)	(170)
Overall liquidity position	(731,481)	(1,239,103)	2,202,246	(367,147)	(190,968)	(645,919)	(628,176)

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

2024	Group						
	Carrying Amount Ushs M	Gross nominal inflow/(outflow) Ushs M	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Financial liability by type							
Customer deposits	2,356,281	2,639,035	2,091,208	104,466	443,327	34	-
Balances due to other banks	120,256	133,484	133,484	-	-	-	-
Derivative financial instruments	457	457	457	-	-	-	-
Other financial liabilities excluding lease liability	62,799	62,799	62,799	-	-	-	-
Lease liability	25,302	68,652	50,882	5,218	9,477	1,230	1,845
Borrowed funds	149,482	158,451	14,439	608	40,972	64,175	38,257
Special funds	1,193	1,193	1,193	-	-	-	-
Total liabilities	2,715,770	3,064,071	2,354,462	110,292	493,776	65,439	40,102
Financial assets by type							
Cash and balances with Bank of Uganda	434,817	434,817	434,817	-	-	-	-
Loans and advances to other banks	211,315	234,560	234,560	-	-	-	-
Loans and advances to customers	1,132,199	1,394,709	296,715	346,838	209,592	107,721	433,843
Government and other securities	1,384,465	1,555,049	333,789	131,338	299,196	175,501	615,225
Equity investments at fair value through profit and loss	6,543	6,543	-	-	-	-	6,543
Derivative financial instruments	2,064	2,064	2,064	-	-	-	-
Other financial assets	12,984	22,971	14,226	5,947	2,012	786	-
Total assets	3,184,387	3,650,713	1,316,171	484,123	510,800	284,008	1,055,611
Net liquidity gap	(468,617)	(586,642)	1,038,291	(373,831)	(17,024)	(218,569)	(1,015,509)
Net off-statement of financial position items	(332,106)	(332,106)	(35,125)	(36,645)	(127,023)	(133,313)	-
Overall liquidity position	(800,723)	(918,748)	1,003,166	(410,476)	(144,047)	(351,882)	(1,015,509)

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

2025	Company						
	Carrying Amount Ushs M	Gross nominal inflow/(outflow) Ushs M	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Financial liability by type:							
Amounts due to Group Companies	4,435	5,189	-	-	2,818	2,371	-
Other financial liabilities	2,466	2,466	592	1,645	229	-	-
Total liabilities	6,901	7,655	592	1,645	3,047	2,371	-
Financial assets by type:							
Amounts due from Group Companies	2,599	2,599	2,599	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total assets	2,599	2,599	2,599	-	-	-	-
Liquidity gap	(4,302)	(5,056)	2,007	(1,645)	(3,047)	(2,371)	-

2024	Contractual Cash flows						
	Carrying Amount Ushs M	Gross nominal inflow/(outflow) Ushs M	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Financial liability by type:							
Amounts due to Group Companies	13,214	14,878	-	-	3,659	11,219	-
Other financial liabilities	2,777	2,777	1,034	1,130	613	-	-
Total liabilities	15,991	17,655	1,034	1,130	4,272	11,219	-
Financial assets by type:							
Amounts due from Group Companies	2,092	2,092	2,092	-	-	-	-
Other financial assets	116	116	116	-	-	-	-
Total assets	2,208	2,208	2,208	-	-	-	-
Liquidity gap	(13,783)	(15,447)	1,174	(1,130)	(4,272)	(11,219)	-

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

The table below analyses assets and liabilities into relevant maturity groupings based on the carrying amount as at 31 December. All figures are in millions of Uganda Shillings.

As at 31 December 2025	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non-financial items Ushs M	Total Ushs M
Assets							
Cash and balances with Bank of Uganda	468,076	-	-	-	-	-	468,076
Deposits and balances due from other banks	246,690	-	-	-	-	-	246,690
Loans and advances to customers	213,640	369,319	187,524	338,759	156,557	-	1,265,799
Government and other securities	351,128	49,822	339,515	291,362	400,845	-	1,432,672
Investment in shares	-	-	-	71	1,138	-	1,209
Other assets	3,716	4,278	1,850	2,632	-	24,318	36,794
Derivative financial instruments	865	-	-	-	-	-	865
Deferred income tax asset	-	-	-	-	-	113,343	113,343
Property and equipment	-	-	-	-	-	85,750	85,750
Investment property	-	-	-	-	-	18,584	18,584
Intangible assets	-	-	-	-	-	45,369	45,369
Other receivables from Bank of Uganda	-	-	832	-	-	-	832
Total assets	1,284,115	423,419	529,721	632,824	558,540	287,364	3,715,983
Liabilities							
Customer deposits	2,118,585	182,130	406,316	7,540	-	-	2,714,571
Derivative financial instruments	792	-	-	-	-	-	792
Balances due to other banks	14,004	-	-	-	-	-	14,004
Other liabilities	49,956	8,796	22,571	1,281	-	-	82,604
Borrowed funds	14,335	10,062	27,270	73,276	-	-	124,943
Special funds	1,193	-	-	-	-	-	1,193
Deferred income tax liability	-	-	-	-	-	1,035	1,035
Current income tax payable	-	-	-	-	-	5,512	5,512
Provisions	-	-	-	-	-	3,493	3,493
Total liabilities	2,198,865	200,988	456,157	82,097	-	10,040	2,948,147
Net liquidity gap	(914,750)	222,431	73,564	550,727	558,540	277,324	767,836
Net off-statement of financial position items	(20,868)	(102,249)	(90,423)	(28,091)	(170)	-	(241,801)
Overall net liquidity gap	(935,618)	120,182	(16,859)	522,636	558,370	277,324	526,035

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

As at 31 December 2024	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non-financial items Ushs M	Total Ushs M
Assets							
Cash and balances with Bank of Uganda	434,817	-	-	-	-	-	434,817
Deposits and balances due from other banks	211,315	-	-	-	-	-	211,315
Loans and advances to customers	260,277	304,244	183,853	94,493	289,332	-	1,132,199
Government and other securities	298,026	117,266	267,139	156,697	545,337	-	1,384,465
Investment in shares	-	-	-	-	6,543	-	6,543
Other assets	5,495	5,310	1,797	382	-	20,635	33,619
Derivative financial instruments	2,064	-	-	-	-	-	2,064
Deferred income tax asset	-	-	-	-	-	87,859	87,859
Property and equipment	-	-	-	-	-	80,362	80,362
Investment property	-	-	-	-	-	18,849	18,849
Intangible assets	-	-	-	-	-	36,148	36,148
Other receivables from Bank of Uganda	-	-	832	-	-	-	832
Total assets	1,211,994	426,820	453,621	251,572	841,212	243,853	3,429,072
Liabilities							
Customer deposits	1,867,150	93,273	395,828	30	-	-	2,356,281
Derivative financial instruments	457	-	-	-	-	-	457
Balances due to other banks	120,256	-	-	-	-	-	120,256
Other liabilities	58,884	4,659	8,462	16,096	-	-	88,101
Borrowed funds	13,621	573	38,653	56,792	39,843	-	149,482
Special funds	1,193	-	-	-	-	-	1,193
Current income tax payable	-	-	-	-	-	4,685	4,685
Provisions	-	-	-	-	-	4,364	4,364
Total liabilities	2,061,561	98,505	442,943	72,918	39,843	9,049	2,724,819
Net liquidity gap	(849,567)	328,315	10,678	178,654	801,369	234,804	704,253
Net off-statement of financial position items	(35,125)	(36,645)	(127,023)	(133,313)	-	-	(332,106)
Overall net liquidity gap	(884,692)	291,670	(116,345)	45,341	801,369	234,804	372,147

The disclosure has been updated to exclude non-liquid items and Ushs 9,987 million previously reported in other assets as a non-liquid item has been transferred to non-financial items for comparative purposes.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

Company: As at 31 December 2025	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non- financial items Ushs M	Total Ushs M
Assets							
Amounts due from Group companies	2,599	-	-	-	-	-	2,599
Other assets	-	-	-	-	-	65	65
Current income tax recoverable	-	-	-	-	-	904	904
Investment in subsidiary	-	-	-	-	-	203,293	203,293
Investment property	-	-	-	-	-	36,131	36,131
Total assets	2,599	-	-	-	-	240,393	242,992
Financial liabilities							
Other liabilities	594	1,645	227	-	-	-	2,466
Deferred income tax liability	-	-	-	-	-	1,035	1,035
Amounts due to Group companies	-	-	2,408	2,027	-	-	4,435
Total liabilities	594	1,645	2,635	2,027	-	1,035	7,936
Liquidity gap	2,005	(1,645)	(2,635)	(2,027)	-	239,358	235,056

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

Company: As at 31 December 2024	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non- financial items Ushs M	Total Ushs M
Assets							
Amounts due from Group companies	2,092	-	-	-	-	-	2,092
Other assets	116	-	-	-	-	79	195
Current income tax recoverable	-	-	-	-	-	745	745
Investment in subsidiary	-	-	-	-	-	203,293	203,293
Investment property	-	-	-	-	-	36,595	36,595
Total assets	2,208	-	-	-	-	240,712	242,920
Financial liabilities							
Other liabilities	1,034	1,130	613	-	-	-	2,777
Amounts due to Group companies	-	-	-	-	-	311	311
Deferred tax liability	-	-	3,127	10,087	-	-	13,214
Total liabilities	1,034	1,130	3,740	10,087	-	311	16,302
Liquidity gap	1,174	(1,130)	(3,740)	(10,087)	-	240,401	226,618

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6D Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risks rests with the ALCO. The Treasury Department is responsible for the detailed risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

Currency Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, counter party limits and stop loss limits, which are monitored daily by treasury with senior management oversight. The Group's ALCO reviews on a monthly basis the net foreign exchange position of the Group. As at 31 December 2025, the Group had a net foreign exchange position of Ushs 24,184 million (2024: Ushs 27,041 million).

The Group's profit before income tax would decrease/ increase by Ushs 2,418 million (2024: Ushs 2,704 million) were the Ushs: US\$ foreign exchange rate to change by 10% (2024: 10%). This variation in profitability is measured by reference to foreign currency exposures existing at year end. The Group's equity would therefore decrease/increase by Ushs 1,693 million (2024: Ushs 1,893 million). Movements in the foreign exchange rates for GBP and EURO would not have a material impact on the Group's results

The table below summarises the Group's exposure to foreign currency risk as at 31 December 2025. Included in the table are the Group's assets and liabilities categorised by currency. All figures are in millions of Uganda Shillings. The Uganda shillings (Ushs) and the non-financial items have not been included in determining the foreign currency sensitivity analysis.

As at 31 December 2025 (Group)	USD Ushs M	GBP Ushs M	EURO Ushs M	Total Ushs M
Assets				
Cash and balances with Bank of Uganda	86,920	6,857	8,423	102,200
Loans and advances to other banks	215,939	12,055	6,031	234,025
Loans and advances to customers	399,157	-	-	399,157
Other assets	1,502	-	-	1,502
Total assets	703,518	18,912	14,454	736,884
Liabilities				
Customer deposits	691,506	8,395	15,444	715,345
Other liabilities	7,624	761	292	8,677
Borrowed funds	28,572	-	-	28,572
Total liabilities	727,702	9,156	15,736	752,594
Net on-statement of financial position items	(24,184)	9,756	(1,282)	(15,710)
Net off-statement of financial position items	(112,419)	-	(8,239)	(241,801)
Overall open position	(136,603)	9,756	(9,521)	(257,511)

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2024 (Group)	USD Ushs M	GBP Ushs M	EURO Ushs M	Total Ushs M
Assets				
Cash and balances with Bank of Uganda	65,567	4,872	29,051	434,817
Loans and advances to other banks	180,696	6,253	23,473	211,315
Loans and advances to customers	301,322	-	-	1,132,199
Other assets	1,779	-	-	12,984
Total assets	549,364	11,125	52,524	3,184,387
Liabilities				
Customer deposits	524,655	5,633	20,815	2,356,281
Other liabilities	16,776	1,589	1,239	88,101
Borrowed funds	34,974	-	-	149,482
Total liabilities	576,405	7,222	22,054	2,715,770
Net on-statement of financial position items	(27,041)	3,903	30,470	468,617
Net off-statement of financial position items	(174,205)	-	(5,902)	(332,106)
Overall open position	(201,246)	3,903	24,568	136,511
As at 31 December 2025 (Company)				
	USD Ushs M	GBP Ushs M	EURO Ushs M	Total Ushs M
Assets				
Amounts due from Group companies	488	-	-	488
Other assets	-	-	-	-
Total assets	488	-	-	488
Total liabilities	-	-	-	-
Overall open position	488	-	-	488
As at 31 December 2024 (Company)				
	USD Ushs M	GBP Ushs M	EURO Ushs M	Total Ushs M
Assets				
Amounts due from Group companies	562	-	-	562
Other assets	-	-	-	-
Total assets	562	-	-	562
Total liabilities	-	-	-	-
Overall open position	562	-	-	562

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6D Market risk (continued)

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly.

The Group faces fair value interest rate risk on its fixed interest financial assets that are measured at fair value. In addition, the Group faces cash flow interest rate risk on its variable rate financial instruments measured at amortised cost. Financial instruments with fair value interest rate risk comprise solely the held-for-trading portfolio of Government securities. Financial instruments with cash flow interest rate risk comprise deposits and balances due from other banks, loans and advances receivable/payable, customer deposits and amounts due to other group companies.

The table below summarises the Group's fair value and cash flow interest rate risks at 31 December 2025 assuming a market interest rate decrease of 3% from the rates ruling at year-end (2024: 3%). This would have an impact on the profit before income tax of the Group as follows:

	2025 Ushs M			2024 Ushs M		
	Profit before tax	Tax impact	Net impact on equity	Profit before tax	Tax impact	Net impact on equity
Fair value interest rate risk	1,363	(409)	954	1,227	(368)	859
Cash flow interest rate risk	44,084	(13,225)	30,859	36,673	(11,902)	24,771
	45,447	(13,634)	31,813	37,900	(12,270)	25,630

The table summarises the Group's interest risk on the debt instruments at FVOCI as at 31 December 2025 assuming a market interest rate decrease of 3% from the rates ruling at year end (2024: 3%)

	2025 Ushs M			2024 Ushs M		
	Gross effect on OCI	Tax (expense) / benefit	Net impact on equity	Gross effect on OCI	Tax (expense)/ benefit	Net impact on equity
Movement in liability credit reserve	141	(42)	99	(216)	65	(151)
Movement in debt instrument at FVOCI	14	(4)	10	(1)	-	(1)
	155	(46)	109	(217)	65	(152)

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6D Market risk (continued)

Interest rate risk (continued)

The tables below summarise the Group's exposure to interest rate risk as at 31 December 2025 and 31 December 2024. Included in the table is the Group's interest-bearing assets and liabilities at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear any interest rate risk on off-statement of financial position items like commitments to lend, guarantees and letters of credit. All figures are in millions of Uganda Shillings.

As at 31 December 2025 (Group)

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non - interest bearing Ushs M	Total Ushs M
Interest bearing assets							
Cash and balances with Bank of Uganda	-	-	-	-	-	468,076	468,076
Deposits and balances due from other banks	171,543	-	-	-	-	75,147	246,690
Loans and advances to customers	254,576	369,319	187,524	338,759	156,559	(40,938)	1,265,799
Government and other securities	351,128	49,822	339,515	291,362	400,845	-	1,432,672
Equity investments	-	-	-	-	-	1,209	1,209
Other assets	-	-	-	-	-	12,476	12,476
Derivative financial instruments	865	-	-	-	-	-	865
Total interest bearing assets	778,112	419,141	527,039	630,121	557,404	515,970	3,427,787
Interest bearing liabilities							
Customer deposits	831,519	182,130	406,316	7,540	-	1,287,066	2,714,571
Derivative financial instruments	792	-	-	-	-	-	792
Balances due to other banks	14,004	-	-	-	-	-	14,004
Other liabilities	-	-	-	-	-	82,604	82,604
Borrowed funds	14,335	10,062	27,270	39,272	-	34,004	124,943
Special funds	-	-	-	-	-	1,193	1,193
Total interest bearing liabilities	860,650	192,192	433,586	46,812	-	1,404,867	2,938,107
Interest re-pricing gap	(82,538)	226,949	93,453	583,309	557,404	(888,897)	489,680

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6D Market risk (continued)

Interest rate risk (continued)

As at 31 December 2024 (Group)

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non - interest bearing Ushs M	Total Ushs M
Interest bearing assets							
Cash and balances with Bank of Uganda	-	-	-	-	-	434,817	434,817
Deposits and balances due from other banks	153,427	-	-	-	-	57,888	211,315
Loans and advances to customers	284,284	304,244	183,853	94,493	286,071	(20,746)	1,132,199
Government and other securities	298,026	117,266	267,139	156,697	545,337	-	1,384,465
Equity investments	-	-	-	-	-	6,543	6,543
Other assets	-	-	-	-	-	12,984	12,984
Derivative financial instruments	2,064	-	-	-	-	-	2,064
Total interest bearing assets	737,801	421,510	450,992	251,190	831,408	491,486	3,184,387
Interest bearing liabilities							
Customer deposits	694,406	93,273	395,828	30	-	1,172,744	2,356,281
Derivative financial instruments	457	-	-	-	-	-	457
Balances due to other banks	120,256	-	-	-	-	-	120,256
Other liabilities	-	-	-	-	-	88,101	88,101
Borrowed funds	13,621	573	38,653	17,093	39,843	39,699	149,482
Special funds	-	-	-	-	-	1,193	1,193
Total interest bearing liabilities	828,740	93,846	434,481	17,123	39,843	1,301,737	2,715,770
Interest re-pricing gap	(90,939)	327,664	16,511	234,067	791,565	(810,251)	468,617

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6D Market risk (continued)

Interest rate risk (continued)

As at 31 December 2025 (Company)

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non - interest bearing Ushs M	Total Ushs M
Interest bearing assets							
Amounts due from Group companies	2,599	-	-	-	-	-	2,599
Total interest bearing assets	2,599	-	-	-	-	-	2,599
Interest bearing liabilities							
Other liabilities	-	-	-	-	-	2,466	2,466
Amounts due to Group companies	-	-	2,408	2,027	-	-	4,435
Total interest bearing liabilities	-	-	2,408	2,027	-	2,466	6,901
Interest re-pricing gap	2,599	-	(2,408)	(2,027)	-	(2,466)	(4,302)

As at 31 December 2024 (Company)

	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non - interest bearing Ushs M	Total Ushs M
Interest bearing assets							
Other assets	-	-	-	-	-	116	116
Amounts due from Group companies	2,092	-	-	-	-	-	2,092
Total interest bearing assets	2,092	-	-	-	-	116	2,208
Interest bearing liabilities							
Other liabilities	-	-	-	-	-	2,777	2,777
Amounts due to Group companies	-	-	3,127	10,087	-	-	13,214
Total interest bearing liabilities	-	-	3,127	10,087	-	2,777	15,991
Interest re-pricing gap	2,092	-	(3,127)	(10,087)	-	(2,661)	(13,783)

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities

i) Financial instruments measured at fair value

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain OTC structured derivatives, certain loans, securities for which there is no active market and retained interests in securitisations (as discussed below). Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

For measuring derivatives that might change classification from being an asset to a liability or vice versa - e.g. interest rate swaps - fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVAJ) when market participants would take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management uses judgement to select the most appropriate point in the range.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

*i) Financial instruments measured at fair value (continued)**Measurement on the basis of net exposures to risks*

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. These adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, it takes into account any existing arrangements that mitigate the credit risk exposure - e.g. master netting agreements with the counterparty.

Valuation techniques*Government debt securities*

Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in primary and secondary markets. When active market prices are not available, the Group uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolating yields outside the range of secondary market trading, in which instances the Group classifies those securities as Level 2. The Group does not have Level 3 government securities where valuation inputs would be unobservable. The fair values of government securities are obtained from Bank of Uganda.

Equity instruments

The Group's equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1.

Other assets at fair value through profit or loss

These comprise of loans and receivables designated at FVPL and mandatorily required to be measured at FVPL. The fair value is determined based on the present value of future cash flows using the contractual rates.

Valuation framework

The Group has an established control framework for the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

*i) Financial instruments measured at fair value (continued)**Financial instruments measured at fair value - Fair value hierarchy (continued)*

The following are the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

2025

Financial assets:

Treasury bills and bonds
Securities at fair value through OCI
Derivative financial instruments
Other assets at fair value through profit and loss
Equity investments at fair value through profit and loss

Total financial assets**Financial liabilities:**

Derivative financial instruments

Total financial liabilities

	Hierarchy				Carrying Amount Ushs M
	Level 1 Ushs M	Level 2 Ushs M	Level 3 Ushs M	Total Ushs M	
Treasury bills and bonds	-	157,177	-	157,177	157,177
Securities at fair value through OCI	-	619,028	-	619,028	619,028
Derivative financial instruments	-	865	-	865	865
Other assets at fair value through profit and loss	-	3,922	-	3,922	3,922
Equity investments at fair value through profit and loss	71	1,138	-	1,209	1,209
Total financial assets	71	782,130	-	782,201	782,201
Financial liabilities:					
Derivative financial instruments	-	792	-	792	792
Total financial liabilities	-	792	-	792	792

2024

Financial assets:

Treasury bills and bonds
Securities at fair value through OCI
Derivative financial instruments
Other assets at fair value through profit and loss
Equity investments at fair value through profit and loss

Total financial assets**Financial liabilities:**

Derivative financial instruments

Total financial liabilities

	Hierarchy				Carrying Amount Ushs M
	Level 1 Ushs M	Level 2 Ushs M	Level 3 Ushs M	Total Ushs M	
Treasury bills and bonds	-	73,724	-	73,724	73,724
Securities at fair value through OCI	-	582,723	-	582,723	582,723
Derivative financial instruments	-	2,064	-	2,064	2,064
Other assets at fair value through profit and loss	-	5,476	-	5,476	5,476
Equity investments at fair value through profit and loss	5,405	1,138	-	6,543	6,543
Total financial assets	5,405	665,125	-	670,530	670,530
Financial liabilities:					
Derivative financial instruments	-	457	-	457	457
Total financial liabilities	-	457	-	457	457

During the year ended 31 December 2025, there were no transfers into or out of Level 2 and level 1 fair value measurements.

Level 2 equity investments at fair value through profit and loss relates to investment in Crane Financial Services (CFS) which was transferred from former Crane Bank Limited (In Liquidation) under an Agreement signed with Bank of Uganda (as the Receiver) on 25 January 2017. This relates to the cash held on accounts in dfcu Bank and other banks in the name of Crane Financial Services.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

ii) Financial instruments not measured at fair value

The fair values of the Group's and Company's other financial assets and liabilities that are measured at amortised cost approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates.

The following table sets out the fair values of financial instruments not measured at fair value whose fair value does not approximate the carrying amount and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group:

At 31 December 2025	Level 1 Ushs M	Level 2 Ushs M	Level 3 Ushs M	Total Ushs M	Carrying Amount Ushs M
Financial assets:					
Cash and balances with Bank of Uganda	-	468,076	-	468,076	468,076
Deposits and balances due from other banks	-	246,690	-	246,690	246,690
Government securities at amortised cost	-	706,157	-	706,157	656,467
Loans and advances	-	1,177,193	-	1,177,193	1,265,799
Other financial assets	-	12,476	-	12,476	12,476
Total assets	-	2,610,592	-	2,610,592	2,649,508
Financial liabilities:					
Customer deposits	-	2,981,549	-	2,981,549	2,714,571
Borrowed funds	-	107,451	-	107,451	124,943
Deposits due to other banks	-	14,004	-	14,004	14,004
Other financial liabilities	-	82,604	-	82,604	82,604
Total liabilities	-	3,185,608	-	3,185,608	2,936,122

At 31 December 2024	Level 1 Ushs M	Level 2 Ushs M	Level 3 Ushs M	Total Ushs M	Carrying Amount Ushs M
Financial assets:					
Cash and balances with Bank of Uganda	-	434,817	-	434,817	434,817
Deposits and balances due from other banks	-	211,315	-	211,315	211,315
Government securities at amortised cost	-	739,125	-	739,125	728,018
Loans and advances	-	1,103,524	-	1,103,524	1,132,199
Other financial assets	-	12,984	-	12,984	12,984
Total assets	-	2,501,765	-	2,501,765	2,519,333
Financial liabilities:					
Customer deposits	-	2,702,578	-	2,702,578	2,356,281
Borrowed funds	-	134,227	-	134,227	149,482
Deposits due to other banks	-	120,256	-	120,256	120,256
Other financial liabilities	-	88,101	-	88,101	88,101
Total liabilities	-	3,045,162	-	3,045,162	2,714,120

Company:

At 31 December 2025	Level 1 Ushs M	Level 2 Ushs M	Level 3 Ushs M	Total Ushs M	Carrying Amount Ushs M
Financial assets:					
Amounts due from Group Companies	-	2,599	-	2,599	2,599
Total assets	-	2,599	-	2,599	2,599
Financial liabilities:					
Amounts due to Group Companies	-	5,124	-	5,124	4,435
Other financial liabilities	-	2,466	-	2,466	2,466
Total liabilities	-	7,590	-	7,590	6,901

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

ii) Financial instruments not measured at fair value (continued)

At 31 December 2024	Level 1	Level 2	Level 3	Total	Carrying Amount
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Financial assets:					
Amounts due from Group Companies	-	2,092	-	2,092	2,092
Other financial assets	-	116	-	116	116
Total assets	-	2,208	-	2,208	2,208
Financial liabilities:					
Amounts due to Group Companies	-	14,011	-	14,011	13,214
Other financial liabilities	-	2,777	-	2,777	2,777
Total liabilities	-	16,788	-	16,788	15,991

The fair value of financial instruments above is based on observable market transactions. The above disclosure has been expanded and new information has been presented for prior periods.

- **Loans and advances**

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows for loans are discounted at the year-end prime lending rate to determine fair value.

- **Government securities**

The fair value for government securities is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

- **Deposits due to customers and other banks**

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand and this is the carrying amount. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using market interest rates. The carrying amounts are a reasonable approximation of this.

- **Borrowings**

The interest rates charged on borrowings held by the Group are based on the average borrowing rate of the Group, which reflects its credit risk. The interest rates are variable and in line with market rates for similar facilities. The fair values of such interest-bearing borrowings not quoted in an active market is based on discounted cash flows using market interest rates.

iii) Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

At 31 December 2025	Designated at FVTL	FVOCI-debt instruments	Amortised cost	Carrying Amount
	Ushs M	Ushs M	Ushs M	Ushs M
Financial assets:				
Cash and balances with Bank of Uganda	468,076	-	-	468,076
Deposits and balances due from other banks	246,690	-	-	246,690
Trading assets	157,177	-	-	157,177
Investment securities	-	619,028	656,467	1,275,495
Loans and advances to customers	-	-	1,265,799	1,265,799
Equity investments	1,209	-	-	1,209
Derivative financial instruments	865	-	-	865
Other financial assets	3,922	-	8,554	12,476
Total financial assets	877,939	619,028	1,930,820	3,427,787
Financial liabilities:				
Customer deposits	-	-	2,714,571	2,714,571
Derivative financial instruments	792	-	-	792
Deposits due to other banks	-	-	14,004	14,004
Borrowed funds	-	-	124,943	124,943
Special funds	-	-	1,193	1,193
Other financial liabilities	-	-	82,604	82,604
Total financial liabilities	792	-	2,937,315	2,938,107

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

iii) Classification of financial assets and financial liabilities (continued)

At 31 December 2024	Designated at FVTL	FVOCI-debt instruments	Amortised cost	Carrying Amount
	Ushs M	Ushs M	Ushs M	Ushs M
Financial assets:				
Cash and balances with Bank of Uganda	434,817	-	-	434,817
Deposits and balances due from other banks	211,315	-	-	211,315
Trading assets	73,724	-	-	73,724
Investment securities	-	582,723	728,018	1,310,741
Loans and advances to customers	-	-	1,132,199	1,132,199
Equity investments	6,543	-	-	6,543
Derivative financial instruments	2,064	-	-	2,064
Other financial assets	5,476	-	7,508	12,984
Total financial assets	733,939	582,723	1,867,725	3,184,387
Financial liabilities:				
Customer deposits	-	-	2,356,281	2,356,281
Derivative financial instruments	457	-	-	457
Deposits due to other banks	-	-	120,256	120,256
Borrowed funds	-	-	149,482	149,482
Special funds	-	-	1,193	1,193
Other financial liabilities	-	-	88,101	88,101
Total financial liabilities	457	-	2,715,313	2,715,770

6F Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial positions, are:

- To comply with the capital requirements set by the Financial Institutions Act Cap 57, Laws of Uganda for purposes of the subsidiary, dfcu Bank;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management employing techniques based on the guidelines developed by the Basel Committee, as adapted and implemented by Bank of Uganda for supervisory purposes under the Financial Institutions Act Cap 57, Laws of Uganda (FIA). dfcu Bank (the Bank) is required to file information on capital adequacy with Bank of Uganda on a quarterly basis.

As of 31 December 2025, the Financial Institutions Capital Adequacy Requirements Regulations 2018 requires each bank to:

- a) have a minimum paid up capital unimpaired by losses of Ushs 150 billion;
- b) maintain core capital of not less than 10% of the total risk adjusted assets plus risk adjusted off statement of financial position items; and
- c) maintain total capital of not less than 12% of the total risk adjusted assets plus risk adjusted off statement of financial position items.

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 were gazetted and took effect on 31 December 2022, which introduced a Capital Conservation Buffer (CCB) of 2.5% of risk weighted assets over and above the core capital ratio and total capital ratio; a System Risk Buffer for domestic systemically important banks ranging from 0% to 3.5% of risk weighted assets over and above the CCB, a Countercyclical Capital Buffer of 0% of risk weighted assets and a minimum leverage ratio of 6% of the total balance sheet and off balance sheet assets.

The total regulatory capital to be held by the Bank is divided into two tiers:

- Tier 1 capital (core capital): share capital, share premium, plus retained earnings less goodwill and similar intangible assets, investments in unconsolidated subsidiaries and future income tax benefits.
- Tier 2 capital (supplementary capital): revaluation reserves, general provisions for losses not exceeding 1.25% of risk weighted assets, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6F Capital management (continued)

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with – each asset and counterparty. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses. The table below summarises the composition of regulatory capital and the ratios of dfcu Bank:

	2025 Ushs M	2024 Ushs M
Before dividend declaration		
Tier 1 capital	570,616	549,751
Tier 1 + Tier 2 capital	<u>583,567</u>	<u>561,374</u>
After dividend declaration		
Tier 1 capital	529,824	519,696
Tier 1 + Tier 2 capital	<u>542,775</u>	<u>531,319</u>
FIA ratio (Before dividend declaration)		
Tier 1 (FIA minimum -10%)	30.01%	30.79%
Tier 1 + Tier 2 (FIA minimum - 12%)	<u>30.69%</u>	<u>31.44%</u>
FIA ratio (after dividend declaration)		
Tier 1 (FIA minimum -10%)	27.86%	29.11%
Tier 1 + Tier 2 (FIA minimum - 12%)	<u>28.54%</u>	<u>29.76%</u>

Capital adequacy under Basel II

On June 26, 2004, the Basel Committee on Banking Supervision released “International Convergence of Capital Measurement and Capital Standards: A revised framework”, which is commonly known as the Basel II Accord. In Basel II, apart from credit and market risk, operation risk was included in the capital adequacy ratio calculation. These are prudential guidelines which are currently monitored by BoU and these will form part of the proposed amendments to the capital adequacy regulations.

6G Leverage ratio

The Group is required at all times to comply with a leverage ratio equal to or greater than 6% of the total on-balance and off-balance sheet assets. The bank maintained a ratio that is above the minimum requirement. Below is the computation of the leverage ratio as at 31 December 2025;

		2025 Ushs M	2024 Ushs M
Capital measure	Basel III Tier 1 capital	529,824	519,696
Exposure measure	on and off balance sheet exposure (regulatory):		
	Total on balance sheet assets	3,763,228	3,489,833
	Off balance sheet items	241,801	332,106
		<u>4,005,029</u>	<u>3,821,939</u>
Leverage ratio:		<u>13.23%</u>	<u>13.60%</u>

Notes to the consolidated and separate financial statements (continued)**6H Operational risk management**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Recognising that operational risk cannot be entirely eliminated, the Group implemented risk mitigation controls including fraud prevention, contingency planning, information security and incident management and continues to enhance the same. Where appropriate, this strategy is further supported by risk transfer mechanisms such as insurance.

Over the past year, the Group has continued to invest heavily in technology/systems to create more digital channels, increase operational efficiency in a bid to leverage on IT to drive its strategy.

A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.

The Group has put in place measures to address the operational risks as highlighted below;

- The Group has and continues to invest significantly in data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches.
- The Group actively engages with regulators to ensure that there is appropriate mutual understanding of the technology space and that evolution in regulation appropriately balances the value of giving customers control of their data, with the Group's duty to protect customers' privacy and security.
- The Group continuously invests in IT system security and identifies and accesses management controls to secure the confidentiality, integrity and availability of the Group's data.
- The employees undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.
- As the second line of defense, the Group's risk department was boosted with officers with IT security skills to monitor the activities of the first line of defense by performing risk assurance reviews, monitoring all user activity on key systems in order to timely detect any irregularity and advise adequate response.

Notes to the consolidated and separate financial statements (continued)**7 a) Classification of financial assets and financial liabilities**

The Group's accounting policies on the classification of financial instruments under IFRS 9 are indicated below. The application of these policies resulted in the classifications set out in the table above and explained below.

- a) Certain loans and advances to customers held by the Group's investment business are classified under IFRS 9 as mandatorily measured at FVTPL because they are held within a business model in which they are managed and their performance is evaluated on a fair value basis. Internal reporting and performance measurement of these loans and advances are on a fair value basis.
- b) The investment securities are measured at FVTPL because the contractual cash flows of these securities are not SPPI on the principal outstanding.
- c) Certain debt securities are held by the Group Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.
- d) Certain debt securities are held by the Group Central Treasury in separate portfolios to meet everyday liquidity needs. The Group Central Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- e) Certain non-trading debt securities are held by the Group Central Treasury in separate portfolios and are managed with an objective of realising cash flows through sale. The Group primarily focuses on fair value information and uses that information to assess the securities' performance and to make decisions. In addition, certain asset-backed securities have contractual cash flows that are not SPPI. These assets are therefore measured at FVTPL under IFRS 9.

Notes to the consolidated and separate financial statements (continued)

7 b) Classification of assets and liabilities

The table below shows the classification of the assets and liabilities as current and non-current:

Group	2025 (Ushs M)			2024 (Ushs M)		
	Current	Non-current	Total	Current	Non-current	Total
Assets:						
Cash and balances with Bank of Uganda	468,076	-	468,076	434,817	-	434,817
Deposits and balances due from other banks	246,690	-	246,690	211,315	-	211,315
Government and other securities	740,465	692,207	1,432,672	682,431	702,034	1,384,465
Loans and advances to customers	770,483	495,316	1,265,799	748,374	383,825	1,132,199
Investment in equity shares	-	1,209	1,209	-	6,543	6,543
Other assets	9,844	26,950	36,794	33,619	-	33,619
Derivative financial instruments	865	-	865	2,064	-	2,064
Deferred income tax asset	-	113,343	113,343	-	87,859	87,859
Property and equipment	-	85,750	85,750	-	80,362	80,362
Investment property	-	18,584	18,584	-	18,849	18,849
Intangible assets	-	45,369	45,369	-	36,148	36,148
Other receivables from Bank of Uganda	832	-	832	832	-	832
Total Assets	2,237,255	1,478,728	3,715,983	2,113,452	1,315,620	3,429,072
Liabilities:						
Customer deposits	2,707,031	7,540	2,714,571	2,356,251	30	2,356,281
Derivative financial instruments	792	-	792	457	-	457
Deposits due to other banks	14,004	-	14,004	120,256	-	120,256
Other liabilities	81,323	1,281	82,604	72,923	15,178	88,101
Borrowed funds	51,667	73,276	124,943	52,848	96,634	149,482
Special funds	1,193	-	1,193	1,193	-	1,193
Current income tax payable	5,512	-	5,512	4,685	-	4,685
Deferred income tax liability	-	1,035	1,035	-	-	-
Provisions	3,493	-	3,493	4,364	-	4,364
Total Liabilities	2,865,015	83,132	2,948,147	2,612,977	111,842	2,724,819
Net Assets	(627,760)	1,395,596	767,836	(499,525)	1,203,778	704,253

Notes to the consolidated and separate financial statements (continued)

7 b) Classification of assets and liabilities (continued)

Company	2025 (Ushs M)			2024 (Ushs M)		
	Current	Non-current	Total	Current	Non-current	Total
Assets:						
Amounts due from Group companies	2,599	-	2,599	2,092	-	2,092
Other assets	65	-	65	195	-	195
Current income tax recoverable	904	-	904	745	-	745
Investment in subsidiaries	-	203,293	203,293	-	203,293	203,293
Investment property	-	36,131	36,131	-	36,595	36,595
Total Assets	3,568	239,424	242,992	3,032	239,888	242,920
Liabilities:						
Other liabilities	2,466	-	2,466	2,777	-	2,777
Deferred income tax liability	-	1,035	1,035	-	311	311
Amounts due to Group companies	2,408	2,027	4,435	3,127	10,087	13,214
Total Liabilities	4,874	3,062	7,936	5,904	10,398	16,302
Net Assets	(1,306)	236,362	235,056	(2,872)	229,490	226,618

8 Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- dfcu Limited, which is the holding company that is listed on the Uganda Stock Exchange. The Company derives its revenues mainly from rental income charged on its investment property.
- dfcu Bank Limited: This is the commercial banking segment which provides innovative products and superior service levels catering for customer needs in the areas of savings and investment products, personal and current accounts, personal credit, corporate credit, trade finance, foreign exchange trading, money market transfers, etc. It also consists of a development finance segment which provides medium and long-term finance to private sectors in Uganda. The sectors include agro processing, education, health, manufacturing, transport, hospitality industry, tourism and construction. The Bank's main source of income is interest income on loans and advances which accounts for 42% of the Group's total revenue for the year ended 31 December 2025 (2024: 47%).
- dfcu Foundation: This is a company limited by guarantee incorporated and domiciled in Uganda under the Companies Act, Cap. 106, Laws of Uganda. The principal activities of the Company are to accept grants and donations from various persons and organizations to promote, establish, develop, support and carry on corporate social responsibility programs of the Group.

During the year 35% (2024: 29%) of the Group's revenue was earned from Government securities. No other single external customer contributes revenue amounting up to 10% of the Group's revenue.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the consolidated financial statements.

Notes to the consolidated and separate financial statements (continued)

8 Segment information (Continued)

The segment results for the year ended 31 December 2025 were as follows:

	dfcu Limited	dfcu Bank	dfcu Foundation	Intra- segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Interest and other income	1,068	412,837	-	(1,909)	411,996
Interest expense	(841)	(112,178)	-	5,637	(107,382)
Fee and commission income and other operating income	7,892	113,484	3,084	(7,163)	117,297
Income from transactions with operating segments of the same entity	30,055	-	-	(30,055)	-
Employee benefits	(1,270)	(98,994)	(1,797)	1,095	(100,966)
Depreciation expense*	(1,383)	(21,326)	-	3,253	(19,456)
Amortisation of intangible assets*	-	(7,184)	(1)	(309)	(7,494)
Occupancy expenses*	(142)	(496)	-	-	(638)
Auditors' remuneration*	(54)	(1,472)	-	(139)	(1,665)
Professional and consultancy fees	(9,009)	(78,749)	(245)	(666)	(88,669)
Communication fees	(36)	(39,117)	(32)	-	(39,185)
Transport and travel costs*	(96)	(3,699)	-	(186)	(3,981)
Advertising and publicity costs*	(9)	(10,425)	-	(79)	(10,513)
Other operating expenses	(933)	(57,961)	(1,009)	465	(59,438)
Fair value losses on other financial assets	-	(79)	-	-	(79)
Expected credit recovery on financial assets	-	(9,951)	-	-	(9,951)
Profit before income tax	25,242	84,690	-	(30,056)	79,876
Income tax expense	(1,777)	(3,105)	-	-	(4,882)
Profit for the year	23,465	81,585	-	(30,056)	74,994

The segment results for the year ended 31 December 2024 were as follows:

	dfcu Limited	dfcu Bank	Intra- segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Interest and other income	554	363,154	(2,142)	361,566
Interest expense	(1,587)	(99,451)	6,769	(94,269)
Fee and commission income and other operating income	7,917	92,245	(6,823)	93,339
Income from transactions with operating segments of the same entity	13,615	-	(13,615)	-
Employee benefits	(917)	(95,860)	-	(96,777)
Depreciation expense*	(1,535)	(19,655)	1,783	(19,407)
Amortisation of intangible assets*	-	(6,122)	-	(6,122)
Occupancy expenses*	(136)	(472)	-	(608)
Auditors' remuneration*	(12)	(1,059)	(1)	(1,072)
Professional and consultancy fees	(4,716)	(51,293)	1	(56,008)
Communication fees	(33)	(39,816)	-	(39,849)
Transport and travel costs*	(44)	(3,871)	1	(3,914)
Advertising and publicity costs*	(19)	(9,493)	-	(9,512)
Other operating expenses	(1,453)	(58,375)	433	(59,395)
Fair value losses on other financial assets	-	(716)	-	(716)
Expected credit recovery on financial assets	-	12,007	-	12,007
Profit before income tax	11,634	81,223	(13,594)	79,263
Income tax expense	(1,091)	(6,086)	-	(7,176)
Profit for the year	10,543	75,137	(13,594)	72,087

*Disclosure required by IFRS 8 has been expanded and comparatives have been represented.

Notes to the consolidated and separate financial statements (continued)

8 Segment information (Continued)

As at 31 December 2025

	dfcu Limited Ushs M	dfcu Bank Ushs M	dfcu Foundation Ushs M	Intra-segment items Ushs M	Group Ushs M
Other receivables from Bank of Uganda	-	832	-	-	832
Current assets	3,568	2,240,582	324	(8,051)	2,236,423
Non-current assets	239,424	1,502,406	60	(263,162)	1,478,728
Total assets	242,992	3,743,820	384	(271,213)	3,715,983
Total liabilities	7,936	3,007,011	384	(67,184)	2,948,147
Capital expenditure	919	41,244	-	-	42,163

As at 31 December 2024

	dfcu Limited Ushs M	dfcu Bank Ushs M	Intra-segment items Ushs M	Group Ushs M
Other receivables from Bank of Uganda	-	832	-	832
Other assets	242,920	3,467,471	(282,151)	3,428,240
Total assets	242,920	3,468,303	(282,151)	3,429,072
Total liabilities	16,302	2,786,640	(78,123)	2,724,819
Capital expenditure	87	31,856	-	31,943

The Group's operations are all attributed to Uganda, the Company's country of domicile.

The table below indicates the Group's interest income for the company and the subsidiary:

	dfcu Limited Ushs M	dfcu Bank Ushs M	Intra- segment items Ushs M	Group Ushs M
Year ended 31 December 2025	1,068	412,837	(1,909)	411,996
Year ended 31 December 2024	554	363,154	(2,142)	361,566

9 Interest and similar income

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
(a) Interest calculated using the effective interest method				
Loans and advances	219,426	189,620	-	-
Placements and investments with other banks	7,356	10,973	1,068	554
Government and other securities	182,461	159,275	-	-
	409,243	359,868	1,068	554
(b) Other interest and similar income				
Interest income on finance leases	2,753	1,698	-	-
Total interest income	411,996	361,566	1,068	554

The interest income above is calculated under the effective interest method, that relates to the loans and advances, deposits and balances due from other banks and government securities that total to Ushs 2,147,438 million (2024: Ushs 2,030,597 million)

10 Interest and similar expenses

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Borrowed funds	19,807	5,849	841	1,587
Customer deposits	83,049	84,379	-	-
Interest expense on lease liability	4,526	4,041	-	-
	107,382	94,269	841	1,587

The interest expense above is calculated under the effective interest method, that relates to customer deposits, deposits due to other banks, borrowed funds and lease liability amounting to a total of Ushs 2,878,767 million (2024: Ushs 2,651,321 million).

Notes to the consolidated and separate financial statements (continued)

11 Net trading and other income

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Net unrealised foreign exchange (loss)/gain	(1,258)	2,134	(16)	(12)
Net unrealized gain on government securities	7,945	2,216	-	-
Fixed trading income	36,971	19,365	-	-
Rental income	1,793	1,066	7,033	7,140
Grant income*	1,989	-	-	-
(Loss)/profit on disposal of fixed assets	(798)	120	6	-
	<u>44,642</u>	<u>24,901</u>	<u>7,023</u>	<u>7,128</u>

*There were no unfulfilled conditions and contingencies to the grants during the year.

12 Net income from other financial instruments at FVTPL

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Recoveries from other assets measured at FVTPL	<u>5,405</u>	<u>1,909</u>	<u>-</u>	<u>-</u>

This represents cash collections from the managed portfolio of other assets measured at FVTPL net of recovery costs. These recoveries are from assets that had been written off the portfolio.

13 Fee and commission income

In the table below, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major types of services.

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Major service lines				
Domestic commissions	55,960	57,536	869	789
Foreign commissions	5,866	5,908	-	-
Total fee and commission from contracts with customers	<u>61,826</u>	<u>63,444</u>	<u>869</u>	<u>789</u>
Financial guarantee contracts and loan commitments	3,424	3,085	-	-
Total fee and commission income	<u>65,250</u>	<u>66,529</u>	<u>869</u>	<u>789</u>

Fee and commission income includes fees and commissions from ledger fees, money transfers, low balance fees, statement fees, unpaid cheques charges, URA licensing, ATM commissions, letters of credit fees, letters of guarantee, telegraphic transfer fees, and other fees and commissions.

The table below links the fees and commissions income to the performance obligations:

Type of service	Service lines	Group		Company	
		2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Category A	Activity fees	22,038	21,651	-	-
Category B	Annual review charges	921	1,016	-	-
Category C	Commissions	7,425	7,824	-	-
Category D	Guarantees and commitment fees	3,424	3,085	-	-
Category E	Electronic banking charges	7,157	5,010	-	-
Category F	Telegraphic transfers and Letter of credit charges	5,687	5,687	-	-
Category G	Other commissions	18,598	22,256	869	789
	Total fee and commission income	<u>65,250</u>	<u>66,529</u>	<u>869</u>	<u>789</u>

Notes to the consolidated and separate financial statements (continued)

13 Fee and commission income (continued)

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms 2025	Revenue recognition under IFRS 15
Category A (Activity charges)	<p>These are transactional fees based on revenue that mainly comprise of but not limited to commissions on cheques cashed, statement charges, auxiliary charges, management fees, payments and collection related fees.</p> <p>PO satisfied – Revenue is currently recognised at the end of the month, for the services provided during that month (operational efficiency).</p>	<ul style="list-style-type: none"> - Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides account transaction services - Transaction price – monthly fees in line with the contractual agreement. - Allocation of price to PO – single performance obligation, no allocation necessary.
Category B (Annual review charges)	<p>Annual review charge - It's an annual fee charged basing on the loans held in the year. This revenue is recognised annually on usually corporate loans.</p> <p>PO satisfied – at a point in time in the year when the loan review has been performed.</p>	<ul style="list-style-type: none"> - Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides loan review services. - Transaction price – annual fee charged basing on the contractual agreement. - Allocation of price to PO – single performance obligation - Revenue should be spread over the period as services are provided before the next payment.
Category C (Commissions)	<p>These are fees charged on card related transaction. These comprise of ATM commissions, Express Money commission, Visa Commissions, MoneyGram commissions and issuance fee of debit cards. It is a standard fee.</p> <p>PO satisfied – Revenue is currently recognised at a point in time, after the transaction is processed.</p>	<ul style="list-style-type: none"> - Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides card services at specific points of time and over time. - Transaction price – fee charged in terms of the arrangement with customer at point of transaction. - Allocation of price to PO – single performance obligation for each of the services, no allocation necessary.
Category D (Guarantees and commitment fees)	<p>Guarantees and commitment fees</p> <p>This is a transactional based fee on guarantees issued. Timing of revenue for guarantees - Quarterly fee collection/ recognition or upfront fees depending on contract with client. Most Retail customers pay quarterly while Corporate customers are largely upfront fees for entire tenor of facility.</p>	<ul style="list-style-type: none"> - Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides guarantees, custody fees and commitment fees - Transaction price – fee charged in terms of the arrangement with customer - Allocation of price to PO – Each service is a single performance obligation, no allocation necessary. - Performance guarantees - Revenue currently recognised upfront

Notes to the consolidated and separate financial statements (continued)

13 Fee and commission income (continued)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms 2025	Revenue recognition under IFRS 15
	Term / tenor of Guarantees range from 1-5 years. PO satisfied - Commitment fees - Revenue currently recognised upfront	<ul style="list-style-type: none"> - Commitment and Guarantee fees -The performance obligation is satisfied over the term of the guarantee, thus revenue should be deferred over the term of the guarantee - Where drawdown of the facility is not probable, fees should be deferred over the term of the agreement, on a straight-line basis and recognised in NIR. Where drawdown is probable, fees should be deferred and as part of the EIR and recognised in NII
Category E (Electronic banking charges)	These are fees charged on electronic banking transactions like Money Transfers, Foreign bills, Fx sundries, Telex Transfers. PO satisfied - Revenue is currently recognised at a point in time, after the transaction is processed.	<ul style="list-style-type: none"> - Enforceable arrangement with customer exists. - Performance obligation (PO) - the Group provides a service (as noted alongside, for electronic banking transactions). - Transaction price - transaction-based fees. - Allocation of price to PO - single performance obligation (for each of the service fees listed), no allocation necessary.
Category F (Telegraphic transfer and Letter of credit charges)	It is a transactional based fee on Incoming TTs and LCs depending on the transaction amount with a capped maximum amount. Letters of credit are usually less than one year. PO satisfied - The Group recognises the fee and commissions upfront because the difference as a result of deferring is immaterial.	<ul style="list-style-type: none"> - Enforceable arrangement with customer exists. - Performance obligation (PO) - Group to provide a service, provide inter account transfers that are done by customers and LCs - Transaction price - fee is charged per transaction and LCs depending on the transaction amount with a capped maximum amount - Allocation of price to PO - single performance obligation, no allocation necessary. - TT's - Revenue recognised at a point in time, when service has been provided - Letters of credit - the performance obligation is satisfied over the term of the LC, thus revenue should be deferred over the term of the loan - Fees are currently recognised upfront. Business to monitor and reassess accounting treatment when amounts become material - Where drawdown of the facility is not probable, fees should be deferred over the term of the agreement, on a straight-line basis and recognised in NIR. Where drawdown is probable, fees should be deferred and as part of the EIR and recognised in NII
Category G (Other commissions)	Sundries (BOU Chqs, S/O, URA, Mgt fees) KCCA Commission URA Licencing PO satisfied - Revenue is currently recognised at a point in time, after the transaction is processed.	<ul style="list-style-type: none"> - Enforceable arrangement with customer exists. - Performance obligation (PO) - Group to provide a service (as noted alongside, for electronic banking transactions). - Transaction price - transaction-based fees. - Allocation of price to PO - single performance obligation (for each of the service fees listed), no allocation necessary.

Notes to the consolidated and separate financial statements (continued)

14 Operating expenses

	Group		Company	
	2025	2024	2025	2024
	Ushs M	Ushs M	Ushs M	Ushs M
Employee benefits expenses (note 15)	100,966	96,777	1,270	917
Depreciation of property and equipment (note 29)	19,144	18,884	-	-
Depreciation of the investment property (note 28)	312	523	1,383	1,535
Amortisation of intangible assets (note 30)	7,494	6,122	-	-
Auditors' remuneration	638	608	142	136
Occupancy expenses	1,665	1,072	54	12
Professional and consultancy fees	88,669	56,008	9,009	4,716
Communication costs	39,185	39,849	36	33
Transport and travel costs	3,981	3,914	96	44
Advertising and publicity costs	10,513	9,512	9	19
Other expenses (note 16)	59,438	59,395	933	1,453
	332,005	292,664	12,932	8,865

15 Employee benefits expenses

	Group		Company	
	2025	2024	2025	2024
	Ushs M	Ushs M	Ushs M	Ushs M
Wages and salaries	88,030	85,407	1,140	831
Retirement benefits costs	4,248	3,766	28	21
National Social Security Fund contributions	8,688	7,604	102	65
	100,966	96,777	1,270	917

The average number of employees of the group during the year was 1,283 (2024: 1,301)

Notes to the consolidated and separate financial statements (continued)

16 Other expenses

Other expenses (note 14 above) comprise of the following:

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Stationery and printing	2,501	2,373	-	1
Contribution to the deposit protection fund	5,237	5,981	-	-
Insurance expenses	3,477	2,620	311	334
Staff medical and welfare	6,089	5,487	-	-
Staff training	2,514	2,038	-	-
Electricity and water	2,502	2,652	-	-
Security expenses	2,961	2,831	-	-
Machine and furniture repairs and maintenance	2,286	1,145	-	-
Office cleaning and maintenance	1,447	1,353	-	-
Director fees and board expenses	3,156	3,207	692	692
Bank of Uganda clearing and cash processing fees	3,564	3,376	-	-
Staff entertainment, uniform and leave expenses	890	1,477	-	-
Terminal benefits and expatriate fees	1,454	995	-	-
Cash in transit charges	911	1,056	-	-
Subscriptions	622	613	108	136
Cash shortages	119	72	-	-
Newspapers and magazines	43	42	6	6
Bank of Uganda licence fees	228	225	-	-
Stamp duty and other tax relates expenses	375	1,508	(511)	-
Fair value losses on equity shares	336	208	-	-
Agency Banking costs	11,644	9,984	-	-
VISA charges	-	5,881	-	-
Machine leasing costs	4,097	1,847	-	-
Operational, frauds and losses	452	135	-	-
Charity, donations and sponsorships	970	1,293	10	1
Annual general meeting expenses	299	281	299	281
Bank charges, frauds and losses	1,264	715	18	2
	59,438	59,395	933	1,453

17 Dividends

- a) During the year, no interim dividend was paid (2024: Nil). At the next Annual General Meeting, the directors plan to recommend the payment of a final dividend for the year ended 31 December 2025 of Ushs 16,317 million (2024: 15,027 million) or Ushs 21.81 per share (2024: Ushs 20.09 per share). Payment of dividends is subject to withholding tax at rates depending on the tax residence of the shareholder.
- b) During the year, the Company received a final dividend from its subsidiary, dfcu Bank Limited, of Ushs 30,055 million (2024: Ushs 13,615 million) or Ushs 20.04 per share (2024: Ushs 9.08 per share). The payment of dividends to the Company is not subject to withholding tax as the Company owns 100% of dfcu Bank Limited and is resident in Uganda. The Company also paid dividends amounting to Ushs 15,027 million (2024: Ushs 6,808 million)

Notes to the consolidated and separate financial statements (continued)

18 Credit loss expense on financial assets (Group)

	2025 Ushs M	2024 Ushs M
Increase in allowances for impairment on loans and advances (note 23)	62,671	12,817
Recoveries and allowances on loans and advances no longer required (note 23)	(22,558)	(16,960)
Recoveries on loans and advances previously written off (note 23)	(31,880)	(11,881)
Movement in expected credit losses on loans and advances to customers	8,233	(16,024)
Decrease in allowances for impairment on balances with Bank of Uganda (note 21)	209	(17)
Increase in allowances for impairment on balances with other banks (note 22)	(20)	(50)
Increase in allowances for impairment on other assets (note 27)	(49)	30
Increase/(decrease) in allowances for impairment of FVOCI financial assets (note 41)	459	1,294
Increase in allowances for investment securities (note 25)	1,119	2,760
Movement in expected credit losses on other assets	1,718	4,017
Expected credit loss/(recovery)	9,951	(12,007)

19 Earnings per share - Group

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2025	2024
Net profit attributable to equity holders of the Company (Ushs M)	74,994	72,087
Weighted average number of ordinary shares in issue	748,144,033	748,144,033
Basic earnings per share (Ushs)	100.24	96.35
Diluted earnings per share (Ushs)	100.24	96.35

Profit attributable to ordinary shareholders

	2025 Ushs M	2024 Ushs M
Net profit attributable to equity holders of the Company	74,994	72,087

There were no potentially dilutive shares outstanding at 31 December 2025 and 2024.

20 Income tax

a) Income tax expense

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Current income tax	30,881	27,641	1,053	1,071
Deferred income tax credit/(expense)	(25,999)	(20,465)	724	20
Income tax expense	4,882	7,176	1,777	1,091

b) Amount recognised in OCI - Group

	2025 Ushs M		
	Before tax	Tax (expense)/ benefit	Net of tax
Movement in liability credit reserve	4,707	(1,550)	3,157
Movement in debt instrument at FVOCI	459	-	459
	5,166	(1,550)	3,616

Notes to the consolidated and separate financial statements (continued)

20 Income tax (continued)

b) Amount recognised in OCI – Group (continued)

	2024 Ushs M		
	Before tax	Tax (expense)/ benefit	Net of tax
Movement in liability credit reserve	(8,521)	2,168	(6,353)
Movement in debt instrument at FVOCI	1,294	-	1,294
	(7,227)	2,168	(5,059)

c) Reconciliation of effective tax rate

The tax on the Group's and company's profit before income tax differs from the theoretical amount that would arise using the basic tax rate of 30% as follows:

Group:

	2025		2024	
	Effective tax rate	Ushs M	Effective tax rate	Ushs M
Profit before income tax		79,876		79,263
Tax calculated at a tax rate of 30% (2020: 30%)	30%	23,827	30%	23,779
Tax effect of:				
Underprovision of current and deferred tax in previous years	0.01%	8	(0.56%)	(447)
Expenses not deductible for tax purposes ¹	5.34%	4,268	7.48%	5,930
Net interest income which is subject to final tax ²	(29.24%)	(23,221)	(26.99%)	(22,086)
Income tax expense/(credit)	6.11%	4,882	9.93%	7,176

¹These include items like depreciation expenses in non-qualifying assets, donations, entertainment and unrealised loss on the transfer of non-qualifying assets.

²Includes the income tax differential between interest income on government securities of Ushs 182,461 million (2024: Ushs 159,275 million) taxed at the statutory rate of 30% and withholding tax which is a final tax.

Company:

	2025		2024	
	Effective tax rate	Ushs M	Effective tax rate	Ushs M
Profit before income tax		25,242		11,634
Tax calculated at a tax rate of 30% (2024: 30%)	30%	7,572	30%	3,497
Tax effect of:				
Underprovision of current and deferred tax in previous years	0.03%	8	(3.84%)	(447)
Expenses not deductible for tax purposes ¹	16.91%	4,268	27.43%	3,197
Net interest income which is subject to final tax ²	(39.90%)	(10,071)	(44.23%)	(5,156)
Income tax expense	7.04%	1,777	9.36%	1,091

Income taxed at other rates refers to rental income taxed separately from the other business income. Further information on deferred income tax is presented in note 30.

d) Current income tax payable / (recoverable)

The movements in current tax payable are as follows:

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
At 1 January	4,685	542	(745)	(677)
Current income tax expense for the year	30,881	27,641	1,053	1,071
Current tax paid during the year	(30,054)	(23,498)	(1,212)	(1,139)
At 31 December	5,512	4,685	(904)	(745)

Notes to the consolidated and separate financial statements (continued)

21 Cash at hand and balances with Bank of Uganda - Group

	2025 Ushs M	2024 Ushs M
Balances with Bank of Uganda	220,976	243,793
Expected Credit Loss adjustment	(264)	(55)
	<u>220,712</u>	<u>243,738</u>
Cash in hand	247,364	191,079
	<u>468,076</u>	<u>434,817</u>

The fair value of cash and balances with Bank of Uganda approximates the carrying amount. As disclosed in note 46, the restricted cash balance with Bank of Uganda is Ushs 252,950 million (2024: Ushs 232,060 million).

The balance with Bank of Uganda was classified as B3 with a stable outlook, under stage 1 as at 31 December 2025 and 2024. There were no transfers between stages for both years.

	2025 Ushs M	2024 Ushs M
At 1 January	55	72
Impairment recognized during the year	209	(17)
At 31 December	<u>264</u>	<u>55</u>

22 Deposits and balances due from banks - Group

	2025 Ushs M	2024 Ushs M
Deposits with other banks	75,147	57,888
Placements with other banks	171,558	153,462
	<u>246,705</u>	<u>211,350</u>
Expected Credit Loss adjustment	(15)	(35)
	<u>246,690</u>	<u>211,315</u>

Deposits and balances due from other banks are short-term deposits made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate on deposits and balances due from other banks was 3.62% (2024: 4.05%). The fair value of loans and advances to other banks approximates the carrying amount.

The deposits and balances due from other banks were classified as high grade, under stage 1 as at 31 December 2025 and 2024. There were no transfers between stages for both years.

	2025 Ushs M	2024 Ushs M
At 1 January	35	85
Impairment derecognised during the year	(20)	(50)
At 31 December	<u>15</u>	<u>35</u>

23 Loans and advances to customers - Group

	2025 Ushs M	2024 Ushs M
Loans and advances to customers at amortised cost	1,291,494	1,143,453
Finance leases	23,040	16,048
Deferred fees and commission	(7,797)	(6,556)
	<u>1,306,737</u>	<u>1,152,945</u>
Less impairment loss allowance	(40,938)	(20,746)
	<u>1,265,799</u>	<u>1,132,199</u>

Notes to the consolidated and separate financial statements (continued)

23 Loans and advances to customers (continued)

	Gross carrying amount	ECL allowance	Net carrying amount	Gross carrying amount	ECL allowance	Net carrying amount
	2025	2025	2025	2024	2024	2024
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Retail customers	675,294	(28,358)	646,936	550,309	(4,430)	545,879
Corporate customers	631,443	(12,580)	618,863	602,636	(16,316)	586,320
	1,306,737	(40,938)	1,265,799	1,152,945	(20,746)	1,132,199

The weighted average effective interest rate on loans and advances was 17.01% (2024: 17.65%)

Movements in allowance for impairment of loans and advances

	Stage 1 Ushs M	Stage 2 Ushs M	Stage 3 Ushs M	Total Ushs M
As at 31 December 2025:				
At 1 January 2025	5,877	987	13,882	20,746
Increase in allowances for expected credit losses	-	453	62,218	62,671
Recoveries and allowances no longer required	(2,351)	-	(20,207)	(22,558)
Debts written off during the year	-	-	(19,921)	(19,921)
At 31 December 2025	3,526	1,440	35,972	40,938

Charge to statement of comprehensive income (2025)

Increase in allowances for expected credit losses	-	453	62,218	62,671
Recoveries and allowances no longer required	(2,351)	-	(20,207)	(22,558)
Recovery of amounts previously written off	-	-	(31,880)	(31,880)
Net charge to profit or loss	(2,351)	453	10,131	8,233

As at 31 December 2024:

At 1 January 2024	11,769	4,439	24,039	40,247
Increase in allowances for expected credit losses	-	-	12,817	12,817
Recoveries and allowances no longer required	(5,892)	(3,452)	(7,616)	(16,960)
Debts written off during the year	-	-	(15,358)	(15,358)
At 31 December 2024	5,877	987	13,882	20,746

Charge to statement of comprehensive income (2024)

Increase in allowances for expected credit losses	-	-	12,817	12,817
Recoveries and allowances no longer required	(5,892)	(3,452)	(7,616)	(16,960)
Recovery of amounts previously written off	-	-	(11,881)	(11,881)
Net charge to profit or loss	(5,892)	(3,452)	(6,680)	(16,024)

Notes to the consolidated and separate financial statements (continued)

23 Loans and advances to customers (continued)

Movements in allowance for impairment of loans and advances (continued)

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to the changes in the loss allowance is provided in the tables below:

Retail and corporate

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total Ushs M
	12-month ECL Ushs M	Lifetime ECL Ushs M	Lifetime ECL Ushs M	
Gross carrying amount as at 1 January 2025	1,017,324	83,793	51,828	1,152,945
Changes in the gross carrying amount				
- Transfer to stage 1	(4,878)	4,878	-	-
- Transfer to stage 2	(11,161)	11,161	-	-
- Transfer to stage 3	-	(53,035)	53,035	-
New financial assets originated net of deferred fees	709,551	-	-	709,551
Payoffs and write-offs	(535,837)	-	(19,922)	(555,759)
Gross carrying amount as at 31 December 2025	1,174,999	46,797	84,941	1,306,737
Loss allowance as at 31 December 2025	(3,526)	(1,440)	(35,972)	(40,938)
Carrying amount	1,171,473	45,357	48,969	1,265,799

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total Ushs M
	12-month ECL Ushs M	Lifetime ECL Ushs M	Lifetime ECL Ushs M	
Gross carrying amount as at 1 January 2024	1,000,709	57,179	108,175	1,166,063
Changes in the gross carrying amount				
- Transfer to stage 1	59,635	(59,635)	-	-
- Transfer to stage 2	(45,261)	45,261	-	-
- Transfer to stage 3	-	40,988	(40,988)	-
New financial assets originated net of deferred fees	544,521	-	-	544,521
Payoffs and write-offs	(542,280)	-	(15,359)	(557,639)
Gross carrying amount as at 31 December 2024	1,017,324	83,793	51,828	1,152,945
Loss allowance as at 31 December 2024	(5,877)	(987)	(13,882)	(20,746)
Carrying amount	1,011,447	82,806	37,946	1,132,199

Loans and advances to customers include finance lease receivables, which may be analysed as follows:

	2025 Ushs M	2024 Ushs M
Gross investment in finance leases:		
0-1 year	9,363	873
1-2 years	1,145	3,520
2-3 years	10,397	3,395
3-4 years	2,135	321
4-5 years	-	5,497
Later than 5 years	-	2,442
Gross investment in finance leases	23,040	16,048
Unearned future finance income on finance leases	(3,572)	(4,626)
Net investment in finance leases	19,468	11,422

Notes to the consolidated and separate financial statements (continued)

23 Loans and advances to customers (continued)

The net investment in finance leases may be analysed as follows:

	2025 Ushs M	2024 Ushs M
0-1 year	7,911	621
1-2 years	967	2,505
2-3 years	8,785	2,416
3-4 years	1,805	228
4-5 years	-	3,914
Later than 5 years	-	1,738
	19,468	11,422

The maturity analysis has been updated to disclose separately the payments receivable for each of the first 5 years for comparative purposes. Included in the allowance for impairment of loans and advances as at 31 December 2025 is Ushs 419 million (2024: Ushs 43 million) attributable to impairment of finance lease receivables. Refer to note 6E for the estimated fair value of loans and advances to customers.

24 Investments in equity shares – Group

	2025 Ushs M	2024 Ushs M
Investments in equity shares at fair value through profit or loss:		
New Vision Limited	53	55
Bank of Baroda (U) Limited	-	4,596
National Insurance Corporation	-	743
Kenya Commercial Bank Limited	18	11
Crane Financial Services	1,138	1,138
	1,209	6,543

Investment in Crane Financial Services (CFS) was transferred from former Crane Bank Limited (In Liquidation) under an Agreement signed with Bank of Uganda (as the Receiver) on 25 January 2017. This relates to the cash held on accounts in dfcu Bank and other banks in the name of Crane Financial Services. The carrying amount of the investment in CFS is approximately equal to its fair value.

All the equity investments at FVTPL are traded on the Uganda Securities Exchange (USE) except for Kenya Commercial Bank Limited shares which are traded in Nairobi Securities Exchange (NSE). The number of shares held at each reporting date is indicated below:

	2025 Number of shares	2024 Number of shares
New Vision Limited	359,693	359,693
Bank of Baroda (U) Limited	-	206,570,400
National Insurance Corporation	-	148,645,383
Kenya Commercial Bank Limited	10,000	10,000

The trading prices per share at the last date of trading for the years ended 31 December 2025 and 2024 were as follows:

	2025	2024
New Vision Limited	150	152
Bank of Baroda (U) Limited	-	22
National Insurance Corporation	-	5.0
Kenya Commercial Bank Limited	1,631	1,121

During the year, the Bank did not purchase any additional shares. The changes in equity investments at FVTPL during the year were as follows:

	2025 Ushs M	2024 Ushs M
At 1 January	5,405	4,927
Shares de-recognised during the year	(5,522)	(833)
Fair value losses	188	1,311
At 31 December	71	5,405

Notes to the consolidated and separate financial statements (continued)

24 Investments in equity shares (continued)

The proceeds received from the shares de-recognised during the year amount to Ushs 6,251 million (2024: Ushs 826 million. The realised gain from the shares de-recognised during the year amounts to Ushs 839 million (2024: Ushs 124 million).

The Group's investment in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Bank holds less than 20% of the voting rights of the investee companies and the Bank does not have significant influence over the financial and operating decisions of the investee companies. Below is the sensitivity of the share prices to the bank's profit and loss and the resultant effect to the bank's equity;

	2025 Ushs M			2024 Ushs M		
	Fair value gain/(loss)	Tax impact	Net impact on equity	Fair value gain/(loss)	Tax impact	Net impact on equity
10% increase in share price	7	(2)	5	541	(162)	379
10% decrease in share price	(7)	2	(5)	(541)	162	(379)

The other equity investment relates to the Group's investment in Crane Financial Services. This relates to the payment made by the Bank for Crane Financial Services as part of the assets acquired from Crane Bank Limited (in receivership).

25 Investments in securities – Group

	2025 Ushs M	2024 Ushs M
Amortised cost:		
Investment securities measured at amortised cost	660,474	730,906
Expected credit loss adjustment	(4,007)	(2,888)
	656,467	728,018
At FVOCI - debt instruments:		
Investment securities measured at FVOCI - debt instruments	619,028	582,723
Total investment securities	1,279,502	1,313,629
Total Expected credit loss adjustment	(4,007)	(2,888)
	1,275,495	1,310,741
Movement in investment securities:		
	2025 Ushs M	2024 Ushs M
At 1 January	1,310,741	968,637
Additions during the year	3,522,757	3,075,953
Maturities during the year	(3,564,829)	(2,733,305)
Fair value gain during the year	7,945	2,216
Movement in expected credit loss	(1,119)	(2,760)
At 31 December	1,275,495	1,310,741
Maturing as follows:		
Maturing within 1 month	193,951	220,331
Maturing between 1-3 months	49,822	117,266
Maturing within 3-12 months	339,515	267,139
Maturing between 1-5 years	692,207	706,005
	1,275,495	1,310,741

Refer to note 6E for the estimated fair value of investment securities measured at amortised cost. The investment securities were classified as high grade, under stage 1 as at 31 December 2025 and 2024. There were no transfers between stages for both years.

	2025 Ushs M	2024 Ushs M
At 1 January	2,888	128
Impairment recognized/(derecognised) during the year	1,119	2,760
At 31 December	4,007	2,888

Notes to the consolidated and separate financial statements (continued)

26 Trading assets - Group

	Trading assets		Trading liabilities	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Non-derivatives	157,915	79,113	-	-
Trading assets FVTPL	(738)	(5,389)	-	-
	<u>157,177</u>	<u>73,724</u>	<u>-</u>	<u>-</u>
Maturing as follows:				
Maturing within 1 month	-	-	-	-
Maturing between 1-3 months	-	-	-	-
Maturing within 3-12 months	157,177	73,724	-	-
Maturing between 1-5 years	-	-	-	-
	<u>157,177</u>	<u>73,724</u>	<u>-</u>	<u>-</u>

	Pledged trading asset	Non-pledged trading assets	Total trading assets	Pledged trading asset	Non-pledged trading assets	Total trading assets
	2025 Ushs M	2025 Ushs M	2025 Ushs M	2024 Ushs M	2024 Ushs M	2024 Ushs M
Government bonds	-	73,548	73,548	-	62,664	62,664
Treasury bills	-	83,629	83,629	-	11,060	11,060
	<u>-</u>	<u>157,177</u>	<u>157,177</u>	<u>-</u>	<u>73,724</u>	<u>73,724</u>

Treasury bills are debt securities issued by the Government of Uganda, and administered by the Bank of Uganda, for a term of three months, six months, nine months or a year. Treasury bonds are debt securities issued by the Government of Uganda and administered by the Bank of Uganda, for terms of two years, three years, five years, ten years and fifteen years. The weighted average effective interest rate on government securities was 14.92%. (2024: 14.54%).

Notes to the consolidated and separate financial statements (continued)

27 Other assets

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Other assets at amortised:				
Other assets	8,559	7,562	-	116
Expected credit loss adjustment	(5)	(54)	-	-
	8,554	7,508	-	116
Other assets at FVTPL:				
Other financial assets at fair value through profit and loss	3,922	5,476	-	-
Total financial assets	12,476	12,984	-	116
Non-financial assets:				
Sundry receivables	17,808	9,987	-	-
Prepaid expenses	6,510	10,648	65	79
Total non-financial assets	24,318	20,635	65	79
Total other assets	36,794	33,619	65	195

Other financial assets at fair value through profit or loss relate to the fair valuation of written off and non-performing loans and advances acquired from Crane Bank Limited. The carrying value of other assets is approximately equal to its fair value.

The movement in expected credit losses was as follows:

	2025 Ushs M	2024 Ushs M
At 1 January	54	24
Impairment recognized/(derecognised) during the year	(49)	30
At 31 December	5	54

The table below summarises the movement in other financial assets at fair value through profit or loss:

	2025 Ushs M	2024 Ushs M
At 1 January	5,476	9,108
Settlements against the asset	(1,475)	(2,916)
Fair value loss	(79)	(716)
At 31 December	3,922	5,476

Notes to the consolidated and separate financial statements (continued)

28 Investment property

Investment property comprises land and buildings at Plot 26 Kyadondo Road, Kampala. This property is held for its rental and capital appreciation. The investment property has been stated on the historical cost basis.

The Company provides rent to third parties, that part of the property that is not utilised by dfcu Group Limited. Consequently, that part of the property is held for rental purposes and classified as investment property in the consolidated financial statements as shown below. In the separate financial statements of the Company, the entire property is held for rental purposes and is therefore retained as investment property in those financial statements.

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Cost:				
At 1 January	22,945	22,868	56,939	56,852
Additions	-	-	919	87
Transfer from work in progress	47	77	-	-
As at 31 December	22,992	22,945	57,858	56,939
Depreciation:				
At 1 January	4,096	3,573	20,344	18,809
Charge for the year	312	523	1,383	1,535
As at 31 December	4,408	4,096	21,727	20,344
Net Book Value	18,584	18,849	36,131	36,595
Investment property leased to third parties			18,584	18,849
Investment property leased to related parties			17,547	17,746
Total investment property			36,131	36,595

The fair value of the investment property is Ushs 81 billion (2024: Ushs 75 billion). The Group has assessed that the highest and best use of its investment property does not differ from their current use.

The Group's investment property comprises the value of property leased to third parties who are not related to the Group. In contrast, the Company's investment property includes the value of property leased to both related parties and third parties.

The valuation was carried out using the investment method of valuation. The valuer utilised the income capitalisation approach by reference to the net cashflows / rental income from the commercial building portion that is being rented out.

The significant unobservable inputs used in the valuation were as follows:

Significant unobservable input

		Range (weighted average)
Building	Estimated rental value	US\$13 - US\$ 18 per square metre depending on the attributes of the space. Gross annual rent is estimated at US\$ 1,713,086.6
	Service charge	US\$ 4 per square metre and is charged separately. The annual service charge is estimated at US\$ 328,991.52
	Parking	Estimated annual rent of US\$ 35,280
	Discount rate	6%- 8% (7%)
Land	Price per acre	Ushs 8 billion -Ushs 10 billion per acre

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield).

Notes to the consolidated and separate financial statements (continued)

28 Investment property (continued)

Valuation techniques for investment properties:

Land	Market Approach Land was valued by the sales comparison method taking into account factors such as location, services and accessibility.
Buildings	Income capitalisation approach The valuer used this approach to estimate the value of income-producing portion of the building. It is based on the expectation of future benefits. This method of valuation relates value to the market rent that a property can be expected to earn and to the resale value.

The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of the investment property included:

- The property and its value is unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value referred to in the valuation report excludes Value Added Tax and transfer costs
- The property is unaffected by environmental issues

The property is assumed to be free from any structural fault, rot, infestation or defects of any other nature whether exposed or unexposed, including inherent weaknesses due to the use in construction of deleterious materials. There is also an assumption that there are no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of each property are sufficient to support the building constructed or to be constructed thereon.

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Rental income derived from investment properties	1,793	1,066	7,034	7,140
Direct operating expenses (including repairs and maintenance)	(828)	(359)	(6,069)	(6,434)
Profit arising from investment properties	965	707	965	706

Notes to the consolidated and separate financial statements (continued)

29 (a) Property, equipment and right-of-use asset - Group

	Freehold land and buildings Ushs M	Motor vehicle Ushs M	Furniture & equipment Ushs M	Computer equipment Ushs M	Right of Use asset Ushs M	Work-In- Progress Ushs M	Total Ushs M
Cost:							
At 1 January 2025	30,536	5,190	75,463	20,762	66,648	1,330	199,929
Additions	-	729	2,270	1,347	4,907	15,395	24,648
Transfers from work in progress	47	116	4,133	11,025	-	(15,321)	-
Write offs	-	-	(3,586)	(4,305)	-	-	(7,891)
Eliminated on disposal	-	(44)	(1,344)	(353)	-	-	(1,741)
At 31 December 2025	30,583	5,991	76,936	28,476	71,555	1,404	214,945
Depreciation:							
At 1 January 2025	6,642	2,601	55,364	13,432	41,528	-	119,567
Charge for the year	897	1,087	6,141	5,019	6,000	-	19,144
Write offs	-	-	(3,584)	(4,303)	-	-	(7,887)
Eliminated on disposal	-	(44)	(1,233)	(352)	-	-	(1,629)
At 31 December 2025	7,539	3,644	56,688	13,796	47,528	-	129,195
Net carrying amount	23,044	2,347	20,248	14,680	24,027	1,404	85,750

Notes to the consolidated and separate financial statements (continued)

29 (a) Property, equipment and right-of-use asset – Group (continued)

	Freehold land and buildings Ushs M	Motor vehicle Ushs M	Furniture & equipment Ushs M	Computer equipment Ushs M	Right of Use asset Ushs M	Work-In- Progress Ushs M	Total Ushs M
Cost:							
At 1 January 2024	30,459	4,441	72,292	20,767	59,591	1,721	189,271
Asset reclassifications	-	-	270	(270)	-	-	-
Additions	-	353	1,723	1,930	7,057	5,269	16,332
Transfers from work in progress	77	747	3,535	1,050	-	(5,409)	-
Write offs	-	-	(1,252)	(2,352)	-	(251)	(3,855)
Eliminated on disposal	-	(351)	(1,105)	(363)	-	-	(1,819)
At 31 December 2024	30,536	5,190	75,463	20,762	66,648	1,330	199,929
Depreciation:							
At 1 January 2024	5,995	1,866	51,512	13,064	33,626	-	106,063
Asset reclassifications	-	-	509	(509)	-	-	-
Charge for the year	647	1,086	5,660	3,589	7,902	-	18,884
Write offs	-	-	(1,243)	(2,349)	-	-	(3,592)
Eliminated on disposal	-	(351)	(1,074)	(363)	-	-	(1,788)
At 31 December 2024	6,642	2,601	55,364	13,432	41,528	-	119,567
Net carrying amount	23,894	2,589	20,099	7,330	25,120	1,330	80,362

Work-In-Progress (WIP) relates to ongoing works in respect of various projects the Bank is undertaking.

(b) Other receivables from Bank of Uganda*

dfcu Group acquired some assets and liabilities from former Crane Bank Limited (In Liquidation) under an Agreement signed with Bank of Uganda (as the Receiver) on 25 January 2017. As per the provisions of the Agreement, dfcu exercised the option not to purchase the reversionary interest of the properties.

As of 31 December 2020, dfcu Group returned the properties to Bank of Uganda (as the Receiver). The expected amount to be recovered is Ushs 29,089 million, which was recorded under other receivables from Bank of Uganda. An impairment amount of Ushs 15,283 million was recognised in other expenses in 2020.

As at 31 December 2025, the outstanding amount receivable was Ushs 832 million (2024: 832 million).

*The name has been changed from “Assets held for disposal” as referred to in prior years to “Other receivables from Bank of Uganda” for purposes of understandability.

Notes to the consolidated and separate financial statements (continued)

30 Intangible assets

	Goodwill Ushs M	Computer Software Ushs M	Work-In- Progress Ushs M	Total Ushs M
Cost				
At 1 January 2025	463	73,741	14,105	88,309
Additions	-	532	16,984	17,516
Transfers from WIP		1,551	(1,551)	-
Write offs	-	(11,424)	-	(11,424)
At 31 December 2025	463	64,400	29,538	94,401
Amortisation				
At 1 January 2025	-	52,161	-	52,161
Charge for the year	-	7,494	-	7,494
Write offs	-	(10,623)	-	(10,623)
At 31 December 2025	-	49,032	-	49,032
Net carrying amount	463	15,368	29,538	45,369
Cost				
At 1 January 2024	463	68,198	12,813	81,474
Asset reclassifications	-	(51)	51	-
Additions	-	417	15,194	15,611
Transfers from WIP		13,953	(13,953)	-
Write offs	-	(8,776)	-	(8,776)
At 31 December 2024	463	73,741	14,105	88,309
Amortisation				
At 1 January 2024	-	54,332	-	54,332
Charge for the year	-	6,122	-	6,122
Write offs	-	(8,293)	-	(8,293)
At 31 December 2024	-	52,161	-	52,161
Net carrying amount	463	21,580	14,105	36,148

Computer software comprises of software for the Group's core banking systems.

Other intangible assets comprises fair valuations of customer relationships acquired from Crane Bank Limited and fair valuations of customer deposits and ground rent. Work-In-Progress (WIP) relates to ongoing works in respect of the various software projects.

Annual impairment test for goodwill

The Group performed its annual impairment test of goodwill during the year. Goodwill was acquired through the business combination of the subsidiary, dfcu Bank as the Cash Generating Unit (CGU). The Group considers the relationship between its market capitalization and its book value among other factors when reviewing for indicators of impairment. As at 31 December 2025, the market capitalization of the Group was below the book value of its entity, an indication of a potential impairment of goodwill.

Management performed a Value in Use (VIU) estimation using the Dividend Discount Model (DDM) as the primary approach and the Market Multiples as a secondary approach.

The DDM involves discounting the expected earnings to shareholders (the dividends stream) at the Equity Required Rate of Return.

The following were the inputs into the DDM;

- Management's forecasts on equity capital requirements to satisfy Capital Adequacy Requirements (CAR) and derived the excess equity capital, distributable to shareholders as the forecast equity cashflows.
- The forecast cashflows were discounted at the low and high cost of equity of 23.12% and 24.36% (an average of 23.74%) derived using the Capital Asset Pricing Model.
- The terminal value was calculated using the long-term Ugandan inflation rate of 5.3%

Notes to the consolidated and separate financial statements (continued)

30 Intangible assets (continued)

Annual impairment test for goodwill (continued)

The Market Multiples approach involved obtaining Price to Book (P/B) multiples of peer companies operating in the same industry as the company. The observed trading multiples were adjusted for country risk and size in order to arrive at an objective equity value. The implied P/B was calculated using the net asset value as at 31 December 2025.

Below is the summary of the valuation results:

	Low Ushs M	High Ushs M	Average Ushs M
Net assets as at 31 December 2025	594,026	594,026	594,026
Goodwill	463	463	463
Total	594,489	594,489	594,489
VIU (DDM)	650,000	698,000	674,000
Headroom/(impairment)	55,511	103,511	79,511
Net assets as at 31 December 2024	594,026	594,026	594,026
Goodwill	463	463	463
Total	594,489	594,489	594,489
VIU (DDM)	650,000	698,000	674,000
Headroom/(impairment)	55,511	103,511	79,511

From the indicative valuation results based on the primary approach (DDM) and the corroborative approach, there is no impairment for goodwill as at 31 December 2025.

31 Deferred income tax

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 30%, except for interest receivable on treasury bills and bonds where the enacted rate is 15% (2024: 15%). Deferred tax assets and liabilities and the deferred tax credit as at 31 December 2025 are attributed to the following items:

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
At 1 January	(87,859)	(65,226)	311	291
Company balance de-recognised	(311)	-	-	-
Deferred tax credit to P&L-Bank	(26,723)	(20,465)	-	20
Deferred tax credit to P&L-Company	-	-	724	-
Deferred tax credit to OCI	1,550	(2,168)	-	-
Deferred tax (asset)/liability	(113,343)	(87,859)	1,035	311

	Group				
	At 1 January 2025 Ushs M	Company balance derecognised Ushs M	(Credit)/ Charge to P&L Ushs M	(Credit)/ Charge to OCI Ushs M	At 31 December 2025 Ushs M
Property and equipment	(2,400)	(885)	2,415	-	(870)
Tax losses carried forward	(62,898)	(12,236)	(30,823)	-	(105,957)
Deferred fees and commissions income	(13,456)	11,704	(366)	-	(2,118)
Fair value of treasury bills and bonds	(1,337)	572	666	-	(99)
Unrealised foreign exchange loss	(43)	43	-	-	-
FVOCI Fair value loss	(1,654)	-	-	1,550	(104)
Allowance for impairment of loans and advances	(4,233)	-	1,124	-	(3,109)
Allowance for contingent liabilities	(1,310)	-	261	-	(1,049)
Other temporary differences	(57)	20	-	-	(37)
Capped interest expense	(471)	471	-	-	-
Net deferred tax asset	(87,859)	(311)	(26,723)	1,550	(113,343)

Notes to the consolidated and separate financial statements (continued)

31 Deferred income tax (continued)

2024	At 1	(Credit)/	(Credit)/	At 31
	January	Charge to	Charge to	December
	2024	P&L	OCI	2024
	Ushs M	Ushs M	Ushs M	Ushs M
Property and equipment	(2,369)	(31)	-	(2,400)
Tax losses carried forward	(41,653)	(21,245)	-	(62,898)
Deferred fees and commissions income	(13,368)	(88)	-	(13,456)
Fair value of treasury bills and bonds	(2,130)	793	-	(1,337)
Unrealised foreign exchange loss	(60)	17	-	(43)
FVOCI Fair value loss	514	-	(2,168)	(1,654)
Allowance for impairment of loans and advances	(5,023)	790	-	(4,233)
Allowance for contingent liabilities	(657)	(653)	-	(1,310)
Other temporary differences	(57)	-	-	(57)
Capped interest expense	(423)	(48)	-	(471)
Net deferred tax asset	(65,226)	(20,465)	(2,168)	(87,859)

The trading losses have been accumulated since 2021 and are available for offset against future taxable profits. However, effective 1 July 2021, the Income Tax Act was amended to limit the carry forward period for tax losses to seven (7) years, beyond which only 50% of respective tax losses will be available for utilisation against subsequent profits in future periods. Accordingly, accumulated losses carried forward from 2021 and onwards are subject to the seven year rule when the 50% utilisation restriction is applied. The utilisation and expiry profile of the accumulated tax losses is summarised below:

Year of origin	2021	2022	2023	2024	2025	Total
Carried forward losses (Ushs M)	35,244	40,968	104,850	76,439	95,687	353,188
Year of expiry (7 year limit)	2030	2030	2030	2031	2032	

The Group anticipates taxable profits over the period 2026 to 2032, supported by approved business forecasts which shall significantly utilize most of the accumulated losses. In addition, there is an ongoing industry-wide dispute between financial institutions and the Uganda Revenue Authority (URA), relating to the deductibility of expenses attributable to income on government securities. Should URA's proposed position be upheld, this would result in a significant reduction of the Bank's accumulated tax losses, thereby accelerating utilization of the deferred tax asset. On this basis, management considers that there is sufficient basis in the future for the accumulated tax losses to be significantly utilized, and therefore that the recognized deferred tax asset will be recoverable, in line with IAS 12.

Below is the expected utilization of carried forward tax losses:

Year of origin	Carried forward tax losses	Amount to be utilised	Year of utilization
	Ushs M	Ushs M	
2021	35,244	35,244	2026
2022	40,968	40,968	2026
2023	104,850	53,287	2026
2024	76,439	128,002	2027
2025	95,687	95,687	2028
Total	353,188	353,188	

Notes to the consolidated and separate financial statements (continued)

31 Deferred income tax (continued)

	Company		
	At 1 January 2025	(Credit)/ Charge to P&L	At 31 December 2025
	Ushs M	Ushs M	Ushs M
2025			
Property and equipment	1,416	1,607	3,023
Tax losses carried forward	(633)	(745)	(1,378)
Capped interest expense	(470)	(135)	(605)
Unrealised foreign exchange loss	(2)	(3)	(5)
Net deferred tax asset	311	724	1,035

	Company		
	At 1 January 2024	(Credit)/ Charge to P&L	At 31 December 2024
	Ushs M	Ushs M	Ushs M
2024			
Property and equipment	1,097	319	1,416
Tax losses carried forward	(365)	(268)	(633)
Capped interest expense	(422)	(48)	(470)
Unrealised foreign exchange loss	(19)	17	(2)
Net deferred tax asset	291	20	311

32 Investment in subsidiary

	Shareholding	Company	
		2025 Ushs M	2024 Ushs M
dfcu Bank Limited	100%		
As at 1 January and 31 December		203,293	203,293

dfcu Bank Limited is incorporated in Uganda under the Companies Act of Uganda as a limited liability company and is licensed by Bank of Uganda to operate as a commercial bank. It is domiciled in Uganda and the address of its registered office is:

Plot 26 Kyadondo Road
P.O. Box 70
Kampala, Uganda

The Group is engaged in the business of banking and the provision of related services and is licensed under the Financial Institutions Act Cap 57 Laws of Uganda.

33 Customer deposits - Group

	2025 Ushs M	2024 Ushs M
Demand deposits	1,286,754	1,172,744
Savings deposits	603,081	599,167
Fixed deposits	824,736	584,370
	2,714,571	2,356,281

The weighted average effective interest rates for the customer deposits are as follows:

	2025 %	2024 %
Demand deposits	1	1
Savings deposits	1	1
Fixed deposits	10	10

Refer to note 6E for the estimated fair value of customer deposits.

Notes to the consolidated and separate financial statements (continued)

34 Deposits due to other banks - Group

	2025 Ushs M	2024 Ushs M
Balances due to other banks within 90 days	14,004	120,256

Balances due to other banks are short-term deposits made by other banks for varying periods of between one day and three months and earn interest at the respective short-term deposit rates. The weighted average effective interest rate was 8.14% (2024: 4.43%). The carrying value of deposits due to other banks is approximately equal to its fair value.

35 Other liabilities

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Financial liabilities:				
Bills payable	194	165	-	-
Unclaimed balances	11,039	10,888	-	-
Other liabilities	18,582	19,965	238	451
Deferred rental income	450	328	2,222	2,166
Deferred grant income*	260	-	-	-
Lease liability (note 43(ii))	25,249	25,302	-	-
Accrued expenses and payables	26,830	31,453	6	160
Total liabilities	82,604	88,101	2,466	2,777

Other liabilities are non-interest bearing and normally settled within 30-90 days. The Group gives no collateral in respect to these payables. Unclaimed balances relate to funds left on dormant deposit accounts that have had no customer activity for a period of 2 or more years.

Other liabilities include the expected credit loss on contingent liabilities and commitments amounting to Ushs 1,108 million (2024: Ushs 1,445 million). It also includes visa fees payable, taxes payable, dividends payable and others. The carrying value of other liabilities is approximately equal to its fair value.

*There were no unfulfilled conditions and contingencies to the grants during the year.

36 Special funds – Group

Special funds represent liabilities created under the terms of borrowing agreements with Kreditanstalt Fur Wiederaufbau (KfW). These agreements require the Group to remit repayments of principal and interest due on loans issued out of the proceeds of these borrowings into a special fund controlled by the Government of Uganda to support the financing of SME and microfinance businesses.

	2025 Ushs M	2024 Ushs M
As at 31 December	1,193	1,193

The carrying value of special funds is approximately equal to its fair value.

37 Borrowed funds

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Uganda Government (KfW V loan)	12,444	12,444	-	-
Bank of Uganda (ACF loan)	19,397	28,637	-	-
Abi-Finance	-	913	-	-
European Investment Bank – PEFF	80,026	99,399	-	-
GROW funds	13,076	8,048	-	-
UN Habitat	-	41	-	-
	124,943	149,482	-	-

The maturity analysis for borrowed funds has been disclosed in Note 6C.

Bank of Uganda (ACF loan)

The Government of Uganda through the central bank in partnership with commercial banks, Uganda Development Bank Ltd and micro-deposit taking institutions (MDIs) created the Agricultural Credit Facility. The facility was created for the provision of medium-term credit facilities to agriculture and agro-processing projects on more favorable terms as opposed to the open market. The credit facilities are advanced to customers at an interest rate of 12%.

Notes to the consolidated and separate financial statements (continued)

37 Borrowed funds (continued)

The other objectives of the facility include the promotion of commercial agriculture, increasing access to finance by agribusinesses, increased agricultural production thus food security as well as boosting the confidence of financial institution in lending to agriculture. The Group contributes 50% towards the lending and 50% is financed by the ACF. The Group repays the 50% financed by the ACF as and when the loans are repaid by the customers.

The terms and conditions relating to the other borrowings are tabulated below:

	Tenure (years)	Interest rate	Fixed / variable	Currency
Uganda Government (KFW V loan)	Due on demand	-		
Abi-Finance Limited	7	12.50%	Fixed	Ushs
European Investment Bank-USD	10	2.97%	Fixed	USD
European Investment Bank-UGX	7	13.58%	Fixed	Ushs
GROW funds	2	2.00%	Fixed	Ushs
UN Habitat	15	2.00%	Fixed	Ushs

All the borrowed funds are unsecured. Refer to note 6E for the estimated fair value of borrowed and administered funds.

The movement in borrowings is as follows:

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
At 1 January	149,482	84,137	-	-
Additional drawdowns	7,024	78,651	-	-
Interest expense	9,537	842	-	-
Principle repayment	(35,994)	(6,352)	-	-
Interest repayment	(4,670)	(6,642)	-	-
Unrealised foreign exchange exchange gains	(111)	(872)	-	-
Debt origination fees	(325)	(282)	-	-
At 31 December	<u>124,943</u>	<u>149,482</u>	<u>-</u>	<u>-</u>

38 Share capital and share premium

Group	Number of authorised ordinary shares	Number of issued ordinary shares	Share Capital	Share premium	Total
			Ushs M	Ushs M	Ushs M
At 1 January and 31 December 2025 and 2024	<u>1,250,000,000</u>	<u>748,144,033</u>	<u>14,963</u>	<u>185,683</u>	<u>200,646</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Group. All ordinary shares rank equally with regard to the Group's residual assets.

Share premium

	2025 Ushs M
** 1 May 2000	2,878
*** 28 February 2017	182,805
Total	<u>185,683</u>

** Share premium relates to shares issued by the Group on 1 May 2000 amounting to 198,880,729 with a par value of Ushs 20 per share at approximately Ushs 95 per share which resulted into a share premium of Shs 2,878 million.

*** Share premium relates to additional capital additional capital from its shareholders through a rights issue done in 2017. The capital was converted into 250.9 million ordinary shares giving rise to additional ordinary share capital of Ushs 5.5 billion and share premium of Ushs 182.8 billion.

Notes to the consolidated and separate financial statements (continued)

39 Regulatory reserve - Group

	2025 Ushs M	2024 Ushs M
At 1 January	3,696	8,069
Transfer to retained earnings during the year	(3,696)	(4,373)
At 31 December	-	3,696
The regulatory credit risk reserve is analysed as follows:		
Provision for impairment of loans and advances as per FIA 2004:		
Specific provisions	22,076	12,819
General provisions	12,951	11,623
Total regulatory provision	35,027	24,442
Provision for impairment of loans and advances as per IFRS		
Stage 3 (note 23)	(35,972)	(13,882)
Stage 1 (note 23)	(3,526)	(5,877)
Stage 2 (note 23)	(1,440)	(987)
Total IFRS provision	(40,938)	(20,746)
Shortfall of IFRS provision over regulatory provision	(5,911)	3,696

The regulatory credit risk reserve represents amounts by which allowances for impairment of loans and advances determined in accordance with the Financial Institutions Act Cap 57, Laws of Uganda exceed those determined in accordance with IFRS Accounting Standards. These amounts are appropriated from retained earnings in accordance with accounting policy 4c(v). The reserve is not distributable.

As of 31 December 2025, the allowance of impairment of loans and advances computed in accordance with IFRS Accounting Standards were more than the regulatory provision and therefore the credit risk reserve was Nil (2024: 3,696 million).

40 Retained earnings

Retained earnings comprises prior year brought forward earning plus current year profit less any dividends paid and proposed and transfers to credit risk reserve. As at 31 December 2025, retained earnings for the Group amounted to Ushs 555,195 million (2024: Ushs 488,743 million) whereas the retained earnings for the company amounted to Ushs 22,172 million (2024: Ushs 10,945 million). The movements in retained earnings for the Group and Company are shown in the respective statements of changes in equity.

41 FVOCI revaluation reserve - Group

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income (FVOCI), which is recognised in equity until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance. Equity securities were previously mentioned but this reference has been removed.

	2025 Ushs M	2024 Ushs M
Movement in FVOCI financial assets		
At 1 January	(5,304)	1,049
Net movement on revaluation of FVOCI	4,707	(8,521)
Deferred tax impact on FVOCI transactions	(1,550)	2,168
At 31 December	(2,147)	(5,304)
ECL on FVOCI financial assets		
At 1 January net of deferred tax	1,445	151
Increase/(decrease) in ECL	459	1,294
At 31 December	1,904	1,445
Total fair value reserve	(243)	(3,859)
Net loss on FVOCI financial assets net of tax	3,157	(6,353)
Changes in ECL on FVOCI financial instruments	459	1,294

Notes to the consolidated and separate financial statements (continued)

42 Off statement of financial position financial instruments – Group

In common with other banks, the subsidiary of the Company, dfcu Bank Limited (the Bank), conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2025 Ushs M	2024 Ushs M
Guarantee and performance bonds	227,806	301,453
Undrawn formal stand-by facilities, credit lines and other commitments to lend	13,995	30,653
	241,801	332,106

The expected credit loss on contingent liabilities and commitments is Ushs 1,108 million (2024: Ushs 1,445 million) and this is presented under other liabilities in note 35. Below is the movement in the expected credit loss on contingent liabilities and commitments:

	2025 Ushs M	2024 Ushs M
At 1 January	1,445	75
Impairment (derecognized)/recognized during the year	(337)	1,370
At 31 December	1,108	1,445

This note has been updated to include the movement in expected credit losses on off-statement financial position financial instruments for comparative purposes.

43 Leases

Group as a lessee

The Group leases a number of branch and office premises. The leases typically run for a period of 7 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment. As at 31 December 2025, the net carrying amount for the right-of-use assets is Ushs 24,027 million (2024: Ushs 25,120 million) (see Note 29).

ii. Lease liability

The lease liability arises out of the payment obligations from leased branch and office premises and this is presented within the other liabilities (see note 35).

	2025 Ushs M	2024 Ushs M
At 1 January	25,302	25,850
New leases	-	-
Interest charge (note 10)	4,526	4,041
Unrealised loss/(gain) on foreign currency denominated leases	(293)	(494)
Leases terminated during the year	-	-
Interest payment	(2,117)	(1,602)
Principle payment	(2,169)	(2,493)
At 31 December	25,249	25,302

At 31 December 2025, the future minimum lease payments under non-cancellable operating leases were payable as follows.

Notes to the consolidated and separate financial statements (continued)

43 Leases (Continued)

Group as a lessee (continued)

iii. Amounts recognized in profit or loss

	2025 Ushs M	2024 Ushs M
<i>Leases under IFRS 16</i>		
Interest on lease liabilities	4,526	4,041
Depreciation on right-of-use asset	6,000	7,902
Unrealised (loss)/gain on foreign currency denominated lease liabilities	(293)	(494)
	<u>10,233</u>	<u>11,449</u>

iv. Amounts recognised in the statement of cashflows

	2025 Ushs M	2024 Ushs M
Payment of principal portion of the lease liability	2,117	1,602
Interest paid on lease liability	2,169	2,493
	<u>4,286</u>	<u>4,095</u>

The table below discloses the maturity profile of the leases as at 31 December 2025 and 2024. The maturity profile captures the undiscounted cashflows of the leases arrangements

	2025 Ushs M	2024 Ushs M
Maturing within 1 month	16,670	50,882
Maturing between 1-3 months	2,067	5,218
Maturing within 3-12 months	11,581	9,477
Maturing between 1-5 years	9,162	1,230
Maturing over 5 years	555	1,845
	<u>40,035</u>	<u>68,652</u>

Below is a summary of lease expenses that have been expensed based on the exemptions under IFRS 16:

	2025 Ushs M	2024 Ushs M
Equipment lease expenses	1,393	956

v. Extension options

Some leases of office premises contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

vi. Discount rate

In determination of the implicit rate of the lease (Discount rate), the Group has evaluated its ability to raise funds with a similar term structure and determined the weighted average cost of the fixed deposits as the discount rate. The weighted average rate as at 31 December 2025 was 12% (2024: 12%).

Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office buildings (see Note 28). These leases have terms of between 3 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties.

Rental income recognised by the Group during the year is Ushs 1,793 million (2024: Ushs 1,066 million). The rental income recognised by the Company was Ushs 7,033 million (2024: Ushs 7,140 million). Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the net trading and other income in the statement of comprehensive income due to its operating nature.

Notes to the consolidated and separate financial statements (continued)

43 Leases (Continued)

Group as a lessee (continued)

Future minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

	2025	2024
	Ushs M	Ushs M
Within one year	7,831	6,992
After one year	31,324	27,968
	39,155	34,960

44 Provisions and contingent liabilities

(a) Provisions

The Group is a defendant in various legal actions in the normal course of business. The total estimated contingent liability arising from these cases is Ushs 239 billion (2024: Ushs 260 billion). Through legal advice management has determined that total expected losses to the Group are Ushs 3.5 billion (2024: Ushs 4.4 billion) for which a provision has been made in the consolidated financial statements. In the opinion of directors and after taking appropriate legal advice, no significant additional losses are expected to arise from these cases.

The movement in litigation provisions during the year was as follows:

	2025	2024
	Ushs M	Ushs M
At 1 January	4,364	2,188
Arising during the year	-	2,176
Utilised during the year	(871)	-
At 31 December	3,493	4,364

(b) Other open litigation matters

In 2020, Crane Bank Limited (CBL) and some of its shareholders filed a claim in the English High Court against dfcu Bank and others (dfcu) making allegations concerning the 2017 transaction by which Bank of Uganda sold some of CBL's assets and liabilities to dfcu.

dfcu's costs of defending this claim are substantial and the amount incurred during the year amounted to Ushs 76,584 million (2024: Ushs 42,283). dfcu continues to engage the Bank of Uganda, as the Seller in the 2017 transaction, towards the redress of these costs. Furthermore, in accordance with the cost-shifting principles applicable in English court proceedings, an unsuccessful claimant may be ordered to pay a substantial proportion of the defendant's legal costs. dfcu, based on legal advice, considers that it has a strong defence to the allegations made by the claimants concerning the 2017 transaction.

45 Derivative financial instruments - Group

The subsidiary, dfcu Bank, entered into derivatives for trading and risk management purposes. These include swaps and outright forwards that have a settlement date beyond 31 December 2025 from the deal date. The unrealised gain on these contracts amounts to Ushs 1,607 million (2024: loss of Ushs 45 million) recorded in the statement of financial position. The financial instruments as split as indicated below:

	2025	2024
	Ushs M	Ushs M
Derivative financial asset	865	2,064
Derivative financial liability	(792)	(457)
At 31 December	73	1,607

The Expected Credit Loss (ECL) computed on the above derivative financial instruments was immaterial.

The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favourable or unfavourable, can fluctuate significantly from time to time. The notional amount is the sum of the absolute value of all bought and sold contracts for both derivative assets and liabilities.

Notes to the consolidated and separate financial statements (continued)

45 Derivative financial instruments - Group (Continued)

	Fair value of assets		Fair value of liabilities		Notional amount	
	2025	2024	2025	2024	2025	2024
	Shs M	Shs M	Shs M	Shs M	Shs M	Shs M
Currency forwards	839	1,951	792	453	125,114	56,618
Currency swaps	26	113	-	4	9,765	4,585
	865	2,064	792	457	134,879	61,203

46 Cash and cash equivalents

Analysis of cash and cash equivalents as shown in the consolidated statement of cash flows.

	Group		Company	
	2025	2024*	2025	2024
	Ushs M	Restated Ushs M	Ushs M	Ushs M
Cash in hand (note 21)	247,364	191,079	-	-
Balances with Bank of Uganda (note 21)	220,712	243,738	-	-
Less: Cash reserve requirement (50%)	(126,475)	(116,030)	-	-
Amounts due from related companies (note 47(b))	-	-	2,599	2,092
Deposits and balances due from banks (note 22)	246,690	211,315	-	-
	588,291	530,102	2,599	2,092

For purposes of the statement of cash flows, cash equivalents include short-term liquid investments which are readily convertible into known amounts of cash and with less than 90 days to maturity from the date of acquisition. Amounts due from related parties relate to cash deposits held in dfcu Group Limited which are due on demand.

Bank of Uganda through the Financial Institutions Act, Cap 57 Laws of Uganda requires Banks to maintain a minimum cash balance for two weeks based on the Bank's average deposit liabilities for the previous two weeks. Whereas daily balances are allowed to fluctuate to amounts lower than the minimum cash balance above, these cannot go below 50% of the minimum balance advised by Bank of Uganda and the average for the two weeks must comply with the minimum required balances as advised by Bank of Uganda. As at 31 December 2025, the cash reserve requirement was Ushs 252,950 million (2024: Ushs 232,060 million). 50% of the cash reserve requirement has been considered as cash and cash equivalent amounting to Ushs 126,475 million (2024: Ushs 116,030 million).

*The prior year cash and cash equivalents have been restated to consider 50% of the minimum balance advised by Bank of Uganda.

47 Related party disclosures

There are other companies that are related to dfcu Limited through common shareholdings or common directorships. Transactions and balances with related parties are shown below:

a) Amounts due to related companies

	Group		Company	
	2025	2024	2025	2024
	Ushs M	Ushs M	Ushs M	Ushs M
dfcu Bank Limited-Overdraft and term finance	-	-	4,435	13,214

The amounts due to related companies represent borrowings from dfcu Bank Limited. These borrowings are unsecured, in stage 1, and carry an average annual interest rate of 16%. During the year, interest expense incurred by the Company from these borrowings amounted to Ushs 841 million (2024: Ushs 1,587 million).

b) Amounts due from related companies

	Company	
	2025	2024
	Ushs M	Ushs M
dfcu Bank Limited	2,599	2,092

Notes to the consolidated and separate financial statements (continued)

47 Related party disclosures (continued)

The amounts due from related companies represent cash deposits (demand and fixed deposits) held in dfcu Bank. Demand deposits are non-interest-bearing and are payable on demand, while fixed deposits earn interest at an average annual interest rate of 9%. Interest income earned on these fixed deposits during the year was Ushs 1,068 million (2024: Ushs 554 million). For the purpose of the Company statement of cash flows, cash and cash equivalents are represented by the above balances.

Advances to customers include loans to directors follows:

At 31 December 2025, there were no advances to non-executive directors and companies controlled by directors or closely connected persons (2024: Ushs Nil).

	2025 Ushs M	2024 Ushs M
Deposits by directors (Group)		
At 1 January	278	367
Net decrease	(17)	(89)
At 31 December	<u>261</u>	<u>278</u>

c) Loans to directors - Group

The loans to directors indicated on page 1 amount to Ushs Nil million (2024: Nil)..

d) Key management compensation

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Salaries and other short-term employment benefits	6,809	6,518	526	377
Post-employment benefits	837	836	90	64
	<u>7,646</u>	<u>7,354</u>	<u>616</u>	<u>441</u>
Directors' remuneration				
Fees for services as directors	2,282	2,362	574	611
	<u>2,282</u>	<u>2,362</u>	<u>574</u>	<u>611</u>

48 Retirement benefit obligations

The Group participates in a defined contribution retirement benefit scheme and substantially all of the Group's employees are eligible to participate in this scheme. The Group is required to make annual contributions to the scheme at a rate of 7.5% of basic pay. Employees contribute 7.5% of their basic salary. The Group has no other material obligation for the payment of retirement benefits beyond the annual contributions under this scheme. During the year ended 31 December 2025, the Group retirement benefit cost charged to profit or loss under the scheme amounted to Ushs 4,248 million (2024: Ushs 3,766 million).

The Group also makes contributions to the statutory retirement benefit scheme, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 31 December 2025 the Group contributed Ushs 8,688 million (2024: Ushs 7,604 million), which has been charged to profit or loss.

49 Capital Commitments

Capital commitments mainly relate to software developments and upgrades. Capital commitments as at 31 December were:

	Group		Company	
	2025 Ushs M	2024 Ushs M	2025 Ushs M	2024 Ushs M
Authorised and contracted	30,942	15,435	764	-
	<u>30,942</u>	<u>15,435</u>	<u>764</u>	<u>-</u>

Notes to the consolidated and separate financial statements (continued)**50 Events after reporting date**

Significant escalation in geopolitical tensions in the Middle East have contributed to heightened global market volatility. The situation remains fluid and the potential impact of these evolving circumstances including possibility of higher fuel and logistics-related cost pressures, increased inflation uncertainty impacting rates, and periods of foreign exchange and market volatility associated with shifts in global risk sentiment, will be monitored and assessed into the year ahead.

While the impacts to the Group are yet to materialise, these developments arose after year end and are considered non-adjusting events under IAS 10 *Events after the Reporting Period*. Accordingly, no adjustments have been made to the amounts recognised in the consolidated financial statements for the period ended 31 December 2025.

Other than the aforementioned, the directors are not aware of any events as defined per IAS 10 *Events after the reporting period*, that occurred after the reporting date of 31 December 2025 and the date of authorisation of these consolidated financial statements.

51 Presentation currency

These consolidated and separate financial statements are presented in Uganda shillings rounded off to the nearest millions (Ushs M).

Notes to the consolidated and separate financial statements (continued)

52 Prior year statement of cash flow restatement

Bank of Uganda cash reserve requirement has been restated to include only 50% of the minimum balance advised by Bank of Uganda as cash and cash equivalents in the prior year. The impact of the restatement is as shown below:

	2024	Adjustment	2024
	Ushs M	Ushs M	Restated Ushs M
Operating activities:			
Profit before tax	79,263	-	79,263
Adjustment for:			
Depreciation of property, equipment and right-of-use assets	18,884	-	18,884
Depreciation of investment property	523	-	523
Amortisation of intangible assets	6,122	-	6,122
Unrealised foreign exchange (gain)/loss	(2,134)	-	(2,134)
Profit on disposal of fixed assets	(120)	-	(120)
Fair value losses on assets at fair value through profit and loss	716	-	716
Expected credit (recovery)/loss on financial assets	(12,007)	-	(12,007)
Gain/(loss) on sale of equity investments	(124)	-	(124)
Interest income	(361,566)	-	(361,566)
Interest expense	94,269	-	94,269
Dividends income	(353)	-	(353)
Reversals in provisions and employee benefits	(39,546)	-	(39,546)
Cash from operating activities before changes in operating assets and liabilities	(216,073)	-	(216,073)
Changes in operating assets and liabilities			
Increase in government and other securities	(346,157)	-	(346,157)
(Increase)/decrease in Bank of Uganda cash reserve requirement	(21,240)	116,030	94,790
Decrease in loans and advances to customers	13,118	-	13,118
(Increase)/decrease in other assets	(3,828)	-	(3,828)
Increase in balances due to other banks	85,223	-	85,223
Increase/(Decrease) in customer deposits	37,709	-	37,709
Increase in other liabilities	5,156	-	5,156
	(446,092)	116,030	(330,062)
Interest received	361,123	-	361,123
Interest paid	(85,101)	-	(85,101)
Income tax paid	(23,498)	-	(23,498)
Net cash (outflows)/inflows from operating activities	(193,568)	116,030	(77,538)
Investing activities			
Purchase of property and equipment	(16,332)	-	(16,332)
Purchase of intangible assets	(15,611)	-	(15,611)
Dividends received	353	-	353
Proceeds from sale of equity shares	826	-	826
Proceeds from sale of property and equipment	261	-	261
Net cash outflows used in investing activities	(30,503)	-	(30,503)
Financing activities			
New borrowings received	78,651	-	78,651
Principle paid on borrowings	(6,352)	-	(6,352)
Principle paid on lease liability	(2,493)	-	(2,493)
Dividends paid to shareholders	(6,808)	-	(6,808)
Net cash inflows/(outflows) used in financing activities	62,998	-	62,998
Net (Decrease) / increase in cash and cash equivalents	(161,073)	116,030	(45,043)
Effect of exchange rate changes on cash and cash equivalents held	624	-	624
Cash and cash equivalents at start of year	574,521	-	574,521
Cash and cash equivalents at end of year	414,072	116,030	530,102

Notes to the consolidated and separate financial statements (continued)

53 Changes in prior year comparative information

The table below summarizes areas where comparative information has been updated in order to conform to the changes in changes in presentation of the current year.

Reference	Page	Comment
Company statement of comprehensive income	10	The Company statement of comprehensive income has been rearranged to more accurately represent the operations of the company distinguishing the revenue from other items. The Company doesn't house material banking operations and its material income is dividends.
Liquidity risk	64	Other receivables from Bank of Uganda were previously presented as non-financial items. These have been represented as financial items.
Classification of assets and liabilities	83	The Company Deferred income tax liability was previously presented as a current liability. This has been changed as represented as a non-current liability.
Segment information	84	The segment disclosures on operating expenses have been expanded as required by IFRS 8.
Other receivables from Bank of Uganda	103	The name has been changed from "Assets held for disposal" as referred to in prior years to "Other receivables from Bank of Uganda" for purposes of understandability.
Cash and cash equivalents	114	Bank of Uganda cash reserve requirement has also been restated to include only 50% of the minimum balance advised by Bank of Uganda as cash and cash equivalents.

Supplementary Information

The major shareholders of dfcu Limited together with their shareholdings are:

As at 31 December 2025

	Number of shares	%
Arise B.V	439,176,097	58.70%
SCB Mauritius A/C Investment Fund for Developing Countries	74,580,276	9.97%
National Social Security Fund	56,543,204	7.56%
Kimberlite Frontier Africa Naster Fund, L.P.-RCKM	54,958,626	7.35%
Bnynsanv Re Bnynsanvfft Re Oddo BHF Asset Management Gmbh	16,756,200	2.24%
National Social Security Fund National Social Security Fund-Pinebridge	10,440,437	1.40%
SSB-Conrad N Hilton Foundation -OOFG	9,180,658	1.23%
Bnym Re Vanderbilt University	9,155,182	1.22%
Jubilee Health Insurance Company of Uganda	7,296,339	0.98%
Bank of Uganda Defined Benefits Scheme- Geneafrica	4,811,165	0.64%
Bank of Uganda Defined Benefits Scheme -Sanlam	4,481,491	0.60%
Parliamentary Pension Scheme-UAP	2,924,455	0.39%
Centenary Bank Staff Defined Contribution Scheme	2,806,087	0.38%
Uganda Revenue Authority SRBS-Sanlam	2,533,897	0.34%
Sudhir Ruparelia	2,165,575	0.29%
Rakesh Gadani	1,977,748	0.26%
UAP Insurance Uganda Ltd	1,836,146	0.25%
UAP Insurance- General Life Fund	1,557,256	0.21%
Keith Muhakanizi	1,488,972	0.20%
Parliamentary Pension Scheme-Genafrica	1,274,273	0.17%
Other 3,815 Shareholders	42,199,949	5.62%
	748,144,033	100.00%

As at 31 December 2024

	Number of shares	%
Arise B.V	439,176,097	58.70%
SCB Mauritius A/C Investment Fund for Developing Countries	74,580,276	9.97%
National Social Security Fund	56,543,204	7.56%
Kimberlite Frontier Africa Naster Fund, L.P.-RCKM	54,958,626	7.35%
Bnynsanv Re Bnynsanvfft Re Oddo BHF Asset Management Gmbh	16,756,200	2.24%
National Social Security Fund National Social Security Fund-Pinebridge	10,440,437	1.40%
SSB-Conrad N Hilton Foundation -OOFG	9,180,658	1.23%
Bnym Re Vanderbilt University	9,155,182	1.22%
Jubilee Health Insurance Company of Uganda	7,296,339	0.98%
Bank of Uganda Defined Benefits Scheme- Geneafrica	4,811,165	0.64%
Bank of Uganda Defined Benefits Scheme -Sanlam	4,481,491	0.60%
Parliamentary Pension Scheme-UAP	2,924,455	0.39%
Centenary Bank Staff Defined Contribution Scheme	2,806,087	0.38%
Uganda Revenue Authority SRBS-Sanlam	2,533,897	0.34%
Sudhir Ruparelia	2,165,575	0.29%
Rakesh Gadani	1,977,748	0.26%
UAP Insurance Uganda Ltd	1,836,146	0.25%
UAP Insurance- General Life Fund	1,557,256	0.21%
Keith Muhakanizi	1,488,972	0.20%
Parliamentary Pension Scheme-Genafrica	1,274,273	0.17%
Other 3,815 Shareholders	42,199,949	5.62%
	748,144,033	100.00%