BUILDING ON POSSIBILITIES

dfcu Group 2014 Annual Report
and Financial Statements

our
mission

dfcu seeks to grow shareholder value while playing a key role in transforming the economy and enhancing the well-being of the society. Through our dynamic and responsive teams, we provide innovative financial solutions and maintain the highest levels of customer service and professional integrity.

our
vision

To be the preferred Financial Institution, providing a broad range of quality products to our chosen customer segments.

our
values

1. Customer Focus
2. Excellence
3. Teamwork
4. Integrity
5. Corporate Social Responsibility and Sustainable Development

Contents

Who we are

dfcu Limited was established in 1964 as a Development Finance institution. Over the years **dfcu** has been associated with many success stories in Uganda's economy in various sectors: agribusiness, communication, education, health, manufacturing, tourism, real estate, mining, construction, transport, trade and commerce.

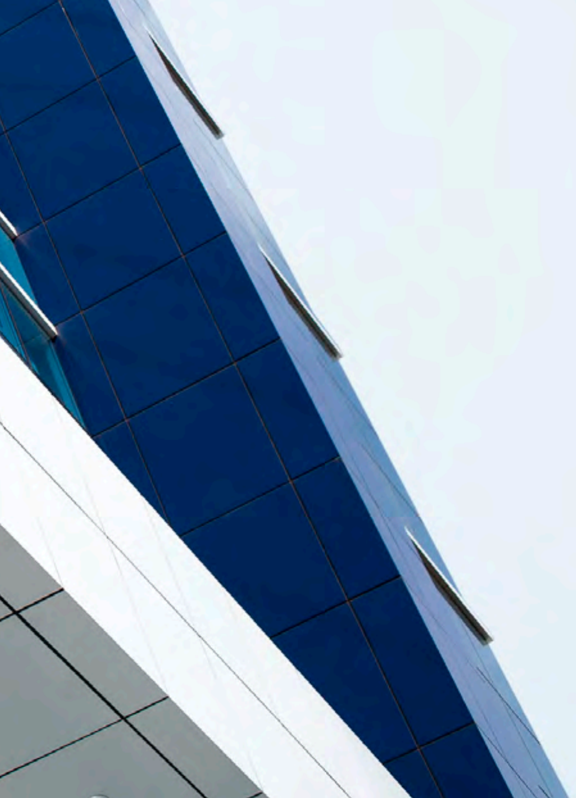
We nurture and grow customers by offering relevant banking products and services that support their financial transformation.

dfcu Limited

- Bought Uganda Leasing Company, renamed it **dfcu** Leasing (1999)
- Bought Gold Trust Bank, renamed it **dfcu** Bank, and started commercial banking (2000)
- **dfcu** Limited was listed on the Uganda Securities Exchange (2004)
- Merged its two businesses (Development Finance and **dfcu** Bank) to create a "one-stop-shop" under **dfcu** Bank (2008)

dfcu Bank channels

- Currently boasts of a network of 45 branches countrywide
- Is connected to Interswitch giving customers access to a network of over 200 ATMs countrywide
- Offers banking through the Internet and mobile phone channels



The Bank is structured into three core business units namely: Consumer Banking (CB), Development and Institutional Banking (DIB), and Treasury.

Consumer Banking

The Consumer Banking business unit focuses on meeting the financial needs of the personal banking and small business customers seeking fast, convenient and affordable banking. We nurture and grow customers by offering relevant personal banking solutions that support their financial transformation. We are always on hand to help you manage your money with a range of products and services that meet your savings, transactional and borrowing needs.

Treasury

We facilitate international trade through buying and selling of foreign currency, and issuance of international trade instruments. Treasury also facilitates liquidity management by offering investment vehicles to our customers with excess cash to invest in instruments such as government bills.

Development and Institutional Banking

Development and Institutional Banking manages the top tier relationships and has proven experience across a breadth of sectors including: Transport and Logistics, Manufacturing, Agriculture and Agro processing, Communication, Education, Health, Tourism, Real estate, Mining, Construction, Trade and Commerce, Government, Parastatal Organisations, and Non- Government Organisations. Our expertise covers transactional banking, structured products, credit products, loan syndications and agricultural lending ■

Board of Directors

Elly Karuhanga
Non-Executive Director/Chairman **dfcu** Limited

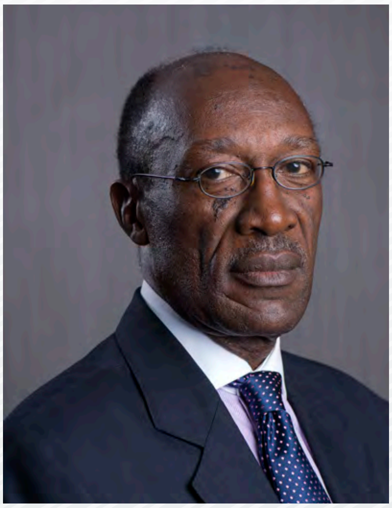
Appointed Chairman of **dfcu** Limited: September, 2013
Appointed to the Board: September, 2005.

Jimmy D. Mugerwa
Non-Executive Director/Chairman **dfcu** Bank

Appointed Chairman of **dfcu** Bank: September, 2014
Appointed to the Board: August, 2012

Deepak Malik
Non-Executive Director
dfcu Limited and **dfcu** Bank

Appointed to the Board:
November, 2007



Kironde Lule
Non-Executive Director
dfcu Limited and **dfcu** Bank

Appointed to the Board:
September, 2012

Michael Alan Turner
Non-Executive Director
dfcu Limited and **dfcu** Bank

Appointed to the Board:
March, 2010




Albert Jonkergouw
Non-Executive Director
dfcu Limited and **dfcu** Bank

Appointed to the Board:
December, 2013

Thomas van Rijckevorsel
Non-Executive Director
dfcu Limited and **dfcu** Bank

Resigned from Board:
August, 2014

Dr. Winifred T. Kiryabwire
Non-Executive Director
dfcu Limited

Appointed to the Board:
September, 2013

Terje Vareberg
Non-Executive Director
dfcu Limited

Appointed to the Board:
May, 2014




Bill Irwin
Non-Executive Director/
Chairman **dfcu** Bank

Resigned from Board:
June, 2014

Juma Kisaame
Managing Director,
dfcu Bank

Managing Director
since 2007

Paul van Apeldoorn
Executive Director,
dfcu Bank

Executive Director
since October, 2013

Agnes Tibayeita Isharaza
Corporation Secretary

Joined **dfcu** Group Legal
Department in June, 2001

Women Business **Advisory Council**

Dr. Winifred Tarinyeba – Kiryabwire JSD (Chairperson)

Dr. Winifred is a Consultant on Capital Markets Regulation and Development, Private Sector and Enterprise Development, and Corporate Governance

Dr. Gudula Naiga Basaza – PhD - University of Ghent **(Vice - Chairperson)**

Dr. Gudula is the Chairperson of Uganda Women Entrepreneurs limited (UWEAL) and a delegate of the Eastern African Women Entrepreneurs Exchange Network (EAWEExN).

Rosemary Iwanu Mutyabule – MBA, B. Economics and Social Administration

Rosemary is an Enterprise Development Specialist with versatile experience in small enterprise promotion and private sector development.

Olive Lumonya Country Director SOS Children's villages Uganda

Olive has vast experience in marketing and branding, strategic management, strategic communication, PR and corporate social responsibility.

She has 19 years' experience in both product and service industries, from Nile Breweries Ltd, National Social Security Fund, among others.

Senior
Management Team

1 Juma Kisaame
Managing Director

2 Paul van Apeldoorn
Executive Director and Chief of Business

3 Thomas Banza
Chief Operating Officer

4 Agnes Mayanja
Head, Development and Institutional Banking

5 William Sekabembe
Head, Consumer Banking

6 George Ochom
Head, Treasury

7 James Mugabi
Head, Project Management Office

8 Agnes Tibayeita Isharaza
Head, Legal

9 Niels JCT. Berendsen
Head, Credit

10 Chris Sserunkuma
Head, Internal Audit

11 Herbert Nkaija
Ag Head, Risk

Building on

Central to the **dfcu** five year strategic plan is to grow our customer base four fold. To support this ambition, we rolled out the “Quantum Leap” transformation program that is crucial to achieving our strategic goals.

Possibilities

Various internal and external interventions have provided a firm platform for steady growth and profitability over the previous years. It is upon this pedestal that we intend to build for future sustainable growth.

Central to the **dfcu** five year strategic plan is to grow our customer base four fold. To support this ambition, we rolled out a transformation program that is crucial to achieving our strategic goals. The transformation program dubbed “the Quantum Leap” was announced to all staff in February 2014.

The word “Quantum” is synonymous with something substantial, huge or significant; and therefore fits in well with what we want to achieve. On full implementation, the project will enable us to move with greater speed, efficiency and capability in a fast changing banking environment.

The “Quantum Leap” project covers five main areas:

Process redesign

With the expected increase in transaction volumes, the Bank recognizes that automation and process enhancement are key drivers of exceptional customer service. Business processes across the Bank are being reviewed so as to ensure they can support the demand for speed in service delivery. The end result will be a leaner, faster, automated process to drive efficiency across the bank.

During the year, we received specialists from our partner Rabo Development, who shared best practice and trained staff from the various departments in designing customer friendly processes. Our business and credit teams participated in redesigning a leaner and efficient loan application process. The redesigned process has been piloted to check effectiveness. Going forward, we expect a steep change in how we deliver business loans and account opening; and we eagerly await positive reaction and feedback from our customers.

We are also enhancing our Information Technology (IT) platform to keep delivering on our promise as the customer numbers and volume of transactions grow.

Channel optimization

Salient to the transformation program is the adoption of a robust retail model that will see us significantly grow our footprint and presence in the various parts of the country in the next five years. To support this objective, the e-banking team also embarked on the implementation of an ambitious array of enhancements to our existing Mobile and Internet banking systems. This was a multi-phased project that saw several mini-projects being deployed including, interfacing with the telecoms to spur mobile phone-based fund transfers between bank and mobile money.

Several other developments have been implemented including a bulk payments tool within internet Banking that allows companies to pay their staff salaries remotely, and purchase of paperless airtime for any telecom, directly from a **dfcu** bank account. The benefits of "Soft PIN" are already being realized, with the customers benefiting from reduced turnaround time on PIN credential delivery.

The ultimate goal is to ensure service accessibility by our customers irrespective of where they may be within the country whilst also driving our financial inclusion agenda. This will ultimately increase the uptake of our banking products and services.

Agribusiness

Another objective of the Quantum Leap is to transform **dfcu** into the leading agri business bank in Uganda, offering the right services to the unbanked population, majority of which are largely dependent on agriculture for their livelihood.

During 2014, we focused on strengthening the agri-credit skills of the agri department, agri loan officers, branch sales team and credit analysts.

Together with our partners, we also carried out value chain analyses where we believe the knowledge acquired will guide us on how best we can approach the chosen agri sectors as well as help us identify the financing needs of their value chain actors.

Women in Business and Financial literacy

Access to finance has been improving in Uganda over the last years. While this positive trend is very encouraging, access to finance is only one dimension of financial inclusion. People also need to have the capability to choose the right financial services and make proper use of them. We continue to play a pivotal role in financial inclusion. Through our Women in Business program (WiB) launched in 2007, we have provided financial empowerment to thousands of women. Our investment club schemes continue to support a savings and investment culture in rural communities where we operate. Our financial literacy programs among the youth supported by targeted loan facilities have helped to drive entrepreneurship among this segment. Ultimately we believe that our programs will lead to better financial decisions by customers, improved savings, lower loan default rates and overall growth of the sector.

Internal Capacity Building

The aim is to increase staff productivity by having the right people doing the right jobs. For the start, a comprehensive needs assessment was carried out across the Bank. The findings from the participatory HR Needs Assessment are expected to be implemented in the series of planned activities effective 2015 including the following focus areas:

a. Training framework for **dfcu** staff
b. The cultural change management roadmap
c. An enhanced Performance Management Process

The above initiatives are not only expected to help transform the Bank into a significant retail player in the Ugandan market but also help the Human Resources department in maximizing employee productivity and deliver objectively as per the Bank's expectation.

dfcu has always had a big vision - to be the preferred financial institution in Uganda. We've come further than we could have imagined. The impact we have collectively made is undeniable. With the Quantum Leap project, we are well set up for the future. Lots of positive changes in the way we work are expected in the near future. But in all of this, many key things remain the same - Our incredible teams, Our spirit, Our commitment. It's why we've evolved before, and why we're evolving now ■

We are proud of our journey this far

In 2014, we commemorated 50 years of being at the forefront of the economic transformation of Ugandans. On May 14th, 1964, a new chapter was opened in the Ugandan financial services sector - Development Finance Company of Uganda Limited (**dfcu**) was incorporated. The salient objective was to create a commercially operated development organization to supplement the efforts of the Government in bringing about economic development in Uganda.

dfcu Limited quickly became successful and rode the challenges of the economic recession between 1972 and 1981 - at one point with a mere workforce of two. Concentrating mainly on Term Finance, the company went on to diversify its portfolio to include Leasing, Mortgage Finance and Property business.

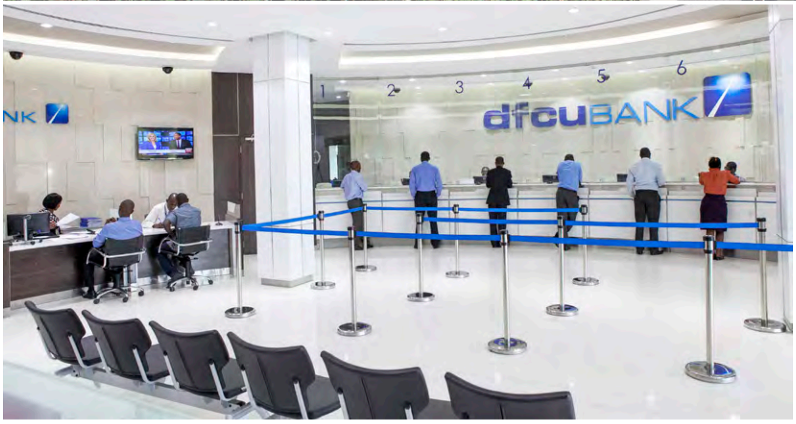
In 2000, **dfcu** Limited diversified into commercial banking through the acquisition of Gold Trust Bank, which was renamed **dfcu** Bank.

In 2004, **dfcu** Limited was listed on the Uganda Securities Exchange, and in 2008, the operations of **dfcu** Limited were integrated with those of **dfcu** Bank to form one of Uganda's leading financial institutions. Today, our subsidiary **dfcu** Bank is a fast growing top tier commercial bank in Uganda providing a one stop shop for all financial needs.

For the last 50 years, **dfcu** has transformed several private enterprises in Uganda through the provision of funding for development projects using our flagship products such as term loans, home loans, commercial mortgages and leasing.

We are associated with many success stories across a wide range of sectors including agriculture, communication, education, health, manufacturing, tourism, real estate, mining, construction, transport, trade and commerce. We are always mindful of the responsibility we hold to support our customers achieve their financial goals, to uplift and strengthen the communities and our country and to increase the value of our shareholders' investment.

We possess many strengths, including an iconic brand, a strong heritage and a great team to take this formidable institution even further into the future ■



On to a Bigger and Better Future...

What a fantastic year 2014 was for **dfcu**! After months and months of set up, we finally moved into our **new world class Head Office at Kyadondo Road, Nakasero**.

We embarked on the new Head Office project more than three years ago and it is an incredible honor to see this come to fruition. Our new home has allowed us to consolidate all our Head Office functions, formerly at Impala House and Jinja Road, into one location resulting into higher efficiency of our business operations.

The new Head Office is fully equipped with a modern Bank branch, Pinnacle Suite and a Women in Busines Centre.

The new head office also brings along an exponential increment in the **dfcu** Brand equity which will translate into more business opportunities. As we start the next chapter of the **dfcu** journey together at our New Head Office, we are very excited about what the future holds and look forward to achieving our vision **"to be the preferred financial institution in Uganda"** ■

Women in Business Update

Through the Women in Business (WiB) programme, **dfcu** is dedicated to helping women entrepreneurs see their ideas come to fruition, from the very beginning, right through to the end. We do not stop at that, however, we continue to offer advice and guidance because we are more than a bank; we are a partner.

Below are some of the highlights of our activities

Women in Business mission to the Netherlands

dfcu Women in Business in partnership with the Embassy of the Kingdom of the Netherlands in Uganda, Uganda Investment Authority, Uganda Women Entrepreneurs' Association and the Brilliant Entrepreneur Program in the Netherlands organized the Netherlands-Uganda Women in Business mission that took place from October 11 – 18, 2014. The mission was part of the ongoing Netherlands-Uganda Women in Business Program that aims at enhancing entrepreneurial skills and creating business linkages for women entrepreneurs. The objective of the mission was to enable the Ugandan women entrepreneurs meet Dutch entrepreneurs for purposes of business matchmaking and technical support. We look forward to providing more opportunities such as this to our members to see them succeed in their business ventures ■

Women in Business Expo

dfcu continues to expand frontiers in its drive to reach out to women in business. Now in its second year, the **dfcu** Women in Business Expo, held in August 2014, is one of the platforms established by the Bank to support women across the business landscape. This is executed through building supplier and customer business networks. The participants also expand their business know-how through training sessions.

The main objective of the Expo was to create networking opportunities for the existing WiB customers and acquire new customers. Free business clinics and business training sessions were organised and were open to the public. The business clinics were attended by over 500 women while over 50 entrepreneurs enjoyed one on one consultations conducted by Business Development Advisors from Enterprise Uganda ■

Celebrating dfcu 50 years

Since its establishment in 1964, **dfcu** has grown into a dynamic institution that continues to respond to the growing and changing demands of its customers. At a grand dinner to crown the **dfcu** 50 year celebrations, several awards were given out to outstanding **dfcu** customers in different capacities. Ms. Ann M. Njuki, Director- Seeta Parents Primary School, and a long term member of **dfcu** WiB, received an award from Honorable Maria Kiwanuka, the then Minister of Finance and Economic Planning ■

Partnering to Grow Agri Business

For decades, many Ugandans have depended entirely on agriculture to support their livelihoods. Everyday, everywhere in Uganda, men and women rise to work and most often this takes them to a garden or a farm. The farm is their source of livelihood; they get food for their families and some is sold to get income to meet life's other basic needs.

Agricultural transformation in Uganda, necessary for stimulating rural economic growth, is severely constrained by lack of access to finance. This is largely because of the perceived high risk propensity associated with financing the sector. The lack of finance, both short and long term, limits the ability to invest, procure and use productivity-enhancing inputs, thereby contributing to low and uncertain output, which is a considerable concern for food security in Uganda.

In 2014, **dfcu** started to focus on the agri sector with the support of Rabobank. We set up an Agri Business Unit within the Bank and as a result our agri portfolio grew by 45% during the year. Our medium term objective is to increase the share of Agri Finance to 20% of our total loan book by 2018.

As part of our several interventions, we believe that partnership with like-minded stakeholders is a good way to advance the sector. That is why we joined hands with the Royal Dutch Embassy, KLM and The New Vision Group to recognise and showcase Uganda's best farmers. The Best Farmer competition was such a great platform to uplift Uganda's agricultural potential and inspire many prospective farmers.

Looking forward, we will introduce more lending and saving products for farmer groups as well as an asset finance product to stimulate the mechanization of agriculture in order to increase acreage and grow output. We will also continue to carry out cooperative capacity building and financial literacy training of farmer groups and associations to support small holder farmers to grow and get reasonable access to lending ■

45 branches and counting

In line with our objective of growing a robust retail network to support our business strategy, we continued to expand our footprint with the addition of eleven new Branches.


1


2


3


4


5


6


7


8


9


10


11

1	Bwaise Branch
2	Elegu Branch
3	Kampala Rd. Branch
4	Kyadondo Rd. Branch
5	Mutukula Branch
6	Nakivubo Branch
7	Nateete Branch
8	Paidha Branch
9	Pallisa Branch
10	Kyagwe Rd. Branch
11	Tororo Branch

We are Committed to our Community

Corporate Social Responsibility (CSR) is a fundamental part of the way **dfcu** does business. It is an opportunity to build better relationships with all stakeholders by paying closer attention to how we fulfil our social, economic, environmental and ethical responsibilities. CSR allows us to align our operations with standards and expectations that are increasingly important to our shareholders, employees, customers and communities where we operate.

While most of our overall impact is a result of our financing and investment activities, we also have a direct impact on the communities where we operate through our CSR programs. Our goal is to help make the communities in which we do business stronger by supporting organizations or activities that achieve a positive and broad impact under the focus areas of Maternal and Child Health, Environmental Management, Community Development and Emergency Intervention. At the annual CSR day, **dfcu** staff were involved in several outreach programs aimed at improving the wellbeing of the local communities ■

Other Business Highlights


Pinnacle


100 Days


Investment Clubs


Save Spin and Win

Pinnacle: **dfcu** hosted its Pinnacle customers to a series of networking sessions. This is part of the Bank's larger objective of adding value to its services and products. A total of five Pinnacle business networking sessions were held throughout the year. Some of the topics discussed included; creation of intergenerational wealth, execution excellence and paper assets.

Investment Clubs: **dfcu** is at the forefront of promoting investment clubs. We believe this will cultivate a savings culture in the public and ignite local investments. As a means to empower our customers, we organised the first Annual Investment Clubs Forum with a panel of speakers that shared their experiences on the power of investment clubs and various investment opportunities

100 Days: As part of the Bank's strategy of growing the balance sheet and account numbers, we rolled out an internal sales campaign dubbed '100 days of excellence' at the start of 2014. The campaign had both a business and a service target attached to it. To motivate and maintain the hype among the staff; weekly, monthly and overall winners were rewarded.

Save, Spin and Win: The savings drive sought to address several points such as; cultivate a savings culture, grow the Bank's deposits, and reward customers.

Financial Overview 2014

dfcu Group registered a pre-tax profit of Shs 56,561 million, an increase of 25% from the results of 2013. Profit after tax increased by 22% to Shs 42,109 million compared to Shs 34,601 million in 2013.

Net interest income

Net interest income increased by 7% from Shs 96,163 million in 2013 to Shs 103,289 million in 2014. This was driven by a 9% growth in the lending portfolio and interest from other earning assets like investment securities.

Non-interest income

dfcu Group's non-interest income arises from trading financing activities, transactional fees, funds transfer charges, revaluation of currency positions and income on foreign transactions. Non-interest income grew by 58% from Shs 26,702 million in 2013 to Shs 42,071 million in 2014. The growth was driven by higher transaction volumes arising out of increased customer base and expansion of branch and ATM network as well as gains made from the business combination.

Net loan loss provision

The net loan loss provision charged to the consolidated statement of comprehensive income for the year decreased by 22% from Shs 13,414 million in 2013 to Shs 10,490 million in 2014. Lesser provisions were raised under mortgage lending, personal loans, leases and term finance.

Operating expenses

Operating expenses increased by 22% from Shs 64,381 million in 2013 to Shs 78,309 million in 2014. Employee benefits and the related expenses were 12% higher than 2013 due to increase in head count where tactical and strategic hires were required to enable the Group continue to strengthen its key segments in the market. The other operating expenses increased by 29% compared to 2013. The increment was mainly due to higher interest charges, depreciating shilling, inflationary pressures during the period and business expansions. Despite the increase in the operating expenses, the cost to income ratio increased by only 2% from 52% in 2013 to 54% in 2014. **dfcu** Group also implemented several efforts to contain costs growth during the year.

Statement of financial position

Total assets grew by 16% during the year from Shs 1,226,062 million in 2013 to Shs 1,424,742 million in 2014. Loans and advances increased by 9% representing 48% of the total assets. Total liabilities increased by 16% whereas customer deposits increased by 18% representing 67% of the total liabilities. Shareholders' equity grew by 19% as a result of the increase in the earnings. The earnings for the year will be partly distributed to the shareholders as recommended by the Board of Directors (subject to approval in the annual general meeting) while the rest will be ploughed back into the business to enhance its growth.

Funding mix

Customer deposits continued to be the major source of funding for the year representing 67% of the total liabilities of the Group in 2014 compared to 66% in 2013. However, customer deposits registered 18% growth in 2014. The Group also has access to funding in terms of borrowings and these grew by 13% from Shs 340,489 million in 2013 to Shs 384,023 million in 2014.

Capital adequacy

dfcu Group monitors its capital adequacy using the ratios established by the Bank for International Settlement (BIS) as approved by Bank of Uganda. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, off-statement of financial position commitments and market and other risk positions at weighted amount to reflect their relative risk. As at 31 December 2014, the Group's total capital base was 27% (2013: 25%) of the risk weighted assets, with core capital at 19% (2013: 18%). The capital adequacy remains above the stipulated regulatory minimums of 12% and 8% for total capital and core capital respectively.

Five year performance review

Statement of comprehensive income (Shs' m)	2014	2013	2012	2011	2010
Net interest income	**103,289**	96,163	83,505	80,670	60,275
Non-interest income	**42,071**	26,702	22,265	15,767	13,614
Net loan loss impairment	**10,490**	13,414	11,336	4,551	2,629
Operating expenses	**78,309**	64,381	54,108	50,382	41,916
Profit before tax	**56,561**	45,070	40,326	41,504	29,345
Profit after tax	**42,109**	34,601	30,617	30,774	23,056
Statement of financial position (Shs' m)					
Loans and advances	**680,679**	623,800	555,411	496,426	397,338
Total assets	**1,424,742**	1,226,062	1,001,339	953,681	803,060
Customer deposits	**822,877**	700,285	591,280	525,391	480,731
Borrowings	**384,023**	340,489	259,939	299,235	219,544
Shareholders' equity	**191,541**	161,160	135,781	114,399	90,602
Capital adequacy					
Core capital ratio	**19%**	18%	17%	15%	16%
Total capital ratio	**27%**	25%	19%	16%	16%
Risk weighed assets (shs' m)	**870,035**	814,983	695,867	683,682	499,791
Share statistics					
Number of shares in issue (in millions)	**497**	497	249	249	249
Earnings per share	**84.69**	69.59	123.16	123.81	92.74
Dividends per share	**23.53**	27.84	37.10	37.10	37.10

Financial definitions

Profit for the year	Annual statement of comprehensive income profit attributable to ordinary shareholders, minorities and preference shareholders.
Earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
Cost to income ratio	Operating expenses as a percentage of operating income excluding income from subsidiaries.
Dividend per share	Total ordinary dividends declared per share in respect of the year.
Core capital	Permanent shareholder equity in the form of issued and fully paid up shares plus all disclosed reserves, less goodwill or any other intangible assets.
Supplementary capital	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize and any other form of capital as may be determined from time to time by Bank of Uganda
Total capital	The sum of core capital and supplementary capital
Core capital ratio	Core capital divided by the total risk weighted assets.
Total capital ratio	Total capital divided by the total risk weighted assets.

Chairman's Statement

Introduction

The year 2014 was productive for **dfcu**. Over the past 12 months, we met with many of our shareholders, customers, key stakeholders and employees. These interactions made it clear that **dfcu** is widely viewed as having a strong industry position with excellent opportunities for growth. Our strategy is clear and well understood. Our customers appreciate the knowledge, expertise and commitment of our people.

In 2014, we marked 50 years of being at the forefront of Uganda's development and economic transformation of Ugandans. **dfcu** has been an integral part of the growth of Uganda. At various stages of our history, our role has ranged from provision of long term funding for essential development projects to offering loans and regular banking services to the ordinary Ugandan. Throughout this time our guiding principle has been and continues to be to secure and enhance the financial wellbeing of people, businesses and communities. I'm proud that we are regarded as a strong, sound and customer centric company, a good place to work for our 718 employees, and a good place to invest in for our shareholders.

The operating environment

During the year, economic conditions were generally stable.

The Central Bank continued to pursue a cautious monetary policy stance aimed at stimulating output without jeopardizing the inflation objective.

Headline inflation closed the year at 1.8 per cent and inflationary pressures are projected to remain relatively stable over the medium term, with annual inflation projected to remain within single digits.

The Ugandan shilling depreciated against other major currencies, in part as a consequence of a weak external sector, global US dollar strengthening and correction of overvaluation in 2013/14 and is expected to experience further depreciation pressures for the rest of 2015.

Private Sector Credit continued to grow on the back of increases in lending to households, agriculture, community and social services, electricity and water sectors. Lending rates however remained high, in part reflecting overhead costs of financial institutions.

Following the improvement in growth performance in FY 2013/14 at 4.5% in real terms, the economy is expected to grow significantly over the short-to-medium term, mainly supported by intensive public investment in infrastructure, recovery in private domestic consumption, investment demand and a rebound in agriculture.

Operating and financial results

In 2014 the Group again achieved an excellent result. The share price has, during the year, also been very strong though I appreciate only too well that this is a combination of market forces as well as our performance.

Highlights of the financial results are as follows:

- Net profit after tax increased by 21.7% over the prior year to Shs 42.109 Billion;
- Total operating income rose by 16.2% to Shs 205.349 Billion driven by increased investment in high yielding Government securities and a surge in forex income;
- Loans and advances grew by 9.1% to Shs 680.679 Billion;
- Customer deposits increased by 17.5% to close the year at Shs 822.877 Billion;
- Total asset footing grew by 16.20% to Shs 1,424.742 Billion;
- Cost to income ratio increased slightly to 54%, in part as a consequence of the ongoing business expansion programs.

The detail of the financial results and performance indicators can be found in the subsequent pages of this report.

Consolidating our growth

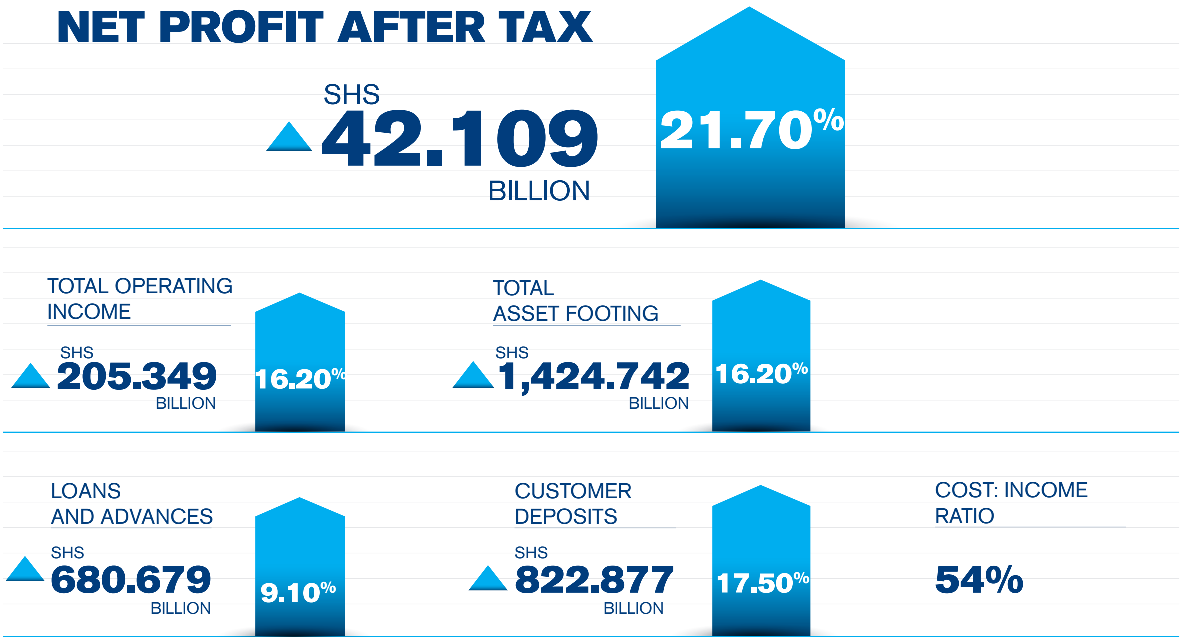
In pursuit of our five year strategic plan we increased our footprint to 45 branches during 2014. Four new fully fledged branches were set up during the year. The acquisition of former Global Trust Bank deposits and active loan portfolio added seven branches to the **dfcu** network. During the year we consolidated all operations into our new Head Office, which has significantly enhanced our brand equity and perception in the market place.

We again made significant progress this year on our aspiration to become a leader in the application of technology to financial services. An array of enhancements were implemented on our internet and mobile banking platforms, which have enriched the customer experience.

Creating long term shareholder value

During the 2014 Annual General Meeting, the shareholders approved a bonus share issue of one for every current share held. Following the subsequent regulatory approval, the bonus shares were officially listed on the Uganda Securities Exchange on 06th October 2014. The bonus issue increased the float of shares available for trading on the **dfcu** counter. The increased number of shares available for trading has spurred more activity on our counter at the Uganda Securities Exchange. In addition, the issuance resulted in the adjustment of the **dfcu** share price downwards, making our shares more affordable and attractive to new retail investors.

The current level of activity on the Uganda Securities Exchange is a strong indication that the prospects of our company are bright and our shareholders can reasonably look forward to future increases in share value and total dividends.



As a growing entity, there is a constant need to expand our capital base and the issuance of bonus shares has enabled the company to raise more capital to support our growth agenda.

Corporate governance and board appointments

Effective corporate governance is an important foundation for **dfcu**'s strong performance and is fundamental to our success. Corporate governance provides proper oversight and accountability, strengthens internal and external relationships, builds trust with our stakeholders and promotes the long-term interests of shareholders. We continued with the established governance framework and oversight organs of the board/committees to ensure the group remained stable and focused.

The Board underwent some changes during the year. I would like to recognize the contribution of Mr. Bill Irwin, who retired from the board. Mr. Irwin joined the board in April 2006 and was subsequently appointed the Chairman of our subsidiary, **dfcu** Bank in 2008. Under his stewardship, the Bank grew and evolved significantly to become a top player in the financial services sector in Uganda. Speaking personally, and on behalf of every employee of **dfcu** Bank, I would like to sincerely thank Bill for his leadership and distinguished service.

Following the retirement of Mr. Bill Irwin, Mr. Jimmy D. Mugerwa was appointed chairman of **dfcu** Bank.

Mr. Mugerwa joined the board in August 2012 as a non-Executive Director. Jimmy is a senior Business Executive with over 20 years of experience. Currently he is the General Manager and Director of Tullow Uganda Operations Pty Ltd and Tullow Uganda Ltd. Previously he was the Royal Dutch Shell General Manager (East Africa), Country Chair (Kenya), Director, Senior Regional Advisor for Sub-Saharan Africa, and Chairman of Kenya Oil Industry Committee. We look forward to his leadership to support the Bank to achieve the aggressive growth strategy.

Following the resignation of Mr. Thomas van Rijckevorsel on personal grounds, Mr. Terje Vareberg from NORFUND joined the Board. Terje has a wide range of skills and experience including the ability to bring an international perspective and breadth of thinking, which will deliver significant benefits to the Group. He comes with enormous international banking knowledge and experience that will greatly benefit our subsidiary, **dfcu** Bank. He is an invaluable addition to the **dfcu** Board and we very much look forward to working with him.

Our commitment to the community

In all aspects of our operations, our commitment to the community extends beyond taking deposits and granting loans. We are full participants and we are committed to having a positive impact in the societies and communities in which we live and work. In 2014, we continued to invest in communities where our customers live and work. In addition to the donations and sponsorships we made supporting various initiatives, **dfcu** employees in the upcountry locations volunteered more than 600 hours in their communities.

Positioning for long term success

dfcu is well positioned to meet the needs of our customers and shareholder expectations. The priority is to maintain a robust and stable institution to enable us continue to support our customers and provide acceptable returns to our shareholders.

We are constantly improving our business through focusing on the needs of our customers, continuing to invest in technology and driving further productivity and process simplification. In 2014, we launched and rolled out a transformation program which will be implemented over a five year period, with the overall goal of turning **dfcu** into a truly retail focused outfit capable of serving more Ugandans.

Looking ahead

Economic Outlook

We are cautiously positive about the economic outlook for 2015. Trends in credit extension to the private sector continue to reflect tightening conditions for households while credit to the Building, Mortgage, Construction and Real Estate and trade remains buoyant.

There is considerable uncertainty about the combined effect of the fall in oil prices and the depreciation of the exchange rate on domestic economic activity and inflation.

The implementation of several major infrastructural projects could spur the economy and cushion it against the projected subdued growth of the global economy.

Competition

Notwithstanding increased competition, we remain well positioned and are making the necessary investments in people, processes and technology to deliver on the needs of new and existing customers throughout our footprint.

Building on a solid foundation

We have a great foundation to continue to build from - we have a strong culture; a shared pride in our performance and a successful history. We are confident that our strategy is sound. By executing our strategy well, and making meaningful progress against our focus priorities, we will be in a good position to perform within the ranges of our medium-term performance objectives and create longer-term shareholder value.

dfcu remains committed to promoting the advancement of the financial sector and financial inclusion in general. We will continue to invest and partner with our chosen stakeholders to drive the financial inclusion agenda.

Conclusion

In closing, I would like to thank our customers, strategic partners and stakeholders for their continuing support to **dfcu**. It is a privilege for us to serve our customers well. I also want to thank our shareholders and the Board of Directors for your confidence and continued support. And finally, I want to recognize all our staff who assist our customers to be financially better off. Together, our future is exceedingly bright ■

Elly Karuhanga,
Chairman, Board of Directors

CORPORATE GOVERNANCE STATEMENT

dfcu ensures that its corporate operations and structures are governed by clearly defined principles of good corporate governance to ensure proper governance, transparency, full disclosure and accountability to all stakeholders through the existence of effective systems of self-regulation.

Codes and Regulations

dfcu has a corporate governance manual whose contents are designed to foster a culture of compliance and best practice within the organization and its subsidiary. This manual is in line with international corporate governance trends (including the Commonwealth Association of Corporate Governance Principles and the OECD Principles as well as the Capital Markets (Corporate Governance) Guidelines, 2003, the Companies Act 2012, and the Financial Institutions Act, 2004, among others.

dfcu is therefore committed to complying with legislation, regulations and best practice codes with the ultimate objective of fostering transparency, disclosure, accountability and probity in its transactions. Monitoring of regulatory compliance is a routine board practice.

Shareholders' Responsibilities

Shareholders are mandated to appoint the Board of Directors and external auditors. They therefore hold the Board of Directors responsible and accountable for effective corporate governance.

dfcu Group Board of Directors

The Board is comprised of members with a variety of skills and experience required to provide the necessary overall strategic guidance to the Company.

The Board is collectively responsible for the following, among others:

To protect the interests of shareholders and other stakeholders of the company, and take these into account in directing the affairs of the company;

To determine the aims of the company, review, provide input into and approve Business plans, strategy, structures, policies and investments, and ensure achievement of the company's objectives;

Provide oversight to and supervise management of the company, operations and ensure the establishment of effective internal control systems;

To see that systems are established to ensure that the company is managed with integrity and complies with all legal and regulatory requirements and that it conducts its business in accordance with high ethical standards;

The Directors who held office during the year under review are listed on Page IV - V. Mr. Bill Irwin and Mr. Thomas van Rijckevorsel resigned from the Boards of **dfcu** Limited and **dfcu** Bank Limited. Mr. Terje Vareberg joined the Boards of both **dfcu** Limited and **dfcu** Bank.

As at end of 2014, the Board of Directors of **dfcu** Limited comprised ten (10) non-executive directors including the Chairman who maintains executive oversight over the company's activities.

On the other hand, **dfcu** Bank Limited, which is a fully owned subsidiary of **dfcu** Limited through which the business of the Company is conducted, had eleven (11) Directors, nine of whom are non-executive and two executive directors.

Board Meetings

The Board meets routinely as provided for in the Company's Articles of Association. To facilitate efficient decision making, senior management and third party professionals may be in attendance on a need basis. Board meetings are held quarterly. During the year of review, the Board of directors of **dfcu** Limited held 4 meetings. The Board of directors of its subsidiary **dfcu** Bank Limited similarly held 4 meetings during the year. The Board members' attendance was as follows:

The Directors' attendance of Board Committee Meetings for the year 2014 is as follows:
dfcu Limited Board of Directors

Name	Mar	Jun	Sep	Dec
Mr. Elly Karuhanga (CM)	√	√	√	√
Mr. Bill Irwin	√	√	N/A	N/A
Mr. Deepak Malik	√	√	√	√
Mr. Michael Turner	√	√	√	√
Mr. Kironde Lule	√	√	√	√
Mr. Jimmy D. Mugerwa	√	√	√	√
Mr. Thomas van Rijckevorsel	√	√	N/A	N/A
Mr. Albert Jonkergouw	√	√	√	√
Dr. Winifred Tarinyeba Kiryabwire	√	√	√	√
Mr. Terje Vareberg	N/A	√	√	√

N/A – Not Applicable (was not a member of the board at the time of the meeting)

dfcu Bank Limited Board Meeting

Name	Mar	Jun	Sep	Dec
Mr. Bill Irwin (CM)	√	√	N/A	N/A
Mr. Elly Karuhanga	√	√	√	√
Mr. Deepak Malik	√	√	√	√
Mr. Michael Turner	√	√	√	√
Mr. Kironde Lule	√	√	√	√
Mr. Jimmy D. Mugerwa (CM effective September 2014)	√	√	√	√
Mr. Thomas van Rijckevorsel	√	√	N/A	N/A
Mr. Albert Jonkergouw	√	√	√	√
Mr. Terje Vareberg	N/A	√	√	√
Mr. Juma Kisaame	√	√	√	√
Mr. Paul van Apeldoorn	√	√	√	√

N/A – Not Applicable (was not a member of the board at the time of the meeting)

Board Committees

The Board of Directors of **dfcu** Bank Limited has delegated its authority to four (4) technical Committees. It is worth noting that the Board's Nominations Committee revised the Board Committees' composition during the September 2014 board leading to a couple of changes in membership that are reflected in the December 2014 meetings. The changes prior to that are mainly as a result of the resignation of the Board Chairman Mr. Bill Irwin in June 2014 and his replacement thereafter by Mr. Jimmy D. Mugerwa.

Board Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities for prudential risk management and effective corporate governance. The Audit Committee reviews the financial reporting process, the system of internal control and management of financial and legal risks, the effectiveness of internal audit activities, and the Bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

The Committee's members for the year 2014 were Michael Turner (Chairman), Elly Karuhanga (until September 2014), Kironde Lule and Thomas van Rijckevorsel (until June 2014) and Terje Vareberg (from December 2014).

The Board Audit Committee's attendance for the year 2014 was as follows;

Name	Mar	Jun	Sep	Dec
Mr. Michael Turner	√	√	√	√
Mr. Elly Karuhanga	√	√	√	N/A
Mr. Kironde Lule	√	√	√	√
Mr. Thomas van Rijckevorsel	√	√	N/A	N/A
Terje Vareberg	N/A	N/A	N/A	√

N/A – Not Applicable (was not a member of the Committee at the time of the meeting)

Board Risk and Credit Committee

This Committee identifies measures, monitors and control risks within the Bank ensuring that they support and inform the Bank's business strategy and that they are managed effectively.

The Committee oversees management of all risks the Bank is exposed to. The Committee members for the year 2014 were Albert Jonkergouw (Chairman), Elly Karuhanga, Deepak Malik and Terje Vareberg (joined the Committee in December 2014).

The Board Risk and Credit Committee's attendance for the year 2014 was as follows;

Name	Mar	Jun	Sep	Dec
Mr. Albert Jonkergouw (CM)	√	√	√	√
Mr. Elly Karuhanga	√	√	√	√
Mr. Deepak Malik	√	√	√	√
Mr. Thomas van Rijckevorsel	√	√	N/A	N/A
Mr. Terje Vareberg	N/A	N/A	N/A	√

N/A – Not Applicable (was not a member of the Committee at the time of the meeting)

Board Remuneration Committee

This Committee's objective is to ensure that the Bank's remuneration practices attract, retain and motivate staff needed to run the business successfully, avoiding underpayment as well as overpayments, while linking reward with performance, in a manner that is transparent, avoids conflict of interest, and ensures a balance of power and authority.

The Committee's members for the year 2014 were Jimmy D. Mugerwa (CM and member until September 2014), Elly Karuhanga (Chairman effective December 2014), Deepak Malik, Michael Turner and Albert Jonkergouw.

The Board Remuneration Committee's attendance for the year 2014 was as follows;

Name	Mar	Jun	Sep	Dec
Mr. Jimmy D. Mugerwa (CM until September 2014)	√	√	√	N/A
Mr. Elly Karuhanga (CM from December 2014)	N/A	N/A	N/A	√
Mr. Deepak Malik	√	√	√	√
Mr. Michael Turner	√	A	√	√
Mr. Albert Jonkergouw	√	√	√	√

A – Absent with apologies
N/A – Not applicable (was not a member of the Committee at the time of the meeting)

Board Assets and Liabilities Committee

This Committee is responsible for establishing and reviewing the asset / liability management policy and for ensuring that the Bank's funds are managed in accordance with this policy.

The Committee members for the year 2014 were Deepak Malik (Chairman), Kironde Lule, Jimmy D. Mugerwa (until June 2014), Thomas van Rijckvorsel (until June 2014) and Albert Jonkergouw (effective December 2014)

The Board Assets and Liabilities Committee's attendance for the year 2014 was as follows;

Name	Mar	Jun	Sep	Dec
Mr. Deepak Malik (CM)	√	√	√	√
Mr. Kironde Lule	√	√	√	√
Mr. Jimmy D. Mugerwa	√	√	N/A	N/A
Mr. Thomas van Rijckevorsel	√	√	N/A	N/A
Mr. Albert Jonkergouw	N/A	N/A	N/A	√

N/A – Not Applicable (was not a member of the Committee at the time of the meeting)

Board Nominations Committee

The Board has a Nominations Committee that meets when there is business to be conducted. The Committee is, amongst other responsibilities, charged with identifying suitable candidates to fill board vacancies as well as review and determine board remuneration. The committee is comprised of the Board Chairman, Mr. Michael Turner, Mr. Deepak Malik and Mr. Albert Jonkergouw.

The Nominations Committee met in September 2014 to review the board committees' composition and recommended for Board approval the various changes as reflected in the Committee membership.

Board Evaluation

The Board annually conducts an evaluation of its performance and uses the process and results therefrom to improve its effectiveness. The 2014 Board evaluation was conducted in November 2014. The Board considered the results therefrom during the December 2014 meeting and identified action points to address the issues arising from the evaluation for due redress.

Board Remuneration

Non-executive directors receive fixed fees for their services on the Board and its Committees. These fees, comprising an annual retainer and sitting allowances, are recommended to the shareholders at the Annual General Meeting for approval.

For the year 2014, the directors received fees as follows:

Annual Retainer
Board Chairmen – USD 14,000
Board Members - USD 7,000

Sitting Allowances:
Meeting Chairman – USD 950
Members – USD 700

Note:
All fees are gross.
Incidental costs (transport, accommodation) are met by the Company.

The aggregate amount of emoluments received by directors is shown under note 36(g) of the financial statements.

Brief shareholder analysis

Directors' interest in the shares of the company as at 31st December 2014

Name	Number of shares held
Elly Karuhanga	749,150
Mary Winifred Tarinyeba	3,000

Distribution of shareholders as at 31st December 2014

Description	No. of Investors	No Of Shares Held	% Holding
Between 1 and 1,000 Shares	1,661	708,708	0.14%
Between 1,001 and 5,000 Shares	1,286	3,310,691	0.67%
Between 5,001 and 10,000 Shares	191	1,441,314	0.29%
Between 10,001 and 100,000 Shares	461	12,422,312	2.50%
Above 100,001 Shares	111	479,318,797	96.40%
	3,710	**497,201,822**	**100.00%**

List of the 20 Largest Shareholders as at 31st Deceber 2014

	Number of Shares Held	% Holding
Rabo Development B.V	136,923,594	27.54
NORFINANCE AS	136,923,594	27.54
CDC Group Plc.	74,580,276	15.00
National Social Security Fund	29,487,658	5.93
Investec Asset Management Africa	21,573,148	4.34
Investec Asset Management Pan	13,575,502	2.73
Investec Asset Management	5,650,776	1.14
Central Bank of Kenya Pension Fund	5,062,388	1.02
Bank of Uganda Staff Retirement Benefits Scheme	4,555,122	0.92
Pinebridge Sub-Saharan Africa	2,719,128	0.55
Kenya Airways Limited Staff Provident Fund	1,914,000	0.38
UAP Insurance Company Limited	1,694,586	0.34
Stanbic Bank Uganda Limited Staff	1,640,214	0.33
UAP Retirement Benefits	1,462,936	0.29
Crane Bank Limited	1,444,208	0.29
National Social Security Fund-SIMS	1,438,560	0.29
Mr. Rakesh Gadani	1,292,646	0.26
MTN Uganda Staff Contributory Fund	1,245,416	0.25
Jubilee Investments Limited	1,200,000	0.24
Alexander Forbes Retirement Fund	1,089,366	0.22
Others	51,728,704	10.40
	497,201,822	100.00

Sustainability Report

The Board, Management and Staff are committed to sustainability which can be seen not only in the financial results, but also in customer relations, employee satisfaction, operational processes, safety and regulatory compliance, environmental performance and community support.

Environmental, Social and Governance policy

dfcu Group's environmental, Social and Governance System comprises of policy, procedure, capacity, monitoring, and reporting arrangements to meet the following operating principles:

To conduct activities with regard to health and safety, environmental, and social aspects of its banking and lending activities, and the principles of environmentally sound and sustainable development.

Alignment of **dfcu**'s lending strategy to comply with the exclusion list.

Companies to which **dfcu** lends comply, at a minimum, with Uganda's Employment laws (the Employment Act, the Factories Act, the NSSF Act, Income Tax Act, the Workers' Compensation Act, and Trade Unions Act, the National Environmental Act, regulations and standards.

dfcu reviews and monitors its loans and reports periodically to its stakeholders about the activities of its sub-borrowers in the areas of health and safety, environmental and social performance.

The Social Policy

dfcu recognises that social issues and risks are part of the normal risk assessment process. **dfcu** emphasises that its customers can only employ children of the right working age and if education is not disrupted and that they are protected from potential exploitation, moral and physical hazard. While at the present, Uganda does not have a legal national minimum wage; **dfcu** urges its customers to substantially reward their employees. Furthermore, **dfcu** endeavours to encourage its customers to treat its employees fairly in terms of recruitment, progression, terms and conditions of work, irrespective of gender, race, colour, disability, political opinion, religion or social origin.

The Environmental Policy

dfcu recognises that environmental risks should be part of the normal risk assessment procedures. As part of the credit process, **dfcu** seeks to ensure that the environmental effects of the activities it supports are assessed and monitored in the planning, implementation and operational stages. **dfcu** seeks to ensure that all customers comply with all applicable local environmental regulations. Each proposal is processed and given an initial classification of environmental risk and recorded on internal approval documents, advisory and evaluation reports as required in the Credit Policy Guidelines.

The Health and Safety Policy

dfcu Group is committed to preventing the safety risk of its operations to both workers and its customers. During the year, there were NIL fatal accidents (2013: NIL) to both **dfcu** workers and customers visiting **dfcu** premises.

dfcu ensures that customers engage in activities that do not jeopardize the Health and Safety of their employees, taking into account the industrial sectors concerned. Businesses are encouraged to adopt appropriate Health and Safety measures, and to comply with the national Employment laws.

Sustainability as an integral part of our business strategy

dfcu Group proactively embeds sustainability thinking and sustainable business practices at every level of business. We believe that our most important contribution to sustainable development is to operate an effective and profitable company. By providing access to credit, savings and insurance products, we enable individuals to improve their quality of life and enhance their financial security. By providing finance to large and small businesses, we facilitate economic growth and job creation, and by financing infrastructure and the development of key sectors, we assist in resolving global challenges such as energy and food scarcity, resource depletion and climate change. The very nature of our business positions us to help our customers and stakeholders, manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local markets and national economies. The success of our customers, clients and stakeholders guarantees future business, which underpins our sustainability.

Stakeholder engagement

We build and maintain strategic relationships with a broad range of stakeholders, to enable proactive engagement, manage social expectations, minimise reputational risk and influence the business environment. We employ a range of channels and mechanisms to gather stakeholder feedback. The frequency of engagement varies according to the stakeholder group and the particular issue. Our key stakeholders include the following;

Customer service

Customer service means providing a quality product or service that satisfies the needs/wants of a customer and keeps them coming back. Customer Service incudes the way we identify and respond to needs and requests of our customers from both outside and inside the bank in order to achieve the purpose of our existence. It is about delivering quality consistently through small actions that yield huge returns.

Aligned with our Brand Promise, "...*with Pleasure*" through this policy, we aim to deliver warm, pleasant, passionate and positive experiences with each and every customer who reaches us. We engage our customers through various channels which include;

- Branch network
- Automatic Teller Machines (ATMs)
- Dedicated Direct Sales Representatives who handle lending and deposit mobilisation
- Dedicated Relationship Managers
- Electronic Mobile and Internet platforms
- Workshops and seminars for Women in Business members, Pinnacle and Investment Club customers, SMEs and Corporate institutions.
- Print and electronic media
- Dedicated Call Centre team
- Marketing and advertising

Managing our strategic objectives

Objective	Strategies	Performance indicators
Grow value for shareholders through sustainable financial performance	Maintaining and enhancing our strength of the financial position	Our total assets grew by 16% in 2014 (2013: 22%), loan portfolio grew by 9% (2013: 12%) and net interest income grew by 7% (2013: 15%)
	Driving operational excellence through cost management	Cost to income ratio was 54% (2013: 52%). Key contribution to the cost to income ratio was the continued investment in the head office premises and expansion of branch network.
	Management of credit impairment losses	Credit loss ratio in 2014 was 1.7% (2013: 1.5%). This was due to the increase in the NPAs as a result of the high interest environment in 2014.
Building a robust retail operation	Wealth creation	Wealth created in 2014 was Shs 67,051million (2013: Shs 58,484 million). The branch network also increased to 45 branches from 34 branches in 2013.
	Consolidate our position as a key player in the SME market segment	Grew our support to SMEs by 22% during 2014. SMEs form 72% of the total loan book in 2014 (2013: 50%)
	Supporting the Government of Uganda's National Development Plan Primary Growth Sectors (Agriculture, tourism, mining, oil and gas, manufacturing, information communications development, housing development).	Our lending to the primary growth sectors was 46% of our loan book (2013: 43%).
Sustainable high level of operational excellence and effectiveness	Enhanced risk management	We fully adopt the Financial Consumer Protection Guidelines and our progress is reported regularly to Bank of Uganda. We fully support the Anti-Money Laundering legislation in Uganda as it protects the integrity of Uganda's financial services industry.
	Engaging transparency with our stakeholders and responding to their needs	We engage with our stakeholders and obtain feedback from them concerning their needs. These are reported to the board for decision making.
	Operational efficiency	We prioritize Know Your Customer (KYC) and Anti-Money Laundering efforts in all that we do.
Embedding a highly professional customer centric institutional culture	Treating customers in a fair manner	We have fully adopted the Bank of Uganda Financial Consumer Protection Guidelines and cascaded all the relevant information to our staff.
	Becoming an employer of choice through best practice in people management	718 employees in 2014 (2013: 634). Labour turnover in 2014 was 12% (2013: 9%).
	Growing leadership capability	Training spend was Shs 457 million in 2014 (2013: Shs 510 million).

Our economic impact

dfcu Group recognizes the role played by the private sector in the development of Uganda. As a business, we were able to contribute to the investments required to stimulate economic development and mitigate risks posed by global challenges. The value added statement below shows the economic foot print of our operations in Uganda in 2014. It shows our impact on the economic conditions of our stakeholders and throughout the society.

The most fundamental contribution of **dfcu** Group to the society in which we operate is by maintaining a robust business. This allows us to pay dividends to our shareholders, salaries to our employees and tax to the Government of Uganda. As a buyer of goods and services, we play a role in supporting local businesses which provide employment and drives socioeconomic development in local communities. In addition, our corporate social responsibility activities make a measurable difference to recipients and communities that **dfcu** Group depends on to remain sustainable.

Value added is calculated on the Group's revenue performance minus payments such as cost of materials, depreciation and amortization. The resulting amount is distributed to the stakeholders who include employees, shareholders, community investments and government. The total wealth created by the Group in 2014 was Shs 67,051 million as shown in the statement below.

Value added statement:	2014 Shs. M	% of wealth created	2013 Shs. M	% of wealth created
Interest income	163,278		150,604	
Fees and commission income	20,852		20,116	
Net trading and other income	21,219		6,586	
Interest expense	(59,989)		(54,441)	
Operating expenses	(78,309)		(64,381)	
Wealth created	**67,051**		**58,484**	
Distribution of wealth				
Employees	27,602	41%	24,645	42%
Government	14,452	22%	10,564	18%
Dividends to shareholders	8,868	13%	9,222	16%
Corporate social responsibility	305	0%	335	1%
Retentions to support future business growth	15,824		13,718	
Wealth distributed	**67,051**		**58,484**	

The value added statement above shows that **dfcu** Group is a positive contributor to the society of Uganda. Of the total wealth created in 2014, the following is the total flow of capital among some key stakeholders;

- Shs 27,602 million was distributed to the employees as remuneration benefits (2013: Shs 24,645 million)
- Shs 14,452 million was distributed to the Government of Uganda in form of taxes (2013: Shs 10,564 million)
- Shs 8,868 million was paid to the shareholders as dividends (2013: Shs 9,222 million) ■

Risk Management

The provision of financial services to customers carries significant risks. Accordingly, identifying, assessing and mitigating risks is a key priority for **dfcu** Group. The Group has a comprehensive risk governance framework in place, covering accountability, oversight, measurement and reporting of risks, encapsulated through the Board-approved Risk Framework which also outlines the Group's enterprise-wide risk management activities and details high-level organisation, authorities and processes relating to all aspects of risk management.

During 2014, **dfcu** Group continued to deploy clear risk management objectives, and a well-established strategy to deliver them, through core risk management processes. Responsibility for risk management resides at all levels within the Group from the Board and the Executive Committee down to each business manager and risk officer. Our risk management practices are well embedded and are cascaded down from the Board of Directors, sub-committees of the Board, to management committees and finally to the units/staff that take-on the risks on a day to day basis.

dfcu Group's Board makes risk decisions through the:

Board Risk and Credit Committee (for risk policies, enterprise-wide risk management and portfolio monitoring);

Board Asset and Liabilities Committee (ALCO)

Board Audit Committee (for internal audit matters and Compliance matters).

Board Remuneration Committee for staff resource matters.

dfcu Group's risk governance structure ensures that risk governance is able to respond with flexibility due to timely, complete and enterprise-wide risk information, enabling the Board to make critical decisions to minimise incidents of loss. At management level, risk governance is implemented by adopting and integrating the necessary systems to identify, manage and report risks. The level and nature of aggregating risk arising in the business are captured by systems and reports based on the Bank's risk appetite statement.

dfcu Group has actual or potential exposures to four principal categories of risk:

Credit risk is the risk of a potential loss when a customer or counterpart fails to fulfill his contractual obligation (principal or interest) to the Group. The risk arises mainly from wholesale and retail loans and advances, due from banks and non-trading investments. **dfcu** Group's credit risk management framework includes policies and procedures to monitor and manage this risk, and a comprehensive structure of delegated authorities.

Market risk is the risk of potential loss in value or earnings arising from changes in market factors such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. This risk is managed by **dfcu** Bank's **Asset and Liability Committee** (ALCO), which provides specific guidelines for market risk management.

Liquidity risk comprises two key risks: *liquidity risk* and *structural risk*. Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due. Structural risk concerns the management of non-contractual risk, which primarily arises from the impact on the Group's statement of financial position of changes in interest rates on income or foreign exchange rates on capital ratios. The Board of Directors has delegated responsibility for liquidity management to ALCO, which establishes parameters and determines strategic levels for these two risks.

Operational risk is inherent in the **dfcu** Group's business activities and arises from events associated with its processes, people and systems, and from external factors other than credit, market and liquidity risk. *Reputational* risk is addressed through various operational risk management tools and is managed through a well-defined operational risk management cycle that comprises four major stages: **risk identification**, **risk assessment**, **controls and monitoring** and **reporting**.

Risk and control structure

Operational risk controls need to be refurbished regularly in order to;

Ensure alignment between the most significant risks and mitigating controls; and remove redundant controls.

The risk and control structure for **dfcu** Group is shown on the next page.

Risk identification

The key inputs in risk identification are;
Risk and Control Self Assessments (RCSAs),
Key Risk Indicators (KRIs)
Audit issues (from Internal/External and Bank of Uganda Auditors)
Customer complaints
Assurance Reviews Reports
External Environment Scanning Results

Risk appetite

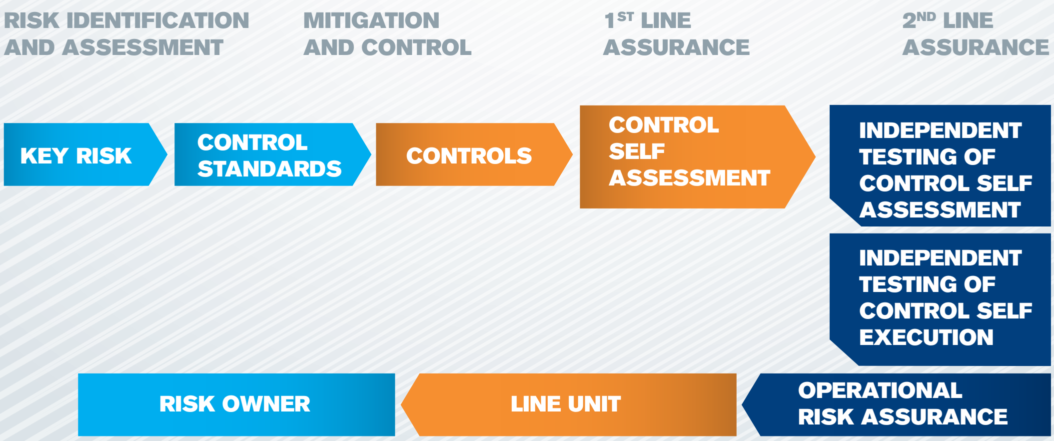
Risk appetite for Operational Risk is implemented through the operational risk grading matrix where risk tolerance levels are set for the following five areas of impact:

- Financial (impact to earnings)
- Regulatory
- Reputational
- Staff / Customers (Health and Safety)
- Environment

Risks are assessed against risk appetite qualitatively and quantitatively through probability and impact grading of the risks across the five areas.

The operational risk grading matrix is used to assess risk in the operational risk management process, in which risks are graded High, Medium and Low. The risk grades provide a consistent basis for risk escalation and prioritization for risk management activities:

Risk and control structure



High means breaching of risk appetite. The risks are escalated to Risk Committee (RISCO), and mitigation actions are assigned to the members of the RISCO. Furthermore, the risk is also escalated to the Board Risk Committee.

Medium means threatening to breach risk appetite. The risk is escalated to RISCO, and mitigation actions are assigned to the members thereof.

Low means that the risk is within risk appetite, and is managed by the Business in its respective committees.

During 2014, the Bank strengthened its risk management processes further by improving its market risk management, monitoring and reporting capabilities, extending its internal credit risk rating application to all business segments, fully integrating risk-based decisions and strengthening the operational risk incident reporting process.

dfcu Bank complies with the provisions of the applicable Basel II Framework, as advised by the Central Bank of Uganda. The governance framework, policies and administrative procedures and practices relating to **dfcu** Bank's risk management align with global best practice, the recommendations of the Basel Committee and the guidelines of the Central Bank of Uganda.

Bribery and Corruption

dfcu Group adopted a formal Anti-Bribery and Corruption policy in 2014. **dfcu** Group does not pay and does not accept bribes, either directly or via third parties, in any circumstances. Breaches or attempted breaches of this principle by an employee is regarded as an act of gross misconduct.

dfcu Group also seeks to encourage an equivalent policy in other business entities with which it has a significant business relationship.

Having made appropriate enquiries, we are not aware of any material instances of bribery or corruption involving **dfcu** or its staff. We have also emphasised the same message to our clients on our website (www.**dfcu**group.com) such that they share into our common goal of removing bribery and corruption from commercial life in Uganda.

We are satisfied that the policies, and procedures introduced and maintained by **dfcu** Group to enable it to identify, assess, monitor and manage the risk that it will be exposed to in respect to bribery and corruption and that those policies, and controls operate effectively and are proportionate to the nature and scale of **dfcu**'s operations ■


dfcu

dfcu Group
Directors' Report and Consolidated Financial Statements
For the year ended 31 December 2014

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Directors' Report

For the year ended 31 December 2014

The directors submit their report together with the audited consolidated financial statements of **dfcu** Limited ("the Company") and its subsidiary, **dfcu** Bank Limited (together "the Group") for the year ended 31 December 2014, which disclose the state of affairs of the group and of the company. The Group's parent company is **dfcu** Limited ("the Company"), which owns 100% of the ordinary shares of **dfcu** Bank Limited.

PRINCIPAL ACTIVITIES

The Group provides commercial banking, term lending, lease and mortgage financing for the development of people and businesses in Uganda.

RESULTS AND DIVIDENDS

The Group's profit for the year was Shs 42,109 million (2013: Shs 34,601 million). The directors recommend payment of dividends for the year ended 31 December 2014 of Shs 11,700 million (2013: Shs 13,840 million) or Shs 23.53 per share (2013: Shs 55.67 per share).

DIRECTORS AND THEIR BENEFITS

The directors who held office during the year and to the date of this report were as follows:

E. Karuhanga	-	Chairman
W. Irwin	-	Non-executive Director (Resigned on 30 June 2014)
D. Malik	-	Non-executive Director
M. Turner	-	Non-executive Director
L. Kironde	-	Non-executive Director
J. Mugerwa	-	Non-executive Director
AJM. Jonkergouw	-	Non-executive Director
T. Van Rijckevorsel	-	Non-executive Director (Resigned on 21 August 2014)
WT. Kiryabwire	-	Non-executive Director
Terje Vareberg	-	Non-executive Director

During the financial year and up to the date of this report, other than as disclosed in Note 36 to the financial statements, no director has received or become entitled to receive any benefit other than directors' fees, and amounts receivable by the executive directors under employment contracts and the senior staff incentive scheme.

The aggregate amount of emoluments for directors' services rendered in the financial year is disclosed in Note 36 to the financial statements.

DIRECTORS AND THEIR BENEFITS (continued)

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

COMPANY REGISTRAR

The registrar of the Company is Deloitte (Uganda) Limited located at the address below:

Plot 1 Lumumba Avenue
3rd Floor Rwenzori House
P. O. Box 10314
Kampala
Uganda
Tel: +256 41 343850

CORPORATION SECRETARY

The name and address of the secretary of the Company is shown below:

Agnes Tibayeita Isharaza
dfcu Limited
Plot 26 Kyadondo Road
P.O. Box 2767
Kampala
Uganda
Tel: +256 41 256125 or +256 312300200/300

AUDITORS

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 167(2) of the Ugandan Companies Act.

ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution of the directors on 19 March 2015.

By order of the Board

A Tibayeita Isharaza

SECRETARY

Date:19 March 2015

Statement of the Directors' Responsibilities

For the year ended 31 December 2014

The Ugandan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Ugandan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and of such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

.... **Director**	.... **Director**
.... **Director**	.... **Secretary**

19 March 2015

Report of the Independent Auditor

To the Members of **dfcu** Group

Report on the financial statements

We have audited the accompanying financial statements of **dfcu** Limited ("the Company") and its subsidiary, **dfcu** Bank Limited (together, "the Group"), as set out on pages 7 to 63. These financial statements comprise the consolidated statement of financial position for the year ended 31 December 2014, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, together with the statement of financial position of the Company standing alone for the year ended 31 December 2014 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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's internal controls. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial affairs of the Group and of the Company as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Ugandan Companies Act.

Report on other legal and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position is in agreement with the books of account.

Certified Public Accountants
Kampala

19 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 Shs M	2013 Shs M
Interest			
Interest and similar income	7	163,278	150,604
Interest expense	8	(59,989)	(54,441)
Net interest income		103,289	96,163
Fees and commission income	9	20,852	20,116
		124,141	116,279
Net trading and other income	10	21,219	6,586
Total income		145,360	122,865
Operating expenses	11	(78,309)	(64,381)
Allowance for impairment of loans and advances	18	(10,490)	(13,414)
Profit before income tax		56,561	45,070
Income tax expense	12	(14,452)	(10,469)
Profit for the year		42,109	34,601

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 Shs M	2013 Shs M
Profit for the year		**42,109**	34,601
Other comprehensive income:			
Reversal of revaluation reserve	31	**(2,380)**	-
Total comprehensive income for the year		**39,729**	34,601
Attributable to:			
Equity holders of the Company		**39,729**	34,601
Non-controlling interest		**-**	-
		39,729	34,601

Consolidated Statement of Financial Position

For the year ended 31 December 2014

	Note	2014 Shs M	2013 Shs M
Assets			
Cash and balances with Bank of Uganda	15	**178,386**	223,665
Government securities	16	**331,107**	209,205
Deposits and balances due from banks	17	**132,165**	83,103
Loans and advances to customers	18	**680,679**	623,800
Other assets	20	**17,603**	24,015
Deferred income tax asset	26	**175**	283
Property and equipment	21(a)	**68,686**	57,116
Investment property	21(b)	**11,315**	-
Intangible assets	22	**4,626**	4,875
Total assets		**1,424,742**	1,226,062
Liabilities			
Customer deposits	23	**822,877**	700,285
Deposits due to other banks	24	**54,021**	56,050
Other liabilities	25	**22,275**	22,932
Current income tax payable	12	**4,026**	1,196
Borrowed funds	27	**328,294**	282,731
Special funds	28	**1,708**	1,708
Total liabilities		**1,233,201**	1,064,902
Equity			
Share capital	30	**9,464**	4,972
Share premium	30	**2,878**	2,878
Revaluation reserves	31	**-**	2,380
Retained earnings		**143,951**	116,759
Other reserves		**12,113**	12,113
Regulatory reserve	32	**11,435**	8,218
Proposed dividends	14	**11,700**	13,840
Total equity		**191,541**	161,160
Total equity and liabilities		**1,424,742**	1,226,062

The financial statements on pages 7 to 63 were approved for issue by the Board of Directors on 19 March 2015 and signed on its behalf by:

.... **Director**

.... **Director**

.... **Director**

.... **Secretary**

Company Statement of Financial Position

For the year ended 31 December 2014

	Note	2014 Shs M	2013 Shs M
Assets			
Deposits and balances due from banks	17	**195**	195
Loans and advances to customers	18	**520**	662
Other assets	20	**4**	597
Investment in subsidiaries	19	**26,793**	26,793
Amounts due from Group companies	36	**4,292**	3,661
Income tax recoverable		**90**	90
Investment property	21(b)	**39,615**	35,600
Total assets		**71,509**	67,598
Liabilities			
Other liabilities	25	**5,009**	6,338
Amounts due to Group companies	36	**7,160**	7,302
Borrowed funds	27	**8,673**	9,151
Deferred income tax liability	26	**82**	872
Total liabilities		**20,924**	23,663
Equity			
Share capital	30	**9,464**	4,972
Share premium	30	**2,878**	2,878
Revaluation reserves	31	**-**	2,380
Retained earnings		**14,430**	7,752
Proposed dividends	14	**11,700**	13,840
Other reserves		**12,113**	12,113
Total equity		**50,585**	43,935
Total equity and liabilities		**71,509**	67,598

The financial statements on pages 7 to 63 were approved for issue by the Board of Directors on 19 March 2015 and signed on its behalf by:

.... **Director**

.... **Director**

.... **Director**

.... **Secretary**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Share capital	Share Premium	Revaluation reserves	Retained earnings	Other reserves	Currency translation reserve	Regulatory reserve	Proposed dividend	Attributable to equity holders of the parent	Total
		Shs M	Shs M	Shs M	Shs M	Shs M	Shs M	Shs M	Shs M	Shs M	Shs M
Year ended 31 December 2013											
At start of year		4,972	2,878	2,380	94,587	12,113	3	9,626	9,222	135,781	135,781
Comprehensive income											
Profit for the year		-	-	-	34,601	-	-	-	-	34,601	34,601
Other comprehensive income											
Write off of currency translation reserve		-	-	-	3	-	(3)	-	-	-	-
Total comprehensive income for the year		-	-	-	34,604	-	(3)	-	-	34,601	34,601
Transactions with shareholders											
Increase in regulatory reserve	32	-	-	-	1,408	-	-	(1,408)	-	-	-
Dividends paid	14	-	-	-	-	-	-	-	(9,222)	(9,222)	(9,222)
Dividends proposed	14	-	-	-	(13,840)	-	-	-	13,840	-	-
Total transactions with shareholders		**-**	**-**	**-**	(12,432)	-	**-**	**(1,408)**	4,618	(9,222)	(9,222)
At end of year		**4,972**	**2,878**	**2,380**	**116,759**	**12,113**	**-**	**8,218**	**13,840**	**161,160**	**161,160**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Share capital Shs M	Share Premium Shs M	Revaluation reserves Shs M	Retained earnings Shs M	Other reserves Shs M	Regulatory reserve Shs M	Proposed dividend Shs M	Attributable to equity holders of the parent Shs M	Total Shs M
Year ended 31 December 2014										
At start of year		**4,972**	**2,878**	**2,380**	**116,759**	**12,113**	**8,218**	**13,840**	**161,160**	**161,160**
Comprehensive income										
Profit for the year		-	-	-	42,109	-	-	-	42,109	42,109
Other comprehensive income										
Reversal of revaluation reserve	31	-	-	(2,380)	-	-	-	-	(2,380)	(2,380)
Total comprehensive income for the year		-	-	(2,380)	42,109	-	-	-	39,729	39,729
Transactions with shareholders										
Increase in share capital	30	4,972	-	-	-	-	-	(4,972)	-	-
Bonus issue costs	30	(480)	-	-	-	-	-	-	(480)	(480)
Increase in regulatory reserve	32	-	-	-	(3,217)	-	3,217	-	-	-
Dividends paid	14	-	-	-	-	-	-	(8,868)	(8,868)	(8,868)
Dividends proposed	14	-	-	-	(11,700)	-	-	11,700	-	-
Total transactions with shareholders		4,492	-	-	(14,917)	-	-	(2,140)	(9,348)	(9,348)
At end of year		**9,464**	**2,878**	**-**	**143,951**	**12,113**	**11,435**	**11,700**	**191,541**	**191,541**

Company Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Share capital Shs M	Share Premium Shs M	Revaluation reserves Shs M	Retained earnings Shs M	Proposed Dividends Shs M	Other reserves Shs M	Total Shs M
Year ended 31 December 2013								
At start of year		4,972	2,878	2,380	9,545	9,222	12,113	41,110
Comprehensive income								
Profit for the year		-	-	-	12,047	-	-	12,047
Other comprehensive income								
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	12,047	-	-	12,047
Transactions with shareholders								
Dividends paid	14	-	-	-	-	(9,222)	-	(9,222)
Dividends proposed	14	-	-	-	(13,840)	13,840	-	-
At end of year		**4,972**	**2,878**	**2,380**	**7,752**	**13,840**	**12,113**	**43,935**
Year ended 31 December 2014								
At start of year		4,972	2,878	2,380	7,752	13,840	12,113	43,935
Comprehensive income								
Profit for the year		-	-	-	18,378	-	-	18,378
Other comprehensive income								
Reversal of revaluation reserve	31	-	-	(2,380)	-	-	-	(2,380)
Total comprehensive income for the year		-	-	(2,380)	18,378	-	-	15,998
Transactions with shareholders								
Increase in share capital	30	4,972	-	-	-	(4,972)	-	-
Bonus issue costs	30	(480)	-	-	-	-	-	(480)
Proposed dividends	14	-	-	-	(11,700)	11,700	-	-
Dividends paid	14	-	-	-	-	(8,868)	-	(8,868)
At end of year		**9,464**	**2,878**	**-**	**14,430**	**11,700**	**12,113**	**50,585**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 Shs M	2013 Shs M
Operating activities			
Interest receipts		**163,278**	150,604
Interest payments		**(59,989)**	(54,441)
Fee and commission receipts		**22,766**	24,227
Net foreign exchange and other income received		**10,700**	7,606
Recoveries on loans previously written off	18	**244**	203
Cash payments to employees and suppliers		**(60,061)**	(63,540)
Income tax paid	12	**(10,494)**	(12,479)
Cash flows from operating activities before changes in operating assets and liabilities		**66,444**	52,180
Changes in operating assets and liabilities			
Increase in Government and other securities		**(46,775)**	(6,026)
Increase in Bank of Uganda cash reserve requirement		**(13,460)**	(5,870)
Increase in loans and advances to customers		**(67,613)**	(82,135)
Increase/(decrease) in other assets		**1,045**	(3,756)
Increase in customer deposits		**122,592**	109,006
Increase in other liabilities		**1,507**	5,454
(Decrease)/increase in balances due to other banks		**(2,029)**	38,846
Net cash flows from operating activities		**61,711**	107,699
Investing activities			
Purchase of property and equipment	21	**(30,300)**	(25,573)
Purchase of intangible assets	22	**(2,243)**	(747)
Proceeds from sale of property and equipment		**67**	23
Net cash flows used in investing activities		**(32,476)**	(26,297)
Financing activities			
Net increase in borrowings and special funds		**45,563**	41,704
Bonus issue costs		**(480)**	-
Dividends paid to shareholders		**(8,868)**	(9,222)
Net cash flows generated from financing activities		**36,215**	32,482
Net increase in cash and cash equivalents		**65,450**	113,884
Cash and cash equivalents at start of year		**264,201**	150,317
Cash and cash equivalents at end of year	**33**	**329,651**	264,201

1 General information

dfcu Limited ('the Company') is incorporated in Uganda under the Ugandan Companies Act (Cap 110) 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 address of its registered office is:

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

For purposes of the Ugandan Companies Act reporting, the balance sheet is represented by the statement of financial position and the profit and loss account is represented by the income statement in these financial statements.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are presented in the functional currency, Uganda Shillings (Shs), rounded to the nearest million. The measurement basis applied is the historical cost convention except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. 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 financial statements, are disclosed in Note 4.

2.2 Changes in accounting policies and disclosures

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 and have a material impact on the Group:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

2 Summary of significant accounting policies (continued)

New and amended standards adopted by the Group (continued)

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group's financial statements as a result.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the bank.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Summary of significant accounting policies (continued)

2.3 Consolidation

The consolidated financial statements comprise the financial statements of **dfcu** Limited and its subsidiaries as at 31 December 2014.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

(iv) 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 is recognised when the right to receive payment is established.

2.4 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Specific borrowings are funds borrowed specifically for the purpose of obtaining a qualifying asset. For specific borrowings, the actual costs incurred are capitalised. If the entity temporarily reinvests some funds, investment income earned should be deducted from the borrowing costs eligible for capitalisation. All borrowings that are not specific represent general borrowings. Costs eligible for capitalisation are calculated by applying a capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. The amount of borrowing costs eligible for capitalisation is always limited to the amount of actual borrowing costs incurred during the period. Where the parent company finances the construction of a qualifying asset using an intra-group loan, the capitalisation rate is adjusted to reflect how the qualifying asset was financed from the perspective of the group as a whole.

2.5 Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Uganda Shillings, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'. Translation differences on non-monetary items, such as equities, held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities, classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 Summary of significant accounting policies (continued)

(iii) Consolidation of Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at exchange rates prevailing at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and then as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Interest income and interest expense

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be measured reliably. Interest income and expense are recognised in profit or loss for all interest bearing instruments at amortised cost using the effective interest method.The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2.7 Fee and commission income

The Group earns fees and commission income from a diverse range of services it provides to its customers. These are earned from services that are provided over a certain period of time. Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

When it is unlikely that the loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

2 Summary of significant accounting policies (continued)

2.8 Dividends income

Dividends are recognised as income in the period in which the right to receive payment is established.

2.9 Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale instruments, loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates such designation at every reporting date:

i). *Financial assets at fair value through profit or loss:* Financial assets classified in this category are those that have been designated by management on initial recognition and financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Interest and similar income'. Interest income is recorded according to the terms of the contract, or when the right to the payment has been established. Management may only designate an instrument at fair value through profit or loss upon initial recognition.

ii). Loans *and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those classified as held-for-trading and those that the Group on initial recognition designates as at fair value through profit and loss; (b) those that the Group upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

iii). *Held-to-maturity investments:* These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

iv). *Available-for-sale financial assets are non-derivatives that are either designated in this category or not classifi*ed in any of the other categories.

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership or the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income.When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the reporting date. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. The fair values of unquoted equity investments is estimated as the group's share of the net assets of the investee entity as derived from the financial statements of the investee entity.

2 Summary of significant accounting policies (continued)

2.10 Financial liabilities

Financial liabilities are recognised initially at fair value (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. A financial liability is derecognised where the related obligation is discharged, cancelled or expires.

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets carried at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as default or delinquency in interest or principal repayments;

c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

d) it becoming probable that the borrower will enter bankruptcy or other financial difficulty;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

(i) adverse changes in the payment status of borrowers in the group; or

(ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for all financial assets. If the Group determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's business and product segments). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

In addition to the measurement of impairment losses on loans and advances in accordance with International Financial Reporting Standards as set out above, the Group's subsidiary, **dfcu** Bank Limited is also required by the Ugandan Financial Institutions Act, 2004 to estimate losses on loans and advances as follows:

i) A specific allowance for impairment for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Bank of Uganda, as follows:

a) substandard assets with arrears period between 90 and 180 days – 20%;
b) doubtful assets with arrears period between 181 days and 360 days – 50%;
c) loss assets with arrears period over 360 days – 100%.

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

ii) A general allowance for impairment of at least 1% of the total outstanding credit facilities net of specific provisions.

Where allowances for impairment losses of loans and advances determined in accordance with the Ugandan Financial Institutions Act, 2004 exceed amounts determined in accordance with International Financial Reporting Standards, the excess is taken to the regulatory reserve as an appropriation of retained earnings. Otherwise no further accounting entries are made.

When a loan is uncollectible, it is written off against the related allowancefor 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 chargefor 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 recognized in profit or loss.

2 Summary of significant accounting policies (continued)

2.12 Intangible assets (goodwill and software)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Software is initially recorded at cost and then subsequently at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Software is depreciated using the straight line method at 20% per annum.

2.13 Property and equipment

All categories of property and equipment are initially recorded at cost and subsequently measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Freehold buildings	2.5
Office equipment, furniture and fittings	12.5 – 15
Computer equipment	25 - 33.3
Motor vehicles	25
Work in progress	Nil

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognized.

2.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Board.

2 Summary of significant accounting policies (continued)

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.16 Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases where the lessee assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Similarly leases of assets under which the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases

(a) With the Group Company as lessee

To date, all leases entered into by the Bank are operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(b) With the Group Company as lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before income tax), which reflects a constant periodic rate of return.

2.17 Offsetting

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

2.18 Taxation

Income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

2 Summary of significant accounting policies (continued)

2.18 Taxation (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT) except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of accounts receivables or accounts payables in the statement of financial position.

2.19 Retirement employee benefits and other obligations

(i) Retirement benefit obligations

The Group operates a defined contribution pension scheme for all its eligible employees in **dfcu** Limited and **dfcu** Bank Limited. The scheme is administered by a Board of Trustees and is funded from contributions from both the Group companies and employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions ifthe fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. 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 pension scheme are charged to profit or loss in the year to which they relate.

(ii) Other entitlements

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

2.20 Contract lease disbursements

Contract lease disbursements represent payments that are made under finance lease agreements prior to delivery of the leased asset(s) to the borrower. Interest is accrued on these payments and recognised as income. Once the equipment is delivered, the lessee has the option to pay cash for the interest accrued or to add the interest onto the finance lease as part of the gross amount due.

2 Summary of significant accounting policies (continued)

2.21 Special funds

Special funds representliabilities created under the terms of borrowing agreements with various international lending organisations. The Group holds these funds, utilizing and disbursing them as directed by the Government of Uganda. The unutilized balances on these funds are presented as liabilities on the statement of financial position.

2.22 Managed funds

Managed funds represent amounts received from the Government of Uganda for on-lending to specific third parties in accordance with the terms and conditions of each managed fund. The Group does not bear the credit risk related to the lent funds. The liability related to such funds is presented in the statement of financial position net of the carrying value of the respective managed assets.

2.23 Dividends

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

2.24 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less including: cash and balances with Bank of Uganda, treasury and other eligible bills. Cash and cash equivalents excludes the cash reserve requirement held with Bank of Uganda. Cash and cash equivalents are measured at amortised cost.

2.25 Other reserves, fair value reserves and currency translation reserves

In accordance with the terms and conditions of certain grants received by the Group, amounts are recognised in profit or loss and then appropriated from retained earnings to non distributable reserves. The non distributable reserve is set aside by the directors for the purpose of meeting any future deficit in Capital.

Revaluation reserves include gains or losses from the revaluation of property. Fair value gains and/or losses on property are recognised in other comprehensive income and only transferred to retained earnings when realised.

Currency translation differences arising from translation of investments in subsidiaries are recognised in other comprehensive income.

2.26 Grants

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to property, plant and equipment are included in non-current liabilities as deferred grants and are credited to the income statement on a straight line basis over the expected lives of the related assets. In the current year, the Group received grants from the Dutch Embassy (cost compensation) and from Abi Trust (PPE).

2 Summary of significant accounting policies (continued)

2.27 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 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 property is measured at cost less accumulated depreciation.

3 Financial risk management

The Group's financial assets are classified as held-for-trading, held-to-maturity or loans, advances and other receivables, 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:

Financial assets	Shs M	Shs M
Held-for-trading:		
Government securities	**57,994**	16,144
Held-to-maturity:		
Government and other securities	**273,113**	193,061
Loans and advances and other receivables/financial assets:		
Deposits and balances due from other Banks	**132,165**	83,103
Balances with Bank of Uganda	**107,204**	166,653
Loans and advances customers (Net of impairment)	**680,679**	623,800
Other financial assets	**11,363**	12,410
Cash in hand	**71,182**	57,012
	1,002,593	942,978
Financial liabilities		
Measured at amortised cost:		
Customer deposits	**822,877**	700,285
Balances due to other banks:inter-bank borrowings	**54,021**	56,050
Borrowed funds	**328,294**	282,731
Other financial liabilities	**9,366**	7,645
	1,214,558	1,046,711

3 Financial risk management (continued)

Financial risk factors

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

3.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty 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. 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 geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-statement of financial position exposures. Actual exposures against limits are monitored regularly.

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 these 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 which are issued by **dfcu** Bank Limited (the Bank) is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. The Bank'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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank makes such commitments at market rates. With respect to credit risk on commitments to extend credit, the Bank 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 Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3 Financial risk management (continued)

Maximum exposure to credit risk before collateral held	2014 Shs M	2013 Shs M
Government and other securities	**331,107**	209,205
Deposits and balances due from banks	**132,165**	83,103
Loans and advances to customers	**680,679**	623,800
Other assets	**17,603**	24,015
Credit risk exposures relating to off-statement of financial position items:		
- Acceptances and letters of credit	**-**	1,048
- Guarantee and performance bonds	**51,305**	71,250
- Commitments to lend	**21,690**	23,019
	1,234,549	1,035,440

The above table represents the worst case scenario of credit risk exposure to the Group as at 31 December 2014 and 2013, without taking account of any 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.

Loans and advances to customers, other than to major corporates and to individuals borrowing less than Shs 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;
- 80% (2013: 84%) of the loans and advances portfolio are neither past due nor impaired;
- All loans and advances with an initial amount above 30 million are backed by collateral; and
- 99% (2013: 99%) of the investments in debt securities are government securities.

Financial assets that are neither past due nor impaired, past due but not impaired and impaired:

Loans and advances are summarised as follows:

	2014 Shs M	2013 Shs M
Neither past due nor impaired	**555,878**	524,725
Past due but not impaired	**90,378**	88,749
Impaired	**48,035**	25,450
Gross	**694,291**	638,924
Less: Allowance for impairment	**(13,612)**	(15,124)
Net	**680,679**	623,800

No other financial assets are either past due or impaired.

3 Financial risk management (continued)

3 .1 Credit risk (continued)

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group:

	2014 Shs M	2013 Shs M
Standard	555,878	524,725

Loans and advances past due but not impaired

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 that were past due but not impaired were as follows:

	2014 Shs M	2013 Shs M
Past due up to 30 days	32,665	72,947
Past due 31 – 60 days	34,715	9,706
Past due 61 – 90 days	22,998	6,096
	90,378	88,749

Loans and advances individually impaired

Of the total gross amount of impaired loans, the following amounts have been individually assessed for impairment:

	Loans and mortgages	
	2014 Shs M	2013 Shs M
Individually assessed impaired loans and advances	48,035	25,450
Fair value of collateral	64,723	28,618

Economic sector risk concentrations within the customer loan portfolio were as follows:

	2014 %	2013 %
Manufacturing	10	8
Trade and commerce	18	22
Building and construction	9	11
Transport and communications	6	7
Agriculture and agro-processing	12	9
Home Loans	8	8
Hotel and tourism	4	4
Real Estate	12	14
Non Bank Financial Institutions	1	-
Schools	10	8
Personal	9	8
Other	1	1
	100	100

3. Financial risk management (continued)

3.2 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 faced by the group 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 Group is not exposed to equity price risk. The Group's exposure to market risk is a function of its asset and liability management activities and its role as a financial intermediary in customer related transactions. The objective of market risk management is to minimise the impact of losses due to market risks on earnings and equity capital. The Group manages market risk policies using Asset and Liability Management (ALM) policies approved by the Board of Directors.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risks rests with the Assets and Liability Committee (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.

ALCO's responsibilities include setting liquidity, interest rate and foreign exchange risk limits, monitoring risk levels and adherence to set limits, articulating the Group's interest rate strategy and deciding the business strategy in light of the current and expected business environment. These sets of policies and processes are articulated in the ALM policy.

i) Currency risk

The Group operates wholly within Uganda and its assets and liabilities are measured in Uganda Shillings.

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.

The Group's ALCO reviews on a monthly basis the net foreign exchange position of the Group. As at 31 December 2014, the Group had a net foreign exchange asset position of Shs 2,439 million. (2013: Shs 2,497 million).

The Group's profit before income tax and equity would decrease/ increase by Shs 244 million (2013: Shs 125 million) were the US$ foreign exchange rate to change by 10%. This variation in profitability is measured by reference to foreign currency exposures existing at 31 December 2014.

The variations in other currencies do not have a material impact on the Group's profit.

The table below summarises the group's exposure to foreign currency exchange rate risk. Included in the table are the group's financial assets and liabilities categorized by currency.

All balances are in millions of shillings.

3 Financial risk management (continued)

i) Currency risk (continued)

Group	USD	GBP	EURO	Shs and other	Total
As at 31 December 2014					
Assets					
Cash at hand	57,766	1,542	5,773	113,305	**178,386**
Government and other securities	-	-	-	331,107	**331,107**
Deposits and balances due from banks	125,506	1,664	1,998	2,997	**132,165**
Loans and advances	271,299	1	-	409,379	**680,679**
Other assets	454	-	-	17,149	**17,603**
Deferred income tax asset	-	-	-	175	**175**
Property and equipment	-	-	-	68,686	**68,686**
Investment property	-	-	-	11,315	**11,315**
Intangible assets	-	-	-	4,626	**4,626**
Total assets	**455,025**	**3,207**	**7,771**	**958,739**	**1,424,742**
Liabilities					
Customer deposits	230,076	3,074	6,922	582,805	**822,877**
Deposits due to other banks	-	-	-	54,021	**54,021**
Other liabilities	3,515	125	601	18,034	**22,275**
Borrowed funds	218,995	-	-	109,299	**328,294**
Special funds	-	-	-	1,708	**1,708**
Current income tax payable	-	-	-	4,026	**4,026**
Total liabilities	**452,586**	**3,199**	**7,523**	**769,893**	**1,233,201**
Net on-statement of financial position	**2,439**	**8**	**248**	**188,846**	**191,541**
As at 31 December 2013					
Assets					
Cash at hand	39,423	850	1,223	182,169	223,665
Government and other securities	-	-	-	209,205	209,205
Deposits and balances due from banks	72,785	813	6,344	3,161	83,103
Loans and advances	234,702	-	-	389,098	623,800
Other assets	511	(1)	28	23,477	24,015
Deferred income tax asset	-	-	-	283	283
Property and equipment	-	-	-	57,116	57,116
Intangible assets	-	-	-	4,875	4,875
Total assets	347,421	1,662	7,595	869,384	1,226,062
Liabilities					
Customer deposits	173,117	1,697	7,341	518,130	700,285
Deposits due to other banks	-	-	-	56,050	56,050
Other liabilities	(2,853)	(41)	228	25,598	22,932
Borrowed funds	174,660	-	-	108,071	282,731
Special funds	-	-	-	1,708	1,708
Current income tax payable	-	-	-	1,196	1,196
Total liabilities	344,924	1,656	7,569	710,753	1,064,902
Net on-statement of financial position	2,497	6	26	158,631	161,160

3 Financial risk management (continued)

ii) Interest rate risk (continued)

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Management department for the day-to-day monitoring activities.

The table below summarises the exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear an interest rate risk on off statement of financial position items. All figures are in millions of Uganda Shillings.

Group	Up to 1 month	1-3 months	3-12 Months	1-5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2014							
Assets							
Cash and balances with Bank of Uganda	-	-	-	-	-	178,386	**178,386**
Government and other securities	48,908	64,114	117,381	88,190	12,514	-	**331,107**
Deposits and balances due from banks	122,317	-	-	-	-	9,848	**132,165**
Loans and advances	90,091	69,391	152,298	327,305	55,206	(13,612)	**680,679**
Other assets	-	-	-	-	-	17,603	**17,603**
Deferred tax asset	-	-	-	-	-	175	**175**
Property and equipment	-	-	-	-	-	68,686	**68,686**
Investment property	-	-	-	-	-	11,315	**11,315**
Intangible assets	-	-	-	-	-	4,626	**4,626**
Total assets	**261,316**	**133,505**	**269,679**	**415,495**	**67,720**	**277,027**	**1,424,742**
Liabilities							
Customer deposits	278,756	125,147	117,992	326	-	300,656	**822,877**
Deposits due to other banks	54,000	-	-	-	-	21	**54,021**
Other liabilities	-	-	-	-	-	22,275	**22,275**
Borrowed funds	12,499	21	76,415	119,771	80,751	38,837	**328,294**
Special funds	-	-	-	-	-	1,708	**1,708**
Current income tax payable	-	-	-	-	-	4,026	**4,026**
Total liabilities	**345,255**	**125,168**	**194,407**	**120,097**	**80,751**	**367,523**	**1,233,201**
Interest sensitivity gap	**(83,939)**	**8,337**	**75,272**	**295,398**	**(13,031)**	**(90,496)**	**191,541**

3 Financial risk management (continued)

ii) Interest rate risk (continued)

Group	Up to 1 month	1-3 months	3-12 Months	1-5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2013							
Assets							
Cash and balances with Bank of Uganda	-	-	-	-	-	223,665	223,665
Government and other securities	11,496	20,401	107,138	58,755	11,415	-	209,205
Deposits and balances due from banks	36,248	-	-	-	-	46,855	83,103
Loans and advances	129,674	23,993	117,741	301,756	69,053	(18,417)	623,800
Other assets	-	-	-	-	-	24,015	24,015
Deferred income tax asset	-	-	-	-	-	283	283
Property and equipment	-	-	-	-	-	57,116	57,116
Intangible assets	-	-	-	-	-	4,875	4,875
Total assets	177,418	44,394	224,879	360,511	80,468	338,392	1,226,062
Liabilities							
Customer deposits	211,288	136,711	82,915	3,024	-	266,347	700,285
Deposits due to other banks	56,000	-	-	-	-	50	56,050
Other liabilities	-	-	-	-	-	22,932	22,932
Borrowed funds	1,345	3,795	37,986	127,044	110,959	1,602	282,731
Special funds	-	-	-	-	-	1,708	1,708
Current income tax payable	-	-	-	-	-	1,196	1,196
Total liabilities	268,633	140,506	120,901	130,068	110,959	293,835	1,064,902
Interest sensitivity gap	(91,215)	(96,112)	103,978	230,443	(30,491)	44,557	161,160

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 the held-for-trading portfolio of Government securities and the available-for-sale investments. Financial instruments with cash flow interest rate risk comprise deposits and balance due from banks, loans and advances receivable/ payable, customer deposits, and amounts due to other group companies.

3 Financial risk management (continued)

ii) Interest rate risk (continued)

The table summarises the Group's fair value and cash flow interest rate risks sensitivity at 31 December assuming a market interest rate variation of 3 percentage points from the rates ruling at year-end (2013: 3%).

	2014 Shs M	2013 Shs M
As at 31 December		
Fair value interest rate risk	376	121
Cash flow interest rate risk	12,171	5,941
Impact on profit before tax	12,547	6,062

3.3 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-Group and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2014 to the contractual maturity date. All figures are in millions of Uganda Shillings.

	Up to 1 month	1-3 months	3-12 months	1-5 Years	Over 5 years	Non liquid items	Total
Group							
As at 31 December 2014							
Assets							
Cash and balances with Bank of Uganda	178,386	-	-	-	-	-	**178,386**
Government and other securities	48,908	64,114	117,381	88,190	12,514	-	**331,107**
Deposits and balances due from banks	132,165	-	-	-	-	-	**132,165**
Loans and advances	91,695	69,391	152,298	311,948	55,347	-	**680,679**
Other assets	489	619	2,016	5,208	4,610	4,661	**17,603**
Deferred tax asset	-	-	-	-	-	175	**175**
Property and equipment	-	-	-	-	-	68,686	**68,686**
Investment property	-	-	-	-	-	11,315	**11,315**
Intangible assets	-	-	-	-	-	4,626	**4,626**
Total assets	**451,643**	**134,124**	**271,695**	**405,346**	**72,471**	**89,463**	**1,424,742**

3 Financial risk management (continued)

3.3 Liquidity risk (continued)

Group	Up to 1 month	1-3 months	3-12 months	1-5 Years	Over 5 years	Non liquid items	Total
Liabilities							
Customer deposits	583,284	125,147	114,121	325	-	-	**822,877**
Deposits due to other banks	54,021	-	-	-	-	-	**54,021**
Interest payable and other payables	6,939	4,186	2,017	1,285	532	7,316	**22,275**
Borrowed funds	29,216	21	76,415	141,891	80,751	-	**328,294**
Special funds	1,708	-	-	-	-	-	**1,708**
Current income tax payable	-	-	-	-	-	4,026	**4,026**
Total liabilities	**675,168**	**129,354**	**192,553**	**143,501**	**81,283**	**11,342**	**1,233,201**
Net liquidity gap	**(223,525)**	**4,770**	**79,142**	**261,845**	**(8,812)**	**78,121**	**191,541**

Group As at 31 December 2013	Up to 1 month	1-3 months	3-12 months	1-5 Years	Over 5 years	Non liquid items	Total
Assets							
Cash and balances with Bank of Uganda	223,665			-	-	-	223,665
Government and other securities	11,496	20,401	107,138	58,755	11,415	-	209,205
Deposits and balances due from banks	83,103	-	-	-	-	-	83,103
Loans and advances	129,498	23,993	117,741	283,514	69,054	-	623,800
Other assets	8,244	996	3,170	-	-	11,605	24,015
Deferred income tax asset	-	-	-	-	-	283	283
Property and equipment	-	-	-	-	-	57,116	57,116
Intangible assets	-	-	-	-	-	4,875	4,875
Total assets	**456,006**	**45,390**	**228,049**	**342,269**	**80,469**	**73,879**	**1,226,062**
Liabilities							
Customer deposits	477,635	136,711	82,915	3,024	-	-	700,285
Deposits due to other banks	56,050	-	-	-	-	-	56,050
Interest payable and other payables	7,645	-	-	-	-	15,287	22,932
Borrowed funds	2,947	3,795	37,986	127,044	110,959	-	282,731
Special funds	1,708	-	-	-	-	-	1,708
Current income tax payable	-	-	-	-	-	1,196	1,196
Total liabilities	**545,985**	**140,506**	**120,901**	**130,068**	**110,959**	**16,483**	**1,064,902**
Net liquidity gap	**(89,979)**	**(95,116)**	**107,148**	**212,201**	**(30,490)**	**57,396**	**161,160**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for maturities and interest rates ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

3 Financial risk management (continued)

3.3 Liquidity risk (continued)

Liquidity requirements to support calls under guarantee and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding amount of commitments to extend credit does not necessarily represent expected requirements, since many of these commitments will expire or terminate without being funded.

3.4 Capital management

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

- To comply with the capital requirements set by Bank of Uganda;
- 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.

dfcu Limited is the parent company of **dfcu** Bank Limited, which is a licensed commercial bank. **dfcu** Bank Limited manages its capital adequacy, employing techniques based on the Basel Committee guidelines, which are also implemented by Bank of Uganda for supervisory purposes.

Bank of Uganda requires licensed banks to:

a) hold the minimum level of regulatory capital of Shs25 billion;

b) maintain core capital of not less than 8% of risk weighted assets and off-statement of financial position items; and

c) maintain total capital of not less than 12% of risk weighted assets plus risk weighted off-statement of financial position items.

dfcu Limited also monitors the Group's overall capital adequacy following the same Basel Committee guidelines. The table below summarizes the capital adequacy ratios of the Group as at 31 December 2014.

	2014 Shs M	2013 Shs M
Before dividend declaration		
Core capital	163,613	147,674
Total capital	238,130	206,293
After dividend declaration		
Core capital	163,613	133,833
Total capital	226,430	192,452
Risk weighted assets		
On-statement of financial position	807,885	732,224
Off-statement of financial position	62,150	82,759
Total risk weighted assets	870,035	814,983

3 Financial risk management (continued)

3.4 Capital management (Continued)

Risk weighted assets comprise of the following;	Shs M		2014 Shs M
On-statement of financial position:			
Cash and balances with Bank of Uganda	178,386	0%	-
Due from commercial banks in Uganda	122,122	20%	24,424
Due from banks outside Uganda;			
Rated A+ and A-	9,730	50%	4,865
Rated A- and non-rated	313	100%	313
Government and other securities	331,107	0%	-
Other assets	17,603	100%	17,603
Loans and advances to customers	680,679	100%	680,679
Property, plant and equipment	68,686	100%	68,686
Investment property	11,315	100%	11,315
	1,419,941		**807,885**
Off-statement of financial position;			
Guarantees and acceptances	51,305	100%	51,305
Undrawn facilities	21,690	50%	10,845
	72,995		**62,150**

Basel Ratio (after dividend declaration)	**2014**	**2013**
Core capital	**19%**	16%
Total capital	**26%**	24%
Basel Ratio (before dividend declaration)		
Core capital	**19%**	18%
Total capital	**27%**	25%

Included in the total capital computation is the subordinated debt from Deutche Investitions-Und Entwicklungsgesellschanft mbH (DEG) and CDC Group Plc (CDC).

3 Financial risk management (continued)

3.5 Fair values of financial instruments

As at 31 December 2014, the Group had treasury bills and treasury bonds that are held-for- trading and are measured at fair value. Held-for-trading treasury bills and held-for-trading treasury bonds fair values are derived from discounting future cash flows. The discounting rates used for the valuation of treasury bills and bonds are derived from observable market data.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly from the market
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following are the financial instruments measured at fair value:

Hierarchy	2014 Shs M	2013 Shs M
Level 2-treasury bills and bonds (held for trading)	**57,994**	16,144

During the reporting period ended 31 December 2014, there were no transfers into and out of Level 2 fair value measurements. Refer to note 16.

The fair values of held-to-maturity securities as at 31 December 2014 is estimated at Shs 232,165 million (2013: Shs 191,485 million) compared to their carrying value of Shs 273,113 million (2013: Shs 193,061 million).

The fair values of the Group'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 as set out in note 3.3 (Liquidity risk).

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment each month. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Refer to note 18.

Income taxes

The Group is subject to various government taxes under the Ugandan tax laws. Significant estimates and judgements are required in determining the provision for taxes on certain transactions. For these transactions, the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss. Refer to note 12 and 26.

Fair value of financial instruments

Where the fair value of the financial assets and financial liabilities recorded in the statement of financial position cannot be determined from active markets, they are determined using valuation techniques including discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of available-for-sale equity securities that are not traded in an active market is estimated as the group's share of the net assets of the underlying investee entity based on the investee's financial statements. This estimation process assumes that the net assets of the investee entity best represent future benefits accruing to the Group from these securities. This assumption is considered particularly appropriate for property investments whose investment property is representative of underlying value. Refer to note 3.5.

Held-to-maturity financial assets

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such assets to maturity. If the Group fails to keep these assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to classify the entire class as available-for-sale.

4 Critical accounting estimates and judgements in applying accounting policies (continued)

Going concern

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

5 Segment information

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

- **dfcu** Limited, which is the holding company that is listed on the Uganda stock exchange. **dfcu** Limited merged its two business development finance and **dfcu** Bank into one.
- **dfcu** Bank; 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.

22.6% (2013: 19.8%) 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.

The segment results for the year ended 31 December 2014 were as follows:

	dfcu Limited Shs M	dfcu Bank Shs M	Intra-segment items Shs M	Group Shs M
Income from external customers	1,325	41,630	(884)	**42,071**
Income from transactions with operating segments of the same entity	17,840	-	(17,840)	**-**
Interest income	355	163,230	(307)	**163,278**
Interest expense	-	(60,296)	307	**(59,989)**
Other operating expenses	(911)	(88,772)	884	**(88,799)**
Profit/(loss) before tax	18,609	55,792	(17,840)	**56,561**
Income tax expense	(231)	(14,221)	-	**(14,452)**
Profit/(loss) after tax	**18,378**	**41,571**	**(17,840)**	**42,109**

5 Segment information (continued)

The segment results for the year ended 31 December 2013 were as follows:

	dfcu Limited Shs M	dfcu Bank Shs M	Intra-segment items Shs M	Group Shs M
Income from external customers	(105)	26,842	(35)	**26,702**
Income from transactions with operating segments of the same entity	12,247	-	(12,247)	**-**
Interest income	302	150,537	(235)	**150,604**
Interest expense	-	(54,676)	235	**(54,441)**
Other operating expenses	(492)	(77,338)	35	**(77,795)**
Profit before income tax	11,952	45,365	(12,247)	**45,070**
Income tax expense	95	(10,564)	-	**(10,469)**
Profit for the year	**12,047**	**34,801**	**(12,247)**	**34,601**

Statement of financial position

	dfcu Limited Shs M	dfcu Bank Shs M	Intra-segment items Shs M	Group Shs M
At 31 December 2014				
Total assets	71,509	1,396,249	(43,016)	**1,424,742**
Total liabilities	20,924	1,228,956	(16,679)	**1,233,201**
Capital expenditure	5,172	25,128	-	**30,300**
At 31 December 2013				
Total assets	67,598	1,196,720	(38,256)	1,226,062
Total liabilities	23,663	1,053,158	(11,919)	1,064,602
Capital expenditure	17,716	7,857	-	25,573

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 each group of similar products:

	dfcu Limited Shs M	dfcu Bank Shs M	Group Shs M
Year ended 31 December 2014	355	163,230	**163,278**
Year ended 31 December 2013	302	150,537	150,604

6 Business combinations

Following the takeover of Global Trust Bank ("GTB") by Bank of Uganda ("BoU"), on 25 July 2014 BoU entered into a Purchase and Assumption Agreement with the Company's subsidiary, **dfcu** Bank Limited for the acquisition of certain assets and assumption of specific liabilities of GTB. These assets included cash and balances with BoU, certain loans and advances to customers, all customer deposits and government securities.

The following table summarises the values of identified assets acquired and liabilities assumed at the acquisition date.

	31 December 2014 Shs M
Fair value of consideration transferred	Nil
Recognised amounts of separately identified assets acquired and liabilities assumed	
Cash and balances with Bank of Uganda	8,302
Government securities	40,044
Loans and advances to customers	27,307
Receivables under managed assets portfolio	1,487
Customer relationships	1,939
Fixed deposits	(40,241)
Savings accounts	(14,796)
Current accounts	(15,770)
Written off loan recovery costs	(169)
Negative good will	**8,103**

The transaction was designed to ensure that the book values of assets acquired and liabilities assumed were equal at the date of acquisition. In accordance with IFRS 3: Business combinations, the Bank has recognised a separately identifiable intangible asset in respect of customer relationships details of which are disclosed in Note 22, as well as estimated net receivables under the managed assets portfolio.

Furthermore, the Bank measured net assets acquired at fair value resulting in an excess of the value of assets acquired over liabilities assumed. This excess has been recognised as negative goodwill and recorded within other income in the statement of comprehensive income.

The negative goodwill is mainly attributed to receivables under managed assets portfolio and customer relationships which had nil book values at the date of acquisition in addition to loans and advances to customers that were acquired at a discount.

The acquired business contributed revenues of Shs 4,802 million and profit of Shs 2,573 million, in addition to negative goodwill that was recognised in other income, to the bank for the period from 25 July 2014 to 31 December 2014. The following pro forma summary presents consolidated information of the bank as if the business combination had occurred on 1 January 2014.

	Proforma year ended 31 December 2014 Shs M
Revenue	11,525
Profit	6,175

These amounts have been calculated after applying the bank's accounting policies and including necessary adjustments to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 January 2014, together with the consequential tax effects. The bank also incurred Shs 72 million of acquisition related costs. These expenses are included in general and administrative expenses in the bank's statement of comprehensive income for the year ended 31 December 2014.

		Group 2014 Shs M	Group 2013 Shs M
7	**Interest and similar income**		
	Loans and advances	**119,957**	116,828
	Government securities	**35,906**	29,903
	Other interest income	**7,415**	3,873
		163,278	150,604
8	**Interest expense**		
	Borrowed funds	**23,111**	19,600
	Customer deposits	**36,878**	34,841
		59,989	54,441
9	**Fee and commission income**		
	Fee and commission income	**20,852**	20,116

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, telex transfer fees, and other fees and commissions.

		2014 Shs M	2013 Shs M
10	**Net trading and other income**		
	Fair value gains/ (losses) on held-for-trading securities	**1,465**	(745)
	Net foreign exchange income	**10,700**	7,273
	Other gains	**9,054**	58
		21,219	6,586

Net foreign exchange income includes gains realised on foreign currency dealings and foreign currency translation gains or losses.

		2014 Shs M	2013 Shs M
11	**(a) Operating expenses**		
	Employee benefits expense (note 11b)	**27,602**	24,645
	Professional services	**4,747**	1,841
	Advertising and marketing	**2,742**	2,165
	Office and residential occupancy expenses	**8,902**	8,005
	Communication expenses	**8,863**	8,246
	Depreciation (Note 21)	**3,765**	3,785
	Amortisation (Note 22)	**2,492**	2,246
	Auditor's remuneration	**394**	312
	Travel expenses	**1,218**	1,083
	Printing and stationery	**2,110**	1,424
	Other administrative expenses	**10,302**	5,559
	Operating lease expenses	**5,172**	5,070
		78,309	64,381

11 (b) Employee benefits expenses include:

	2014 Shs M	2013 Shs M
Wages and salaries	**24,229**	21,577
Other employee benefits	**1,035**	953
National Social Security Fund contributions	**2,338**	2,115
	27,602	24,645

12 Income tax

a) Income tax expense

Current income tax expense	**13,324**	12,165
Deferred income tax charge (note 26)	**1,128**	(1,696)
	14,452	10,469

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group 2014 Shs M	Group 2013 Shs M
Profit before income tax	**56,561**	45,070
Tax calculated at the tax rate of 30% (2013: 30%)	**16,968**	13,521
Prior year over provision of corporation tax	**-**	(18)
Tax effect of:		
Income not taxable	**(755)**	(481)
Income taxable at other rates	**(2,783)**	(3,401)
Expenses not deductible for tax purposes	**1,022**	848
Income tax expense	**14,452**	10,469

b) Current income tax payable/ (recoverable)

The movements in current income tax payable/ (recoverable) during the year are as follows:

	Group 2014 Shs M	2013 Shs M	Company 2014 Shs M	2013 Shs M
At start of year	**1,196**	1,504	**(90)**	-
Prior year over provision	**-**	6		
Current income tax charge for the year	**13,324**	12,165	**-**	-
Income tax paid during year	**(10,494)**	(12,479)	**-**	(90)
At end of year	**4,026**	1,196	**(90)**	(90)

13 Earnings per share – basic and diluted

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.

	Group 2014	Group 2013
Profit attributable to equity holders of the Company (Shs M)	42,109	34,601
Weighted average number of ordinary shares in issue (No.)	497,201,822	497,201,822
Basic earnings per share (Shs)	84.69	69.59

At the Company's annual general meeting held on 26 June 2014, the shareholders resolved to issue one bonus share for every share held in the Company as of 30 May 2014, resulting in a total issue of 248,600,911 bonus shares. The issue of bonus shares had the effect of reducing earnings per share ("EPS") in proportion to the number of bonus shares issued.

In accordance with the requirements of IAS 33, management has restated EPS relating to the prior period from Shs 139.18 to Shs 69.59 to reflect the position as though the bonus shares had been issue on 1 January 2013.

There were no dilutive shares or potentially dilutive shares as at 31 December 2014 and 2013. Therefore diluted earnings per share is the same as basic earnings per share.

14 Dividends

	2014 per share Shs	Total Shs M	2013 per share Shs	Total Shs M
Proposed dividend	23.53	11,700	55.67	13,840

At the annual general meeting of **dfcu** Limited to be held on 11 June 2015, the Board is recommending a cash dividend of Shs 23.53 per share (2013: Shs 55.67 per share). The shareholder's register will be closed on 15 May 2015 with respect to entitlement to this dividend which will be paid by 31 July 2015.

Payment of dividends is subject to withholding tax at rates depending on the tax residence of the shareholder.

15 Cash at hand and balances with Bank of Uganda

	Group	
	2014 Shs M	**2013 Shs M**
Cash at hand	**71,182**	57,012
Balances with Bank of Uganda	**107,204**	166,653
	178,386	223,665

16 Government and other securities

	2014 Shs M	**2013 Shs M**
Treasury bills		
Held-for-trading		
Maturing within 90 days of the date of acquisition	**16,719**	7,950
Maturing after 90 days of the date of acquisition	**25,347**	1,785
	42,066	9,735
Held-to-maturity		
Maturing within 90 days of the date of acquisition	**59,669**	20,118
Maturing after 90 days of the date of acquisition	**79,795**	73,298
Total treasury bills	**181,530**	103,151
Treasury and other bonds:		
Held-for-trading		
Maturity after 90 days	**15,928**	6,409
Held-to-maturity		
Maturing within 90 days of the date of acquisition	**7,082**	3,188
Maturing after 90 days of the date of acquisition	**126,567**	96,457
Total treasury bonds	**149,577**	106,054
Total treasury bills and bonds	**331,107**	209,205

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 and ten years.

The weighted average effective interest rate on government securities was 12.67%. (2013: 12.38%)

Other bonds include corporate bonds amounting to Shs 700 million (2013: Shs 1,700 million) issued by Stanbic Bank Uganda Limited.

17 Deposits and balances due from banks

	Group		Cmpany	
	2014 Shs M	2013 Shs M	2014 Shs M	2013 Shs M
Deposits with foreign banks	**10,008**	47,016	**160**	160
Deposits with local banks	**122,157**	36,087	**35**	35
	132,165	83,103	**195**	195

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 Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate on loans and advances to other banks was 1.02%. (2013: 0.6%)

18 Loans and advances to customers

	Group		Company	
	2014 Shs M	2013 Shs M	2014 Shs M	2013 Shs M
Loans and advances	**694,291**	638,924	**695**	837
Less: Allowance for impairment losses				
Individually assessed	**(9,110)**	(8,859)	**(175)**	(175)
Collectively assessed	**(4,502)**	(6,265)	**-**	-
	680,679	623,800	**520**	662

The weighted average effective interest rate on loans and advances to customers was 17.22%. (2013: 17.50%)

Movements in allowance for impairment of loans and advance are as follows :

Group	Individually assessed Shs M	Collectively assessed Shs M	Total Shs M
At 1 January 2013	10,359	6,474	16,833
Increase in allowances for impairment	14,571	(209)	14,362
Recoveries and allowances no longer required	(412)	-	(412)
Net increase in allowances	14,159	(209)	13,950
Debts written off during the year	(15,659)	-	(15,659)
At 31 December 2013	8,859	6,265	15,124
Charge to profit			
Net increase in allowances above	14,159	(209)	13,950
Recoveries of amounts previously written off	(536)	-	(536)
Net charge to profit or loss	13,623	(209)	13,414

18 Loans and advances to customers (continued)

Group	Individually assessed Shs M	Collectively assessed Shs M	Total Shs M
At 1 January 2014	8,859	6,265	**15,124**
Increase/(decrease) in allowances for impairment	15,325	(1,763)	**13,562**
Recoveries and allowances no longer required	(2,828)	-	**(2,828)**
Net increase in allowances	12,497	(1,763)	**10,734**
Debts written off during the year	(12,246)	-	**(12,246)**
At 31 December 2014	**9,110**	**4,502**	**13,612**
Charge to profit			
Net increase in allowances above	12,497	(1,763)	**10,734**
Recoveries of amounts previously written off	(244)	-	**(244)**
Net charge to profit or loss	**12,253**	**(1,763)**	**10,490**

Company	Individually assessed Shs M	Collectively assessed Shs M	Total Shs M
At 1 January 2013	277	-	277
Recoveries and allowances no longer required	(102)	-	(102)
Net increase in allowances	(102)	-	(102)
At 31 December 2013	175	-	175
Charge to the income statement			
Net increase in allowances above	(102)	-	(102)
Recoveries of amounts previously written off	(203)	-	(203)
Net charge to the income statement	(305)	-	(305)
At 1 January 2014	**175**	**-**	**175**
At 31 December 2014	**175**	**-**	**175**
Charge to profit			
Recoveries of amounts previously written off	(44)	-	**(44)**
Net charge to profit or loss	**(44)**	**-**	**(44)**

18 Loans and advances to customers (continued)

The loans and advances to customers include finance lease receivables, which are analysed as follows:

	2014 Shs M	2013 Shs M
Gross investment in finance leases:		
Not later than 1 year	**24,246**	24,111
Later than 1 year and not later than 5 years	**31,686**	32,446
Later than 5 years	**162**	881
	56,094	57,438
Unearned future finance income on finance leases	**(10,329)**	(10,073)
Net investment in finance leases	**45,765**	47,365

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

	2014	2013
Not later than 1 year	**19,811**	19,883
Later than 1 year and not later than 5 years	**25,822**	26,756
Later than 5 years	**132**	726
	45,765	47,365

Included in the allowance for impairment of loans and advances as at 31 December 2014 is Shs 482 million (2013: Shs 2,937 million) attributable to past due finance lease receivables.

19 Investment in subsidiaries

	Shareholding %	Company 2014 Shs M	 2013 Shs M
dfcu Bank Limited	100	**26,793**	26,793

20 Other assets

	Group		Company	
	2014 Shs M	2013 Shs M	2014 Shs M	2013 Shs M
Prepaid expenses	**6,240**	11,605	**-**	-
Items in course of collection	**796**	3,809	**-**	-
Sundry debtors	**3,379**	3,416	**-**	-
Other assets	**4,230**	5,185	**4**	597
Other assets (GTB)	**2,958**	-	**-**	-
	17,603	24,015	**4**	597

Items in the course of collection relate to cheques, Electronic Fund Transfers (EFTs) and Real Time Gross Settlements (RTGS) sent for clearing.

21 a) Property and equipment

Group	Land and buildings Shs M	Furniture and equipment Shs M	Motor vehicles Shs M	Work-in-progress Shs M	Total Shs M
Year ended 31 December 2013					
Opening net carrying amount	8,915	10,157	388	16,605	36,065
Additions	-	1,489	441	23,643	25,573
Disposals at cost	-	(1)	(52)	-	(53)
Disposals:- accumulated depreciation	-	-	52	-	52
Transfers from work in progress	-	2,022	76	(2,834)	(736)
Write off	-	(10,195)	(42)	-	(10,237)
Write off:- accumulated depreciation	-	10,195	42	-	10,237
Depreciation charge for the year	(10)	(3,575)	(200)	-	(3,785)
Net carrying amount	8,905	10,092	705	37,414	57,116
At 31 December 2013					
Cost or valuation	9,443	36,931	1,467	37,414	85,285
Accumulated depreciation	(538)	(26,839)	(762)	-	(28,169)
Net carrying amount	8,905	10,092	705	37,414	57,116
Year ended 31 December 2014					
Opening net carrying amount	8,905	10,092	705	37,414	**57,116**
Additions	78	3,187	265	26,770	**30,300**
Disposals at cost	-	(73)	(252)	-	**(325)**
Disposals:- accumulated depreciation	-	73	228	-	**301**
Transfers from work in progress	32,023	339	-	(32,362)	**-**
Transfer to investment property	(11,315)	-	-	-	**(11,315)**
Write off	(3,400)	(1,562)	-	-	**(4,962)**
Write off:- accumulated depreciation	-	1,336	-	-	**1,336**
Depreciation charge for the year	(10)	(3,426)	(329)	-	**(3,765)**
Net carrying amount	**26,281**	**9,966**	**617**	**31,822**	**68,686**
At 31 December 2014					
Cost or valuation	26,829	38,822	1,510	31,822	**97,939**
Accumulated depreciation	(548	(28,856)	(893)	-	**(30,297)**
Net carrying amount	**26,281**	**9,966**	**617**	**31,822**	**68,686**

21 b) 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.

During 2014, the Company resolved to make available for rent to third parties, that part of the property that is not utilised by **dfcu** Bank Limited. Consequently, that part of the property is held for rental purposes and has been reclassified to investment property in the consolidated financial statements as shown below. In the stand alone financial statements of the Company, the entire property is held for rental purposes and is therefore retained as investment property in those financial statements.

The Company has chosen the cost model for its investment property and as a consequence, land which forms part of the property which was previously re-valued has been restated to cost and the related valuation surplus together with deferred income tax thereon have been reversed.

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	-	-	35,600	-
Reclassified from property and equipment	11,315	-	-	17,884
Additions at cost	-	-	7,415	17,716
Reversal of revaluation surplus on land	-	-	(3,400)	-
At end of year	11,315	-	39,615	35,600

22 Intangible assets (Group)

Year ended 31 December 2013	Goodwill ShsM	Other intangible assets Shs M	Customer relation ships Shs M	Total Shs M
Cost				
At 1 January 2013	463	10,803	-	11,266
Additions	-	747	-	747
At 31 December 2013	463	11,550	-	12,013
Amortisation				
At 1 January 2013	-	(4,892)	-	(4,892)
Charge for the year	-	(2,246)	-	(2,246)
At 31 December 2013	-	(7,138)	-	(7,138)
Net carrying amount	463	4,412	-	4,875

22 Intangible assets (continued)

Year ended 31 December 2014	Goodwill Shs M	Other intangible assets Shs M	Customer relation ships Shs M	Total Shs M
Cost				
At 1 January 2014	463	11,550	-	12,013
Additions	-	304	1,939	2,243
At 31 December 2014	463	11,854	1,939	14,256
Amortisation				
At 1 January 2014	-	(7,138)	-	(7,138)
Charge for the year	-	(2,330)	(162)	(2,492)
At 31 December 2014	-	(9,468)	(162)	(9,630)
Net carrying amount	463	2,386	1,777	4,626

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment of goodwill identified in 2014 (2013: nil). Other intangible assets comprise of software for the Group's core banking systems and fair valuations of customer relationships acquired from GTB.

23 Customer deposits

	Group	
	2014 Shs M	2013 Shs M
Demand deposits	284,474	253,438
Savings accounts	165,030	113,671
Fixed deposit accounts	373,373	333,176
	822,877	700,285

The weighted average effective interest rate on customer deposits was 3.72% (2013: 6.03%).

24 Deposits due to other banks

Balances due to other banks within 90 days	54,021	56,050

The weighted average effective interest rate on deposits due to other banks was 8% (2013: 11%).

25 Other liabilities

	Group		Company	
	2014 Shs M	2013 Shs M	2014 Shs M	2013 Shs M
Bills payable	523	553	-	-
Unclaimed balances	1,877	1,398	102	59
Other liabilities	6,966	5,694	-	-
Deferred fees and commission	10,279	9,659	4,722	6,063
Accrued expenses	2,630	5,628	185	216
	22,275	22,932	5,009	6,338

26 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2013: 30%), except for interest receivable on treasury bills and bonds where the enacted rate is 20% (2013: 20%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2014 Shs M	2013 Shs M	2014 Shs M	2013 Shs M
At start of year	**(283)**	1,413	**872**	960
Charge to income statement	**230**	(89)	**230**	(88)
Deferred tax in respect of reversal of revaluation gain	**(1,020)**	-	**(1,020)**	
Charge/(credit) to income statement	**898**	(1,607)	**-**	-
Net deferred income tax liability/(asset)	**175**	(283)	**82**	872

Group:	At start of year Shs M	Charged/ (credited) to income statement Shs M	At end of year Shs M
As at 31 December 2013			
Deferred income tax liabilities			
Property and equipment	845	(395)	**450**
Accelerated tax depreciation	1,554	-	**1,554**
Land revaluation surplus	1,020	-	**1,020**
	3,419	(395)	**3,024**
Deferred income tax assets			
Provisions for loan impairment	(1,909)	63	**(1,846)**
Asset and investment revaluations	(33)	-	**(33)**
Other temporary differences	(168)	-	**(168)**
Deferred income	(361)	(576)	**(937)**
Tax losses carried forward	(91)	(88)	**(179)**
Revaluation of securities held for trading	556	(700)	**(144)**
	(2,006)	(1,301)	**(3,307)**
Net deferred income tax liability/(asset)	**1,413**	**(1,696)**	**(283)**

26 Deferred income tax (continued)

Group:	At start of year Shs M	Charged/ (credited) to income statement Shs M	Charged through equity Shs M	At end of year Shs M
As at 31 December 2014				
Deferred income tax liabilities				
Property and equipment	450	(314)	-	**136**
Accelerated tax depreciation	1,554	-	-	**1,554**
Land revaluation surplus	1,020	-	(1,020)	**-**
	3,024	(314)	(1,020)	**1,690**
Deferred income tax assets				
Provisions for loan impairment	(1,846)	529	-	**(1,317)**
Asset and investment revaluations	(33)	-	-	**(33)**
Other temporary differences	(168)	-	-	**(168)**
Deferred income	(937)	(514)	-	**(1,451)**
Tax losses carried forward	(179)	230		**51**
Revaluation of securities held for trading	(144)	664	-	**520**
Fair value of customer relations	-	533	-	**533**
	(3,307)	1,442	-	**(1,865)**
Net deferred income tax (asset)/liability	**(283)**	**1,128**	**(1,020)**	**175**

Company

As at 31 December 2013				
Deferred income tax (assets)/liabilities				
Tax losses	(60)	(88)	-	(148)
Land revaluation surplus	1,020	-	-	1,020
Net deferred income tax (asset)/liabilities	960	(88)	-	872
As at 31 December 2014				
Deferred income tax (assets)/liabilities				
Tax losses	(148)	230	-	82
Land revaluation surplus	1,020	-	(1,020)	-
Net deferred income tax (asset)/liabilities	872	230	(1,020)	82

27 Borrowed funds

	Group		Company	
	2014	2013	2014	2013
	Shs M	Shs M	Shs M	Shs M
European Investment Bank Apex IV	647	1,293	-	-
Uganda Government (KFW II loan)	696	696	-	-
Uganda Government (KFW III loan)	1,984	1,984	-	-
Uganda Government (KFW V loan)	17,196	16,721	-	-
Bank of Uganda	12,109	10,097	-	-
Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO)	47,400	25,200	-	-
International Finance Corporation	1,975	5,400	-	-
The OPEC Fund for International Development	27,650	-	-	-
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	11,544	13,974	-	-
FMO USD	70,620	72,342	-	-
National Social Security Fund	-	1,000	-	-
European Investment Bank – PEFF II	43,156	54,802	-	-
European Investment Bank – Microfinance	16,177	-	-	-
Norwegian Investment Fund for Developing Countries (NORFUND)	12,300	16,830	-	-
NORFUND Subordinated debt	-	1,890	-	-
East African Development Bank	7,825	8,330	7,825	8,330
UN Habitat	867	951	-	-
Deutsche Investitions-Und EntwicklungsgesellschaftmbH (DEG) Subordinated debt	27,650	25,200	-	-
CDC Group Plc Subordinated debt	27,650	25,200	-	-
Jubilee Insurance	848	821	848	821
	328,294	**282,731**	**8,673**	**9,151**

Included in borrowings is a subordinated debt from from Deutsche Investitions-Und EntwicklungsgesellschaftmbH (DEG) whose tenure is 7 years and is due to mature in 2020. The interest rate on this debt is variable at an aggregate interest rate of 4.5% per annum plus the USD swap rate prevailing at the interest determination date. The other subordinated debt is from CDC Group Plc (CDC) whose tenure is 7 years and is due to mature in 2020. The interest rate on this debt is variable at Libor 6 months plus 4.5%. The debts are subordinated to ordinary liabilities of the bank and recognized by the Bank as Tier 2 Capital.

27 Borrowed funds (continued)

The terms and conditions relating to borrowings are tabulated below:

	Tenure (years)	Interest rate	Fixed / variable	Currency
European Investment Bank Apex III	None	6.605%	Fixed	Shs
Uganda Government (KFW II loan)	15	0.000%	Fixed	Shs
Uganda Government (KFW III loan)	15	0.000%	Fixed	Shs
Uganda Government (KFW V loan)	6	7.190%	Fixed	Shs
Bank of Uganda	8	0.000%	Fixed	Shs
Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO 1)	7	3.120%	Variable	USD
PROPARCO 2	7	2.854%	Variable	USD
PROPARCO 3	7	3.980%	Variable	USD
International Finance Corporation	7	3.320%	Variable	USD
The OPEC Fund for International Development	1	3.8203%	Variable	USD
FMO - UGX	7	24.049%	Variable	UGX
FMO - USD	7	3.090%	Variable	USD
National Social Security Fund	8	12.500%	Variable	Shs
European Investment Bank-PEFF USD	10	5.230%	Fixed	USD
European Investment Bank-PEFF UGX	10	11.930%	Fixed	Shs
NORFUND Senior loan 1	10	15.329%	Variable	Shs
East African Development Bank	7	2.000%	Fixed	Shs
DEG Subordinated debt	7	5.670%	Variable	USD
UN Habitat	15	2.000%	Fixed	Shs
East African Development Bank USD	5	7.505%	Variable	USD
East African Development Bank UGX	5	19.8%	Variable	Shs
Jubilee Insurance Company Limited	3	5.25%	Variable	USD
CDC Group Plc	7	4.625%	Variable	USD

28 Special funds

Special funds represent liabilities created under the terms of borrowing agreements with various international lending organisations. These agreements stipulate that upon maturity of loans extended to **dfcu** Limited (and subsequently transferred to **dfcu** Bank Limited), **dfcu** Limited is to remit principal and interest amounts due into special funds, under the control of the Government of Uganda. These special funds are intended to support development in defined sectors of the economy. The special funds are summarised in the table below:

	KFW IV & V Shs million	Total 2014 Shs million	Total 2013 Shs million
At start of year	1,708	1,708	1,230
Transfers out	-	-	-
Additions	-	-	478
At end of year	**1,708**	**1,708**	**1,708**

(a) The Kreditanstalt Fur Wiederaufbau (KFW) I, II and III special fund is to be used to finance qualifying development projects and to support capacity development at **dfcu**.

(b) Under the terms of agreement for KFW IV and V loans, principal and interest repayments are reserved in a fund to support the financing of SME and microfinance businesses.

29 Managed funds

dfcu Limited manages a number of funds on behalf of the Government of Uganda ("GoU") under which GoU provides financing for on-lending to specified third party beneficiaries under the terms and conditions of each fund. The related loans and advances are not maintained on the statement of financial position of **dfcu** Limited to reflect the fact that the Group has neither rights to future economic benefits beyond management fees nor obligations to transfer economic benefits under the management agreements of the funds. These funds are due on demand. During the year, the Group had the GoU/CDO Fund, Commercial Flower Fund (CFF) and Gomba Daals Fund (GDF) under management.

(a) CDO/ GOU Fund

During 2004, **dfcu** Limited entered into a tripartite agreement with the Government of Uganda and Cotton Development Organisation (CDO) to set up a revolving fund of Shs 2.5 billion in cash, Shs 720 million worth of tractors and US$ 300,000 to finance leases for cotton farmers in Uganda. Under the terms of the agreement, **dfcu** Limited provides leasing administration and management services only and receives fees in this respect of up to 4% of each lease facility. Interest on the facilities is chargeable to a maximum of 10% and is credited to the fund. No time limit was set for the fund under the terms of the agreement.

(b) Commercial Flowers Fund

The Commercial Flowers Fund was created by the Government of Uganda in July 2005 in a bid to promote commercial flower growing. On the due dates for KfW (I, II and III) loan repayments, **dfcu** Limited remitted Shs 2,928 million to Pearl Flowers Limited and accordingly set up a revolving fund.

29 Managed funds (continued)

(c) Gomba Daals Fund

During 2007, **dfcu** Limited entered into a tripartite agreement with the Government of Uganda and Gomba Daals Spices (U) Limited to set up a revolving fund of Shs 221 million. Under the terms of the agreement, **dfcu** Limited provides leasing administration and management services only and receives fees in this respect of up to 2% of the lease facility. Interest on the facility is charged at 4% and is credited to the fund. No time limit was set for the fund under the terms of the agreement.

30 Share capital and share premium

	Number of issued ordinary shares	Share capital Shs M	Share premium Shs M	Total Shs M
As at 31 December 2014	**497,201,822**	**9,464**	**2,878**	**12,342**
As at 31 December 2013	248,600,911	4,972	2,878	7,850

The total authorised number of ordinary shares is 1,250,000,000 with a par value of Shs 20 per share. All issued shares are fully paid.

31 Revaluation reserves – Group and company

	2014 Shs M	2013 Shs M
At start of year	**2,380**	2,380
Written off during the year	**(2,380)**	-
Carried forward	**-**	2,380

32 Regulatory reserve - Group

	2014 Shs M	2013 Shs M
At start of year	**8,218**	9,626
Increase/(decrease)	**3,217**	(1,408)
At end of year	**11,435**	8,218

The regulatory reserve represents amounts by which allowances for impairments of loans and advances for the Bank, determined in accordance with the Ugandan Financial Institutions Act, 2004 exceed those determined in accordance with IFRS. These amounts are appropriated from retained earnings in accordance with accounting policy 2.11.

33 Cash and cash equivalents

Analysis of the balance of cash and cash equivalents as shown in the statement of cash flows

	Group 2014 Shs M	Group 2013 Shs M
Cash in hand and balances with Bank of Uganda	**178,386**	223,665
Less: Cash reserve requirement	**(64,370)**	(50,910)
Treasury bills and bonds maturing within 90 days	**83,470**	8,343
Deposits and balances due from banks (note 16)	**132,165**	83,103
	329,651	264,201

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 which were less than 90 days to maturity from the statement of financial position date.

The Financial Institutions Act 2004 requires commercial banks to maintain a prescribed minimum cash balance. This balance is available to finance the Bank's day-to-day activities; however there are restrictions as to its use and sanctions for non-compliance. The amount is determined as a percentage of the average outstanding customer deposits held by **dfcu** Bank Limited over a cash reserve cycle period of fourteen days.

34 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 2014, the Group retirement benefit cost charged to profit or loss under the scheme amounted to Shs 1,035 million (2013: Shs 953 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 2014 the Group contributed Shs 2,338 million (2013: Shs 2,115 million), which has been charged to profit or loss.

35 Contingent liabilities

The Group is defendant in various legal actions in the normal course of business. The total estimated exposure arising from these cases is Shs 2.7 billion (2013: Shs 2.1 billion). Based on independent legal advice, management has determined that total expected losses to the Bank are Shs 644 million (2013: 935 million) for which a provision has been made in the financial statements. In the opinion of directors and after taking appropriate legal advice, no significant additional losses are expected to arise from these cases.

36 Related party disclosures

There are other companies that are related to **dfcu** Limited through common shareholdings or common directorships.

The following balances were held with related parties:

(a) Amounts due to group companies	Group 2014 Shs M	2013 Shs M
dfcu Bank Limited - Overdraft	**7,160**	7,302
Umeme Limited – Demand deposits	**3,304**	1,856
National Social Security Fund (NSSF) – Fixed deposits	**65,069**	78,100

Amounts due to **dfcu** Bank Limited relate to an overdraft which earns interest at the prevailing market rates. Amounts due to other group companies include demand and fixed deposits held with **dfcu** Bank Limited which are due on demand and earn interest at the prevailing market rates.

(b) Amounts due from group companies	2014 Shs M	2013 Shs M
Due from **dfcu** Bank Limited	**4,292**	3,661

These include deposits held in **dfcu** Bank Limited which are due on demand and earn interest at the prevailing market rates.

(c) Borrowings due to shareholders	2014 Shs M	2013 Shs M
Norwegian Investment Fund for Developing Countries (NORFUND)	**12,300**	18,720
CDC Group Plc (CDC)	**27,650**	25,200

The Norwegian Investment Fund for Developing Countries (NORFUND) and CDC Group Plc (CDC) hold a 27.54% and a 15.00% shareholding respectively in **dfcu** Limited. As at 31 December 2014, there were outstanding borrowings due to NORFUND and CDC.

(d) Loans to directors and connected persons	2014 Shs M	2013 Shs M
At start of year	**183**	330
Loan repayments received	**(88)**	(147)
At end of year	**95**	183

(e) Deposits to directors		
At start of year	**894**	72
Net increase	**208**	822
At end of year	**1,102**	894

The interest expense thereon was Shs 0.7 million (2013: Shs 0.6 million)

36 Related party disclosures (continued)

	2014 Shs M	2013 Shs M
(f) Key management compensation		
Salaries and other short-term employment benefits	**4,219**	4,490
Post-employment benefits	**497**	518
	4,716	5,008

	2014 Shs M	2013 Shs M
(g) Directors' remuneration		
Fees	**572**	542
Other emoluments: Short-term benefits (included in key management compensation above)	**225**	441
	797	983

37 Contingent liabilities and commitments

One of the subsidiaries of the Company, **dfcu** Bank Limited (the Bank) conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other commitments including undrawn stand-by facilities, the nominal amounts for which are not reflected in the statement of financial position.

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Amounts committed under acceptances are accounted for as off-statement of financial position items and are disclosed as contingent liabilities and commitments.

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

	2014 Shs M	2013 Shs M
Contingent liabilities		
Acceptances and letters of credit	-	1,048
Guarantee and performance bonds	**51,305**	71,250
	51,305	72,298
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**21,690**	23,019
	72,995	95,317

38 Subsequent events

There were no significant events to report.

Principal Shareholders

On 14 October 2004, 40% of the shares in **dfcu** Limited that were previously held by International Finance Corporation (IFC) and Uganda Development Corporation (UDC) were listed on the Uganda Securities Exchange in the initial public offering of shares by the company.

The major shareholders of **dfcu** Limited together with their shareholdings are:

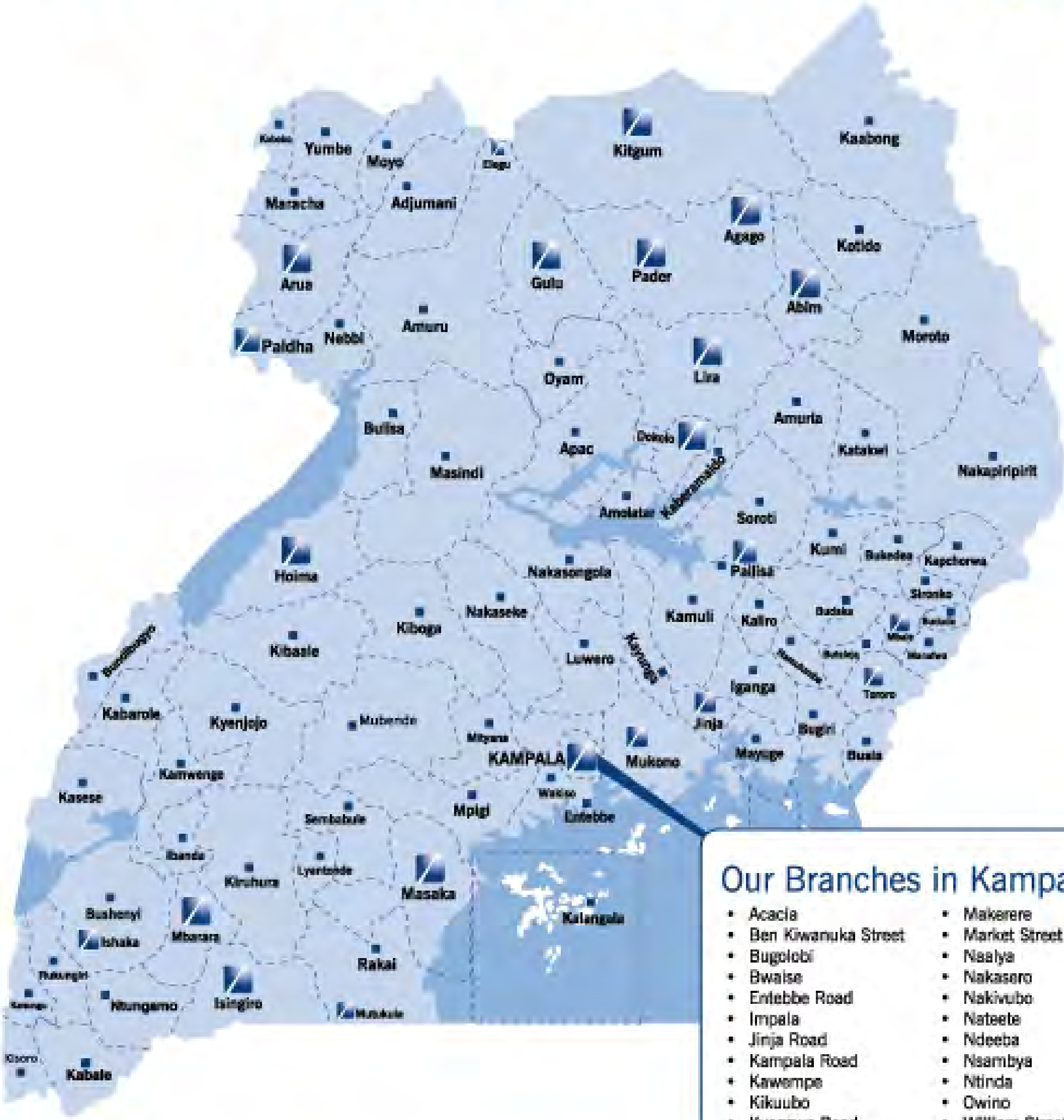
	2014 Number of shares	2014 %
Rabo Development B.V	136,923,594	27.54
NORFINANCE AS	136,923,594	27.54
CDC Group Plc.	74,580,276	15.00
National Social Security Fund	29,487,658	5.93
Investec Asset Management Africa	21,573,148	4.34
Investec Asset Management Pan	13,575,502	2.73
Investec Asset Management	5,650,776	1.14
Central Bank of Kenya Pension Fund	5,062,388	1.02
Bank of Uganda Staff Retirement Benefits Scheme	4,555,122	0.92
Pinebridge Sub-SaharanAfrica	2,719,128	0.55
Kenya Airways Limited Staff Provident Fund	1,914,000	0.38
UAP Insurance Company Limited	1,694,586	0.34
Stanbic Bank Uganda Limited Staff	1,640,214	0.33
UAP Retirement Benefits	1,462,936	0.29
Crane Bank Limited	1,444,208	0.29
National Social Security Fund-SIMS	1,438,560	0.29
Mr. Rakesh Gadani	1,292,646	0.26
MTN Uganda Staff Contributory Fund	1,245,416	0.25
Jubilee Investments Limited	1,200,000	0.24
Alexander Forbes Retirement Fund	1,089,366	0.22
Others	51,728,704	10.40
	497,201,822	100.00

Supplementary Information
For the year ended 31 December 2014

Company Statement of Comprehensive Income

	2014 Shs M	2013 Shs M
Interest income	355	302
Fees and commission income	614	264
	969	566
Dividend income	17,840	12,247
Other income/expense	711	(369)
Operating income	19,520	12,444
Operating expenses	(955)	(797)
Net recoveries on loans, advances and leases	44	305
	(911)	(492)
Profit before income tax	18,609	11,952
Income tax expense	(231)	95
Profit for the year	18,378	12,047

45 Branches and counting.



Our Branches in Kampala

- Acacia
- Ben Kiwanuka Street
- Bugolobi
- Bwaise
- Entebbe Road
- Impala
- Jinja Road
- Kampala Road
- Kawempe
- Kikuubo
- Kyaggwe Road
- Lugogo
- Makerere
- Market Street
- Naalya
- Nakasero
- Nakivubo
- Nateete
- Ndeeba
- Nsambya
- Ntinda
- Owino
- William Street
- Wilson Lane

We believe in going the distance so you don't have to, which is why **we continue to open more branches countrywide so we can bring our services closer to you**.

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