

dfcu Limited 2018 Full Year Results



dfcu Limited announces the 2018 Full Year Results and the independent external auditors' report. The business continued to show resilience as we consolidated our operations, improved our asset quality and bolstered the customer value proposition with continued digitization of our operations to enhance customer experience.

We continue to support businesses, deepen financial inclusion and engage with the communities that we serve through initiatives like Investment Club programs, Women in Business, SME Top 100 and other social responsibility initiatives.

55 years of making more possible

For over 55 years, **dfcu** has supported businesses and individuals to achieve their economic aspirations through provision of long term financing and tailored financial solutions across key sectors of the economy including agribusiness, communication, education, agriculture, health, manufacturing, tourism, real estate, mining, construction, transport, trade and commerce.



Agriculture



Manufacturing



Construction



Trade



Hotel & Tourism



Education



Individuals

2018 performance highlights

Loans and advances grew by 5% as we focused on the asset quality of our consolidated book, which resulted in reduction in the impairment expenses by 61% from UGX 49 billion to UGX 19 billion.

Customer deposits remained stable at UGX 1.9 trillion as we focused on our strategy of growing the current and savings deposits that are a more cost-effective source of funding, which resulted in a 11% reduction in the interest expense from UGX 88 billion to UGX 78 billion.

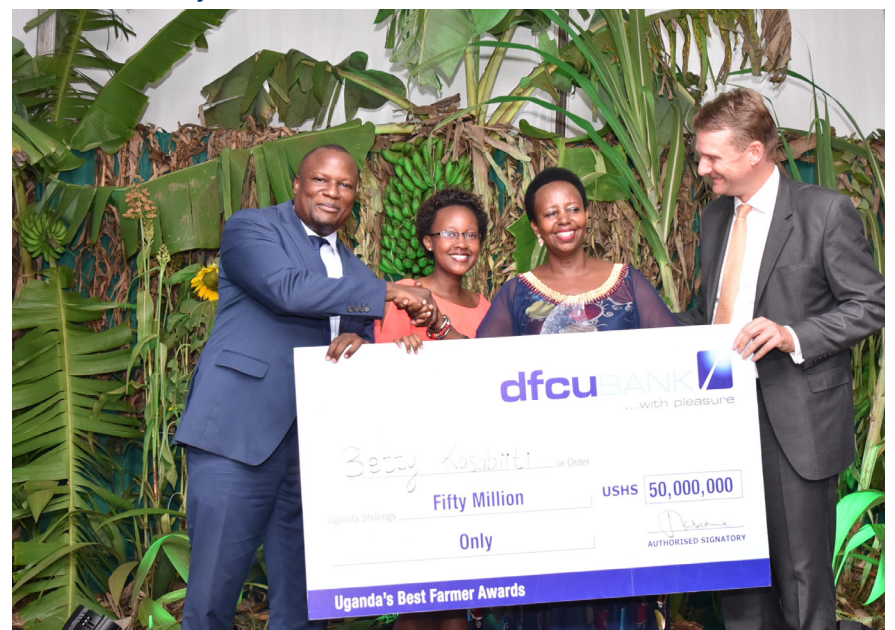
Total assets reduced by 5% from UGX 3.1 trillion to UGX 2.9 trillion due to repayment of borrowed funds and subordinated debt. This resulted in a 39% reduction in our interest expense from UGX 44 billion to UGX 27 billion.

Non-funded income in terms of fees and commissions grew by 29% from UGX 40 billion to 51 billion as we continue to harness the benefits of the investments in technology and growth in the customer base.

The Group posted total profit after tax of UGX 60.9 billion, which was lower than the previous year that included a one-off item of UGX 119 billion which arose from the business combination.

Deepening financial inclusion

Through initiatives such as Investment Clubs and the Best Farmer program in partnership with the Dutch Embassy, The New Vision, KLM and Koudijs, we continue to deepen financial inclusion and extend financial literacy.



▲ The Netherlands Ambassador to Uganda Henk Jan Bakker and dfcu's CEO Mathias Katamba Congratulate Betty Mbazira, the overall winner of the 2018 Best Farmer Competition.

UGX 60.9

Billion
Profit After Tax

UGX 1.4

Trillion
Loans and Advances

UGX 1.9

Trillion
Customer Deposits

UGX 2.9

Trillion
Total Assets

MAKING
MORE
POSSIBLE

dfcu
...with pleasure

dfcu Bank Limited Extract of Financial Statements for the Year Ended 31 December 2018

I. Report of the Independent Auditor on the Summary Financial Statements To the Members of dfcu Bank Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position at 31 December 2018, the summary statement of comprehensive income for the year then ended and related notes, are derived from the audited financial statements of dfcu Bank Limited for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with International Financial Reporting Standards, the Financial Institutions Act 2004 (as amended 2016) and the Companies Act of Uganda.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the Financial Institutions Act 2004 (as amended 2016) and the Companies Act of Uganda. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon.

The Audited Financial Statements and Our Report Thereon


We expressed an unmodified audit opinion on the audited financial statements in our report dated 26 March 2019. That report also includes: The communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' Responsibility for the Summary Financial Statements

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

Auditors' Responsibility

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



KPMG

3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
Certified Public Accountants
P.O. Box 3590, Kampala, Uganda

Date: 26 March 2019

II. Summary Statement of financial position	dfcu Bank	
	2018	2017
	Shs 'M	Shs 'M
Assets		
Cash and balances with Bank of Uganda	356,041	362,263
Balances due from other banks	191,086	229,448
Marketable (trading) securities	41,116	217,826
Loans and advances (Net)	1,398,162	1,334,611
Amounts due from group companies	17,313	17,321
Investment securities	515,412	453,766
Equity investments	11,411	13,746
Other assets	224,021	243,834
Deferred income tax asset	1,647	665
Property and equipment	89,876	107,220
Intangible asset	42,189	49,912
Total assets	2,888,274	3,030,612
Liabilities and shareholders' equity		
Customer deposits	1,979,093	1,987,118
Balances due to other banks	-	255
Amounts due to group companies	780	1,548
Other liabilities	41,951	50,186
Current income tax payable	1,516	2,985
Borrowed funds	329,019	407,011
Subordinated debt	37,120	72,740
Total liabilities	2,389,479	2,521,843
Share capital	30,000	30,000
Share premium	175,197	175,197
Retained earnings	261,013	241,405
Proposed dividends	24,694	51,054
FVOCI Reserve	(133)	-
Reserves	8,024	11,113
Total shareholders' equity	498,795	508,769
Total liabilities and shareholders' equity	2,888,274	3,030,612

III. Summary Statement of Comprehensive Income	dfcu Bank	
	2018	2017
	Shs 'M	Shs 'M
Income		
Interest on deposits and placements	2,057	9,014
Interest on loans and advances	260,247	242,544
Interest on government and other securities	65,530	98,837
Foreign exchange income	17,722	10,822
Fee and commission income	51,184	39,365
Net income from other financial instruments at FVTPL	13,842	-
Other income	-	119,301
Total income	410,582	519,883
Expenditure		
Interest expense on deposits	(78,800)	(87,617)
Interest expense on borrowings	(26,318)	(25,784)
Impairment of loans and advances	(18,836)	(48,702)
Operating expenses	(202,227)	(188,718)
Total expenditure	(326,181)	(350,821)
Profit before income tax	84,401	169,062
Income tax expense	(22,665)	(41,426)
Profit after tax	61,736	127,636
Other comprehensive income	(133)	-
Total comprehensive income	61,603	127,636

IV. Other disclosures	dfcu Bank	
	2018	2017
	Shs 'M	Shs 'M
Contingent liabilities		
Acceptances and letters of credit	-	718
Guarantees and performance bonds	294,830	162,973
Total	294,830	163,691
Commitments		
Undrawn stand-by facilities and other commitments to lend	48,289	34,321
Total	48,289	34,321
Non performing loans and other assets	80,828	96,676
Interest in suspense	8,325	12,868
Bad debts written off	82,597	27,214
Large loans exposures	311,203	168,839
Insider loans exposures	3,733	1,764
Capital Position		
Core capital	403,920	362,065
Supplementary capital	51,411	71,723
Total qualifying capital	455,331	433,788
Total Risk Weighted Assets (RWA)	2,276,976	1,950,550
Core capital to RWA	17.74%	18.56%
Total Qualifying capital to RWA	20.00%	22.24%

V. Message from the Directors

The financial statements were approved by the Board of Directors on 20 March 2019 and cleared for publication by Bank of Uganda on 25 March 2019.



Mathias Katamba
Managing Director, dfcu Bank



Carol Luwaga
Ag. Company Secretary, dfcu Bank



Jimmy D. Mugerwa
Chairman, dfcu Bank



William Ssekabembe
Director, dfcu Bank



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dfcu Group Extract of Consolidated Financial Statements for the Year Ended 31 December 2018

I. Report of the Independent Auditor on the Summary Consolidated Financial Statements To the Members of dfcu Limited

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2018, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and related notes, are derived from the audited consolidated financial statements of dfcu Limited and its subsidiary dfcu Bank Limited (together "dfcu Group") for the year ended 31 December 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with International Financial Reporting Standards, the Financial Institutions Act, 2004 (as amended 2016) and the Companies Act of Uganda.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards, the Financial Institutions Act, 2004 (as amended

2016) and the Companies Act of Uganda. Reading the summary consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

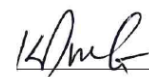
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 26 March 2019. That report also includes: The communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the Financial Institutions (External Auditors') Regulation 2010 and Uganda Securities Exchange Listing Rules 2003 (as amended 2005).

Auditors' Responsibility

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



KPMG

Certified Public Accountants
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Date: 26 March 2019

II. Summary Consolidated Statement of financial position	dfcu Group	
	2018 Shs 'M	2017 Shs 'M
Assets		
Cash and balances with Bank of Uganda	356,041	362,263
Balances with banking institutions	191,086	229,447
Marketable (trading) securities	41,116	217,826
Loans and advances (Net)	1,398,162	1,334,611
Investment securities	515,412	453,766
Equity investments	11,411	13,746
Other assets	220,745	239,545
Current income tax recoverable	3	-
Deferred income tax asset	2,198	2,111
Property and equipment	125,998	142,642
Investment property	10,758	11,144
Intangible asset	42,652	50,375
Total assets	2,915,582	3,057,476
Liabilities and shareholders' equity		
Customer deposits	1,979,093	1,987,118
Balances due to banking institutions	-	255
Other liabilities	43,947	52,853
Current income tax payable	-	1,466
Borrowed funds	333,886	410,706
Subordinated debt	37,120	72,740
Total liabilities	2,394,046	2,525,138
Share capital	14,963	14,963
Share premium	185,683	185,683
Retained earnings	288,305	269,525
Proposed dividends	24,694	51,054
FVOCI Reserve	(133)	-
Reserves	8,024	11,113
Total shareholders' equity	521,536	532,338
Total liabilities and shareholders' equity	2,915,582	3,057,476

III. Summary Consolidated Statement of Comprehensive Income	dfcu Group	
	2018 Shs 'M	2017 Shs 'M
Income		
Interest on deposits and placements	2,057	9,406
Interest on loans and advances	258,336	238,758
Interest on government and other securities	65,530	98,837
Foreign exchange income	19,219	10,461
Fee and commission income	51,285	39,655
Net income from other financial instruments at FVTPL	13,842	-
Other income	-	120,421
Total income	410,269	517,538
Expenditure		
Interest expense on deposits	(78,015)	(87,617)
Interest expense on borrowings	(26,736)	(43,933)
Impairment of loans and advances	(18,836)	(48,652)
Operating expenses	(202,213)	(189,520)
Total expenditure	(325,800)	(369,722)
Profit before income tax	84,469	147,816
Income tax expense	(23,561)	(40,924)
Profit after tax	60,908	106,892
Other comprehensive income	(133)	-
Total comprehensive income	60,775	106,892
Earnings per share	81.41	189.33

IV. Summary Consolidated statement of cash flows	dfcu Group	
	2018 Shs ' M	2017 Shs ' M
Cashflow from operation activities		
Interest receipts	325,923	347,001
Interest payments	(104,751)	(131,550)
Net fee and commission receipts	51,285	158,956
Net income from other financial instruments at FVTPL	13,842	-
Net trading and other income received	19,219	11,581
Recoveries on loans previously written off	962	7,073
Cash payments to employees and suppliers	(215,178)	(162,993)
Income tax paid	(16,488)	(41,165)
Cashflow from operating activities before changes in operating assets and liabilities	74,814	188,903
Changes in operating assets and liabilities	52,151	(163,916)
Net cashflow from operating activities	126,965	24,987
Net cash used in investing activities	(11,365)	(143,105)
Net cash (used in) / from financing activities	(163,494)	330,713
Net (decrease) / increase in cash and cash equivalents	(47,894)	212,595
Cash and cash equivalents at 1 January	440,541	227,946
Cash and cash equivalents at 31 December	392,647	440,541

V. Summary Consolidated Statement of Changes in Equity

	Share Capital	Share premium	Distributable Reserves	Non - distributable reserves	FVOCI Reserve	Regulatory reserve	Proposed dividend	Total
	Shs ' M	Shs ' M	Shs ' M	Shs ' M	Shs ' M	Shs ' M	Shs ' M	Shs ' M
At 31 December 2017, as previously reported	14,963	185,683	257,412	12,113	-	11,113	51,054	532,338
Adjustment on initial application of IFRS 9 net of tax			(20,523)					(20,523)
Restated balance as at 1 January 2018	14,963	185,683	236,889	12,113	-	11,113	51,054	511,815
Profit for the year	-	-	60,908	-	-	-	-	60,908
Total comprehensive income, net of taxes	-	-	60,908	-	-	-	-	60,908
Transfers from regulatory reserve	-	-	3,089	-	-	(3,089)	-	-
FVOCI Revaluation	-	-	-	-	(169)	-	-	(169)
Loss allowance FV OCI	-	-	-	-	36	-	-	36
Dividends Paid	-	-	-	-	-	-	(51,054)	(51,054)
Dividends proposed	-	-	(24,694)	-	-	-	24,694	-
At 31 December 2018	14,963	185,683	276,192	12,113	(133)	8,024	24,694	521,536

VI. Message from the Directors

The consolidated financial statements were approved by the Board of Directors on 26 March 2019. The Board is recommending a cash dividend of Shs 33.01 per share less withholding tax where applicable (2017: Shs 68.24 per share).

The shareholder's register will be closed on 10 July 2019 with respect to entitlement to this dividend which will be paid by 31 July 2019. The Annual General Meeting will be held on 13 June 2019. The related details shall be available in a later communication. The detailed financial statements can be obtained from our website www.dfculimited.com



Elly Karuhanga
Chairman, dfcu Limited



Winnie Kiryabwire
Director, dfcu Limited



▲ Winners of the Investment Club 'Battle for Cash' Challenge

Empowering Women in Business

Our approach to banking women provides solutions to address the unique financial needs of women in business. Through our 'Rising Woman' partnership with Daily Monitor and Uganda Investment Authority close to 1,500 women received business training in 2018, bringing to over 52,000 the total number of women that have benefited from the Women in Business programs since its inception.



▲ A dfcu Financial Consultant conducts a training session in Lira, Northern Uganda, as part of the WIB Rising Woman program.



▲ Winners of the dfcu Rising Woman program are flagged off to Nairobi for a learning and networking tour



▲ Supported communities in Northern Uganda



▲ Supported the Busoga Kingdom WASH project in schools



▲ Support towards the construction of the Luwero Council local administration offices

Growing our people

We are passionate about developing the management and leadership competencies of our people and seeing them grow through the ranks. **dfcu** also has specially designed reward and recognition programs that serve to attract, motivate and retain the best talent.

Creating opportunities for SMEs

Small & Medium Enterprises (SMEs) are the engine for economic growth. Our sponsorship of the Top 100 Medium Sized Company Survey (SME Top 100) for the last two years is a platform for **dfcu** to provide opportunities for SMEs to create value and build sustainable businesses.



▲ Business training workshop for SMEs during the Top 100 initiative











▲ Best performing staff recognized by dfcu Bank Board Chairman, Mr. Jimmy Mugerwa



▲ Best performing branch managers recognized at an appreciation event

We go the extra mile, so you don't have to...

 63 branches	 Internet Banking	 Mobile Banking	 dfcu App
 Over 420 ATMs <small>*including Interswitch</small>	 Visa	 Agent Banking	 24/7 Call Centre

Investing in our communities

We continue to demonstrate a firm commitment towards the communities in which we operate by identifying and supporting causes that will facilitate the upliftment and betterment of the society. Our Corporate Social Investment (CSI) initiatives are influenced by our CSI Pillars. These are; community development, maternal and child health, emergency interventions, financial inclusion, agriculture and rural development which are areas that affect the foundation of our communities.