

STATEMENT FROM BOARD OF DIRECTORS

The board of directors of **dfcu** Limited are pleased to present to you the 2019 consolidated financial results.

2019 was a good year for **dfcu** as we delivered a 21% growth in profitability from 60.9 Billion Shillings to 73.4 Billion Shillings, driven by efficiency and cost management.

The company continued to support the economy by lending to customers in all the strategic sectors of the economy.

The company continues to deliver value through leveraging our digital channels, improving our customer value proposition, expanding our outreach through agent banking and through the strong management team and dedicated staff who continue to execute on our strategy.

During the year the company welcomed a new strategic investor, Investment Fund for Developing Countries (IFU) a development Financial Institution owned by the Danish Government, which now is the second largest investor in the company. This investment in our company is a clear testament of the strength and resilience of the **dfcu** brand. The Board

would like to take this opportunity to thank Common Wealth Development Corporation (CDC) for investing in the company from inception to the time they handed over to IFU.

Looking forward, we continue to invest in the digital space and in our people, continue to improve on operational efficiency and credit risk management in order to deliver quality service to our customers and continue to grow a sustainable business.

The emergence of a global pandemic COVID-19 (corona virus) has put a lot of uncertainty in the world economy. Pay out of the dividend will depend on the assessment of the full impact of the global pandemic on business operations. Suffice to say the company has consistently paid a healthy dividend over the years and will continue to do so in future.

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

Board of Directors

WE ARE IN A STRONG POSITION TO DRIVE FUTURE GROWTH In 2019, we steered our organisation through another year of success and growth.



Mr. Mathias Katamba
dfcu Chief Executive Officer

1. How was 2019 for dfcu Bank?

In 2019, we steered the organisation through another year of success and growth; the operating environment was generally positive with a few challenges along the way, dfcu continued to demonstrate resilience and market leadership in the various segments that we serve. We delivered robust growth in the business and witnessed increased uptake of the Bank's products and services year on year. Our stakeholder engagement across the multiple value chains of business and community also increased as we made a meaningful contribution towards the social-economic transformation of households and communities where we serve.

2. Based on the financials, you certainly had a good year. What are the key highlights of your performance?

Net profitability has increased by 21% from 60.9 Billion Shillings in 2018 to 73.4 Billion Shillings in 2019 with the return on equity ratio increasing by 2 percentage points from 12% to 14% during the period. Net Loans and Advances to Customers increased by 10% from 1.398 Trillion Shillings in December 2018 to 1.539 Trillion Shillings in December 2019 with a 3% growth in Customer Deposits from 1.979 Trillion Shillings to 2.039 Trillion Shillings and a 1% increase in total asset from 2.916 Trillion Shillings to 2.958 Trillion Shillings during the year.

3. What were the key drivers of this growth?

Profitability was driven by increased efficiency as we reduced our operating costs by 4% from 202 Billion Shillings in December 2018 to 193 Billion Shillings in December 2019, in addition to reducing our funding costs by 7% in terms of interest expenditure from 105 Billion Shillings to 97.6 Billion Shillings in the same period. This gave rise to a 4% growth in net operating income from 306 Billion Shillings in December 2018 to 319 Billion Shillings in December 2019 and set the Bank on a solid footing to further harness institutional capabilities going forward.

4. In what ways did dfcu Bank positively impact the economy?

Over the years, **dfcu** has contributed towards social-economic transformation in the various sectors of the economy where we serve including; agriculture and agribusiness, trade and commerce, education, health, manufacturing, tourism, real estate, energy, construction, transport, communication, community, personal and households. A significant part of our business is dedicated to long term development finance with more than twenty percent funding to the agribusiness sector and this will continue to

grow year on year given that the majority of Ugandans are directly employed in the agriculture sector and agriculture provides a significant part of national export revenue.

5. There has been a lot of talk about digitization in the financial sector. How has dfcu Bank fared so far in this space?

During the year, we deployed key digital solutions that were geared towards improving the all-round customer experience - and further enhanced our capacity to be a digitally driven organisation in line with our strategic aspiration of becoming the next generation bank in Uganda. We deployed the Investment Club app which revolutionized the management and administration of group savings that had previously been a key bottleneck to their growth as highlighted by the members, and also rolled out the next generation intelligent ATMs that now make it possible for customers to do much more at the ATMs including instant deposits, transfers and payments. Additionally, we partnered with a leading telecommunications company to provide mobile money escrow services and shall continue to engage key players to drive innovation and co-creation along the customer journey.

6. How do you see the outlook for 2020?

We are cognizant of the ongoing global COVID-19 pandemic that may adversely impact the operating environment by majorly disrupting global supply chains, transport and travel. However, with guidance and support from our board, strong management team and dedicated staff, we remain focused on driving efficiency to harness institutional capabilities and growth. We shall continue to build a digitally driven organization that reaches the mass market and key segments of our business in a cost-effective manner and shall provide market leadership to drive social economic transformation in the communities where we serve. We thank our customers and stakeholders for yet another great year with us and look forward to your continued engagement to deliver value and make more possible.

dfcu Group Extract of Consolidated Financial Statements for the year Ended 31 December 2019

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 2019 and 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 2019.

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 auditor's 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 30 March 2020. 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 Financial Institutions (External Auditors) Regulations 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

3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
Certified Public Accountants
P.O. Box 3590, Kampala, Uganda
Date: 30 March 2020

II. Summary Consolidated Statement of financial position

	2019	2018
	Shs 'M	Shs 'M
Assets		
Cash and balances with Bank of Uganda	394,892	356,041
Balances with banking institutions	111,116	191,086
Marketable (trading) securities	22,630	41,116
Loans and advances (Net)	1,539,323	1,398,162
Investment securities	486,771	515,412
Equity investments	9,763	11,411
Other assets	189,700	220,745
Current income tax recoverable	-	3
Deferred income tax asset	2,870	2,198
Property and equipment	152,999	125,998
Investment property	10,342	10,758
Intangible asset	37,737	42,652
Total assets	2,958,143	2,915,582
Liabilities and shareholders' equity		
Customer deposits	2,039,037	1,979,093
Balances due to banking institutions	10,002	-
Other liabilities	61,983	43,947
Current income tax payable	2,783	-
Borrowed funds	237,899	334,346
Subordinated debt	36,660	36,660
Total liabilities	2,388,364	2,394,046
Share capital	14,963	14,963
Share premium	185,683	185,683
Retained earnings	325,752	288,305
Proposed dividends	29,924	24,694
FVOCI Reserve	(598)	(133)
Reserves	14,055	8,024
Total shareholders' equity	569,779	521,536
Total liabilities and shareholders' equity	2,958,143	2,915,582

III. Summary Consolidated Statement of Comprehensive Income

	2019	2018
	Shs 'M	Shs 'M
Income		
Interest on deposits and placements	6,886	2,057
Interest on loans and advances	251,492	258,336
Interest on government and other securities	66,931	65,530
Foreign exchange income	14,669	17,737
Fee and commission income	65,449	51,285
Net income from other financial instruments at FVTPL	9,644	13,842
Other income	1,739	1,482
Total income	416,810	410,269
Expenditure		
Interest expense on deposits	(76,006)	(78,015)
Interest expense on borrowings	(21,805)	(26,736)
Impairment losses on financial instruments	(14,774)	(23,010)
Other (losses) / gains on financial assets	(10,105)	4,174
Operating expenses	(193,154)	(202,213)
Total expenditure	(315,844)	(325,800)
Profit before income tax	100,966	84,469
Income tax expense	(27,564)	(23,561)
Profit after tax	73,402	60,908
Other comprehensive income	(465)	(133)
Total comprehensive income	72,937	60,775
Earnings per share	98.11	81.41

IV. Summary Consolidated statement of cash flows

	2019	2018
	Shs 'M	Shs 'M
Cashflow from operation activities		
Interest receipts	325,309	325,923
Interest payments	(97,811)	(104,751)
Net fee and commission receipts	65,449	51,285
Net income from other financial instruments at FVTPL	9,644	13,842
Net trading and other income received	16,408	19,219
Recoveries on loans previously written off	1,081	962
Interest paid on the lease liability	(3,292)	-
Cash payments to employees and suppliers	(208,533)	(215,178)
Income tax paid	(25,242)	(16,488)
Cashflow from operating activities before changes in operating assets and liabilities	83,013	74,814
Changes in operating assets and liabilities	22,829	52,151
Net cashflow from operating activities	105,842	126,965
Net cash used in investing activities	(23,499)	(11,365)
Net cash (used in) / from financing activities	(127,282)	(163,494)
Net (decrease) / increase in cash and cash equivalents	(44,939)	(47,894)
Cash and cash equivalents at 1 January	392,647	440,541
Cash and cash equivalents at 31 December	347,708	392,647

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 2018, as previously reported	14,963	185,683	276,192	12,113	(133)	8,024	24,694	521,536
Profit for the year	-	-	73,402	-	-	-	-	73,402
Transfers from regulatory reserve	-	-	(6,031)	-	-	6,031	-	-
FVOCI Revaluation	-	-	-	-	(452)	-	-	(452)
Loss allowance FVOCI	-	-	-	-	(13)	-	-	(13)
Dividend Paid	-	-	-	-	-	-	(24,694)	(24,694)
Dividend proposed	-	-	(29,924)	-	-	-	29,924	-
At 31 December 2019	14,963	185,683	313,639	12,113	(598)	14,055	29,924	569,779

VI. Message from the Directors

The consolidated financial statements were approved by the Board of Directors on 29 March 2020. The Board recommends a dividend of Shs 40.00 per share less withholding tax where applicable (2018: Shs 33.01 per share).

However, due to the COVID-19 pandemic which has created a lot of uncertainty in the economic development of the country that will affect the performance of businesses, industry and banks alike, the Board will reassess the effect of the pandemic on the Company prior to the Annual General Meeting and advise shareholders on its impact on the dividend recommended herein.

The Annual General Meeting will be held on 18 June 2020. The related details shall be availed in a later communication.



Ely Karuhanga
Chairman, dfcu Limited



Barbara Teddy Arimi
Director, dfcu Limited

dfcu Bank Limited Extract of Financial Statements for the year Ended 31 December 2019

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 as at 31 December 2019, 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 2019.

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

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The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 30 March 2020. 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

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P.O. Box 3590, Kampala, Uganda
Date: 30 March 2020

II. Summary Statement of financial position		dfcu Bank	
	2019	2018	
	Shs 'M	Shs 'M	
Assets			
Cash and balances with Bank of Uganda	394,892	356,041	
Balances due from other banks	111,116	191,086	
Marketable (trading) securities	22,630	41,116	
Loans and advances (Net)	1,539,323	1,398,162	
Amounts due from group companies	14,252	17,313	
Investment securities	486,771	515,412	
Equity investments	9,763	11,411	
Other assets	185,528	224,021	
Deferred income tax asset	3,102	1,647	
Property and equipment	167,336	89,876	
Intangible asset	37,274	42,189	
Total assets	2,971,987	2,888,274	
Liabilities and shareholders' equity			
Customer deposits	2,039,037	1,979,093	
Balances due to other banks	10,002	-	
Amounts due to group companies	1,714	780	
Other liabilities	98,373	41,951	
Current income tax payable	4,302	1,516	
Borrowed funds	233,453	329,019	
Subordinated debt	36,660	37,120	
Total liabilities	2,423,541	2,389,479	
Share capital	30,000	30,000	
Share premium	175,197	175,197	
Retained earnings	299,868	261,013	
Proposed dividends	29,924	24,694	
FVOCI Reserve	(598)	(133)	
Reserves	14,055	8,024	
Total shareholders' equity	548,446	498,795	
Total liabilities and shareholders' equity	2,971,987	2,888,274	

IV. Other disclosures		dfcu Bank	
	2019	2018	
	Shs 'M	Shs 'M	
Contingent liabilities			
Acceptances and letters of credit	-	-	
Guarantees and performance bonds	541,845	294,830	
Total	541,845	294,830	
Commitments			
Undrawn stand-by facilities and other commitments to lend	51,377	48,289	
Total	51,377	48,289	
Non performing loans and other assets	89,117	80,828	
Interest in suspense	7,198	8,325	
Bad debts written off	32,500	82,597	
Large loans exposures	175,655	311,203	
Insider loans exposures	3,697	3,733	
Capital Position			
Core capital	463,902	403,786	
Supplementary capital	44,812	51,411	
Total qualifying capital	508,714	455,197	
Total Risk Weighted Assets (RWA)	2,525,621	2,141,313	
Core capital to RWA	18.37%	18.86%	
Total Qualifying capital to RWA	20.14%	21.26%	

III. Summary Statement of Comprehensive Income		dfcu Bank	
	2019	2018	
	Shs 'M	Shs 'M	
Income			
Interest on deposits and placements	6,886	2,057	
Interest on loans and advances	253,812	260,247	
Interest on government and other securities	66,931	65,530	
Foreign exchange income	14,718	17,722	
Fee and commission income	65,295	51,150	
Net income from other financial instruments at FVTPL	9,644	13,842	
Other income	117	34	
Total income	417,403	410,582	
Expenditure			
Interest expense on deposits	(76,238)	(78,800)	
Interest expense on borrowings	(21,438)	(26,318)	
Impairment losses on financial instruments	(14,774)	(23,010)	
Other (losses)/ gains on financial assets	(10,105)	4,174	
Operating expenses	(193,258)	(202,227)	
Total expenditure	(315,813)	(326,181)	
Profit before income tax	101,590	84,401	
Income tax expense	(26,780)	(22,665)	
Profit after tax	74,810	61,736	
Other comprehensive income	(465)	(133)	
Total comprehensive income	74,345	61,603	

V. Message from the Directors

The financial statements were approved by the Board of Directors on 10 March 2020 and approved by Bank of Uganda on 25 March 2020. The Board is proposing a dividend of Shs 99.75 per share less withholding tax where applicable (2018: Shs 82.31 per share). The payment will be subject to the directors performing another assessment of the impact of COVID-19 and approval by Bank of Uganda following the directive issued on 25 March 2020.



Jimmy D. Mugerwa
Chairman, dfcu Bank



Mathias Katamba
Managing Director, dfcu Bank



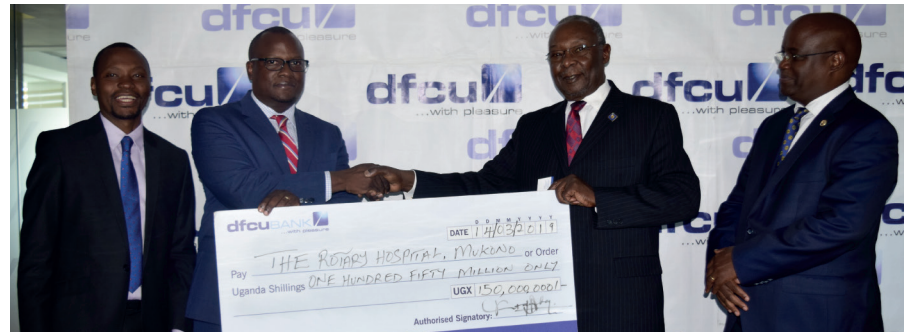
William Ssekabembe
Director, dfcu Bank



Angellina Namakula Ofwono
Company Secretary, dfcu Bank



Belinda Namutebi (C) Council Member of dfcu Bank's Women Advisory Council flags off the 10 entrepreneurs who emerged winners in the second season of the Rising Woman Initiative. Held in partnership with Monitor Publications Limited's (MPL) flagship brand Daily Monitor and Uganda Investment Authority, the 6-month nationwide campaign under the theme 'Taking your Business forward' attracted over 1,000 women participants. This brings to 20 the number of women led businesses that have benefitted from the skills building study trips conducted in 2019 and 2020.



dfcu Bank has contributed UGX 150m to the Rotary Club of Kampala towards the construction of the Mukono hospital project. This donation comes in a week just after the bank contributed 15m for the establishment of the Rotary Blood Bank at Mengo Hospital. The primary objective of the project is to build a modern 170-bed hospital, the Rotary Hospital (RH), whose aim is to improve access to quality and affordable health care services for at least 700,000 residents in Mukono and the surrounding areas.



dfcu Bank earns recognition for promotion of the Agricultural Credit Facility (ACF) from Bank of Uganda. The ACF was set up in 2009, as a risk-sharing mechanism between the Government and the Participating Financial Institutions (PFIs) with the key objective of facilitating the provision of medium and long-term financing for projects engaged in agriculture and agroprocessing.

dfcu Bank introduces App to drive financial inclusion, ease savings and Investments – As part of our wider digital agenda, we rolled out the dfcu Investment Club App, to help Investment Clubs, SACCOS, Village Savings and Lending Associations (VSLAs), Rotating Savings and Credit Associations (ROSCAs) and companies operating as Investment clubs or SACCOS with the processes of tracking contributions, managing group lending and collections; effective reporting and general administration anytime, anywhere.

The App was unveiled during a customer engagement on 'The Investment Club of the Future' with key areas of discussion focused on transparency and accountability in funds management, learning and unlearning investment options as well as digitization and its impact on strategic planning and Investment Clubs' management.



Rabobank Chairman of the Managing Board (CEO) visits partner Bank dfcu: Last August, Wiebe Draijer, Chairman of the Managing Board of Rabobank, a Dutch multinational banking and financial services company and global leader in food and agriculture financing and sustainability-oriented banking, was in Uganda for a two-day visit as part of a regional tour of East Africa. Mr. Draijer was accompanied by a delegation comprising Berry Martin - member of the Managing Board, Marianne Schoemaker – CEO Rabo Partnerships, David Gerbrands - Head Advisory Rabo Partnerships, Albert Boogaard -Head innovation Rabobank Foundation) and Kees Verbeek - Chief Representative Officer Rabobank Kenya.



In November, we officially announced our partnership with Vivo Energy Uganda to provide Agent Banking services across the country. Through Agent banking, dfcu Bank is extending select financial services to the unbanked and under banked in easy to access locations across the country. dfcu currently has close to one thousand five hundred (1,500) agents countrywide with 40 of these under Vivo Energy Uganda.



For the 6th year, dfcu Bank in partnership with Vision Group, KLM Airlines, Koudjins and the Netherlands Embassy awarded Uganda's best farmers country wide through the "Best Farmers" initiative. The initiative aims to highlight the contribution of agriculture to the development of the economy. The top 3 winners were awarded cash prizes while the top 10 won an all-expenses paid study trip to Netherlands.



Danish Fund, IFU acquires 9.97% stake in dfcu Limited.