

dfcu 2023 Full Year Results

Key Performance Highlights

FINANCIALS

Fees and commission income

⬆️ **+5%**

Credit loss

⬇️ **-6%**

Interest income from government securities

⬆️ **+52%**

Investment securities

⬆️ **+7%**

Borrowed funds

⬇️ **-20%**

Shareholders' equity

⬆️ **+2%**

CUSTOMERS

Number of customers

⬆️ **+103%**

Transaction volumes

⬆️ **+17%**

Mobile subscribers

⬆️ **+33%**

SHARED VALUE

Tax contribution

UGX 98.9 bn

Earnings per share

UGX 38.39

Corporate Social Investment

UGX 1.6 bn

BRANCH NETWORK

Number of ATMs

78

Branch Network

54

Number of agents

2,015

dfcu Limited's Board of Directors announces the Group's audited results for the year ended 31 December 2023

The Board of Directors of **dfcu** Limited is pleased to present the full-year results for the year ended 31 December 2023. Throughout the year, our subsidiary **dfcu** Bank executed a revitalized strategic plan aimed at reorienting the business, focusing on five key pillars: economic sector specialization, customer relationships, technology, performance culture, and sustainability. We are already witnessing the positive impact of this plan, particularly in enhanced customer service across the Group. **dfcu** Bank bolstered its resilience by increasing its share capital to 150 billion Shillings, well ahead of the 30 June 2024, deadline.

As a result the Company's commitment to maintaining its dividend payout trend will continue, proposing a dividend of 9.10 Shillings per share for 2023, marking a 0.9% increase over the previous year's dividend of 8.19 Shillings per share.

Uganda's economy showed signs of recovery from the lingering effects of the global economic downturn in 2023, although certain sectors such as construction continued to face challenges. Consequently, the group strategically reduced activity in affected sectors, resulting in a 17% decrease in the loan book and a 7% increase in the investment securities portfolio. Despite these challenges, the Company achieved a net profit after tax of 28.7 billion Shillings for the year, driven by a 4% increase in operating

income and a 6% reduction in impairment of loans and advances to customers.

We remain committed to contributing to the communities where we operate, through initiatives carried out via our 54 branches nationwide, alongside specialized programs like Women in Business, Rising Woman, and the SME Business Accelerator. Our Agribusiness Development Centre has made significant strides in supporting and enhancing the bankability of Farmer-Based Organizations (FBOs), Small and Medium Enterprises (SMEs), and Savings and Credit Cooperatives (SACCOs), benefiting over 28,000 individuals and entities to date.

As **dfcu** celebrates 60 years of existence in 2024, we are energized by our enduring resilience and meaningful contributions to customers, stakeholders, and the broader economy. Looking ahead, **dfcu** Group remains dedicated to leveraging its rich heritage to fulfill its purpose of "Transforming Lives and Businesses in Uganda," while delivering value to our shareholders and stakeholders. We extend our sincere gratitude to our shareholders, customers, and all stakeholders and invite further engagement through our website, social media channels, and branches.

Jimmy D. Mugerwa
Chairman, Board of Directors



Kate K. Kiiza, Executive Director and Chief Financial Officer, **dfcu** Bank hands over an award to Web Info Net Limited for emerging as one of the top companies in the 2023 Ugandan Top Ugandan SME Survey for the year 2022/2023.



Charles Mudiwa, CEO, **dfcu** Bank [L] Ambassador Karin Boven [R] hand over a cheque of UGX 5M to Grace Akatuha of Kikazi Agri Products [C] who graduated from the Business Accelerator Program which is conducted in partnership with the Agribusiness Development Centre (ADC).

One on One with the CEO dfcu Bank

Our refreshed strategic direction galvanized efforts to propel the Bank forward



Charles M. Mudiwa
Chief Executive Officer, dfcu Bank

What key developments in the operating environment impacted the Bank during the year?

Global trends continued with the push towards de-dollarization with international growth declining by 0.4% due to continued geopolitical tensions in Europe and the Middle East. Domestic growth remained strong during the year registering a 5.3% GDP growth for the financial year 2022/2023 and growth for the financial year 2023/2024 is projected in the range of 6.5% to 7% supported by the recovery in external demand as well as the low inflationary environment.

How did you position the Bank to navigate and respond to these developments?

During the year, we refreshed our strategy to adapt to the dynamic shifts in the operating environment and ambitions of our stakeholders. The refreshed strategy dubbed, "Fired-Up" is a rallying call towards achieving our purpose of "Transforming Lives and Businesses in Uganda" and our goal "To sustainably grow Stakeholder value with Innovative Solutions, inclusivity, and Empowered People". The purpose of the strategy refresh was to reaffirm our institutional goal, clarify where we play and how we shall win, define our digital and technology priorities and show the value drivers that will enable us to achieve improved financial performance and social economic environmental impact.

What is the "Fired-Up Strategy" all about?

The strategy is meant to position dfcu Bank as the financial institution of choice for Ugandan businesses. Our strategy emphasizes eight (8) economic sectors which include Agriculture, Manufacturing, Infrastructure & Energy, ICT, Trade & Business, Public Sector, Financial

Institutions and Education & Health. These sectors fall into the Bank's existing customer segments which are Corporate & Institutional Banking, Commercial Banking, Enterprise Banking and Personal Banking.

We believe that we will see positive changes from implementing 'Fired Up', for us, our shareholders, and our customers. We are now more focused than ever to stabilize and win market share, reorganize for effectiveness, and enable transformation through operational efficiency. It's important to understand that our 'Fired Up' strategy is hinged on who we are as an institution – our values and culture and how we uphold them.

In what ways is dfcu Bank enabling sustainability?

In our commitment to fostering sustainable development within the communities we serve, dfcu Bank has continued to implement initiatives through various programs such as our Agribusiness Development Centre (ADC), Women in Business program, Rising Woman Program, Investment Clubs, and partnerships with diverse stakeholders and governmental bodies. Throughout the year, we successfully graduated over 200 entrepreneurs via our Business Accelerator program, specifically designed to empower women-led SMEs and agribusinesses. Additionally, we provided fully funded exposure tours to Nairobi, Kenya, for more than 60 women who completed the Rising Woman mentorship program, enabling them to enhance their businesses significantly. Our strategic focus on key agricultural value chains including coffee, cocoa, bananas, cereals, oilseeds, dairy, and livestock has resulted in the training of over 28,000 smallholder farmers and beneficiaries. These programs, facilitated through our Agribusiness Development Centre, encompass a wide range of activities such as training, capacity building, price risk management for agricultural commodities, as well as general financial management and governance support.

What were the key highlights for the year from a financial performance standpoint?

We maintained a strong capital position to cushion against the key risks in the bank's operating environment.

The core capital ratio improved by 3.2% from 25.6% in 2022 to 28.9% in 2023 and the total capital ratio also improved by 3% from 26.5% in 2022 to 29.5% in 2023 which is well above the regulatory limits of 13% for core capital and 15% for total capital.

The Company recorded a 1.5% increase in total interest income from 345 billion to 350 billion Shillings and a 12% increase in non-funded income from 86 to 97 billion Shillings due to a significant recovery on the fair value asset, which resulted in a 4% increase in total income for the year from 431 to 449 billion Shillings.



(L-R): Daniel Huba, Vice President of Sub-Saharan Africa Market Development for Community Pass at Mastercard; Charles Mudiwa, Chief Executive Officer, and Managing Director of dfcu Bank; and David Gerbrands, Global Head of Agri and Banking Advisory Services and Inclusive Business Ventures at Rabo Partnerships where dfcu Bank, Mastercard, and Rabo Partnerships joined forces to digitize the agricultural ecosystem in Uganda, boosting farmer livelihoods.

Interest expenses increased by 24% from 74 to 92 billion Shillings driven by a rising cost of deposits with the industry average time deposits rate going up by 1.2% from 10.7% in 2022 to 11.9% in 2023. The Bank continued to exercise a cautious approach to credit extension which resulted in a 17% reduction in the loan book.

However, the total number of borrowers continued to grow, increasing by 19% as the Bank expanded its credit outreach to more households across the country. The concerted effort put in place to manage credit risk led to the impairment of loans and advances to customers reducing by 6% from 88 to 83 billion Shillings.

What were some of the key drivers of the performance of the company?

We doubled our active customer base through participation in the Parish Development Model (PDM) program where the government is our key partner. This led to a 103% increase in the total number of customers, a 17% increase in transaction volumes and a 33% uptake of our digital banking offerings, especially mobile banking.

We have a network of 54 branches spread across the Country. During the year we increased our agent banking footprint by 15% to 2,015 outlets. We also deployed 78 deposit-taking ATMs to offer added convenience to our customers.

dfcu is making 60 years of existence in 2024, what key milestones has the Company achieved?

dfcu was established in 1964 by the Government of Uganda and Commonwealth Development Corporation (CDC) as the Development Finance Company of Uganda, to provide long term financing to local business

enterprises. The Company is one of a handful of institutions that withered the storms of the 70's and early 80's when the country went through a difficult period and has been one of the key cornerstones in Uganda's financial services sector. dfcu has achieved many milestones over the years such as pioneering into the leasing business in 1999, being listed on the securities exchange in 2004, bringing on board strategic partners in the shareholding i.e. Rabobank, Arise and IFU and making bank acquisitions in 2000, 2015 and 2017 that promoted and supported stability of the financial sector in Uganda. Therefore, we not only celebrate the longevity, stability and resilience of the Company, but more importantly celebrate a rich heritage of supporting local businesses and households across the country over the years to deliver social economic transformation.

What can customers and stakeholders expect from dfcu going forward?

We are committed to building on our strong foundation and delivering even greater value through future ready innovations in our products and services, a focus on enhancing customer experience and a dedication to winning market share.

We strive to exceed expectations and remain a trusted partner for all your banking needs.

We appreciate the continued support from all our customers and stakeholders over the year and we ask you to journey with us as we strive towards the achievement of our purpose to "Transform Lives and Businesses in Uganda."

dfcu Group

Summary Consolidated Financial Statements for the Year Ended 31 December 2023

Report of the Independent Auditor on the Published Summary Consolidated Financial Statements of dfcu Limited

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2023, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of **dfcu** Limited (the "Company" or "Group") for the year ended 31 December 2023.

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

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies

Act, 2012 of Uganda. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 27 March 2024. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the current period.

Directors' Responsibility for the Summary Consolidated Financial Statements

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

Auditor's Responsibility

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

Ernst & Young
Certified Public Accountants
EY House
Plot 18 Clement Hill Road
Shimoni Office Village
P.O. Box 7215, Kampala, Uganda
Date: 27 March 2024

II. Summary Consolidated Statement of Financial Position	dfcu Group	
	2023	2022
	Shs 'M	Shs 'M
Assets		
Cash and balances with Bank of Uganda	530,176	482,298
Balances with banking institutions	255,165	216,771
Marketable (trading) securities	18,288	46,757
Loans and advances (Net)	1,125,816	1,361,445
Investment securities	968,637	902,379
Assets held for disposal	29,089	29,089
Equity investments	6,065	6,980
Other assets	29,791	41,288
Derivative financial instruments	228	567
Deferred income tax asset	65,226	33,411
Property and equipment	83,208	77,110
Investment property	19,295	19,784
Intangible asset	27,142	25,178
Total assets	3,158,126	3,243,057
Liabilities and shareholders' equity		
Customer deposits	2,318,572	2,410,593
Derivative financial instruments	273	240
Balances due to banking institutions	35,033	8,512
Other liabilities	72,155	62,409
Current income tax payable	542	1,550
Borrowed funds	85,330	106,073
Subordinated debt	-	18,809
Provisions	2,188	2,338
Total liabilities	2,514,093	2,610,524
Share capital	14,963	14,963
Share premium	185,683	185,683
Retained earnings	427,310	413,467
Proposed dividends	6,808	6,129
Regulatory reserve	8,069	-
FVOCI reserve	1,200	12,291
Total shareholders' equity	644,033	632,533
Total liabilities and shareholders' equity	3,158,126	3,243,057

III. Summary Consolidated Statement of Comprehensive Income	dfcu Group	
	2023	2022
	Shs 'M	Shs 'M
Income		
Interest on deposits and placements	5,852	9,171
Interest on loans and advances	211,852	247,646
Interest on government and other securities	131,960	86,547
Foreign exchange income	17,324	23,215
Fee and commission income	65,403	62,384
Net income from other financial instruments at FVTPL	14,264	762
Other income	2,499	1,765
Total income	449,154	431,490
Expenditure		
Interest expense on deposits	(71,391)	(56,229)
Interest expense on borrowings	(6,944)	(13,143)
Interest expense on financial lease liability	(13,643)	(5,205)
Impairment losses on financial instruments	(82,714)	(88,190)
Fair value losses on other financial instruments	(3,381)	(4,930)
Operating expenses	(248,003)	(228,441)
Total expenditure	(426,076)	(396,138)
Profit before income tax	23,078	35,352
Income tax credit/(expense)	5,642	(5,876)
Profit after tax	28,720	29,476
Other comprehensive income	(11,091)	9,031
Total comprehensive income	17,629	38,507
Earnings per share	38.39	39.40

IV. Summary Consolidated Statement of Cash Flows	dfcu Group	
	2023	2022
	Shs 'M	Shs 'M
Cash flows from operation activities		
Profit before tax	23,078	35,352
Adjustment for:		
Depreciation of property, equipment and right-of-use assets	16,445	15,272
Depreciation of investment property	489	653
Amortisation of intangible assets	6,910	9,128
Unrealised foreign exchange loss/(gain)	633	(677)
Gain on disposal of fixed assets	(128)	(76)
Fair value losses on assets at fair value through profit and loss	3,381	4,930
Credit loss expense on financial assets	82,714	88,190
Reversals in provisions and employee benefits	(73,974)	(212,096)
Cash flows from/(used in) from operating activities before changes in operating assets and liabilities	59,548	(59,324)
Changes in operating assets and liabilities	160,510	105,458
Income tax paid	(22,428)	(14,825)
Net cashflow from operating activities	197,630	31,309
Net cash used in investing activities	(33,451)	(6,785)
Net cash used in financing activities	(62,070)	(94,321)
Net increase /(decrease) in cash and cash equivalents	102,109	(69,797)
Cash and cash equivalents at 1 January	472,559	542,866
Unrealised gain on cash and cash equivalents	(147)	(510)
Cash and cash equivalents at 31 December	574,521	472,559

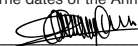
V. Summary Consolidated Statement of Changes in Equity

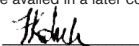
	Share capital	Share premium	Distributable reserves	Regulatory reserve	FVOCI reserve	Proposed dividend	Total
	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M
At 31 December 2022	14,963	185,683	413,467	-	12,291	6,129	632,533
Profit for the year	-	-	28,720	-	-	-	28,720
FVOCI revaluation	-	-	-	-	(11,052)	-	(11,052)
Loss allowance FVOCI	-	-	-	-	(39)	-	(39)
Increase in regulatory reserve	-	-	(8,069)	8,069	-	-	-
Dividend paid	-	-	-	-	-	(6,129)	(6,129)
Dividend proposed	-	-	(6,808)	-	-	6,808	-
At 31 December 2023	14,963	185,683	427,310	8,069	1,200	6,808	644,033

V. Message from the Directors

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

The consolidated financial statements were approved by the Board of Directors on 26 March 2024. The Board is proposing a dividend of Shs 9.10 per share less withholding tax where applicable (2022: Shs 8.19 per share). The dates of the Annual General Meeting and book closure, and related details will be availed in a later communication.


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


Kironde Lule
Director, **dfcu** Limited

dfcu Bank Limited

Summary Financial Statements for the Year Ended 31 December 2023



Report of the Independent Auditor on the Published Summary Financial Statements of dfcu Bank Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2023, 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 2023.

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

Summary Financial Statements

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

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 27 March 2024. 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.

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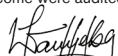
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	2023	2022
	Shs 'M	Shs 'M
Assets		
Cash and balances with Bank of Uganda	530,176	482,298
Balances due from other banks	255,165	216,771
Marketable (trading) securities	18,288	46,757
Loans and advances (Net)	1,125,816	1,361,445
Amounts due from group companies	20,328	16,142
Investment securities	968,637	902,379
Assets held for disposal	29,089	29,089
Equity investments	6,065	6,980
Other assets	30,055	40,621
Derivative financial instruments	228	567
Deferred income tax asset	65,517	32,405
Property and equipment	127,964	122,546
Intangible asset	26,679	24,715
Total assets	3,204,007	3,282,715
Liabilities and shareholders' equity		
Customer deposits	2,318,572	2,410,593
Balances due to other banks	35,033	8,512
Amounts due to group companies	4,558	1,480
Derivative financial instruments	273	240
Other liabilities	131,635	122,714
Current income tax payable	1,218	2,205
Borrowed funds	85,330	101,314
Subordinated debt	-	18,809
Provisions	2,188	2,338
Total liabilities	2,578,807	2,668,205
Share capital	150,000	120,000
Share premium	55,197	85,197
Retained earnings	397,119	384,765
Regulatory reserve	8,069	-
Proposed dividends	13,615	12,257
FVOCI Reserve	1,200	12,291
Total shareholders' equity	625,200	614,510
Total liabilities and shareholders' equity	3,204,007	3,282,715

IV. Other disclosures	dfcu Bank	
	2023	2022
	Shs 'M	Shs 'M
Contingent liabilities		
Acceptances and letters of credit	-	-
Guarantees and performance bonds	248,979	350,596
Total	248,979	350,596
Commitments		
Undrawn stand-by facilities and other commitments to lend	23,742	26,957
Total	23,742	26,957
Non performing loans and other assets	108,175	107,679
Interest in suspense	15,041	24,918
Bad debts written off	115,235	221,145
Large loans exposures	121,796	188,508
Insider loans exposures	13,253	1,376
Capital Position		
Core capital	507,690	532,156
Supplementary capital	11,419	17,438
Total qualifying capital	519,109	549,594
Total Risk Weighted Assets (RWA)	1,761,945	2,077,945
Core capital to RWA	28.81%	25.61%
Total Qualifying capital to RWA	29.46%	26.45%

III. Summary Statement of Comprehensive Income	dfcu Bank	
	2023	2022
	Shs 'M	Shs 'M
Income		
Interest on deposits and placements	5,853	9,171
Interest on loans and advances	213,646	249,587
Interest on government and other securities	131,960	86,547
Foreign exchange income	17,392	23,224
Fee and commission income	65,383	62,365
Net income from other financial instruments at FVTPL	14,264	762
Other income	668	71
Total income	449,166	431,727
Expenditure		
Interest expense on deposits	(71,552)	(56,309)
Interest expense on borrowings	(6,796)	(12,760)
Interest expense on financial lease liability	(13,643)	(5,205)
Impairment losses on financial instruments	(82,714)	(88,190)
Fair value losses on other financial instruments	(3,381)	(4,930)
Operating expenses	(245,030)	(229,449)
Total expenditure	(423,116)	(396,843)
Profit before income tax	26,050	34,884
Income tax credit/(expense)	7,988	(4,241)
Profit after tax	34,038	30,643
Other comprehensive income	(11,091)	9,031
Total comprehensive income	22,947	39,674

V. Message from the Directors

The summary financial statements are extracted from the audited financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010. The above summary statement of financial position and summary statement of comprehensive income were audited by Ernst & Young and received an unqualified opinion. The financial statements were approved by the Board of Directors on 14 March 2024 and discussed with Bank of Uganda on 21 March 2024.


Winifred T. Kiryabwire
Chairperson, dfcu Bank


Charles Mudiwa
Managing Director, dfcu Bank


Grace T. Makoko
Director, dfcu Bank


Angellina Namakula Otwono
Company Secretary, dfcu Bank