

Interim Consolidated Financial Results For dfcu Limited For the Six Months Ended 30th June 2018 (Unaudited)

Condensed Consolidated statement of comprehensive income	Unaudited 6 months to 30-Jun-18 Shs Millions	Unaudited 6 months to 30-Jun-17 Shs Millions	Audited 12 months to 31-Dec-17 Shs Millions
Net income	146,028	255,001	385,988
Operating expenses	(96,482)	(91,439)	(189,520)
Allowance for impairment of loans and advances	14,924	(11,892)	(48,652)
Profit before tax	64,470	151,670	147,816
Income tax expense	(22,846)	(37,620)	(40,924)
Profit for the period	41,624	114,050	106,892
Earnings per share			
Basic and diluted (Shs)	55.64	152.44	189.33
Annualised earnings per share:			
Basic and diluted (Shs)	111.27	304.88	189.33

Summary statement of comprehensive income:			
Profit for the period	41,624	114,050	106,892
Other comprehensive income	(311)	-	-
Total comprehensive income	41,313	114,050	106,892

Condensed Consolidated statement of cash flows	Unaudited 6 months to 30-Jun-18 Shs Millions	Unaudited 6 months to 30-Jun-17 Shs Millions
Operating activities:		
Net income	146,028	255,001
Recoveries on loans previously written off	3,148	1,893
Cash payments to employees and suppliers	(99,533)	(95,854)
Current income tax paid	(8,846)	(15,775)
Net changes in operating assets	(42,666)	(1,215,741)
Net changes in operating liabilities	45,316	905,692
Net cash from operating activities	43,447	(164,784)
Investment activities:		
Purchase of property and equipment	(4,483)	(13,747)
Proceeds from sale of property and equipment	1,839	68,495
Net cash used in investing activities	(2,644)	54,748
Financing activities:		
Net change in borrowings	(96,247)	381,851
Net cash used in financing activities	(96,247)	381,851
Net increase in cash and cash equivalents	(55,444)	271,815
Cash and cash equivalents at 1 January	440,540	235,116
Cash and cash equivalents at 30 June	385,096	506,931

Consolidated statement of changes in equity	Share capital Shs M	Share premium Shs M	Distributable reserves Shs M	Non-Distributable reserves Shs M	Regulatory reserves Shs M	Fair value reserves	Proposed dividends Shs M	Total Shs M
Year ended 31 December 2017								
At 1 January 2017	9,464	2,878	208,614	12,113	4,073	-	12,510	249,652
Profit for the year	-	-	106,892	-	-	-	-	106,892
Addition to share capital	5,499	182,805	-	-	-	-	-	188,304
Dividends paid	-	-	-	-	-	-	(12,510)	(12,510)
Dividends proposed	-	-	(51,054)	-	-	-	51,054	-
Transfer from regulatory reserve	-	-	(7,040)	-	7,040	-	-	-
At 31 December 2017	14,963	185,683	257,412	12,113	11,113	-	51,054	532,338
Six months ended 30 June 2018								
At 1 January 2018	14,963	185,683	257,412	12,113	11,113	-	51,054	532,338
Profit for the six months ended 30 June 2018	-	-	41,624	-	-	-	-	41,624
IFRS 9 provision on adoption	-	-	(21,554)	-	-	-	-	(21,554)
Total comprehensive income for the period	-	-	-	-	-	(311)	-	(311)
Transfer from regulatory reserve	-	-	11,113	-	(11,113)	-	-	-
At 30 June 2018	14,963	185,683	288,596	12,113	-	(311)	51,054	552,097
Six months ended 30 June 2017								
At 1 January 2017	9,464	2,878	208,614	12,113	4,073	-	12,510	249,652
Profit for the six months ended 30 June 2017	-	-	114,050	-	-	-	-	114,050
Transfer to regulatory reserve	-	-	(803)	-	803	-	-	-
At 30 June 2017	9,464	2,878	321,861	12,113	4,876	-	12,510	363,702

Condensed consolidated statement of financial position	Unaudited as at 30-Jun-18 Shs Millions	Unaudited as at 30-Jun-17 Shs Millions	Audited as at 31-Dec-17 Shs Millions
Assets:			
Liquid assets	1,173,537	1,220,196	1,263,302
Advances to customers	1,422,449	1,310,188	1,334,611
Other assets	438,189	522,749	459,563
Total Assets	3,034,175	3,053,133	3,057,476
Liabilities:			
Customer deposits	2,021,876	1,838,925	1,987,118
Other payables and liabilities	72,130	98,876	54,319
Borrowings	388,072	751,630	483,701
Total liabilities	2,482,078	2,689,431	2,525,138
Equity:			
Shareholders' equity	552,097	363,702	532,338
Minority interest	-	-	-
Total equity	552,097	363,702	532,338
Total equity and liabilities	3,034,175	3,053,133	3,057,476
Core capital	20%	19%	19%
Total capital	22%	22%	23%

The Financial Statements were approved by the Directors on 23 August 2018. A copy of the condensed interim consolidated financial statements can be obtained at the Company's Head Office. The Board does not recommend the payment of an interim dividend.


Ely Karuhanga
 Chairman, dfcu Limited


Winnie Kiryabwire
 Director, dfcu Limited

Highlights of the performance for the 6 months ended 30 June 2018:

On 27 January 2017, dfcu Limited's wholly owned subsidiary, dfcu Bank Limited acquired certain assets and assumed certain liabilities of Crane Bank Limited (in receivership). dfcu Bank Limited was able to successfully integrate the acquired assets and liabilities into its business operations. As per the requirements of IFRS 3-Business Combination, dfcu Group was required to carry out a fair valuation of the assets acquired and the liabilities assumed. The fair valuation exercise resulted into a fair value gain of Shs 121.85 billion that was recognized in the results for the 6 months ended 30 June 2017. In order to comply with the IFRS standards, dfcu Group has to amortize the gain over an average period of 5 years. This amortization has been included in the results for the 6 months ended 30 June 2018.

Profit after tax
 dfcu's Consolidated profit for the 6 months ended 30 June 2018 normalised following the integration of the acquired net assets of Crane Bank Limited (In Receivership). The results show a profit of Shs 41.3 billion compared to Shs 114.1 billion for the same period in 2017. The results for the period ended 30 June 2017 included a one off bargain purchase of Shs 121.8 billion. The bargain purchase is required to be amortised over a period of up to 5 years and hence the 2018 results include an amortization charge of Shs 12 billion in respect of this item.

Interest expense
 The interest expense reduced by 17% from Shs 64.3 billion in 2017 to Shs 53.4 billion in 2018 attributed mainly to the repayment of the bridging facility and other obligations.

Operating expenses
 Total operating costs grew by 6% during the 6 months period to 30 June 2018 compared to same period in 2017. This increase was mainly attributed to two major items: the amortization of the bargain purchase (Shs 12 billion) and continued investment in the digital infrastructure inline with our strategic aspirations. If adjusted for the amortization, the overall Cost : Income ratio would be 58%.

Loan Impairment
 There was a marked improvement in the portfolio management resulting in the reduction in the non-performing assets and related provisions.

Total assets
 The Group's asset base remained stable at Shs 3 trillion as at 30 June 2018. The loans and advances to customers grew by 9% which is above market average for the period.

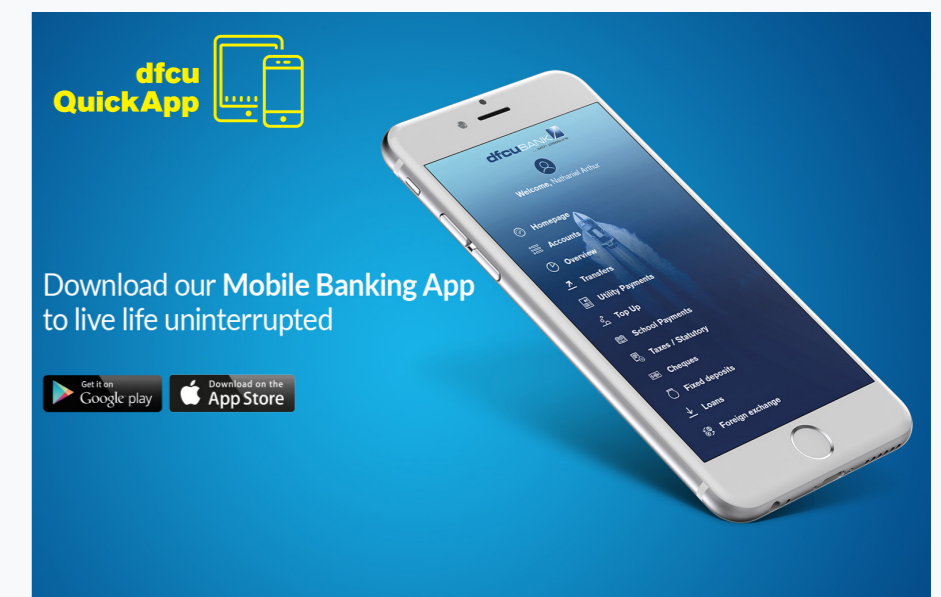
Customer deposits
 Customer deposits grew by 10% over the period under review, mainly driven by our ongoing digitization program and customer confidence in our brand.

Shareholders' equity
 dfcu Group's equity increased significantly by 52% to Shs 552.1 billion in June 2018 from Shs 363.7 billion in June 2017. The increase was driven by the successful rights issue and retained profits. This is an indication of the confidence the shareholders have towards the Group.

Top 5 shareholders of dfcu Limited

Shareholder	Percentage
Arise B.V***	58.71%
CDC Group Plc	9.97%
National Social Security Fund	7.46%
Kimberlite Frontier Africa Master Fund	7.34%
SSB Russel Investment Company Plc Fund	1.71%

***Arise B.V is a consortium of Norfinance, FMO and Rabo Development BV



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