



Results for the Three months Ended 30 June 2014

This commentary relates to the interim non-audited financial statements for 3 months ended 30 June 2014.

These Financial Statements are presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS) aligned with International Financial Reporting Standards (IFRS). In this presentation, the comparative amounts previously reported, under the former accounting standards collectively referred to Generally Accepted Accounting Principles (GAAP) have been restated under SLFRS.

GROUP PERFORMANCE

The DFCC Group recorded a consolidated profit after tax of LKR 1,138m for the three months ended 30 June 2014 compared with LKR 612m in the corresponding period of the previous year (comparable period).

Apart from the Banking Business which contributed LKR 1,093m to profit after tax and is analysed below, the investment banking joint venture, Acuity Partners (Pvt) Limited (APL) contributed LKR 3m in the current period (LKR 10m in the comparable period). The contribution from all other subsidiaries and associate company collectively was LKR 48m in the current period (LKR 24m in the comparable period).

BANKING BUSINESS

The Banking Business of the DFCC Group is undertaken by DFCC Bank (DFCC), a licensed specialized bank and 99% owned subsidiary DFCC Vardhana Bank (DVB), a licensed commercial bank. Both banks function as one economic entity and as such it is appropriate to analyse the consolidated performance of the two banks as DFCC Banking Business (DBB). A consolidated Income statement for DBB has been released to the Colombo Stock Exchange as supplementary financial information. This statement was derived from the interim financial statements. Since the financial year of DVB ends in December, the accounts of DVB are consolidated with a 3 month lag.

The DBB recorded LKR 1,541m as operating profit before taxes, an increase of 61% over the comparable period. Profit after tax (both VAT on financial services and income tax) was LKR 1,093m, an increase of 89% over LKR 577m in the comparable period.

Net Interest Income (NII) of DBB for the period decreased by 20% from LKR 2,120m to LKR 1,693m due to the drop in on lending rates in tandem with a drop in benchmark interest rates. Credit growth exceeded industry average and was an increase of 15% year on year. However, the major part of the asset build up was based on disbursements towards the latter part of the quarter.

Net fee and commission income of DBB in the current period was LKR 211m an increase of 24% over LKR 170m in the previous comparable period. This is generated largely by DVB the commercial banking subsidiary since this source of income is mainly associated with trade finance and commercial banking services. Fee income also included consultancy fees earned from overseas on assignments undertaken during the period.

Capitalizing on the upward momentum in the stock market during the period, DFCC was able to divest some of the mature equity holdings and generate a capital gain of LKR 100 million.

The forward exchange contracts are accounted as a derivative and its fair value changes are reported as net gain / (loss) from financial instruments at fair value through profit or loss in the income statement.

DFCC Banking Business (DBB) re-examined the impairment assessment processes in the light of experience gained over the past 2 years, in particular the methodology adopted with regard to the collective impairment assessment process. The impairment assessment as at 30 June 2014 based on the revised methodology has been verified through a special purpose audit by our external auditors. The cumulative allowance for impairment for loans and advances as a percentage of impaired loans and advances on 30 June 2014 was 72%.

Due to strategic cost management DBB has been able to contain the operating cost increase to 16% over that of the comparable period. DBB added twelve more branches as at 30 June 2014 compared to the number of branches one year ago on 30 June 2013. The current period expenses also include a charge for Nation Building Tax which was introduced with effect from 1 January 2014.

INVESTMENTS

Listed shares are classified as available for sale and carried at fair value. Fair value changes that represent unrealized gains/loss are recognized in other comprehensive income. During the period ended 30 June 2014, due to market appreciation of available for sale securities there was a fair value gain of LKR 2,289 m. In the comparable period the fair value gain was LKR 539 m.

EQUITY CAPITAL

Under SLFRS, the total income for the period comprises the income reported in the income statement and other comprehensive income. Consequent to this change there are two significant changes. Shares listed in the Colombo Stock Exchange and owned by the bank are recognized at the fair value and changes in the fair value included in other comprehensive income significantly augmenting the equity capital.

PRUDENTIAL INDICATORS

The capital adequacy and liquidity ratios continued to be well above the stipulated regulatory minimum. The regulatory capital computation excludes fair value changes on financial assets classified as available for sale.

Arjun Fernando
Chief Executive Officer

14 August 2014

DFCC Bank
Income Statement

	Bank		Group	
	30.06.14	30.06.13	30.06.14	30.06.13
For the period ended	LKR 000	LKR 000	LKR 000	Restated LKR 000
Interest income	2,076,082	2,568,326	4,296,612	4,749,476
Interest expense	1,134,851	1,266,672	2,594,521	2,615,051
Net interest income	941,231	1,301,654	1,702,091	2,134,425
Fees and commission Income	39,980	23,522	243,400	176,207
Less- Fees and commission expenses	-	-	4,169	1,448
Net fees and commission income	39,980	23,522	239,231	174,759
Net gain/(loss) from trading	46,427	818	78,946	17,282
Net gain/(loss) from financial instruments at fair value through profit or loss	6 (253,223)	21,715	(269,121)	(41,933)
Net gain from financial investments	7 258,929	165,006	172,600	81,318
Other operating (loss) /income (net)	8 220,581	(281,092)	291,036	(192,137)
Total operating income	1,253,925	1,231,623	2,214,783	2,173,714
Impairment for Loans and other losses				
- Individual impairment	(101,882)	27,562	41,873	139,419
- Collective impairment	(563,098)	112,050	(383,730)	211,524
- Others	3,362	122	3,362	122
Net operationg Income	1,915,543	1,091,889	2,553,278	1,822,649
Operational expenses				
Personnel expenses	181,275	185,433	452,402	414,466
Depreciation and amortisation	34,845	32,598	91,747	82,206
Other expenses	146,842	117,560	424,672	338,619
Operating profit before value added tax (VAT)	1,552,581	756,298	1,584,457	987,358
Value added tax (VAT) on financial services	151,922	88,187	177,520	131,684
Operating profit after value added tax	1,400,659	668,111	1,406,937	855,674
Share of profits of Associate and Joint Venture	-	-	5,542	10,167
Profit before tax	1,400,659	668,111	1,412,479	865,841
Income tax expense	236,357	166,053	274,378	254,081
Profit for the period	1,164,302	502,058	1,138,101	611,760
Profit attributable to				
Equity holders of the Bank	1,164,302	502,058	1,122,733	595,390
Non-controlling interests	-	-	15,368	16,370
Profit for the period	1,164,302	502,058	1,138,101	611,760
Basic earnings per ordinary share - LKR	4.39	1.89	4.24	2.25

DFCC Bank
Statement of Comprehensive Income

For the period ended

Profit for the period

Other comprehensive income, net of tax

Gains and losses on re-measuring available-for-sale financial assets

Net change in fair value of available-for-sale financial assets

Net amount transferred to income statement on disposal of available-for-sale financial assets

Share of profits of associates & Joint venture

Tax expense relating to components of other comprehensive income

Other comprehensive income for the period, net of taxes

Total comprehensive income for the period

Total comprehensive income attributable to:

Equity holders of the Bank

Non-controlling interests

Total comprehensive income for the period

	Bank		Group	
	30.06.14	30.06.13	30.06.14	30.06.13
	LKR 000	LKR 000	LKR 000	Restated LKR 000
Profit for the period	1,164,302	502,058	1,138,101	611,760
Other comprehensive income, net of tax				
Gains and losses on re-measuring available-for-sale financial assets				
Net change in fair value of available-for-sale financial assets	2,363,304	590,793	2,351,680	583,913
Net amount transferred to income statement on disposal of available-for-sale financial assets	(61,135)	(46,761)	(61,135)	(46,761)
Share of profits of associates & Joint venture	-	-	(1,068)	2,110
Tax expense relating to components of other comprehensive income	-	-	-	-
Other comprehensive income for the period, net of taxes	2,302,169	544,032	2,289,477	539,262
Total comprehensive income for the period	3,466,471	1,046,090	3,427,578	1,151,022
Total comprehensive income attributable to:				
Equity holders of the Bank	3,466,471	1,046,090	3,412,306	1,134,712
Non-controlling interests	-	-	15,272	16,310
Total comprehensive income for the period	3,466,471	1,046,090	3,427,578	1,151,022

Statement of Financial Position

As at	Notes	Bank		Group	
		30-06-2014 LKR 000	31-03-2014 LKR 000 (Audited)	30-06-2014 LKR 000	31-03-2014 LKR 000 Restated
Assets					
Cash and cash equivalents		787	545,388	2,473,238	2,933,361
Balances with Central Bank		-	-	3,446,969	2,870,492
Placements with banks		347,752	2,681,779	1,754,473	3,138,180
Derivative assets held for risk management		59	1,630	155,862	183,892
Other financial assets held- for- trading		1,346,332	1,017,980	2,296,031	1,971,915
Loans to and receivables from banks		1,040,699	1,233,617	3,921,142	5,547,821
Loans to and receivables from other customers	9	66,131,619	61,341,469	117,693,439	112,167,194
Financial Investments - available-for-sale		24,447,527	25,073,488	48,673,332	39,901,586
Financial Investments - held-to-maturity		760,634	535,958	1,277,398	1,073,703
Investment in subsidiary companies		5,968,564	5,968,564	-	-
Investments in Associate and Joint Venture		690,270	690,270	1,235,011	1,213,763
Due from subsidiaries		118,484	43,028	-	-
Investment properties		-	-	185,132	183,281
Property, plant and equipment		424,936	453,015	1,073,073	1,089,188
Intangible assets		54,892	60,378	237,861	237,434
Goodwill on consolidation		-	-	156,226	156,226
Deferred tax asset		-	-	2,201	2,285
Government grant receivable	11.1	89,378	276,878	89,378	276,878
Income tax refund due		-	-	2	1,546
Prepayments		28,267	35,833	28,267	35,833
Other receivables		541,584	982,007	1,948,449	2,010,716
Total assets		101,991,784	100,941,282	186,647,484	174,995,294
Liabilities					
Due to banks		5,231,914	5,153,754	9,355,801	6,673,576
Derivative liabilities held for risk management		119,761	55,609	274,388	227,994
Due to other customers	10	16,448,230	16,630,363	86,846,982	80,917,356
Other borrowing		23,779,733	25,434,080	27,819,550	27,782,493
Debt securities issued		13,680,348	14,009,017	13,680,348	14,009,017
Current tax liability		245,321	157,615	291,713	242,848
Deferred tax liability		422,103	433,071	552,980	553,222
Government grant-deferred Income	11.2	138,128	295,628	138,128	295,628
Other liabilities		1,877,813	752,695	3,589,107	2,228,988
Due to subsidiaries		-	-	-	-
Subordinated term debt		629,922	609,373	1,657,673	1,609,674
		62,573,273	63,531,205	144,206,670	134,540,796
Equity					
Share capital	14.2	2,650,977	2,650,977	2,650,977	2,650,977
Share premium		2,064,837	2,064,837	2,064,837	2,064,837
Stated capital		4,715,814	4,715,814	4,715,814	4,715,814
Statutory Reserves		2,381,648	2,381,648	2,381,648	2,381,648
Retained earnings		3,795,866	4,089,601	8,844,965	9,163,494
Other reserves		28,525,183	26,223,014	26,149,387	23,859,814
Total equity attributable to equity holders of the Bank		39,418,511	37,410,077	42,091,814	40,120,770
Non-controlling interest		-	-	349,000	333,728
Total equity		39,418,511	37,410,077	42,440,814	40,454,498
Total equity and Liabilities		101,991,784	100,941,282	186,647,484	174,995,294
Contingent Liabilities & commitments		33,992,637	30,234,047	62,316,959	57,788,965
Net Asset value per share,LKR		148.69	141.12	158.78	151.34

The highest, the lowest and the last traded market price recorded during the period ended

	30.06.2014	30.06.2013
- Highest price Rs.	161.90	153.00
- Lowest price Rs.	144.70	130.00
- Last traded price Rs.	159.00	137.50

Statement of Changes in Equity
For the period ended 30.06.2014
Bank

	Share Capital	Share Premium	Statutory Reserves		Other Reserves		Retained earnings	Total
			Reserve fund	Investment Fund Account	Fair value reserve	General reserve		
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Balance as at 01 April 2013	2,650,977	2,064,837	1,285,000	721,025	11,167,285	13,779,839	3,114,908	34,783,871
Total comprehensive income for the period								
Profit for the period							502,058	502,058
Other comprehensive income (net of tax)					544,032			544,032
Total comprehensive income for the period	-	-	-	-	544,032	-	502,058	1,046,090
Transfers				87,701			(87,701)	-
Transactions with equity holders, recognised directly in equity								
Dividends to equity holders							(1,325,488)	(1,325,488)
Total transactions with equity holders	-	-	-	-	-	-	(1,325,488)	(1,325,488)
Balance as at 30 June 2013	2,650,977	2,064,837	1,285,000	808,726	11,711,317	13,779,839	2,203,777	34,504,473
Balance as at 01 April 2014	2,650,977	2,064,837	1,380,000	1,001,648	12,443,175	13,779,839	4,089,601	37,410,077
Total comprehensive income for the period								
Profit for the period							1,164,302	1,164,302
Other comprehensive income (net of tax)					2,302,169		-	2,302,169
Total comprehensive income for the period	-	-	-	-	2,302,169	-	1,164,302	3,466,471
Transfers							-	-
Transactions with equity holders, recognised directly in equity								
Dividends to equity holders							(1,458,037)	(1,458,037)
Total transactions with equity holders	-	-	-	-	-	-	(1,458,037)	(1,458,037)
Balance as at 30 June 2014	2,650,977	2,064,837	1,380,000	1,001,648	14,745,344	13,779,839	3,795,866	39,418,511

Statement of Changes in Equity
For the period ended 30.06.2014
Group

	Attributable to the equity holders of the Bank							Non Controlling interests	Total	
	Share Capital	Share Premium	Statutory Reserves		Other Reserves		Retained earnings			Total
			Reserve fund	Investment Fund Account	Fair value reserve	General reserve				
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	
Balance as at 01 April 2013 as previously stated	2,650,977	2,064,837	1,285,000	721,025	8,718,485	13,779,839	7,594,136	36,814,299	512,349	37,326,648
Effect on changing accounting for investment in Joint venture									(202,794)	(202,794)
Balance as at 01 April 2013 as restated	2,650,977	2,064,837	1,285,000	721,025	8,718,485	13,779,839	7,594,136	36,814,299	309,555	37,123,854
Total comprehensive income for the period										
Profit for the period							595,390	595,390	16,370	611,760
Other comprehensive income (net of tax)					539,322		-	539,322	(60)	539,262
Total comprehensive income for the period	-	-	-	-	539,322	-	595,390	1,134,712	16,310	1,151,022
Transfers				87,701			(87,701)	-		-
Transactions with equity holders, recognised directly in equity										
Share of deemed disposal gain-joint venture							15,341	15,341		15,341
Dividends to equity holders							(1,325,488)	(1,325,488)		(1,325,488)
Total transactions with equity holders	-	-	-	-	-	-	(1,310,147)	(1,310,147)	-	(1,310,147)
Balance as at 30 June 2013	2,650,977	2,064,837	1,285,000	808,726	9,257,807	13,779,839	6,791,678	36,638,864	325,865	36,964,729
Balance as at 01 April 2014	2,650,977	2,064,837	1,380,000	1,001,648	10,079,975	13,779,839	9,163,494	40,120,770	333,728	40,454,498
Total comprehensive income for the period										
Profit for the period							1,122,733	1,122,733	15,368	1,138,101
Other comprehensive income (net of tax)					2,289,573		-	2,289,573	(96)	2,289,477
Total comprehensive income for the period	-	-	-	-	2,289,573	-	1,122,733	3,412,306	15,272	3,427,578
Transfers							-	-		-
Transactions with equity holders, recognised directly in equity										
Share issue by subsidiary of joint venture							(1,645)	(1,645)		(1,645)
Share of deemed disposal gain-joint venture							18,420	18,420		18,420
Dividends to equity holders							(1,458,037)	(1,458,037)		(1,458,037)
Total transactions with equity holders	-	-	-	-	-	-	(1,441,262)	(1,441,262)	-	(1,441,262)
Balance as at 30 June 2014	2,650,977	2,064,837	1,380,000	1,001,648	12,369,548	13,779,839	8,844,965	42,091,814	349,000	42,440,814

For the Period ended

	Bank		Group	
	30-06-2014 LKR 000	30-06-2013 LKR 000	30-06-2014 LKR 000	30-06-2013 LKR 000 Restated
Cash flow from operating activities				
Interest Receipts	1,787,968	2,091,515	3,672,062	3,947,802
Interest payments	(1,513,447)	(1,428,565)	(2,831,556)	(2,695,291)
Recoveries on loans previously written off	11,280	5,217	11,430	5,219
Receipts from other operating activities	255,037	(6,665)	554,439	122,894
Cash payments to employees & suppliers	(456,834)	(507,446)	(1,002,702)	(1,048,551)
Value added tax	(87,269)	(88,187)	(110,451)	(126,140)
crop tax	(6,534)	-	(6,534)	-
Other taxes and levies	(16,243)	-	(16,243)	-
Operating Cash flow before changes in operating assets and liabilities	(26,042)	65,869	270,445	205,933
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	-	-	(576,476)	(412,250)
Funds advanced to customers	(4,033,506)	473,704	(4,180,988)	(2,522,413)
Others	(507,450)	(97,681)	(799,370)	(217,654)
Increase /(decrease) in operating liabilities:				
Deposits from customers	(206,088)	(197,909)	5,729,799	3,502,963
Negotiable certificates of deposit	-	-	50,815	41,299
Others	189,545	(11,794)	452,930	61,297
Net cash flow from operating activities before income tax	(4,583,541)	232,189	947,155	659,175
Income tax paid	(159,618)	(70,788)	(179,212)	(99,105)
Net cash flow from/(used in)operating activities	(4,743,160)	161,401	767,942	560,070
Cash flow from investing activities				
Dividends received	669,655	616,736	547,814	518,126
Interest received	185,074	300,527	285,270	309,241
Government Securities	2,492,512	(2,024,217)	(9,509,242)	(3,061,879)
Proceeds from sale and redemption of securities	413,541	271,473	413,542	707,165
Purchase of securities	(417,104)	(226,736)	(417,104)	(226,736)
Purchase of property , equipment ,intangibles and investment property	(1,280)	(4,363)	(77,911)	(37,639)
Proceeds from sale of equipment and investment property	0	0	0	63
Net cash from/(used in) investing activities	3,342,398	(1,066,580)	(8,757,632)	(1,791,659)
Cash flow from financing activities				
Borrowing , medium and long - term	67,301	124,950	66,574	124,950
Other borrowings(Net)	(155,000)	268,750	3,910,247	1,773,041
Repayment of borrowing ,medium and long - term	(1,565,493)	(3,867,879)	(1,735,493)	(5,140,348)
Dividends paid	(212)	(96)	(212)	(96)
Net Cash flow from/(used in) financing activities	(1,653,404)	(3,474,275)	2,241,116	(3,242,453)
Net increase/(decrease) in cash & cash equivalents	(3,054,165)	(4,379,454)	(5,748,573)	(4,474,042)
Cash & cash equivalents/(overdraft-net) at the beginning of period	3,242,119	7,558,956	9,917,770	11,954,158
Cash & cash equivalents at the end of period	187,954	3,179,502	4,169,197	7,480,116
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	787	405,088	2,473,238	2,768,509
Placements with banks	347,752	2,690,761	1,754,473	4,627,954
Government Securities-less than 3 months	72,838	83,653	174,909	83,653
Borrowing short term - Bank overdrafts	(233,423)	-	(233,423)	0
	187,954	3,179,502	4,169,197	7,480,116

The Cash Flow Statement of the bank includes the results of associate, joint venture and subsidiary companies only to the extent of the cash flows between Bank and respective companies as required by Sri Lanka Accounting Standards

EXPLANATORY NOTES

Note 1. Statement of Compliance

The consolidated financial statements of the Bank (Group) and the separate financial statements of the Bank (Bank) have been prepared in accordance with relevant Sri Lanka Financial Reporting Standards (SLFRS) adopted by The Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of Banking Act No. 30 of 1988 and amendments thereto.

Note 2 Accounting policies and accounting estimates

The accounting policies, estimates and methods of computation are consistent with those policies and methods followed during the previous financial year other than as described below:

The Group adopted Sri Lanka Accounting Standard (SLFRS 11) "Joint Arrangements" with effect from 1 April 2014 as part of its mandatory application and changed the basis of accounting for its interest in the joint venture, Acuity Partners (Pvt) Ltd.

2.1 Change in accounting policy

The Group adopted Sri Lanka Accounting Standard (SLFRS 11) "Joint Arrangements" with effect from 1 April 2014 as part of its mandatory application and changed the basis of accounting for its interest in the joint venture, Acuity Partners (Pvt) Ltd.

As a result of the change, the Group now accounts for the investment in Acuity Partners (Pvt) Ltd using the equity method in accordance with LKAS 28 "Investment in Associates and Joint Ventures". Previously the Group accounted for its investment in the said entity using the proportionate consolidation method

The change in accounting policy has been applied retrospectively as per Sri Lanka Accounting Standard (LKAS 8) Accounting Policies, changes in Accounting Estimates and Errors". This change in accounting policy had no impact on equity attributable to equity holders of the Bank as at 31st March 2014.

2.2 Change in accounting estimate

The Bank re-examined the impairment assessment processes in the light of experience gained over the past 2 years in particular the methodology adopted with regard to the collective impairment assessment process. The effect of this change in the current period is an increase in profit after tax of the Bank by LKR 553 million. The External Auditors have verified the accuracy of the revised impairment assessment of loans and receivables as at 30 June 2014 by way of a special purpose audit.

The change in accounting estimate has been applied prospectively as per Sri Lanka Accounting Standard (LKAS 8) Accounting Policies, changes in Accounting Estimates and Errors".

Note 3. Accounting for investments in associate company and subsidiary companies

Accounted under cost method in Bank's financial statements. Amounts are based on unaudited financial statements of the associate and subsidiary companies.

Note 4. Accounting for investment in Joint Venture Company

Accounted under proportionate consolidation method in group's financial statements. Amounts are based on unaudited financial statements of the joint venture company.

Note 5. 31 December financial year companies

These are DFCC Vardhana Bank PLC, Synapsys Ltd (subsidiaries) and Acuity Partners (Pvt) Limited (joint venture) and National Asset Management Limited (associate).

Note 6 Net gain/(loss) from financial instruments at fair value through profit or loss

For the period ended 30 June

	Bank		Group	
	2014	2013	2014	2013
	LKR 000	LKR 000	LKR 000	LKR 000
Forward exchange fair value changes	(65,723)	21715	(81,621)	(41,933)
Gain/(loss) on CBSL Swap	(187,500)	-	(187,500)	-
Total	(253,223)	21,715	(269,121)	(41,933)

Note 7. Net Gain from Financial Investments

For the period ended 30 June

	Bank		Group	
	2014	2013	2014	2013
	LKR 000	LKR 000	LKR 000	LKR 000
Gain on sale of securities	100,229	52,545	100,229	52,545
Dividend income	149,769	110,676	17,513	12,066
Net gain from repurchase transactions	8,931	1,785	54,858	16,707
Total	258,929	165,006	172,600	81,318

Note 8. Other Operating (Loss)/Income-(net)

For the period ended 30 June	Bank		Group	
	2014	2013	2014	2013
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange gain/(loss)	27,123	(302,895)	62,105	(253,950)
Amortisation of deferred income on Govt Grant- CBSL Swap	157,500	-	157,500	-
Others	35,958	21,803	71,431	61,813
	220,581	(281,092)	291,036	(192,137)

Foreign exchange gain/(loss) does not include the offsetting effect of exchange rate movements on forward exchange contracts used as hedging instruments to mitigate market risk of open positions arising from US dollar/LKR funding swaps. This effect is included under 'Net gain/ (loss) from financial instruments at fair value through profit or loss' in the income statement.

Note 9. Loans and Receivables from Other Customers

As at	Bank		Group	
	30-06-2014	31-03-2014	30-06-2014	31-03-2014
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 9.1)	68,793,159	64,733,749	123,431,992	119,058,962
Less: Individual impairment (Note 9.2.1)	(1,384,956)	(1,486,838)	(3,128,108)	(3,794,550)
Collective impairment (Note 9.2.2)	(1,276,584)	(1,905,442)	(2,610,445)	(3,097,218)
Net loans and receivables	66,131,619	61,341,469	117,693,439	112,167,194

Note 9.1 Loans and Receivables from Other Customers - By product

As at	Bank		Group	
	30-06-2014	31-03-2014	30-06-2014	31-03-2014
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	-	-	19,133,689	19,230,658
Trade finance	-	-	7,510,224	8,258,437
Lease rentals receivable	7,649,522	8,109,397	9,214,014	9,611,637
Credit cards	-	-	131,160	114,956
Pawning	-	-	3,014,488	3,426,803
Staff loans	537,167	533,093	895,051	871,123
Term loans	51,495,851	47,269,519	67,815,300	61,932,880
Commercial papers and asset back notes	2,615,699	2,321,850	2,615,699	2,321,850
Debenture loans	727,324	886,132	727,324	886,132
Preference shares unquoted	1,350,401	1,500,401	1,350,401	1,500,401
Securities purchased under resale agreements	-	-	1,564,220	825,880
	64,375,964	60,620,392	113,971,570	108,980,757
By product-Foreign Currency				
Overdrafts	-	-	311,919	275,450
Trade finance	-	-	3,958,200	4,840,862
Term loans	4,417,196	4,113,357	5,190,303	4,961,893
Term loans	4,417,196	4,113,357	9,460,422	10,078,205
Gross Loans and Receivables	68,793,159	64,733,749	123,431,992	119,058,962

Note 9.2 Movement in Individual and Collective Impairment during the period for Loans and Receivable from Other Customers

As at	Bank		Group	
	30-06-2014	31-03-2014	30-06-2014	31-03-2014
	LKR 000	LKR 000	LKR 000	LKR 000
9.2.1 Individual Impairment				
Opening balance	1,486,838	1,477,986	3,794,550	3,229,925
(Reversal)/ Charge to income statement	(101,882)	11,308	41,873	569,034
Effect of foreign currency movements	-	-	(81)	5,563
Effect of discounting	-	(2,456)	(708,234)	(2,456)
Write-off during the year	-	-	-	(7,516)
Closing balance	1,384,956	1,486,838	3,128,108	3,794,550
9.2.2 Collective Impairment				
Opening balance	1,905,442	1,868,892	3,097,218	2,767,131
(Reversal)/ Charge to income statement	(563,098)	281,123	(383,730)	621,595
Effect of foreign currency movements	-	-	(7)	718
Transfers to dues on terminated leases	(5,943)	(15,460)	(5,943)	(15,460)
Write-off during the year	(59,817)	(229,113)	(97,093)	(276,766)
Closing balance	1,276,584	1,905,442	2,610,445	3,097,218
Total Individual and Collective impairment	2,661,540	3,392,280	5,738,553	6,891,768

Note 10. Due to Other Customers - By product

As at	Bank		Group	
	30-06-2014 LKR 000	31-03-2014 LKR 000	30-06-2014 LKR 000	31-03-2014 LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	-	-	1,774,726	1,810,331
Savings deposits	-	-	11,989,098	12,167,462
Fixed deposits	16,433,959	16,616,195	62,662,061	57,260,770
Margin deposits	-	-	201,137	648,251
Certificate of deposits	-	-	645,782	586,707
	16,433,959	16,616,195	77,272,804	72,473,521
By product- Foreign Currency				
Demand deposits (current accounts)	-	-	125,835	98,900
Savings deposits	-	-	1,255,889	814,203
Fixed deposits	14,271	14,168	8,183,978	7,529,571
Margin deposits	-	-	8,477	1,161
	14,271	14,168	9,574,179	8,443,835
Total	16,448,230	16,630,363	86,846,983	80,917,356

Note 11. Government Grant

	Bank		Group	
	30-06-2014 LKR 000	31-03-2014 LKR 000	30-06-2014 LKR 000	31-03-2014 LKR 000
11.1 Government Grant- Receivable				
Fair value on the Beginning of the period/contract date	276,878	754,958	276,878	754,958
Change in fair value for the period	(187,500)	(478,080)	(187,500)	(478,080)
Fair value at the end of period	89,378	276,878	89,378	276,878
11.2 Government Grant - Deferred Income				
Fair value on the Beginning of the period/contract date	295,628	754,958	295,628	754,958
Change in fair value for the period	(187,500)	(478,080)	(187,500)	(478,080)
Foreign exchange gain on revaluation	30,000	18,750	30,000	18,750
Amotisation of deferred income on government grant	(157,500)	(459,330)	(157,500)	(459,330)
Fair value at the end of period	138,128	295,628	138,128	295,628

DFCC Bank in October 2013 raised USD 100 million by Issue of Notes abroad repayable in October 2018. The proceeds of this note issue are to be deployed predominantly in LKR denominated monetary assets. In order to hedge the resulting net open foreign currency liability position, DFCC Bank has entered in to a currency SWAP arrangement with Central Bank of Sri Lanka (CBSL) for 75% of the US Dollar (USD) denominated liability.

Note 12. Proposed consolidation of Banking Business

In pursuance to the policies announced by Government to encourage consolidation of certain banking business. DFCC Bank and National Development Bank PLC have taken the initiative to explore the possibilities of amalgamating. Both banks have entered into a Memorandum of Understanding to work towards the proposed amalgamation.

Note 13. Post Balance Sheet Events

There are no circumstances have arisen which would require disclosure or adjustment to the financial statements.

Note 14. Disclosures under Appendix 7B of the Listing Rules**14.1 Bank has not incurred management fees or any other similar expenditure****14.2 Share Capital**

	Number of shares
Number of shares of the Bank on 30 June 2014 (No increase from 31 March 2014)	<u>265,097,688</u>

The Financial Statements of the Bank has retained the concept of par value, authorized capital and share premium account instead of the Stated Capital introduced by the Companies Act No. 7 of 2007 in accordance with section 7 of the DFCC Bank Act No. 35 of 1955 as amended.

14.3 Twenty Major Shareholders as at 30.06.2014

	Name of Shareholder/Company	Shareholding	%
1	Bank of Ceylon No.2 A/c.	38,039,994	14.35
2	Hatton National Bank PLC A/c No.1	32,396,140	12.22
3	Sri Lanka Insurance Corporation Ltd-Life Fund	26,509,832	10.00
4	Employees Provident Fund	24,368,995	9.19
5	Mr. M A Yaseen	22,736,700	8.58
6	Distilleries Company of Sri Lanka PLC	17,042,856	6.43
7	Seafeld International Limited	15,286,794	5.77
8	HSBC Intl Nom. Ltd-BPSS Lux-Aberdeen Global Asia Pacific Equity Fund	12,216,146	4.61
9	Renuka City Hotels PLC	6,926,870	2.61
10	HSBC Intl Nom Ltd-BPSS LDN-Aberdeen Asia Pacific Fund	6,750,000	2.55
11	HSBC Intl Nominees Ltd-BP2S London-Edinburg Dragon Trust PLC	5,620,164	2.12
12	Renuka Hotels Limited	4,073,360	1.54
13	HSBC Intl Nominees Ltd-BP2S London-Aberdeen Asia Smaller Companies Investment Trust	3,889,870	1.47
14	HSBC Intl Nominees Ltd-BP2S Luxembourg-Aberdeen Global Frontier Markets Equity Fund	3,287,584	1.24
15	Employees Trust Fund Board	2,408,991	0.91
16	Cargo Boat Development Company PLC	2,098,200	0.79
17	HSBC Intl Nominees Ltd-BP2S-London - Aberdeen New Dawn Investment Trust XCC6 Dawn Investment Trust XCC6	1,800,000	0.68
18	Mellon Bank N.A. - Florida Retirement System	1,500,000	0.57
19	Renuka Consultants & Services Limited	1,097,992	0.41
20	Crescent Launderers and Dry Cleaners (Pvt) Limited	1,076,200	0.41

14.4 Public holding as at 30.06.2014 is 63.31%

14.5 Directors' Interests in Shares

	No of Shares As at 30.06.2014
Jansz, C R	1,000
Fernando, A R –CEO/ Ex-officio Director	4,470
Dayasri, G K	1,036
Gunawardana, H M N S	Nil
Thambiyah, R B	211,200
Thambiyah, S.R – Alternative Director	Nil
Chandradasa L P	500
Perumal, J E A	42,475
Fernando P M B	1,000

Certification

We, the undersigned, being the Chairman, the Chief Executive Officer and the Chief Financial Officer of DFCC Bank certify that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.

(b) the information contained in these statements have been extracted from the unaudited financial statements of the Bank unless indicated as audited .

C R Jansz
Chairman

A R Fernando
Ex-officio Director
& Chief Executive

A Withana
Chief Financial Officer

14.08.2014

DFCC Listed Debenture

	Interest Payable Frequency	Applicable Interest Rate	Interest rate of Comparative Government Securites (Gross)	Balance as at 30.06.2014 LKR 000
Debenture Category				
Fixed Rate				
2006/2016 - 14.00% p.a.	Annually	14.00%	7.96%	<u>629,922</u>
Other Ratios		30.06.2014	31.03.2014	
Debt to equity Ratio		0.97	1.07	
Interest cover		1.24	1.34	
Liquid Asset Ratio (%)		36.7	77.5	

Business Segment Information
For the period ended 30 June 2014

	Lending		Financial Leasing		Investing in Equity		Commercial Banking		Other		Unallocated		Eliminations		Total	
	2014	2,013	2014	2,013	2014	2,013	2014	2,013	2014	2,013	2014	2,013	2014	2,013	2014	2,013
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Revenue																
Interest income	1,769,047	2,220,417	366,792	395,803	-	-	2,162,790	2,136,323	9,674	14,415	-	-	(11,691)	(17,482)	4,296,612	4,749,476
Net fees and commission income	38,282	23,522	2,135				170,244	148,310	63,027	30,641			(34,457)	(27,714)	239,231	174,759
Net gain/(loss) from trading							32,519	16,463		0	46,427	819			78,947	17,282
Net gain/(loss) from financial instruments designated at fair value through profit and loss							(15,898)	(63,648)			(253,223)	21,715			(269,121)	(41,933)
Net gain/(loss) from financial investments					249,998	165,006	45,927	14,922			8,931		(132,256)	(98,610)	172,600	81,318
Other income	67,857	5,215	-		-	(1,541)	25,031	49,112	52,990	61,946	152,724	(284,766)	(7,566)	(22,103)	291,036	(192,137)
Total income	1,875,186	2,249,154	368,927	395,803	249,998	163,465	2,420,613	2,301,482	125,691	107,002	(45,141)	(262,232)	(185,970)	(165,909)	4,809,305	4,788,765
Percentage *	39	46	8	8	5	3	50	47	3	3	(1)	(5)	-	-	100	100
Expense																
Segment losses	(664,972)	118,102	4,879	21,804			321,598	211,159							(338,495)	351,065
Depreciation & amortisation	-						49,504	43,074	7,398	6,534					56,902	49,608
Other operating & interest expenses	965,819	1,020,988	117,798	173,828			1,992,834	1,794,455	69,507	57,875			(53,714)	(52,411)	3,092,244	2,994,735
	300,847	1,139,090	122,677	195,632	-	-	2,363,936	2,048,688	76,905	64,409	-	-	(53,714)	(52,411)	2,810,651	3,395,408
Result	1,574,339	1,110,064	246,250	200,171	249,998	163,465	56,677	252,794	48,786	42,593					1,998,654	1,393,357
Unallocated expenses															412,126	405,999
Value Added Tax															179,591	131,684
															1,406,937	855,674
Share of profits of associates & Joint Venture															5,542	10,167
Profit before tax															1,412,479	865,841
Income tax on profit on ordinary activities															274,378	254,081
Profit after tax															1,138,101	611,760
Non controlling interests															15,368	16,370
Profit for the Equity Holders of the Bank															1,122,733	595,390
Profits for the period															1,138,101	611,760
Other Comprehensive Income net of tax					2,354,049	535,735	(11,624)	(6,880)	(52,948)	10,407					2,289,477	539,262
Total Comprehensive Income															3,427,578	1,151,022
Total Comprehensive Income - Non controlling interests															15,272	16,310
Profit for the Equity Holders of the Bank															3,412,306	1,134,712
Assets	63,671,324	54,848,463	9,126,840	10,403,364	26,952,289	21,836,948	88,742,623	62,651,498	781,095	754,069	3,158,783	4,085,159	(7,020,481)	(4,897,967)	185,412,473	149,681,533
Percentage*	34	37	5	7	15	15	48	42	0	1	2	3	(4)	(3)	100	100
Investment in associate & Joint venture															1,235,011	1,058,199
															186,647,484	150,739,732
Liabilities	51,694,407	43,705,577	6,797,296	8,219,672			82,347,167	58,614,338	139,689	300,388	3,963,086	3,892,356	(734,975)	(957,328)	144,206,670	113,775,003

* Net of eliminations

Revenue and expenses attributable to the incorporated business segments of industrial estate management, unit trust management, stockbroking and consultancy services are included in the column for Other.

Revenues and expenses attributable to the business segment of DFCC Vardhana Bank PLC is included in the column for commercial banking

Property & equipment and depreciation attributable to an incorporated business segment is included in the relevant segment and the balance is unallocated.

Eliminations are the consolidation adjustments for inter company transactions, dividend and dividend payable attributable to minority shareholders.

Supplementary Financial Information (Consolidated Income Statement of DFCC & DVB (DBB))

This information relates to the consolidation of DFCC Bank (DFCC) and DFCC Vardhana Bank PLC (DVB) for purpose of and analysis of the banking business and is derived from total Group financial statements.internal review

Income statement of DVB for the 3 months ended 31 March is consolidated with Income statements of DFCC for the 3 months ended 30 June

For the three months ended 30 June

	2014	2013
	LKR 000	LKR 000
Income	4,735,179	4,736,505
Interest income	4,294,202	4,746,785
Interest expenses	2,601,701	2,626,774
Net Interest Income	1,692,501	2,120,011
Fee and commission income	214,831	171,832
Less: Fee and commission expenses	4,169	1,448
Net Fee and Commission Income	210,662	170,384
Net gain/(loss) from trading	78,946	17,282
Net gain/(loss) from financial instruments at fair value through profit or loss	(269,121)	(41,933)
Net gain from financial investments	178,015	81,318
Other operating income (net)	238,306	(238,779)
Total Operating Income	2,129,309	2,108,283
Charge of Impairment for loans and other losses		
Individual Impairment	41,873	139,419
Collective Impairment	(383,730)	211,524
Others	3,362	122
Net Operating Income	2,467,804	1,757,218
Less: Operating Expenses		
Personnel expenses	409,385	379,567
Depreciation and Amortisation	84,349	75,672
Other operating expenses	432,983	343,774
Operating Profit Before Value Added Tax	1,541,087	958,205
Value added tax (VAT) on financial services	177,520	131,684
Profit Before Tax	1,363,567	826,521
Tax expenses	270,651	249,190
Profit for the Period	1,092,916	577,331

Note 01 Reconciliation with Group profit

For the three months ended 30 June

	2014	2013
	LKR 000	LKR 000
Profit for the period - DBB	1,092,916	577,331
Consolidation adjustments		
Dividend from subsidiaries accounted in DBB	(5,415)	-
	1,087,501	577,331
Add: Profit from other subsidiaries and Joint venture attributable to equity holders of DFCC Bank		
Subsidiaries	45,059	24,262
Share of profits of Joint venture	2,856	9,799
Share of profits of associate	2,685	368
Profit for the Period	1,138,101	611,760