



Results for the Second Quarter Ended 30 September 2013

This commentary relates to the interim non-audited financial statements for 6 months ended 30 September 2013.

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 1,239m for the 2nd quarter ended 30 September 2013 compared with LKR 1,428m in the corresponding period of the previous year (comparable period).

Apart from the Banking Business which contributed LKR 1,117m to profit after tax and is analysed below, the investment banking joint venture, Acuity Partners (Pvt) Limited (APL) contributed LKR 66m in the current period (LKR 6m in the comparable period). The contribution from all other subsidiaries and associate company collectively was LKR 56m in the current period (LKR 77m 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.

Net Interest Income (NII) of DBB for the period increased by 24% from LKR 3,303m to LKR 4,092m although total loans and advances (net of accrued interest) only increased by 8.7% year on year to LKR 108,223m as at 30 September 2013.

The reported NII does not include the cost of hedging exchange rate risk arising from funding swaps where the DBB swaps foreign currency to LKR to fund LKR assets as part of its funding strategy. Foreign exchange loss reported under 'other operating income for the current period of LKR 358m is net of the cost arising from funding swaps of LKR 373m. The revised foreign exchange gain after adjusting for the swap cost for the current period amounts to LKR 15m.

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.

Net fee and commission income of DBB in the current period was LKR 373m an increase of 15% over LKR 325m in the previous comparable period. This is generated largely by DVB the commercial banking subsidiary since this source of income is largely associated with trade finance and commercial banking services.

Total charge for impairment of loans and other losses for the current period was LKR 657 m a 25% increase over LKR 527m in the comparable period. The charge in both periods included interest on impaired loans recognized on accrual basis as interest income and hence in NII.

The cumulative allowance for impairment for loans and advances as a percentage of impaired loans and advances on 30 September 2013 was 79%, the same level as on 31 March 2013.

DBB added thirteen more branches as at 30 September 2013 compared to the number of branches one year ago on 30 September 2012. Investment in technology, rationalization of organization structure, additional recruitment contributed to a 20% increase in the operating expenses in the current period.

The DBB recorded LKR 1,962m as operating profit before taxes which was an increase of 2% over the comparable period. Profit after tax (both VAT on financial services and income tax) was LKR 1,180m, which was a decrease of 16% over LKR 1,400m in the comparable period.

The previous comparable period included an adjustment for a one off non recurrent financial services value added tax over provision amounting to LKR 184 m. DBB's profit after tax for the previous period excluding this over provision was LKR 1,216 m which is only marginally higher than the current period.

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 under SLFRS under previous GAAP they were carried at cost.

During the period ended 30 September 2013, due to market appreciation of listed shares there was a fair value gain of LKR 637 m. In the comparable period the fair value gain was LKR 2,120 m. A Substantial proportion of the listed share portfolio is on account of investment in Commercial Bank of Ceylon PLC (CBC). The drop in the fair value gain is mainly due to the fluctuations in the share price of CBC. The percentage increase in the share price of CBC during the current period was 4% compared to 16% in the comparable period.

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. Impairment allowance cover for the DBB was 79% and past due loans of three months and over not covered by impairment allowance as a proportion of equity was 6%.

Arjun Fernando
Chief Executive Officer

11 November 2013

DFCC Bank
Income Statement

	Bank				Group			
	For the 6 months ended		For the quarter ended		For the 6 months ended		For the quarter ended	
	30.09.13 LKR 000	30.09.12 LKR 000	30.09.13 LKR 000	30.09.12 LKR 000	30.09.13 LKR 000	30.09.12 LKR 000	30.09.13 LKR 000	30.09.12 LKR 000
For the period ended								
Interest income	4,954,954	4,335,571	2,386,628	2,276,101	9,449,086	7,488,380	4,671,420	3,973,561
Interest expense	2,455,202	2,360,473	1,188,530	1,233,882	5,283,596	4,138,656	2,667,039	2,221,299
Net interest income	2,499,752	1,975,098	1,198,098	1,042,219	4,165,490	3,349,724	2,004,381	1,752,262
Fees and commission Income	56,143	39,614	32,621	18,096	435,466	370,535	243,251	183,493
Less- Fees and commission expenses	-	-	-	-	3,448	5,183	2,000	2,725
Net fees and commission income	56,143	39,614	32,621	18,096	432,018	365,352	241,251	180,768
Net gain/(loss) from trading	1,028	334	210	1,260	82,963	40,680	66,974	19,505
Net gain/(loss) from financial instruments at fair value through profit or loss	59,532	(147,952)	37,817	(157,693)	(21,187)	(212,527)	20,746	(159,909)
Net gain from financial investments	270,138	245,800	105,132	91,008	183,348	178,070	87,995	90,938
Other operating (loss) /income (net)	(416,363)	167,558	(135,271)	165,841	(302,404)	327,749	(113,244)	201,070
Total operating income	2,470,230	2,280,452	1,238,607	1,160,731	4,540,228	4,049,048	2,308,103	2,084,634
Impairment for Loans and other losses								
- Individual impairment	5,293	41,611	(22,269)	76,001	249,653	207,481	110,234	80,606
- Collective impairment	249,154	110,975	137,104	57,776	392,812	321,376	181,288	201,781
- Others	14,310	(1,384)	14,188	(17,715)	14,310	(1,384)	14,188	(17,715)
Net operating Income	2,201,473	2,129,250	1,109,584	1,044,669	3,883,453	3,521,575	2,002,393	1,819,962
Operational expenses								
Personnel expenses	365,940	348,056	180,507	177,459	912,605	787,475	473,912	417,829
Depreciation and amortisation	66,818	61,099	34,220	32,180	173,481	155,101	88,175	76,945
Other expenses	271,178	213,587	153,618	111,367	803,520	608,025	445,342	312,637
Operating profit before value added tax (VAT)	1,497,537	1,506,508	741,239	723,663	1,993,847	1,970,974	994,964	1,012,551
Value added tax (VAT) on financial services	172,516	(16,329)	84,329	(102,012)	259,709	59,864	128,025	(61,552)
Operating profit after value added tax	1,325,021	1,522,837	656,910	825,675	1,734,138	1,911,110	866,939	1,074,103
Share of profits of associates	-	-	-	-	53,952	5,872	47,382	1,637
Profit before tax	1,325,021	1,522,837	656,910	825,675	1,788,091	1,916,982	914,321	1,075,740
Income tax expense	360,396	338,669	194,343	169,417	548,795	488,542	290,597	256,867
Profit for the period	964,625	1,184,168	462,567	656,258	1,239,296	1,428,440	623,725	818,873
Profit attributable to								
Equity holders of the Bank	964,625	1,184,168	462,567	656,258	1,187,896	1,388,821	592,507	795,211
Non-controlling interests	-	-	-	-	51,400	39,619	31,218	23,662
Profit for the period	964,625	1,184,168	462,567	656,258	1,239,296	1,428,440	623,725	818,873
Basic earnings per ordinary share - LKR	3.64	4.47	1.75	2.48	4.48	5.24	2.23	3.00

Notes
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DFCC Bank
Statement of Comprehensive Income

	Bank				Group			
	For the 6 months ended		For the quarter ended		For the 6 months ended		For the quarter ended	
	30.09.13 LKR 000	30.09.12 LKR 000	30.09.13 LKR 000	30.09.12 LKR 000	30.09.13 LKR 000	30.09.12 LKR 000	30.09.13 LKR 000	30.09.12 LKR 000
For the period ended								
Profit for the period	964,625	1,184,168	462,567	656,258	1,239,296	1,428,440	623,725	818,873
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	618,474	2,112,662	27,681	2,659,228	636,555	2,120,343	51,898	2,670,483
Net amount transferred to income statement on disposal of available-for-sale financial assets	(69,935)	(22,395)	(23,174)	(2)	(69,935)	(22,395)	(23,174)	(2)
Share of profits of associates	-	-	-	-	2,458	1,391	1,092	1,349
Deemed Disposal gain-subsiidiary of joint venture	-	-	-	-	30,507	122,517	11,229	51,359
	548,539	2,090,267	4,507	2,659,226	599,585	2,221,856	41,045	2,723,189
Less: Tax expense relating to components of other comprehensive income	-	-	-	-	-	-	-	-
Other comprehensive income for the period, net of taxes	548,539	2,090,267	4,507	2,659,226	599,585	2,221,856	41,045	2,723,189
Total comprehensive income for the period	1,513,164	3,274,435	467,074	3,315,484	1,838,881	3,650,296	664,771	3,542,062
Total comprehensive income attributable to:								
Equity holders of the Bank	1,513,164	3,274,435	467,074	3,315,484	1,781,098	3,554,651	631,046	3,476,868
Non-controlling interests	-	-	-	-	57,783	95,645	33,724	65,194
Total comprehensive income for the period	1,513,164	3,274,435	467,074	3,315,484	1,838,881	3,650,296	664,770	3,542,062

Statement of Financial Position

As at	Notes	Bank		Group	
		30-09-2013 LKR 000	31-03-2013 LKR 000 (Audited)	30-09-2013 LKR 000	31-03-2013 LKR 000 (Audited)
Assets					
Cash and cash equivalents		599,530	597,456	2,918,511	3,976,892
Balances with Central Bank		-	-	3,157,754	2,620,790
Placements with banks		4,656,436	6,128,245	5,690,837	7,541,088
Derivative assets held for risk management		-	45,145	-	119,642
Other financial assets held- for- trading		283,686	377,800	1,281,229	593,408
Non current assets held- for- sale		-	-	2,875	2,875
Loans to and receivables from banks		1,767,800	1,822,838	4,919,132	5,633,902
Loans to and receivables from other customers	8	55,810,760	58,844,767	101,108,587	98,399,443
Financial Investments - available-for-sale		20,511,494	19,222,842	32,481,463	27,659,665
Financial Investments - held-to-maturity		78,010	75,022	429,280	157,963
Investment in subsidiary companies		3,755,953	3,755,953	-	-
Investment in associate companies		35,270	35,270	592,937	415,251
Investment in Joint Venture		655,000	655,000	-	-
Due from subsidiaries		39,197	39,204	-	-
Investment properties		-	-	190,592	169,485
Property, plant and equipment		425,109	438,259	1,011,777	1,027,655
Intangible assets		70,304	80,078	257,914	261,668
Goodwill on consolidation		-	-	226,411	226,411
Deferred tax asset		-	-	941	834
Income tax refund due		-	-	30,478	28,148
Prepayments		32,954	36,920	32,954	36,920
Other receivables		414,223	935,284	1,815,816	2,252,230
Total assets		89,135,726	93,090,083	156,149,488	151,124,270
Liabilities					
Due to banks		5,698,546	6,399,595	9,932,786	8,040,422
Derivative liabilities held for risk management		86,245	190,922	208,695	307,094
Due to other customers	9	14,185,892	15,548,067	67,940,326	62,750,266
Other borrowing		31,767,046	33,846,282	35,029,783	37,530,202
Debt securities issued		602,594	558,257	602,594	558,257
Current tax liability		218,597	85,937	393,003	179,826
Deferred tax liability		404,951	382,796	499,396	461,154
Other liabilities		626,926	761,825	2,097,869	2,434,906
Due to subsidiaries		-	525	-	-
Subordinated term debt		650,749	609,373	1,710,231	1,609,690
		54,241,546	58,383,579	118,414,683	113,871,817
Equity					
Share capital	11.2	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		2,181,437	2,006,025	2,181,437	2,006,025
Retained earnings		2,501,266	3,037,541	7,231,187	7,519,913
Other reserves		25,495,663	24,947,124	23,067,248	22,498,324
Total equity attributable to equity holders of the Bank		34,894,180	34,706,504	37,195,686	36,740,076
Non-Controlling interest		-	-	539,119	512,377
Total equity		34,894,180	34,706,504	37,734,805	37,252,453
Total equity and Liabilities		89,135,726	93,090,083	156,149,488	151,124,270
Contingent Liabilities & commitments		17,133,365	16,069,720	42,888,499	39,280,376
Net Asset value per share,LKR		131.63	130.92	140.31	138.59

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

	30.09.2013	30.09.2012
- Highest price Rs.	136.20	128.10
- Lowest price Rs.	115.50	104.00
- Last traded price Rs.	119.20	122.30

Statement of Changes in Equity
For the period ended 30.09.2013
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 2012	2,650,977	2,064,837	1,135,000	350,215	9,431,052	13,779,839	1,723,107	31,135,027
Total comprehensive income for the period								
Profit for the period							1,184,168	1,184,168
Other comprehensive income (net of tax)					2,090,267			2,090,267
Total comprehensive income for the period	-	-	-	-	2,090,267	-	1,184,168	3,274,435
Transfers				170,557			(170,557)	-
Transactions with equity holders, recognised directly in equity								
Dividends to equity holders							(1,060,391)	(1,060,391)
Total transactions with equity holders	-	-	-	-	-	-	(1,060,391)	(1,060,391)
Balance as at 30 September 2012	2,650,977	2,064,837	1,135,000	520,772	11,521,319	13,779,839	1,676,327	33,349,071
Balance as at 01 April 2013	2,650,977	2,064,837	1,285,000	721,025	11,167,285	13,779,839	3,037,541	34,706,504
Total comprehensive income for the period								
Profit for the period							964,625	964,625
Other comprehensive income (net of tax)					548,539			548,539
Total comprehensive income for the period	-	-	-	-	548,539	-	964,625	1,513,164
Transfers				175,412			(175,412)	-
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 September 2013	2,650,977	2,064,837	1,285,000	896,437	11,715,824	13,779,839	2,501,266	34,894,180

Statement of Changes in Equity
For the period ended 30.09.2013
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 2012	2,650,977	2,064,837	1,135,000	350,215	6,961,724	13,779,839	5,560,454	32,503,046	424,635	32,927,681
Total comprehensive income for the period										
Profit for the period							1,388,821	1,388,821	39,619	1,428,440
Other comprehensive income (net of tax)					2,100,082		65,748	2,165,830	56,026	2,221,856
Total comprehensive income for the period	-	-	-	-	2,100,082	-	1,454,569	3,554,651	95,645	3,650,296
Transfers				170,557			(170,557)	-		-
Transactions with equity holders, recognised directly in equity										
Dividends to equity holders							(1,060,391)	(1,060,391)	(47,621)	(1,108,012)
Shares issued to non controlling interest by Sub of Joint venture								-		-
Total transactions with equity holders	-	-	-	-	-	-	(1,060,391)	(1,060,391)	(47,621)	(1,108,012)
Balance as at 30 September 2012	2,650,977	2,064,837	1,135,000	520,772	9,061,806	13,779,839	5,784,075	34,997,306	472,659	35,469,965
Balance as at 01 April 2013	2,650,977	2,064,837	1,285,000	721,025	8,718,485	13,779,839	7,519,913	36,740,076	512,377	37,252,453
Total comprehensive income for the period										
Profit for the period							1,187,896	1,187,896	51,400	1,239,296
Other comprehensive income (net of tax)					568,924		24,278	593,202	6,383	599,585
Total comprehensive income for the period	-	-	-	-	568,924	-	1,212,174	1,781,098	57,783	1,838,881
Transfers				175,412			(175,412)	-		-
Transactions with equity holders, recognised directly in equity										
Adjustment to opening Bal								-		-
Dividends to equity holders							(1,325,488)	(1,325,488)	(57,567)	(1,383,056)
Shares issued to non controlling interest by Sub of Joint venture								26,526	26,526	26,526
Total transactions with equity holders	-	-	-	-	-	-	(1,325,488)	(1,325,488)	(31,041)	(1,356,530)
Balance as at 30 September 2013	2,650,977	2,064,837	1,285,000	896,437	9,287,409	13,779,839	7,231,187	37,195,686	539,119	37,734,805

Cash Flow Statement

<i>For the period ended</i>	Bank		Group	
	30-09-2013	30-09-2012	30-09-2013	30-09-2012
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flow from operating activities				
Interest Receipts	4,106,655	3,674,409	7,977,753	6,082,986
Interest payments	(2,454,028)	(1,845,592)	(5,078,947)	(3,382,547)
Recoveries on loans previously written off	10,536	36,787	11,017	36,787
Receipts from other operating activities	933	269,458	369,048	675,851
Cash payments to employees & suppliers	(846,055)	(842,168)	(2,032,832)	(1,790,497)
Value added tax	(175,089)	16,329	(260,591)	(70,111)
Operating Cash flow before changes in operating assets and liabilities	642,952	1,309,223	985,448	1,552,469
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	-	-	(537,073)	(704,891)
Funds advanced to customers	2,720,348	(2,636,056)	(3,366,267)	(7,142,181)
Others	106,167	230,304	96,434	190,059
Increase /(decrease) in operating liabilities:				
Security deposits from customers	-	-	-	95
Deposits from customers	(1,319,535)	3,558,750	4,524,623	13,884,194
Negotiable certificates of deposit	-	-	62,991	66,094
Others	(43,503)	(322,640)	(30,602)	(341,944)
Net cash flow from operating activities before income tax	2,106,429	2,139,581	1,735,554	7,503,896
Income tax paid	(176,344)	(130,274)	(250,074)	(177,369)
Net cash flow from/(used in)operating activities	1,930,085	2,009,307	1,485,480	7,326,527
Cash flow from investing activities				
Dividends received	797,966	672,284	655,607	561,018
Interest received	545,120	210,393	1,146,577	574,600
Government Securities	(1,238,597)	(2,399,717)	(4,630,357)	358,540
Proceeds from sale and redemption of securities	444,134	386,374	444,134	386,374
Purchase of securities	(228,830)	(209,415)	(312,137)	(148,048)
Investment in associates by Joint Venture	-	-	(121,275)	-
Investment in additional shares of subsidiaries-DFCC Vardhana Bank PLC	-	(4,546)	-	(4,546)
Purchase of property , equipment ,intangibles and investment property	(46,356)	(107,766)	(178,075)	(214,456)
Proceeds from sale of equipment and investment property	4,427	624	6,633	28,162
Net cash from/(used in) investing activities	277,864	(1,451,769)	(2,988,893)	1,541,645
Cash flow from financing activities				
Issue of new shares by Subsidiary of joint venture	-	-	57,034	-
Borrowing , medium and long - term	270,960	9,825,711	519,492	9,825,711
Other borrowings	2,381,705	(1,686,500)	4,730,531	(2,593,929)
Repayment of borrowing ,medium and long - term	(5,757,045)	(6,270,321)	(6,020,108)	(6,270,321)
Dividends paid	(1,317,029)	(1,053,506)	(1,374,596)	(1,102,517)
Net Cash flow from/(used in) financing activities	(4,421,409)	815,384	(2,087,647)	(141,056)
Net increase/(decrease) in cash & cash equivalents	(2,213,461)	1,372,922	(3,591,060)	8,727,116
Cash & cash equivalents/(overdraft-net) at the beginning of period	7,558,956	4,217,219	12,347,546	7,984,260
Cash & cash equivalents at the end of period	5,345,495	5,590,141	8,756,486	16,711,376
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	599,530	568,469	2,918,511	2,195,122
Placements with banks	4,656,436	4,940,109	5,690,837	6,362,350
Government Securities-less than 3 months	89,529	81,563	163,254	8,172,443
Borrowing short term - Bank overdrafts	-	-	(16,117)	(18,539)
	5,345,495	5,590,141	8,756,486	16,711,376

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

The accounting policies and methods of computations are consistent with those policies and methods followed during the previous financial year

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 Investments

For the period ended 30 September	Bank		Group	
	2013	2012	2013	2012
	LKR 000	LKR 000	LKR 000	LKR 000
Gain on sale of securities	74,211	74,438	74,211	74,438
Dividend income	191,825	168,713	43,953	51,933
Net gain from repurchase transactions	4,102	2,649	65,184	51,699
	270,138	245,800	183,348	178,070

Note 7. Other Operating Income/(Loss)-net

For the period ended 30 September	Bank		Group	
	2013	2012	2013	2012
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange gain/(loss)	(463,984)	90,448	(358,137)	214,217
Others	47,621	77,110	55,733	113,532
	(416,363)	167,558	(302,404)	327,749

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 8. Loans and Receivables to Other Customers

As at	Bank		Group	
	30-09-2013	31-03-2013	30-09-2013	31-03-2013
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 8.1)	59,331,443	62,191,645	107,699,615	104,396,499
Less: Individual impairment (Note 8.2.1)	(1,477,099)	(1,477,986)	(3,496,832)	(3,229,925)
Collective impairment (Note 8.2.2)	(2,043,584)	(1,868,892)	(3,094,196)	(2,767,131)
Net loans and receivables	55,810,760	58,844,767	101,108,587	98,399,443

Note 8.1 Loans and Receivables to Other Customers - By product

As at	Bank		Group	
	30-09-2013	31-03-2013	30-09-2013	31-03-2013
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	-	-	17,859,953	15,122,703
Trade finance	-	-	7,629,002	6,842,089
Credit cards	-	-	78,568	62,118
Pawning	-	-	4,047,290	3,625,272
Staff loans	467,858	424,505	783,819	710,586
Term loans	42,941,180	44,539,949	54,310,271	53,668,262
Lease rentals receivable	8,967,898	9,487,857	10,306,734	10,722,720
Commercial papers and asset back notes	713,220	1,079,531	713,220	1,079,531
Debtenture loans	903,500	1,096,741	903,500	1,096,741
Preference shares	1,481,175	1,792,405	1,331,175	1,642,405
Securities purchased under resale agreements	-	535,506	501,438	1,644,785
	55,474,831	58,956,494	98,464,970	96,217,212
By product-Foreign Currency				
Overdrafts	-	-	479,124	555,292
Trade finance	-	-	3,988,056	3,457,209
Term loans	3,856,612	3,235,151	4,767,465	4,166,786
	3,856,612	3,235,151	9,234,645	8,179,287
Gross Loans and Receivables	59,331,443	62,191,645	107,699,615	104,396,499

Note 8.2 Movement in Individual and Collective Impairment during the period for Loans and Receivable to Other Customers

As at	Bank		Group	
	30-09-2013 LKR 000	31-03-2013 LKR 000	30-09-2013 LKR 000	31-03-2013 LKR 000
8.2.1 Individual Impairment				
Opening balance	1,477,986	1,383,599	3,229,925	2,812,113
Charge/(Write back) to income statement	5,293	104,388	249,653	417,218
Other movements	-	-	23,434	10,595
Effect of discounting	(6,180)	(10,001)	(6,180)	(10,001)
Closing balance	1,477,099	1,477,986	3,496,832	3,229,925
8.2.2 Collective Impairment				
Opening balance	1,868,892	2,093,397	2,767,131	2,896,612
Charge/(Write back) to income statement	249,154	52,988	392,812	243,222
Other movements	-	-	24,978	4,239
Write-off during the year	(73,119)	(238,791)	(89,382)	(338,240)
Transfers to dues on terminated leases	(1,343)	(38,702)	(1,343)	(38,702)
Closing balance	2,043,584	1,868,892	3,094,196	2,767,131
Total Individual and Collective impairment	3,520,683	3,346,878	6,591,028	5,997,056

Note 9. Due to Other Customers - By product

As at	Bank		Group	
	30-09-2013 LKR 000	31-03-2013 LKR 000	30-09-2013 LKR 000	31-03-2013 LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	-	-	1,336,501	1,351,536
Savings deposits	-	-	10,023,065	9,142,650
Fixed deposits	13,379,870	14,151,819	46,922,785	41,837,373
Margin deposits	-	-	134,078	126,907
Certificate of deposits	-	-	438,159	370,833
	13,379,870	14,151,819	58,854,588	52,829,299
By product- Foreign Currency				
Demand deposits (current accounts)	-	-	215,079	87,122
Savings deposits	-	-	881,109	863,198
Fixed deposits	806,022	1,396,248	7,968,534	8,966,042
Margin deposits	-	-	21,016	4,605
	806,022	1,396,248	9,085,738	9,920,967
Total	14,185,892	15,548,067	67,940,326	62,750,266

Note 10. Post Balance Sheet Events

DFCC Bank on 24 October 2013 committed to issue International Notes to the value of USD 100 million with a tenor of 5 years at a coupon rate of 9.625%. These Notes will be listed in the Singapore Exchange Securities Trading Ltd.

No other circumstances have arisen which would require disclosure or adjustments to the accounts

Note 11. Disclosures under Appendix 7B of the Listing Rules**11.1 Bank has not incurred management fees or any other similar expenditure****11.2 Share Capital****Number of shares**

Number of shares of the Bank on 30 September 2013
(No increase from 31 March 2013)

265,097,688

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.

11.3 Twenty Major Shareholders as at 30.09.2013

	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	22,886,700	8.63
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	3,133,300	1.18
15	Employees Trust Fund Board	2,559,601	0.97
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	National Savings Bank	1,342,024	0.51
20	Renuka Consultants & Services Limited	1,097,992	0.41

11.4 Public holding as at 30.09.2013 is 63.26%

11.5 Directors' Interests in Shares

	No of Shares As at 30.09.2013
Brito, J M S - Chairman	28,760
Fonseka, A N –CEO/ Ex-officio Director**	142,006*
Abeyewardena, A S	10,380
Dayasri, G K	1,036
Gunawardana, H M N S	Nil
Jansz, C R	1,000
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	1000

*Directors' shareholding includes shares held by the spouse.

** Mr. A N Fonseka relinquished his duties as CEO with effect from 30.09.2013

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 .

J M S Brito
Chairman

A R Fernando
Ex-officio Director
& Chief Executive

R A P Withana
Chief Financial Officer

30/10/2013

DFCC Listed Debenture

	Interest Payable Frequency	Applicable Interest Rate	Interest rate of Comparative Government Securites (Gross)	Balance as at 30.09.2013 LKR 000
Debenture Category				
Fixed Rate				
2006/2016 - 14.00% p.a.	Annually	14.00%	12.28%	<u>650,749</u>
Other Ratios		30.09.2013	31.03.2013	
Debt to equity Ratio		1.01	1.72	
Interest cover		1.25	1.38	
Liquid Asset Ratio (%)		47.0	52.8	

Business Segment Information
For the period ended 30 September 2013

	Lending		Financial Leasing		Investing in Equity		Commercial Banking		Other		Unallocated		Eliminations		Total	
	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000
Revenue																
Interest income	4,252,292	3,672,103	702,662	663,468	-	-	4,456,565	3,153,020	81,303	47,358	-	-	(43,736)	(47,569)	9,449,086	7,488,380
Net fees and commission income	56,143	39,614					316,599	285,387	137,579	152,848			(78,303)	(112,498)	432,018	365,351
Net gain/(loss) from trading							82,128	42,997	(194)	(2,651)	1,028	334			82,963	40,680
Net gain/(loss) from financial instruments designated at fair value through profit and loss							(80,775)	12,257			59,532	(147,952)			(21,243)	(135,695)
Net gain/(loss) from financial investments					270,138	245,800	35,538	19,118	33,207	41,580			(155,535)	(128,428)	183,348	178,070
Other income	-	25,083	-	-	(4,102)	(2,239)	24,691	8,734	103,857	87,898	(412,261)	144,714	(14,532)	(13,272)	(302,347)	250,918
Income from external customers	4,308,435	3,736,800	702,662	663,468	266,036	243,561	4,834,746	3,521,513	355,752	327,033	(351,701)	(2,904)	(292,106)	(301,767)	9,823,825	8,187,704
Total income	4,308,435	3,736,800	702,662	663,468	266,036	243,561	4,834,746	3,521,513	355,752	327,033	(351,701)	(2,904)	(292,106)	(301,767)	9,823,825	8,187,704
Percentage*	44	46	8	9	3	3	48	42	4	4	(3)	(1)	-	-	100	100
Expense																
Segment losses	226,543	129,803	30,925	24,667	11,803	-	387,504	373,003							656,775	527,473
Depreciation							87,418	81,741	19,245	12,261					106,663	94,002
Other operating & interest expenses	2,004,947	1,873,867	340,019	357,924	-	-	3,796,533	2,561,666	247,439	223,713			(136,571)	(173,339)	6,252,367	4,843,831
	2,231,490	2,003,670	370,944	382,591	11,803.00	-	4,271,455	3,016,410	266,684	235,974	-	-	(136,571)	(173,339)	7,015,805	5,465,306
Result	2,076,945	1,733,130	331,718	280,877	254,233	243,561	563,291	505,103	89,068	91,059					2,808,020	2,722,398
Unallocated expenses															814,173	751,424
Value Added Tax															259,709	59,864
															1,734,138	1,911,110
Share of profits of associates															53,953	5,872
Profit before tax															1,788,091	1,916,982
Income tax on profit on ordinary activities															548,795	488,542
Profit after tax															1,239,296	1,428,440
Non controlling interests															51,400	39,619
Profit for the Equity Holders of the Bank															1,187,896	1,388,821
Profits for the period															1,239,296	1,428,440
Other Comprehensive Income net of tax					548,539	2,090,267	17,452	6,938	33,594	124,651					599,585	2,221,856
Total Comprehensive Income															1,838,881	3,650,296
Total Comprehensive Income - Non controlling interests															57,783	95,645
Profit for the Equity Holders of the Bank															1,781,098	3,554,651
Assets	69,402,731	67,906,112	10,073,364	10,756,955	4,410,952	4,420,086	67,006,254	54,932,256	4,307,119	3,323,690	1,278,103	2,067,220	(921,972)	(921,972)	155,556,551	142,484,347
Percentage*	45	48	6	8	3	3	43	39	3	2	1	1	(1)	(1)	100	100
Investment in associate company															592,937	405,176
															156,149,488	142,889,523
Liabilities	41,990,021	41,119,354	7,818,591	8,650,310	-	-	63,019,850	51,260,358	2,415,719	1,592,502	4,092,474	5,719,006	(921,972)	(921,972)	118,414,683	107,419,558

* 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 internal review and analysis of the banking business and is derived from total Group financial statements.

Income statement of DVB for the 6 months ended 30 June is consolidated with Income statements of DFCC for the 6 months ended 30 September

For the six months ended 30 September

	2013	2012
	LKR 000	LKR 000
Income	9,637,753	8,046,298
Interest income	9,397,854	7,458,153
Interest expenses	5,305,753	4,155,015
Net Interest Income	4,092,101	3,303,138
Fee and commission income	376,190	330,184
Less: Fee and commission expenses	3,448	5,183
Net Fee and Commission Income	372,742	325,001
Net gain/(loss) from trading	83,156	43,331
Net gain/(loss) from financial instruments at fair value through profit or loss	(21,187)	(212,527)
Net gain from financial investments	207,066	186,064
Other operating income (net)	(405,325)	241,092
Total Operating Income	4,328,553	3,886,099
Charge of Impairment for loans and other losses		
Individual Impairment	249,653	207,481
Collective Impairment	392,812	321,376
Others	14,310	(1,384)
Net Operating Income	3,671,778	3,358,626
Less: Operating Expenses		
Personnel expenses	774,117	682,781
Depreciation and Amortisation	154,236	142,840
Other operating expenses	781,721	603,516
Operating Profit Before Value Added Tax	1,961,704	1,929,489
Value added tax (VAT) on financial services	259,709	59,864
Profit Before Tax	1,701,995	1,869,625
Tax expenses	521,961	469,707
Profit for the Year	1,180,034	1,399,918

Note 01 Reconciliation with Group profit

For the six months ended 30 September

	2013	2012
	LKR 000	LKR 000
Profit for the period - DBB	1,180,034	1,399,918
Consolidation adjustments		
Dividend from subsidiaries accounted in DBB	(56,926)	(49,574)
WHT on dividend received	(5,718)	(4,902)
Reversal of provision for fall in value of investments in subsidiary	1,117,390	1,345,442
Add: Profit from other subsidiaries and Joint venture attributable to equity holders of DFCC Bank		
Subsidiaries	55,347	75,348
Joint venture	65,565	5,709
Share of profits of associate	994	1,941
Profit for the Period	1,239,296	1,428,440

Composition of the Joint Venture Results

	2013	2012
	LKR 000	LKR 000
Joint venture and its subsidiaries	12,606	1,778
Associates of joint venture and its subsidiaries	52,959	3,931
	65,565	5,709