

DFCC Bank - Supplementary Financial Information

This information relates to the consolidation of development banking business of DFCC Bank (DFCC) and commercial banking business of its subsidiary DFCC Vardhana Bank Limited (DVB) - the Banking Business and is derived from the total Group audited income statement issued for external use on **30 May 2011** by the Board of Directors and includes undernoted **specific adjustments**. These adjustments for purposes of internal review and analysis are made to facilitate comparison on like for like basis by adjusting for distortions arising from disposal of associate/subsidiary transactions in current and previous financial years.

Thus for this purpose following adjustments have been made :

- i. Segregation of exceptional gain on part sale of shares in Commercial Bank of Ceylon PLC (CBC) in FYE 31 March 2011, sale of subsidiary Lanka Ventures PLC (LVL) to joint venture company in FYE 31 March 2010.
- ii. Accounting for dividends from CBC and LVL as income instead of equity accounted profit for both years. Financial year of DVB is year ended 31 December and consolidation with the parent DFCC is with 3 month gap
- iii. Forward exchange premium on US Dollar/LKR swap is treated as interest expense with corresponding adjustment to foreign exchange income

DFCC Bank owned 95.58% of DVB on 31 December 2010 and 2009, dates of consolidation. The ownership increased subsequent to 31 March 2011 to 98.94%. It has the regulatory approval to own 100%.

Consolidated Income Statement DFCC Bank and DFCC Vardhana Bank Ltd Banking Business

For the year ended 31 March	Audited	
	2011 Rs 000	2010 Rs 000
Interest income	9,512,191	11,570,758
Interest expense	(4,481,429)	(6,825,795)
Net interest income	5,030,762	4,744,963
Other income:		
Dividends from CBC (as investment security)	576,625	422,804
Dividends from non-affiliated entities	173,507	222,931
Gains from sale of non-affiliated quoted shares	52,506	145,274
Foreign exchange income	28,192	158,964
Fees and commission income	384,781	257,581
Others	503,639	310,340
Operating income	6,750,012	6,262,857
Personnel costs	1,014,566	932,555
Provision for staff retirement benefits	180,717	139,961
Premises, equipment & establishment expenses	621,511	537,966
Other overhead expenses	711,970	524,569
Operating expenses	2,528,764	2,135,051
Operating profit before provisions	4,221,248	4,127,806
Allowances for credit losses		
- Specific Provision charge	1,224,992	1,100,397
- Specific Provision- recoveries	(772,493)	(540,753)
- General Provision	25,953	29,652
	478,452	589,296
Operating profit before value added tax	3,742,796	3,538,510
Value added tax on financial services	(739,794)	(783,536)
Operating profit before income tax	3,003,002	2,754,974
Income tax expense	(1,006,913)	(1,020,815)
Profit after tax	1,996,089	1,734,159
Minority Interest DVB	(12,199)	(11,860)
Profit after tax attributable to shareholders of DFCC	1,983,890	1,722,299
Segregated exceptional profit on sale of CBC/LVL - post tax reduced by minority interest	3,000,820	227,514
Share of profits of National Asset Management Ltd - Associate	6,413	6,133
Adjusted Profit after tax attributable to equity holders of parent company - DFCC Bank	4,991,123	1,955,946

A N Fonseka
Chief Executive Officer
30 May 2011

DFCC Bank

Income Statement

	Notes		Bank				Group			
			For the year ended		For the quarter ended		For the year ended		For the quarter ended	
	(Audited)						(Audited)			
For the year ended	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Income	14,058,085	8,695,864	1,747,371	2,028,769	15,697,070	12,938,264	2,722,037	3,044,816		
Interest income	6,206,458	7,416,335	1,445,929	1,597,615	9,658,167	11,793,481	2,294,911	2,670,491		
Interest income on loans & advances	4,800,751	6,134,891	1,202,762	1,237,426	7,045,810	8,807,989	1,744,518	1,897,233		
Interest income on other interest earning assets	1,405,707	1,281,444	243,167	360,189	2,612,357	2,985,492	550,393	773,258		
Less : Interest expenses	2,786,098	4,224,044	601,708	861,765	4,394,201	6,595,929	992,379	1,225,479		
Interest expense on deposits	505,663	791,519	101,208	171,436	2,012,069	2,980,745	468,759	593,710		
Interest expense on other interest bearing liabilities	2,280,435	3,432,525	500,500	690,329	2,382,132	3,615,184	523,620	631,769		
Net interest income	3,420,360	3,192,291	844,221	735,850	5,263,966	5,197,552	1,302,532	1,445,012		
Non interest income	7,851,627	1,279,529	301,442	431,154	6,038,903	1,144,783	427,126	374,325		
Foreign exchange income	(61,946)	(49,627)	4,935	(24,959)	(32,681)	(139,481)	17,522	(33,676)		
Other income	7,913,573	1,329,156	296,507	456,113	6,071,584	1,284,264	409,604	408,001		
Less : Non interest expenses	1,394,962	1,202,333	510,006	426,821	2,825,952	2,394,471	878,022	835,522		
Personnel costs	722,240	642,374	292,210	282,908	1,337,367	1,139,290	484,257	451,072		
Provision for staff retirement benefits	68,390	72,483	14,028	(4,782)	68,390	72,483	9,528	(4,782)		
Premises, equipment & establishment expenses	264,634	232,525	85,431	61,353	630,266	552,237	201,195	156,564		
Loss on trading / investment securities	0	0	0	0	3,125	0	3,125	0		
Other operating expenses	322,171	240,718	113,269	82,884	718,386	568,818	157,580	215,777		
Amortization of intangible assets										
Negative goodwill	-	-	-	-	(7,313)	0	(173)	0		
Software	17,527	14,233	5,068	4,458	75,731	61,643	22,510	16,891		
Less : Provision for bad & doubtful debts and loans written off	110,478	208,137	(52,501)	76,713	345,237	441,708	(25,106)	105,820		
Provisions - general	153	22,996	4,875	7,920	25,953	29,652	4,478	10,565		
Provisions - specific	828,572	670,509	134,795	181,018	1,213,940	1,093,392	219,355	275,469		
Recoveries	(727,271)	(489,399)	(193,993)	(112,364)	(905,708)	(688,341)	(251,646)	(181,686)		
Loans written off	9,024	4,031	1,822	139	11,052	7,005	2,707	1,472		
Less : Provision for fall in value of dealing & investment securities losses	0	0	0	0	0	0	0	0		
Operating profit on ordinary activities before taxes	9,766,547	3,061,350	688,158	663,470	8,131,680	3,506,156	876,742	877,995		
Less : Value added tax on financial services	1,890,229	658,673	74,218	167,036	2,080,063	840,415	107,509	231,519		
Operating profit on ordinary activities before corporate tax	7,876,318	2,402,677	613,940	496,434	6,051,617	2,665,741	769,233	646,476		
Share of profits of associates after tax	-	-	-	-	217,758	1,085,261	6,818	324,983		
Operating profit before corporate tax	7,876,318	2,402,677	613,940	496,434	6,269,375	3,751,002	776,051	971,459		
Less : Income tax on profit on ordinary activities	738,867	689,441	92,778	110,657	1,098,302	1,067,232	147,875	239,712		
Profit for the period	7,137,451	1,713,236	521,162	385,777	5,171,073	2,683,770	628,176	731,747		
Attributable to										
Equity holders of the Bank					5,090,313	2,579,972	611,115	710,613		
Minority interest					80,760	103,798	17,061	21,134		
	7,137,451	1,713,236	521,162	385,777	5,171,073	2,683,770	628,176	731,747		
Basic earnings per share - Rs	26.95	6.48	1.97	1.46	19.22	9.75	2.31	2.69		
Diluted earnings per share - Rs	26.93	6.48	1.97	1.46	19.21	9.75	2.31	2.69		

Balance Sheet

As at	Notes	Bank	Group		
		31.03.11 Rs 000 (Audited)	31.03.10 Rs 000 (Audited)	31.03.11 Rs 000 (Audited)	31.03.10 Rs 000 (Audited)
On-Balance Sheet Assets					
Cash in hand		409	288	943,289	859,797
Balances with Central Bank of Sri Lanka		0	0	894,235	802,076
Due from Banks and other financial institutions		1,656,220	3,735,356	2,601,072	2,487,908
Investments - trading account		477,689	56,355	1,350,334	1,835,530
Government securities		392,447	0	1,265,092	1,779,175
Other securities		85,242	56,355	85,242	56,355
Investments - held to maturity (net of provisions)		14,139,655	9,649,600	23,849,570	23,962,797
Government securities		10,108,128	7,651,073	17,164,024	21,961,660
Investments in ordinary shares		2,835,036	406,625	5,356,816	409,235
Investments in preference shares		777,167	1,180,083	816,157	1,180,083
Investments in debentures		0	0	80,750	0
Investments in unit trusts		419,324	411,819	444,324	411,819
Less : Provision for decline in value of Investments		0	0	12,500	0
Investment in associate companies		35,270	3,187,229	177,291	7,818,997
Investment in subsidiary companies		2,441,320	2,408,320	16,000	-
Investment in joint venture company		655,000	250,000	-	-
Total loans and advances					
Total performing loans and advances		38,727,397	33,976,924	56,333,286	46,954,580
Bills of exchange discounted		0	0	282,761	313,155
Overdrafts		0	0	6,958,535	5,667,037
Finance leases		6,053,014	3,391,209	6,053,014	3,391,209
Other loans		32,674,383	30,585,715	43,038,976	37,583,179
Total non performing loans and advances		3,836,120	5,424,052	6,179,232	7,682,371
Bills of exchange discounted		0	0	35,102	30,592
Overdrafts		0	0	969,895	946,679
Finance leases		307,458	574,559	307,458	574,559
Other loans		2,311,673	3,193,863	3,162,130	4,131,112
Loan interest receivable		1,216,989	1,655,630	1,704,647	1,999,429
Total gross loans and advances		42,563,517	39,400,976	62,512,518	54,636,951
Less :					
Interest in suspense		1,216,989	1,655,630	2,185,679	2,327,857
Provision for credit losses - specific		1,707,828	1,519,093	2,528,249	2,143,643
Provision for credit losses - general		459,740	459,587	588,608	563,122
Net loans and advances		39,178,960	35,766,666	57,209,982	49,602,329
Group balances receivable		15,950	36,121	0	150
Prepayments		17,331	23,853	17,331	23,853
Other receivables		769,359	870,260	1,759,477	1,903,858
Deferred tax asset		0	0	1,781	806
Assets held for sale		0	0	2,875	2,875
Investment property		0	6,500	233,579	132,641
Goodwill on consolidation		-	-	226,411	156,225
Property and equipment (Net of accumulated depreciation)		493,465	375,558	939,415	784,219
Intangible assets		45,491	49,979	173,042	160,034
Total On Balance Sheet Assets		59,926,119	56,416,085	90,395,685	90,534,095

Balance Sheet

As at	Notes	Bank	Group		
		31.03.11 Rs 000 (Audited)	31.03.10 Rs 000 (Audited)	31.03.11 Rs 000 (Audited)	31.03.10 Rs 000 (Audited)
On Balance Sheet Liabilities					
Total deposits		3,688,183	5,123,657	25,416,397	25,503,685
Demand deposits		0	0	1,428,724	968,679
Savings deposits		0	0	5,384,399	4,598,808
Time deposits		3,688,183	5,123,657	18,272,328	19,775,256
Margin deposits		0	0	230,357	95,708
Other deposits		0	0	100,589	65,234
Total borrowings		32,260,523	33,530,376	35,376,893	40,061,607
Borrowings from CBSL		739,704	1,054,928	739,704	1,054,928
Borrowings from Banks and financial institutions in Sri Lanka		3,419,819	3,000,000	3,451,939	5,009,306
Borrowings from Banks and financial institutions abroad		1,982,521	2,240,993	2,018,100	2,314,177
Borrowings under repurchase agreements		1,512,000	115,000	4,560,671	4,441,741
Debentures - Subordinated		2,000,000	2,000,000	2,000,000	2,000,000
Debentures - Others		1,200,000	2,700,000	1,200,000	2,700,000
Other Borrowings		21,406,479	22,419,455	21,406,479	22,541,455
Group balances payable		0	151	0	0
Interest accrued		842,137	1,081,782	1,224,362	1,590,653
Current taxation		230,858	199,786	401,254	307,836
Deferred taxation		275,121	271,144	315,313	319,412
Other liabilities		555,754	486,365	1,637,430	1,377,116
Proposed Dividends		1,854,682	0	1,854,682	0
Total On Balance Sheet Liabilities		39,707,258	40,693,261	66,226,331	69,160,309
Equity					
Share capital	12.2	2,648,838	1,323,753	2,648,838	1,323,753
Share premium		2,054,546	3,371,911	2,054,546	3,371,911
Stated Capital		4,703,384	4,695,664	4,703,384	4,695,664
Reserve fund		1,015,000	655,000	1,015,000	655,000
General reserve		11,433,439	9,379,839	11,433,439	9,379,839
Retained profit		3,067,038	992,321	6,530,865	6,215,856
Shareholders' equity		20,218,861	15,722,824	23,682,688	20,946,359
Minority interest		-	-	486,666	427,427
Total equity		20,218,861	15,722,824	24,169,354	21,373,786
Total equity and liabilities		59,926,119	56,416,085	90,395,685	90,534,095
Off-Balance Sheet Items and Contra Accounts					
Contingencies		2,028,434	2,403,156	10,641,416	10,598,045
Commitments		13,951,295	7,117,539	15,871,369	8,355,875
Net assets value per share, Rs		76.33	59.37	89.41	79.10
Memorandum Information					
Number of employees		451	427	1,278	1,047
Number of branches and extension offices		20	18	144	93
The highest, the lowest and the last traded market price recorded during the quarter ended					
		31.03.2011	31.03.2010 (Pre Bonus)		
- Highest price Rs.		249.90	183.50		
- Lowest price Rs.		169.10	164.50		
- Last traded price Rs.		171.80	180.50		

1 for 1 bonus shares was issued on 1 November 2010

Statement of Changes in Equity - Bank

	Ordinary Shares Rs. 000	Share Premium Rs. 000	Reserve Fund Rs. 000	General Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
Balance as at 01.04.2009	1,307,325	3,207,818	565,000	8,637,839	772,862	14,490,844
Issue of shares under employee share option plan	16,428	165,210				181,638
Profit for the period					1,713,236	1,713,236
Final dividends approved on 30.06.2009					(661,777)	(661,777)
Share issue expenses		(1,117)				(1,117)
Transfers			90,000	742,000	(832,000)	-
Balance as at 31.03.2010	1,323,753	3,371,911	655,000	9,379,839	992,321	15,722,824
Balance as at 01.04.2010	1,323,753	3,371,911	655,000	9,379,839	992,321	15,722,824
Issue of shares under employee share option plan	765	7,055				7,820
Profit for the period					7,137,451	7,137,451
Final dividends approved on 30.06.2010					(794,452)	(794,452)
Interim dividend approved on 31.03.2011					(1,854,682)	(1,854,682)
Share issue expenses		(100)				(100)
Bonus issue of shares	1,324,320	(1,324,320)				-
Transfers			360,000	2,053,600	(2,413,600)	-
Balance as at 31.03.2011	2,648,838	2,054,546	1,015,000	11,433,439	3,067,038	20,218,861

Statement of Changes in Equity - Group

	Attributable to equity holders of the bank					Minority Interest Rs. 000	Total Rs. 000
	Ordinary Shares Rs. 000	Share Premium Rs. 000	Reserve Fund Rs. 000	General Reserve Rs. 000	Retained Earnings Rs. 000		
Balance as at 01.04.2009	1,307,325	3,207,818	565,000	8,637,839	5,333,945	641,251	19,693,178
Issue of shares under employee share option plan	16,428	165,210					181,638
Profit for the year					2,579,972	103,798	2,683,770
Net unrealized losses from Bangladeshi translation - associate company					(2,612)		(2,612)
Reversal of temporary diminution in value of investments- Lanka Ventures PLC					3,996	2,854	6,850
Final dividends approved on 30.06.2009					(661,777)		(661,777)
Dividends distributed to minority interest by subsidiaries						(814)	(814)
Share issue expenses		(1,117)					(1,117)
Disposal of subsidiary - Lanka Ventures PLC					(205,981)	(319,662)	(525,643)
Disposal of subsidiary by joint venture company					313		313
Transfers			90,000	742,000	(832,000)		-
Balance as at 31.03.2010	1,323,753	3,371,911	655,000	9,379,839	6,215,856	427,427	21,373,786
Balance as at 01.04.2010	1,323,753	3,371,911	655,000	9,379,839	6,215,856	427,427	21,373,786
Profit of associate- Commercial Bank PLC Jan 10 to Mar 10					296,716		296,716
Adjusted Balance as at 31 March 2010	1,323,753	3,371,911	655,000	9,379,839	6,512,572	427,427	21,670,502
Issue of shares under employee share option plan	765	7,055					7,820
Bonus issue of shares	1,324,320	(1,324,320)					-
Profit for the year					5,090,313	80,760	5,171,073
Final dividends approved on 30.06.2010					(794,452)		(794,452)
Interim dividend approved on 31-03-2011					(1,854,682)		(1,854,682)
Dividends distributed to minority interest by subsidiaries						(45,874)	(45,874)
Unrealized profit from translation of Bangladeshi operations - associates					(9,286)		(9,286)
Share issue expenses		(100)					(100)
Transfers			360,000	2,053,600	(2,413,600)		-
Acquisitions of subsidiary by joint venture company							
Lanka Ventures PLC						120,013	120,013
Acuity Securities Ltd						(95,660)	(95,660)
Balance as at 31.03.2011	2,648,838	2,054,546	1,015,000	11,433,439	6,530,865	486,666	24,169,354

Selected Performance Indicators

	Bank		Group	
	31.03.11	31.03.10	31.03.11	31.03.10
Regulatory Capital Adequacy				
Core capital (Tier - 1 Capital) Rs. Mn	17,965	12,903	22,382	16,891
Total capital base Rs. Mn	17,087	11,748	22,905	14,890
Core capital ratio (Minimum requirement 5%)	30.3	26.5	27.5	26.2
Total capital ratio (Minimum requirement 10%)	28.8	24.1	28.1	23.1
Asset Quality				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	6.3	10.0	6.6	10.2
- Net exposure % (Net of interest in suspense and provisions)	1.1	4.7	1.5	5.1
Profitability (Annualized)				
Interest margin %	5.7	5.6	5.8	6.1
Return on assets %	13.5	4.2	6.9	4.2
Return on equity %	39.7	11.3	22.8	12.9
Statutory liquid assets Rs. Mn	11,450	10,954		
Statutory liquid assets ratio % (Minimum requirement 20%)	295	214		

Cash Flow Statement

For the year ended 31 March

Cash flow from operating activities

	Bank		Group	
	2011 Rs.000	2010 Rs.000	2011 Rs.000	2010 Rs.000
Interest Receipts	4,832,311	6,308,028	7,248,631	8,953,245
Interest payments	(3,025,744)	(4,334,101)	(4,884,391)	(6,828,902)
Recoveries on loans previously written off	133,215	147,588	133,215	147,588
Receipts from other operating activities	47,014	140,004	911,547	432,050
Cash payments to employees & suppliers	(1,241,320)	(1,061,502)	(2,427,026)	(1,980,934)
Value added tax	(1,910,630)	(662,361)	(2,103,256)	(855,811)

Operating profit before changes in operating assets and liabilities	(1,165,154)	537,656	(1,121,280)	(132,764)
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(Increase)/decrease in operating assets:

Deposits held for regulatory or monetary control purposes	0	0	(92,159)	(33,693)
Funds advanced to customers	(3,252,629)	3,230,210	(7,135,585)	4,846,374
Others	163,470	156,183	(53,013)	466,549

Increase /(decrease) in operating liabilities:

Security deposits from customers	(2,080)	(254)	(12,516)	369
Deposits from customers	(1,433,937)	(172,478)	(122,641)	1,963,177
Negotiable certificates of deposit	(1,537)	(12,305)	35,355	(34,837)
Others	52,798	0	136,439	0

Net cash flow from operating activities before income tax	(5,639,069)	3,739,012	(8,365,400)	7,075,175
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Income tax paid	(571,141)	(387,353)	(761,686)	(663,344)
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Net cash from/(used in) operating activities (Note a)	(6,210,210)	3,351,659	(9,127,086)	6,411,831
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Cash flow from investing activities

Dividends received	660,407	685,108	594,586	708,889
Interest received	1,379,176	1,169,251	2,385,708	2,741,157
Treasury bills eligible for rediscounting with Central Bank	(2,849,168)	(1,745,864)	2,700,552	(8,277,803)
Proceeds from sale and redemption of securities	2,849,809	613,758	2,849,809	649,877
Purchase of securities	(810,705)	(552,743)	(838,977)	(603,743)
Investment in joint venture - Acuity Partners (Pvt) Ltd.	(55,000)	0	0	0
Disposal of subsidiary shares -Lanka Ventures PLC	0	521,993	0	0
Disposal of subsidiary shares by Joint Venture Company	0	0	0	42,337
Disposal of associate shares -Commercial Bank of Ceylon PLC	5,833,708	0	5,833,708	0
Investment in additional shares of subsidiaries-Lanka Industrial Estates Limited	0	(18,753)	0	(18,753)
Investment in additional shares of a subsidiary by Acuity Partners (Pvt) Ltd.(Note b)	0	0	(88,348)	0
Investment in additional shares of subsidiary - (Synapsys Ltd)	(33,000)	0	(16,000)	0
Purchase of property , equipment ,intangibles and investment property	(231,036)	(56,524)	(568,385)	(219,687)
Proceeds from sale of equipment and investment property	55,792	1,678	61,605	2,593
Net cash effect on disposal of Subsidiaries-Lanka Ventures PLC	0	0	0	456,215
Net cash from/(used in) investing activities	6,799,983	617,904	12,914,258	(4,518,918)

Cash flow from financing activities

Issue of debentures	(1,500,000)	0	(1,500,000)	0
Issue of new shares under option	7,820	181,638	7,820	181,638
Share issue expenses	(100)	(1,117)	(100)	(1,117)
Borrowing , medium and long - term	1,511,150	5,435,214	(617,350)	6,660,929
Other borrowings	4,697,000	(2,914,872)	3,223,874	(1,537,859)
Repayment of borrowing ,medium and long - term	(5,965,488)	(5,699,281)	(5,965,488)	(5,699,281)
Dividends paid	(791,378)	(659,083)	(829,594)	(659,795)
Net Cash flow used in financing activities	(2,040,996)	(3,657,501)	(5,680,838)	(1,055,485)

Net increase/(decrease) in cash & cash equivalents	(1,451,223)	312,062	(1,893,666)	837,428
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Cash & cash equivalents/(overdraft-net) at the beginning of period as previously stated	2,822,033	2,509,971	6,999,735	6,162,307
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Consolidated adjustment -Acquisition of Lanka Ventures PLC by joint venture (Note c)	0	0	(328,093)	0
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Cash & cash equivalents at the end of period	1,370,810	2,822,033	4,777,976	6,999,735
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Reconciliation of cash & cash equivalents

Cash & short - term funds	1,490,629	2,822,033	1,548,193	2,343,650
Treasury bills & other securities eligible for rediscounting with Central Bank	0	0	2,605,283	4,678,191
Securities purchased under resale agreements	0	0	758,135	
Borrowing short term - Bank overdrafts	(119,819)	0	(133,635)	(22,106)
	1,370,810	2,822,033	4,777,976	6,999,735

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.

Note a

Reconciliation of profit for the year to net cash from/(used in) operating activities

For the year ended 31 March

	Bank		Group	
	2011 Rs.000	2010 Rs.000	2011 Rs.000	2010 Rs.000
Profit for the year	7,137,451	1,713,236	5,090,313	2,579,972
Add/(deduct) items not using (providing) cash:	194,792	303,220	347,059	(454,823)
Depreciation-Property,equipment and investment property	99,826	90,230	213,959	192,258
Amortisation -Intangible assets	17,527	14,233	76,018	61,643
Unrealised Gains from marked to market on dealing securities	(33,577)	(42,596)	(31,226)	(42,596)
Bad and Doubtful debts	243,693	355,725	478,452	589,296
Notional tax credit on treasury bills and bonds	(132,677)	(114,372)	(242,839)	(275,872)
Provision for fall in value of dealing & investment securities losses	-	-	3,125	-
Amortisation of negative goodwill	-	-	(7,313)	-
(Gain)/ Loss on deemed disposal of associate companies' shares	-	-	(6,119)	1,911
Share of profits of associates	-	-	(217,758)	(1,085,261)
Minority interest	-	-	80,760	103,798
Add/(deduct) items reported gross under investing activities:	(7,637,689)	(1,096,995)	(4,976,365)	(583,937)
Dividend income	(840,391)	(665,814)	(524,762)	(264,037)
Gains on sale of investment securities	(355,731)	(145,274)	(268,645)	(150,242)
Gain on sale of equipment and investment property	(47,802)	(1,514)	(49,878)	(1,152)
Realised Gains from marked to market on dealing securities	(1,660,792)	-	(1,135,478)	-
Gain on disposal of associate company shares	(4,732,973)	-	(2,997,602)	-
Subsidiary disposal Profit	-	(284,393)	-	(142,197)
Gain on disposal of subsidiary by JV company	-	-	-	(26,309)
Add/(deduct) changes in operating assets & liabilities :	(5,904,764)	2,432,198	(9,588,093)	4,870,619
Increase in accounts receivables	(1,374,825)	(993,870)	(2,280,343)	(2,652,475)
Decrease in accounts payables	(223,749)	(77,376)	(400,243)	(88,735)
Increase/(decrease) in income tax payable	163,749	316,138	341,691	375,879
Increase/(decrease) in deferred tax	3,977	(14,050)	(5,074)	28,009
Increase in operating assets	(3,089,159)	3,386,394	(7,280,758)	5,279,234
Increase/(decrease) in operating liabilities	(1,384,757)	(185,038)	36,634	1,928,707
Net cash (used in)/ from operating activities	(6,210,210)	3,351,659	(9,127,086)	6,411,831

Note (b) Increase in Percentage held in Acuity Securities Limited by Joint Venture

	Rs 000
Property plant and equipment	1,124
Intangible assets	266
Reverse re-purchase agreements	288,748
Cash and cash equivalents	355
Government securities	739,981
Loans and advances	2,246
Other receivable	14,842
Re-purchase agreements	(922,344)
Current tax liability	(21,308)
Deferred tax liability	(71)
Other liabilities	(8,211)
Net identifiable assets and liabilities	95,628
Negative goodwill on acquisition	(7,280)
Consideration paid in cash	(88,348)

Note (c) Consolidation adjustment -Acquisition of Lanka Ventures PLC by Joint venture

	Rs 000
Property plant and equipment	247
Reverse re-purchase agreements	5,043
Investment securities	139,890
Investment in Associates	47,645
Cash and cash equivalents	31,504
Commercial papers	10,961
Government securities	61,716
Other receivable	13,363
Other liabilities	(2,260)
Retirement benefit obligations	(571)
Minority Interest	(18,128)
Net identifiable assets and liabilities	289,410
Goodwill on acquisition	70,187
Consideration paid in cash	(359,597)
Cash acquired	31,504
Net cash outflow	(328,093)

Lanka Ventures PLC was disposed by DFCC Bank on 18 January 2010 to Acuity Partners (Pvt) Ltd (AP) and net cash effect on disposal was taken to DFCC Group Cash flow statement for the year ended 31.03.2010. The net cash outflow on the acquisition of Lanka Ventures PLC by AP is adjusted in the current year cash flow statement as a consolidation adjustment since AP is consolidated by DFCC Group with three month time gap.

EXPLANATORY NOTES

Note 1. Accounting policies

The accounting policies and methods of computation are consistent with those policies and methods followed during the previous financial year except for reduction in Bank's own general provision for finance leases. For new leases from 1 July 2010 the general provision is 2 Pc while for the earlier lease portfolio the general provision remains unchanged at 3 Pc. The mandatory general provision on loans and lease portfolio excluding those to which specific provisions apply, imposed by Central Bank of Sri Lanka, is reduced from 1% to 0.9% in the quarter ended 31 December 2010.

Note 2. Accounting for investments in associate companies and subsidiary companies

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

Note 3. Accounting for investment in Joint Venture Company

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

Note 4. 31 December financial year companies

These are DFCC Vardhana Bank Ltd and Synapsys Ltd (subsidiaries) Acuity Partners (Pvt) Limited (joint venture).

Results of these companies are consolidated with DFCC Bank with a three months gap. Thus the consolidated results for the period ended 31.03.2011 include profits of these companies for the period 01.01.2010 to 31.12.2010.

Note 5. Reclassification of investment in Commercial Bank of Ceylon PLC (CBC)

CBC ceased to be an associate company with effect from 02 June 2010
As at 31 March 2011, this investment is included in investment securities.

Note 6. Foreign Exchange Income

All forward exchange contracts of the bank are in respect of funding swaps to take advantage of interest rate differential between LKR and USD. The income derived from LKR is included under net interest income while the premium on forward purchases to cover foreign exchange risk is expensed to foreign exchange income.

Note 7. Non-Interest Income

	Bank		Group	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Dividend income	840,391	665,814	524,762	264,037
Gain on disposal of shares of CBC	6,696,991	0	4,336,734	0
As an Associate	4,732,973	0	2,997,602	0
As Investment Securities	303,226	0	203,654	0
As Dealing Securities up to 30 September 2010	1,660,792	0	1,135,478	0
Net gain on sale of other investment securities	52,505	429,667	64,991	318,748
Unrealised marked to market gain on CBC shares*	4,355	0	4,355	0
Marked to market gain on other quoted ordinary shares	28,888	42,596	28,888	42,596
Other income	228,497	141,452	1,079,173	519,402
Non-interest income	7,851,627	1,279,529	6,038,903	1,144,783

* Transferred to investment securities on 1 October 2010 at the market price on 30 September 2010

Note 8. VAT on Financial Services

	Bank		Group	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Relating to divestment of shares in CBC	1,340,269	0	1,340,269	0
Others	549,960	658,673	739,794	840,415
	<u>1,890,229</u>	<u>658,673</u>	<u>2,080,063</u>	<u>840,415</u>

Note 9. Taxation

	Bank		Group	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Current Income Tax	734,890	703,491	1,103,376	1,039,223
Deferred tax	3,977	(14,050)	(5,074)	28,009
	<u>738,867</u>	<u>689,441</u>	<u>1,098,302</u>	<u>1,067,232</u>

Note 10. Post balance sheet events**10.1 Options Exercised by Employees**

The employees have exercised options during the post Balance Sheet period. Increase in ordinary share capital corresponding to the options exercised was Rs708,360/- and the increase in share premium was Rs3,451,838.28

10.2 Proposed Dividend

The Directors have recommended the payment of a final dividend of Rs3 per share for the year ended 31 March 2011, which require the approval of the shareholders at the Annual General Meeting to be held on 30 June 2011. The Board of Directors confirms that the Bank has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007 and have obtained the certificate from the Auditors

The proposed final dividend exceeds the minimum distribution mandated by the Inland Revenue Act No. 10 of 2006 and therefore the 10% deemed dividend tax, will not be imposed on the Bank.

10.3 Increase in Shareholding in DFCC Vardhana Bank Limited

Pursuant to the approval dated by Central Bank of Sri Lanka on 18 April 2011 permitting DFCC Bank to acquire up to 100% of the shares in the subsidiary, DFCC Vardhana Bank Limited (DVBL), the Bank has increased its shareholding in DVBL to 98.94% from 95.6% on 31 March 2011.

10.4 Statutory Investment - Fund Reserve

Funds equivalent to Statutory Investment Fund Reserve on 31 March 2011, established by appropriation from the profits for the year ended 31 March 2011 were invested in short-term Government Securities on 30 April 2011. Such funds will utilise only for purposes prescribed by Central Bank of Sri Lanka by 30 June 2011

10.5 No other circumstances have arisen which would require disclosure or adjustment to the accounts.

Note 11. Consolidation Adjustments

Transactions are eliminated on consolidation where the financial year of subsidiary company coincides with the financial year of the Bank except in instances where the consolidation is with a three months gap due to differences in financial years.

These transactions, which will be eliminated in quarter ending 30.06.2011, are:

Entity	Transaction	Rs. '000
DFCC Vardhana Bank Limited	Loan – short term	269,000
	Deposit – short term	23,749

Note 12. Disclosures under Appendix 7B of the Listing Rules**12.1 Bank has not incurred management fees or any other similar expenditure****12.2 Share Capital**

	Number of shares
Shares as at 31 March 2010	132,375,305
Issue under share option scheme	76,495
Bonus issue of 1 new share for each share as at 01 November 2010	<u>132,431,968</u>
Shares as at 31 March 2011	<u>264,883,768</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.

12.3 Twenty Major Shareholders as at 31.03.2011

	Name of Shareholder/Company	Shareholding	%
1	Bank of Ceylon No.2 A/c.	38,039,994	14.36
2	Sri Lanka Insurance Corporation Ltd-Life Fund	34,423,532	13.00
3	Hatton National Bank PLC A/c No.1	32,109,140	12.12
4	Mr M A Yaseen	22,841,700	8.62
5	Distilleries Company of Sri Lanka Limited	17,042,856	6.43
6	Seafeld International Limited	15,286,794	5.77
7	Employee Provident Fund	12,632,200	4.77
8	HSBC Intl NomLtd-BPSS Lux-Aberdeen Global Asia Pacific Equity Fund	12,216,146	4.61
9	Renuka City Hotels Limited	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	4,728,800	1.78
12	Renuka Hotels Limited	4,048,360	1.53
13	HSBC Intl Nominees Ltd-SSBT- Aberdeen Institutional Commingled Funds, LLC	2,542,500	0.96
14	Cargo Boat Development Company PLC	2,048,200	0.77
15	Employee Trust Fund Board	2,001,666	0.76
16	HSBC Intl Nominees Ltd-BP2S London-Aberdeen Asia Smaller Companies Investment Trust	1,800,000	0.68
17	HSBC Intl Nominees Ltd-SSBTL-Aberdeen New Dawn Investment Trust XCC6	1,800,000	0.68
18	Mellon Bank N.A. - Florida Retirement Scheme	1,500,000	0.57
19	National Savings Bank	1,342,024	0.51
20	Sri Lanka Insurance Corporation Ltd- General Fund	1,243,800	0.47

12.4 Public holding as at 31.03.2011 is 60.38%

12.5 Directors' interests in shares

	No of Shares*
	As at
	31.03.2011
Brito, J M S - Chairman	18,760
Fonseka, A N – Ex-officio Director	107,998
Abeywardena, A S	10,380
Bandaranayake, T K	1,478
Dayasri, G K	1,036
Gunawardana, H M N S	Nil
Jansz, C R	1,000
Palihena, S N P	10,000
Perera, C P R	20,000
Thambiyah, R B	211,200
Thambiyah, S.R – Alternative Director	Nil

* Directors' shareholding includes shares held by the spouse, and children under 18 years of age.

Certification

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

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- the information in respect of the full year contained in these statements have been extracted from the audited financial statements of the Bank

J M S Brito
Chairman

A.N Fonseka
Ex-officio Director
& Chief Executive

S. Nagarajah
Chief Financial Officer

30/05/2011

Business Segment Information

For the year ended 31 March	Lending		Financial Leasing		Investing in Equity		Venture Capital		Commercial Banking		Other		Unallocated		Eliminations		Total	
	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000	2011 Rs 000	2010 Rs 000
Revenue																		
Interest income	5,353,552	6,614,618	852,906	801,717	-	-	-	46,368	3,368,119	4,235,229	168,221	192,563	-	-	(84,631)	(97,014)	9,658,167	11,793,481
Amortisation of negative goodwill	-	-	-	-	-	-	-	-	-	-	7,313	-	-	-	-	-	7,313	-
Other income	215,312	203,909	-	-	5,929,095	1,095,481	-	46,519	419,004	212,251	590,544	255,652	1,846,552	127,726	(2,828,389)	(649,167)	6,172,118	1,292,371
Income from external customers	5,568,864	6,818,527	852,906	801,717	5,929,095	1,095,481	-	92,887	3,787,123	4,447,480	766,078	448,215	1,846,552	127,726	(2,913,020)	(746,181)	15,837,598	13,085,852
Inter segment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	5,568,864	6,818,527	852,906	801,717	5,929,095	1,095,481	-	92,887	3,787,123	4,447,480	766,078	448,215	1,846,552	127,726	(2,913,020)	(746,181)	15,837,598	13,085,852
Percentage*	35	52	5	6	37	8	-	1	24	34	5	3	30	6	-	-	100	100
Expense																		
Segment losses	248,620	223,897	(4,927)	131,828	-	-	-	-	234,759	233,571	-	-	-	-	-	-	478,452	589,296
Depreciation	-	-	-	-	-	-	-	236	143,727	124,970	28,490	25,396	-	-	-	-	172,217	150,602
Other operating & interest expenses	2,927,686	3,965,377	460,292	425,814	-	-	-	16,504	2,680,017	3,291,677	410,325	217,799	(216,155)	(112,560)	(112,560)	(112,560)	6,262,165	7,804,611
Inter segment expense	-	-	-	-	-	-	-	-	-	-	17,551	-	-	-	(46,626)	(46,626)	-	-
	3,176,306	4,189,274	455,365	557,642	-	-	-	16,740	3,058,503	3,667,769	438,815	272,270	(216,155)	(159,186)	(159,186)	(159,186)	6,912,834	8,544,509
Result	2,392,558	2,629,253	397,541	244,075	5,929,095	1,095,481	-	76,147	728,620	779,711	327,263	175,945					8,924,764	4,541,343
Unallocated expenses																	793,084	1,035,187
Value added tax on financial services																	2,080,063	840,415
Associate companies profit before tax																	6,051,617	2,665,741
Profit before tax																	217,758	1,085,261
Income tax expense																	6,269,375	3,751,002
Profit after tax																	1,098,302	1,067,232
Minority interests																	5,171,073	2,683,770
Profit for the year																	80,760	103,798
																	5,090,313	2,579,972
Assets	33,642,205	33,625,936	5,960,055	3,465,729	4,686,527	2,248,527	-	-	29,525,556	31,335,584	3,547,274	2,645,439	14,708,930	11,319,354	(1,852,153)	(1,925,471)	90,218,394	82,715,098
Percentage*	37	41	7	4	5	3	-	-	33	38	4	3	16	14	-	-	100	100
Investments in associate companies																	177,291	7,818,997
																	90,395,683	90,534,095
Liabilities	27,949,280	27,186,587	5,364,049	3,119,156	-	-	-	-	26,432,096	28,457,733	3,062,217	1,815,006	5,270,842	10,507,298	(1,852,153)	(1,925,471)	66,226,331	69,160,309
Capital expenditure - additions									196,475	122,749	26,266	41,128	231,309	57,154			454,050	221,031

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

Revenue and

Revenue and expenses attributable to the business segment of DFCC Vardhana Bank 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.

Assets held for sale is included in the segment, other

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

* Net of eliminations

Debenture Information

DFCC Listed Debentures

Debenture Categories	Interest Payable Frequency	Applicable Interest Rate	Comparative Govt. Sec. Interest Rate (Gross)
Fixed Rate			
2006/2016 - 14.00% p.a.	Annually	14.00%	9.95%
2006/2011 - 13.75% p.a.	Annually	13.75%	7.86%
Floating Rate			
2006/2011 - 6 months TB rate (Net) + 2.00% p.a.	Semi-Annually	9.35%	7.86%
2006/2011 - 6 months TB rate (Gross) + 1.00% p.a.	Semi-Annually	9.17%	7.86%

6 months TB rate (Net) - Six months weighted average Treasury Bill rate after 10% withholding by the Central Bank of Sri Lanka. (net rate) as published

6 months TB rate (Gross) - Six months weighted average Treasury Bill rate before 10% withholding (gross rate) as published by the Central Bank of Sri Lanka.

Other Ratios	2011	2010
Debt Equity Ratio	1.35	2.13
Interest Cover (Times)	3.54	1.25
Quick Asset Ratio (%)	295	214