

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		Audited		Audited	
For the Year ended		31.03.12 Rs 000	31.03.11 Rs 000	31.03.12 Rs 000	31.03.11 Rs 000	31.03.12 Rs 000	31.03.11 Rs 000	31.03.12 Rs 000	31.03.11 Rs 000
Income		7,314,901	14,058,085	2,224,196	1,747,371	12,021,682	15,697,070	3,628,617	2,722,037
Interest income		5,871,820	6,206,458	1,615,785	1,445,929	9,646,419	9,658,167	2,799,600	2,294,911
Interest income on loans & advances		5,501,493	4,800,751	1,550,155	1,202,762	8,770,633	7,045,810	2,600,987	1,744,518
Interest income on other interest earning assets		370,327	1,405,707	65,630	243,167	875,786	2,612,357	198,613	550,393
Less : Interest expenses		2,880,428	2,786,098	910,464	601,708	4,719,007	4,394,201	1,513,730	992,379
Interest expense on deposits		635,526	505,663	259,528	101,208	2,253,571	2,012,069	780,274	468,759
Interest expense on other interest bearing liabilities		2,244,902	2,280,435	650,936	500,500	2,465,436	2,382,132	733,456	523,620
Net interest income		2,991,392	3,420,360	705,321	844,221	4,927,413	5,263,966	1,285,870	1,302,532
Non interest income		1,443,081	7,851,627	608,411	301,442	2,375,262	6,038,903	829,017	427,126
Foreign exchange income	6	35,375	(61,946)	40,323	4,935	118,872	(32,681)	60,580	17,522
Other income	5	1,407,706	7,913,573	568,088	296,507	2,256,390	6,071,584	768,437	409,604
Less : Non interest expenses		1,441,126	1,394,962	539,486	510,006	3,261,621	2,825,952	1,088,977	878,022
Personnel costs		742,549	722,240	344,958	292,210	1,589,298	1,337,367	621,016	484,257
Provision for staff retirement benefits		90,956	68,390	39,663	14,028	90,956	68,390	39,663	9,528
Premises, equipment & establishment expenses		264,584	264,634	66,673	85,431	691,902	630,266	188,708	201,195
Loss on trading / investment securities		-	0	0	0	0	3,125	-	3,125
Other operating expenses		325,247	322,171	84,518	113,269	823,079	718,386	221,779	157,580
Amortization of intangible assets		-	-	-	-	-	(7,313)	-	(173)
Negative goodwill		-	-	-	-	-	75,731	-	22,510
Software		17,790	17,527	3,674	5,068	66,386	75,731	17,811	22,510
Less : Provision for bad & doubtful debts and loans written off		(120,021)	110,478	79,450	(52,501)	(55,870)	345,237	20,816	(25,106)
Provisions - general		(104,816)	153	3,192	4,875	(103,089)	25,953	(7,167)	4,478
Provisions - specific		428,577	828,572	147,463	134,795	672,611	1,213,940	201,508	219,355
Recoveries		(446,985)	(727,271)	(71,786)	(193,993)	(656,139)	(905,708)	(198,311)	(251,646)
Loans written off		3,203	9,024	581	1,822	30,747	11,052	24,786	2,707
Less : Provision for fall in value of dealing & investment securities losses		29,132	0	11,084	0	11,765	0	11,084	0
Operating profit on ordinary activities before taxes		3,084,236	9,766,547	683,712	688,158	4,085,159	8,131,680	994,010	876,742
Less : Value added tax on financial services	7	336,338	1,890,229	89,215	74,218	461,476	2,080,063	142,189	107,509
Operating profit on ordinary activities before corporate tax		2,747,898	7,876,318	594,497	613,940	3,623,683	6,051,617	851,821	769,233
Share of profits/(Loss) of associates after tax		-	-	-	-	5,649	217,758	2,519	6,818
Operating profit before corporate tax		2,747,898	7,876,318	594,497	613,940	3,629,332	6,269,375	854,340	776,051
Less : Income tax on profit on ordinary activities	8	430,429	738,867	51,364	92,778	656,493	1,098,302	85,078	147,875
Profit for the period	9	2,317,469	7,137,451	543,133	521,162	2,972,839	5,171,073	769,262	628,176
Attributable to									
Equity holders of the Bank						2,900,206	5,090,313	765,474	611,115
Minority interest						72,633	80,760	3,787	17,061
		2,317,469	7,137,451	543,133	521,162	2,972,839	5,171,073	769,261	628,176
Basic earnings per share - Rs		8.74	26.95	2.05	1.97	10.94	19.22	2.89	2.31
Diluted earnings per share* - Rs			26.93		1.97		19.21		2.31
Dividend per share - Rs		4.00	10.00			4.00	10.00		

* As at 31 March 2012 there were no unexercised options

Balance Sheet

As at	Notes	Bank		Group	
		31.03.12 Rs 000 Audited	31.03.11 Rs 000 Audited	31.03.12 Rs 000 Audited	31.03.11 Rs 000 Audited
On-Balance Sheet Assets					
Cash in hand		280	409	1,430,388	943,289
Balances with Central Bank of Sri Lanka		0	0	1,596,066	894,235
Due from Banks and other financial institutions		3,534,482	1,656,220	5,399,603	2,601,072
Investments - trading account		189,113	477,689	719,023	783,123
Government securities		123,806	392,447	653,716	697,881
Other securities		65,307	85,242	65,307	85,242
Investments - held to maturity (net of provisions)		8,320,829	14,139,655	19,474,088	24,416,782
Government securities		1,413,712	10,108,128	9,914,651	17,731,235
Investments in ordinary shares		4,922,464	2,835,036	7,452,544	5,356,816
Investments in preference shares		1,568,000	777,167	1,596,990	816,157
Investments in debentures		0	0	80,750	80,750
Investments in unit trusts		416,653	419,324	441,653	444,324
Less : Provision for decline in value of Investments		0	0	12,500	12,500
Investment in associate companies		35,270	35,270	370,800	177,291
Investment in subsidiary companies		3,777,907	2,441,320	-	16,000
Investment in joint venture company		655,000	655,000	-	-
Less : Provision for decline in value of Investments in Subsidiaries		(17,367)	0	-	0
Total loans and advances					
Total performing loans and advances		52,941,881	38,727,397	84,557,382	56,333,286
Bills of exchange		0	0	527,476	282,761
Overdrafts		0	0	11,939,734	6,958,535
Finance leases		8,985,856	6,053,014	9,481,350	6,053,014
Other loans		43,956,025	32,674,383	62,608,822	43,038,976
Total non performing loans and advances		3,721,145	3,836,120	6,407,272	6,179,232
Bills of exchange		0	0	32,661	35,102
Overdrafts		0	0	1,261,820	969,895
Finance leases		171,340	307,458	171,780	307,458
Other loans		2,218,735	2,311,673	3,029,448	3,162,130
Loan interest receivable		1,331,070	1,216,989	1,911,563	1,704,647
Total gross loans and advances		56,663,026	42,563,517	90,964,654	62,512,518
Less :					
Interest in suspense		1,331,070	1,216,989	2,564,083	2,185,679
Provision for credit losses - specific		1,747,151	1,707,828	2,588,509	2,528,249
Provision for credit losses - general		354,923	459,740	485,825	588,608
Net loans and advances		53,229,882	39,178,960	85,326,237	57,209,982
Group balances receivable		41,597	15,950	0	0
Prepayments		43,810	17,331	43,810	17,331
Other receivables		1,294,674	769,359	2,457,182	1,758,006
Deferred tax asset		0	0	5,583	1,781
Assets held for sale		0	0	2,875	2,875
Intangible assets		29,978	45,491	203,861	173,042
Investment property		0	0	147,981	233,579
Goodwill on consolidation		-	-	226,411	226,411
Property and equipment (Net of accumulated depreciation)		431,606	493,465	936,250	939,415
Income tax refund due		139,574	-	161,020	1,471
Total On Balance Sheet Assets		71,706,635	59,926,119	118,501,178	90,395,685

Balance Sheet

As at	Notes	Bank		Group	
		31.03.12 Rs 000 Audited	31.03.11 Rs 000 Audited	31.03.12 Rs 000 Audited	31.03.11 Rs 000 Audited
On Balance Sheet Liabilities					
Total deposits		11,710,526	3,688,183	44,420,013	25,416,397
Demand deposits		0	0	1,256,908	1,428,724
Savings deposits		0	0	7,172,688	5,384,399
Time deposits		11,710,526	3,688,183	35,521,883	18,272,328
Margin deposits		0	0	274,006	230,357
Other deposits		0	0	194,528	100,589
Total borrowings		36,106,592	32,260,523	43,991,926	35,376,893
Borrowings from CBSL		564,675	739,704	564,675	739,704
Borrowings from Banks and financial institutions in Sri Lanka		7,271,270	3,419,819	8,588,671	3,451,939
Borrowings from Banks and financial institutions abroad		1,855,514	1,982,521	1,943,369	2,018,100
Borrowings under repurchase agreements		-	1,512,000	5,480,077	4,560,671
Debentures - Subordinated		590,000	2,000,000	1,590,000	2,000,000
Debentures - Others		700,000	1,200,000	700,000	1,200,000
Other Borrowings		25,125,133	21,406,479	25,125,134	21,406,479
Group balances payable		222	-	-	0
Interest accrued		1,144,954	842,137	1,731,630	1,224,362
Current taxation		-	230,858	56,665	401,254
Deferred taxation		328,039	275,121	376,284	315,313
Other liabilities		662,750	555,754	1,842,546	1,637,430
Proposed Dividends		-	1,854,682	-	1,854,682
Total On Balance Sheet Liabilities		49,953,083	39,707,258	92,419,064	66,226,331
Equity					
Share capital	13.2	2,650,977	2,648,838	2,650,977	2,648,838
Share premium		2,064,837	2,054,546	2,064,837	2,054,546
Stated Capital		4,715,814	4,703,384	4,715,814	4,703,384
Statutory reserves		1,485,215	1,068,600	1,485,215	1,068,600
General reserve		13,779,839	11,379,839	13,779,839	11,379,839
Other reserves		0	0	-	0
Retained profit		1,772,684	3,067,038	5,686,342	6,530,865
Shareholders' equity		21,753,552	20,218,861	25,667,210	23,682,688
Minority interest		-	-	414,904	486,666
Total equity		21,753,552	20,218,861	26,082,114	24,169,354
Total equity and liabilities		71,706,635	59,926,119	118,501,178	90,395,685
Off-Balance Sheet Items and Contra Accounts					
Contingencies		3,778,802	2,028,434	18,379,290	10,641,416
Commitments		14,916,351	13,951,295	22,543,390	15,871,369
Net assets value per share, Rs		82.06	76.33	96.82	89.41
Memorandum Information					
Number of employees		466	451	1,396	1,278
Number of branches and extension offices		19	19	146	143
The highest, the lowest and the last traded market price recorded during the quarter ended					
		31.03.2012	31.03.2011		
- Highest price Rs.		115.00	249.90		
- Lowest price Rs.		98.00	169.10		
- Last traded price Rs.		112.60	171.80		

Statement of Changes in Equity - Bank

	Ordinary Shares Rs. 000	Share Premium Rs. 000	Statutory Reserves Rs. 000	General Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
Balance as at 01.04.2010	1,323,753	3,371,911	655,000	9,379,839	992,321	15,722,824
Profit for the period					7,137,451	7,137,451
Transfer from current earnings			413,600	2,000,000	(2,413,600)	-
Final dividends approved on 30.06.2010					(794,452)	(794,452)
Interim dividends approved on 31.03.2011					(1,854,682)	(1,854,682)
Issue of shares under employee share option plan	765	7,055				7,820
Share issue expenses		(100)				(100)
Bonus issue of Shares	1,324,320	(1,324,320)				-
Balance as at 31.03.2011	2,648,838	2,054,546	1,068,600	11,379,839	3,067,038	20,218,861
Balance as at 01.04.2011	2,648,838	2,054,546	1,068,600	11,379,839	3,067,038	20,218,861
Profit for the period					2,317,469	2,317,469
Final dividends approved on 30.06.2011					(795,208)	(795,208)
Interim dividend approved on 31.03.2011						-
Issue of shares under employee share option plan	2,139	10,424				12,563
Share issue expenses		(133)				(133)
Transfers			416,615	2,400,000	(2,816,615)	-
Balance as at 31.03.2012	2,650,977	2,064,837	1,485,215	13,779,839	1,772,684	21,753,552

Statement of Changes in Equity - Group

	Attributable to equity holders of the bank						Total Rs. 000
	Ordinary Shares Rs. 000	Share Premium Rs. 000	Statutory Reserves Rs. 000	General Reserve Rs. 000	Retained Earnings Rs. 000	Minority Interest Rs. 000	
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
Net Unrealized losses from translation of Bangladesh operation - associate company					(9,286)		(9,286)
Net loss recognised directly in Equity					(9,286)		(9,286)
Profit of associate- Commercial Bank PLC January 10 to March 10					296,716		296,716
Profit for the year					5,090,313	80,760	5,171,073
Total recognised income and expenses for the period	-	-	-	-	5,377,743	80,760	5,458,503
Transfer from current earnings			413,600	2,000,000	(2,413,600)		-
Final dividends approved on 30.06.2010					(794,452)		(794,452)
Interim dividends approved on 31.03.2011					(1,854,682)		(1,854,682)
Dividend Distributed to Minority interest by subsidiaries						(45,873)	(45,873)
Bonus issue of Shares	1,324,320	(1,324,320)					-
Issue of shares under employee share option scheme	765	7,055					7,820
Share issue expenses		(100)					(100)
Acquisition of Subsidiaries by joint venture company Lanka Ventures PLC						120,013	120,013
Acuity Securities Limited						(95,660)	(95,660)
Balance as at 31.03.2011	2,648,838	2,054,546	1,068,600	11,379,839	6,530,865	486,666	24,169,354
Balance as at 01.04.2011	2,648,838	2,054,546	1,068,600	11,379,839	6,530,865	486,666	24,169,354
Profit for the year					2,900,207	72,633	2,972,839
Transfers from current earnings			416,615	2,400,000	(2,816,615)		-
Final dividends approved on 30.06.2011					(795,208)		(795,208)
Dividends distributed to minority interest by subsidiaries						(45,847)	(45,847)
Right issue of shares						11,682	11,682
Issue of shares under employee share option scheme	2,139	10,424					12,563
Increase in ownership interest by the Bank that does not result in change of control					(132,906)	(110,230)	(243,136)
Share issue expenses		(133)					(133)
Balance as at 31.03.2012	2,650,977	2,064,837	1,485,215	13,779,839	5,686,343	414,904	26,082,114

Selected Performance Indicators

	Bank		Group	
	31.03.12	31.03.11	31.03.12	31.03.11
Regulatory Capital Adequacy				
Core capital (Tier - 1 Capital) Rs. Mn	17,851	17,965	22,328	21,445
Total capital base Rs. Mn	14,923	17,087	21,085	20,582
Core capital ratio (Minimum requirement 5%)	24.4	31.5	21.0	28.0
Total capital ratio (Minimum requirement 10%)	20.4	30.0	19.9	26.9
Asset Quality				
Non-performing loans and advances - Gross exposure %	4.3	6.3	4.3	6.6
(Net of interest in suspense)				
- Net exposure %	0.5	1.1	0.9	1.5
(Net of interest in suspense and provisions)				
Profitability (Annualized)				
Interest margin %	4.8	5.7	4.9	5.8
Return on assets %	4.2	13.5	3.5	6.9
Return on equity %	11.0	39.7	11.8	22.8
Statutory liquid assets Rs. Mn	3,859	11,450		
Statutory liquid assets ratio % (Minimum requirement 20%)	52	295		

Cash Flow Statement

For the year ended 31 March	Bank		Group	
	2012 Rs.000	2011 Rs.000	2012 Rs.000	2011 Rs.000
Cash flow from operating activities				
Interest Receipts	5,413,741	4,832,311	8,641,544	7,248,631
Interest payments	(2,577,612)	(3,025,744)	(4,329,432)	(4,884,391)
Recoveries on loans previously written off	119,074	133,215	119,074	133,215
Receipts from other operating activities	958,768	47,014	1,908,138	911,547
Cash payments to employees & suppliers	(1,428,550)	(1,241,320)	(2,981,734)	(2,427,026)
Value added tax	(359,454)	(1,910,630)	(463,147)	(2,103,256)
Operating Cash flow before changes in operating assets and liabilities	2,125,967	(1,165,154)	2,894,443	(1,121,280)
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	0	0	(701,360)	(92,159)
Funds advanced to customers	(13,728,756)	(3,252,629)	(27,853,251)	(7,135,585)
Others	(14,931)	163,470	(92,452)	(53,013)
Increase /(decrease) in operating liabilities:				
Security deposits from customers	(950)	(2,080)	(754)	(12,516)
Deposits from customers	8,023,779	(1,433,937)	18,906,550	(122,641)
Negotiable certificates of deposit	(1,436)	(1,537)	93,939	35,355
Others	92,909	52,798	146,323	136,439
Net cash flow from operating activities before income tax	(3,503,418)	(5,639,069)	(6,606,562)	(8,365,400)
Income tax paid	(721,066)	(571,141)	(1,018,881)	(761,686)
Net cash used in operating activities	(4,224,484)	(6,210,210)	(7,625,443)	(9,127,086)
Cash flow from investing activities				
Dividends received	719,660	660,407	667,799	594,586
Interest received	308,560	1,379,176	827,328	2,385,708
Treasury bills eligible for rediscounting with Central Bank	9,591,161	(2,849,168)	12,148,062	2,700,552
Proceeds from sale and redemption of securities	717,479	2,849,809	809,240	2,849,809
Purchase of securities	(3,308,198)	(810,705)	(3,316,498)	(838,977)
Investment in joint venture - Acuity Partners (Pvt) Limited	0	(55,000)	0	0
Disposal of associate company shares -Commercial Bank of Ceylon PLC	0	5,833,708	0	5,833,708
Investment in additional shares of subsidiary by Joint Venture	0	0	0	(88,348)
Investment in associates by Joint Venture	0	0	(192,000)	0
Investment in additional shares of subsidiary-DFCC Vardhana Bank PLC	(1,336,587)	0	(243,136)	0
Investment in additional shares of subsidiaries - Synapsys Limited	0	(33,000)	0	(16,000)
Purchase of property , equipment ,intangibles and investment property	(49,568)	(231,036)	(333,882)	(568,385)
Proceeds from sale of equipment and investment property	4,796	55,792	104,305	61,605
Net cash from investing activities	6,647,303	6,799,983	10,471,218	12,914,258
Cash flow from financing activities				
Issue /Redemption of debentures	(1,910,000)	(1,500,000)	(910,000)	(1,500,000)
Issue of new shares under option	12,563	7,820	12,563	7,820
Issue of new shares by subsidiary -Rights issue	0	0	11,681	0
Share issue expenses	(133)	(100)	(133)	(100)
Borrowing , medium and long - term	13,748,692	1,511,150	13,748,692	(617,350)
Other borrowings-net	(2,625,500)	4,697,000	627,458	3,223,874
Repayment of borrowing ,medium and long - term	(6,217,274)	(5,965,488)	(6,004,059)	(5,965,488)
Dividends paid	(2,638,552)	(791,378)	(2,684,393)	(829,594)
Net Cash flow from/(used in) financing activities	369,796	(2,040,996)	4,801,809	(5,680,838)
Net increase/(decrease) in cash & cash equivalents	2,792,615	(1,451,223)	7,647,584	(1,893,666)
Cash & cash equivalents/(overdraft-net) at the beginning of period as previously stated	1,370,810	2,822,033	4,777,976	6,999,735
Consolidated adjustment -Investment in Synapsys Ltd -acquisition of lanka ventures PLC by joint venture	0	0	16,000	(328,093)
Cash & cash equivalents /(overdraft-net)at the beginning of the period restated	1,370,810	2,822,033	4,793,976	6,671,642
Cash & cash equivalents at the end of period	4,163,425	1,370,810	12,441,560	4,777,976
Reconciliation of cash & cash equivalents				
Cash & short - term funds	3,534,762	1,490,629	4,945,199	1,548,193
Treasury bills & other securities eligible for rediscounting with Central Bank	628,663	0	7,353,808	2,605,283
Securities purchased under resale agreements	0	0	220,994	758,135
Borrowing short term - Bank overdrafts	0	(119,819)	(78,441)	(133,635)
	4,163,425	1,370,810	12,441,560	4,777,976

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

Debenture Information

DFCC Listed Subordinated Debentures

Debenture Categories	Interest Payable Frequency	Applicable Interest Rate	Comparative Govt. Sec. Interest Rate (Gross)	Value as at 31 March 2012 Rs'. 000
Fixed Rate				
2006/2016 - 14.00% p.a.	Annually	14.00%	14.22%	590,000
				<u><u>590,000</u></u>
Other Ratios		31.03.2012	31.03.2011	
Debt Equity Ratio		1.56	1.35	
Interest Cover (Times)		1.72	3.54	
Liquid Asset Ratio (%)		52	295	

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 general provision.

	31.03.2012	31.03.2011
	Pc	Pc
Mandatory provision by Central Bank Loans and Leases*	0.5	0.8
Bank's own general provision for Leases		
Leases granted prior to 30 June 10	3	3
Leases granted after 1 July 10	2	2

No General provision for leases are made from 1 April 2011.

*On performing loans and leases and non performing loans and leases for which mandatory specific provisions are not required.

Note 2. Accounting for investments in associate company 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 PLC (subsidiary), Synapsys Ltd (subsidiary) ,Acuity Partners (Pvt) Limited (joint venture) and Namal Asset Management Limited (associate).

Results of these companies are consolidated with DFCC Bank with a three months gap. Thus the consolidated results for the year ended 31.03.2012 include profits of these companies for the period 01.01.2011 to 31.12.2011, except for Namal Asset Management Limited, which includes profit for the period from 01.04.2011 to 31.12.2011.

Note 5. 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.

	Bank		Group	
	31.03.2012 Rs. 000	31.03.2011 Rs. 000	31.03.2012 Rs. 000	31.03.2011 Rs. 000
Foreign Exchange Gain/(Loss)	(202,951)	(12,352)	(45,139)	61,395
Funding SWAP Cost	(4,675)	(49,594)	(67,761)	(90,138)
Marked to market Gain/(Loss) on forward Exchange contracts	243,001	-	231,772	(3,938)
	<u>35,375</u>	<u>(61,946)</u>	<u>118,872</u>	<u>(32,681)</u>

Note 6. Non-Interest Income

	Bank		Group	
	31.03.2012 Rs. 000	31.03.2011 Rs. 000	31.03.2012 Rs. 000	31.03.2011 Rs. 000
Dividend income	930,272	840,391	874,271	524,762
Gain on disposal of shares of CBC*	0	6,701,346	0	4,341,089
As an associate	0	4,732,973	0	2,997,602
As investment securities	0	303,226	0	203,654
As dealing securities	0	1,665,147	0	1,139,833
Net gain on sale of other investment securities	295,417	52,505	295,417	64,991
Marked to market (loss)/ gain on other dealing securities	(19,957)	29,222	(20,029)	26,871
Other income	237,349	228,163	1,225,603	1,081,190
Non-interest income	<u>1,443,081</u>	<u>7,851,627</u>	<u>2,375,262</u>	<u>6,038,903</u>

*CBC ceased to be an associate company with effect from 02 June 2010.

Note 7. VAT on Financial Services

	Bank		Group	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Relating to divestment of shares in CBC	0	1,340,269	0	1,340,269
Others	336,338	540,960	461,476	739,794
	<u>336,338</u>	<u>1,890,229</u>	<u>461,476</u>	<u>2,080,063</u>

Note 8. Taxation

	Bank		Group	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Current Income Tax	405,384	728,824	631,620	1,102,502
(Over)/under Provision of Income Tax	(27,873)	6,066	(32,294)	873
Increase/(decrease) in deferred tax	52,918	3,977	57,167	(5,073)
	<u>430,429</u>	<u>738,867</u>	<u>656,493</u>	<u>1,098,302</u>

Note 9. Profit for the Period

	Bank		Group	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Profit after tax excluding gain on disposal of shares of CBC	2,317,469	1,776,374	2,972,839	2,170,253
Profit on Sale of Shares & Marked to Market Gain on CBC	-	5,361,077	-	3,000,820
	<u>2,317,469</u>	<u>7,137,451</u>	<u>2,972,839</u>	<u>5,171,073</u>

Note 10. Investment in Quoted Ordinary Shares

	Bank	
	31.03.2012	31.03.2011
	Rs. 000	Rs. 000
Cost	4,786,760	2,762,035
Compositon of Unrecognized gain	9,304,328	13,585,512
Gain on CBC shares	8,958,775	12,388,890
Others	345,553	1,196,622
Market Value	<u>14,091,088</u>	<u>16,347,547</u>

Market value on 30/05/20012 was Rs 14,082 million

Note 11. Post balance sheet events

The Directors have recommended the payment of a final dividend of LKR 4/- per share for the year ended 31 March 2012, which require the approval of the shareholders at the Annual General Meeting to be held on 29 June 2012. The Board of Directors confirms that the Bank 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 15% deemed dividend tax, will not imposed on the Bank.

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

Note 12. New Accounting Standards issued but not effective as at Balance Sheet Date

Commencing from 1st April 2012, the Bank shall prepare and present financial statements to comply with a new set of Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), the National Body responsible for promulgation of Accounting Standards in Sri Lanka. These new Standards become effective for accounting periods commencing on or after 1 January 2012

These new Standards have been issued consequent to the decision of ICASL to converge fully with International Financial Reporting Standards (IFRS) and therefore have a prefix SLFRS corresponding to IFRS issued by International Accounting Standards Board (IASB) and a prefix LKAS [corresponding to International Accounting Standards (IAS) issued by the predecessor to IASB]

The new Standards are a combination of revision to Sri Lanka Accounting Standards used in the preparation and presentation of financial statements for the year ended 31 December 2011 and few entirely new Standards

Of the entirely new Standards, the most significant Standards applicable to the Bank are:

- i. Financial Instruments Standards comprising Presentation (LKAS 32), Financial Instrument Recognition and Measurement
- ii. First Time Adoption of Sri Lanka Accounting Standards (SLFRS 1)
- iii. Presentation of Financial Statements (LKAS 1)- revision to with new features to SLAS 3 the Accounting Standard applicable for the year ended 31 December 2011.

Implementation of LKAS 1, LKAS 32, LKAS 39 will result in changes to the format of the primary financial statements and the recognition and measurement of financial assets and financial liabilities. In addition, on adoption of SLFRS 1, there could be few adjustments required.

The key changes are:

- i. Some financial assets and liabilities are measured on the statement of financial position (new term for balance sheet) at amortised cost while others are at fair value.
- ii. Impairment losses on loans and advances are based on estimate of future recoveries assessed individually and /or collectively replacing the current, mainly rule based provisioning matrix and general provision.
- iii. Changes to Interest Income recognition of impaired loans.
- iv. All derivatives will become on-balance sheet (Statement of Financial Position) items are carried at fair value.
- v. Any adjustments considered necessary on the full convergence with IFRS.

This disclosure complies with the requirements of SLAS 10 – Accounting Policies Changes in Accounting Estimates and Errors (Revised 2005) as amended by ICASL which specifies that the paragraphs 30 and 31 of SLAS 10 will not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012.

Bank has made significant progress in the measures to be adopted for transition to SLFRS and LKAS for the financial year ending on 31 March 2012. These measures included the implementation of the financial instrument standards for which the Bank obtained the assistance of an External Consultant.

Bank will take adequate steps during 2012 to further refine and finalise the transition to SLFRS and LKAS in accordance with the implementation options granted by ICASL”

Note 13. Disclosures under Appendix 7B of the Listing Rules

13.1 Bank has not incurred management fees or any other similar expenditure

13.2 Share Capital

	Number of shares
Shares as at 31 March 2011	264,883,768
Issue under share option scheme	213,920
Shares as at 31 March 2012	<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.

13.3 Twenty Major Shareholders as at 31.03.2012

	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	32,109,140	12.11
3	Sri Lanka Insurance Corporation Ltd-Life Fund	26,509,832	10.00
4	Employees Provident Fund	23,904,758	9.02
5	Mr M A Yaseen	22,886,700	8.64
6	Distilleries Company of Sri Lanka Limited	17,042,856	6.42
7	Seafeld International Limited	15,286,794	5.76
8	HSBC Intl Nom. Ltd-BPSS Lux-Aberdeen Global Asia Pacific Equity Fund	12,216,146	4.60
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	4,742,200	1.79
12	Renuka Hotels Limited	4,073,360	1.54
13	HSBC Intl Nominees Ltd-SSBT- Aberdeen Institutional Commingled Funds, LLC	2,582,500	0.97
14	Cargo Boat Development Company PLC	2,098,200	0.80
15	Employee Trust Fund Board	2,016,266	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-BP2S-London - Aberdeen New Dawn Investment Trust XCC6	1,800,000	0.67
18	Mellon Bank N.A. - Florida Retirement System	1,500,000	0.56
19	National Savings Bank	1,342,024	0.50
20	Renuka Consultants & Services Limited	1,097,992	0.41

13.4 Public holding as at 31.03.2012 is 63.38%

13.5 Directors' Interests in Shares

	No of Shares As at 31.03.2012
Brito, J M S - Chairman	38,760
Fonseka, A N – Ex-officio Director	142,006*
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
Thambiyah, R B	211,200
Thambiyah, S.R – Alternative Director	Nil
Dr. L.P. Chandrasasa	500
MR. J.E.A. Perumal	5,000

*Directors' shareholding includes shares held by the spouse.

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 audited financial statements of the Bank.

J M S Brito
Chairman

A.N Fonseka
Ex-officio Director
& Chief Executive

S. Nagarajah
Chief Financial Officer

30/05/2012

Business Segment Information

For the year ended 31 March	Lending		Financial Leasing		Investing in Equity		Commercial Banking		Other		Unallocated		Eliminations		Total	
	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000
Revenue																
Interest income	4,737,661	5,353,552	1,145,503	852,906	-	-	3,721,795	3,368,119	144,601	168,221	-	-	(103,142)	(84,631)	9,646,418	9,658,167
Amortisation of negative goodwill	-	-	-	-	-	-	-	-	-	7,313	-	-	-	-	-	7,313
Other income	86,960	215,312	-	-	1,223,685	5,929,095	604,374	419,004	554,139	590,544	251,511	1,846,552	(226,331)	(2,828,389)	2,494,338	6,172,118
Income from external customers	4,824,621	5,568,864	1,145,503	852,906	1,223,685	5,929,095	4,326,169	3,787,123	698,740	766,078	251,511	1,846,552	(329,473)	(2,913,020)	12,140,756	15,837,598
Total income	4,824,621	5,568,864	1,145,503	852,906	1,223,685	5,929,095	4,326,169	3,787,123	698,740	766,078	251,511	1,846,552	(329,473)	(2,913,020)	12,140,756	15,837,598
Percentage *	40	35	9	5	10	37	36	24	6	5	2	30	-	-	100	100
Expense																
Segment losses	108,445	248,620	(109,392)	(4,927)	-	-	64,151	234,759	-	-	-	-	-	-	63,204	478,452
Depreciation	-	-	-	-	-	-	145,380	143,727	34,417	28,490	-	-	-	-	179,797	172,217
Other operating & interest expenses	3,467,950	2,927,686	637,976	460,292	-	-	3,294,341	2,680,017	416,031	410,325	-	-	(248,465)	(216,155)	7,567,833	6,262,165
Inter segment expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,576,395	3,176,306	528,584	455,365	-	-	3,503,872	3,058,503	450,448	438,815	-	-	(248,465)	(216,155)	7,810,834	6,912,834
Result	1,248,226	2,392,558	616,919	397,541	1,223,685	5,929,095	822,297	728,620	248,292	327,263	-	-	-	-	4,329,922	8,924,764
Unallocated expenses															244,763	793,084
Value Added Tax on financial services															461,476	2,080,063
Share of profits/(Loss) of associates															3,623,683	6,051,617
Profit on ordinary activities before tax															5,649	217,758
Income tax on profit on ordinary activities															656,493	1,098,302
Profit on ordinary activities after tax															2,972,839	5,171,073
Minority interest															72,633	80,760
Profit for the period															2,900,206	5,090,313
Assets	44,660,584	33,642,205	9,194,559	5,960,055	6,907,117	4,686,527	45,675,437	29,525,556	3,893,272	3,547,274	8,895,700	14,708,930	(1,096,291)	(1,852,153)	118,130,378	90,218,394
Percentage	38	37	8	7	6	5	39	33	3	4	8	16	-	-	100	100
Investment in associate company															370,800	177,291
															118,501,178	90,395,685
Liabilities	37,765,719	27,949,280	8,036,976	5,364,049	-	-	41,260,091	26,432,096	2,316,002	3,062,217	4,136,567	5,270,842	(1,096,291)	(1,852,153)	92,419,064	66,226,331

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 expenses attributable to the business segment of DFCC Vardhana Bank Limited 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

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.

These statements have been audited by KPMG

Income statement of DVB for the year ended 31 December is consolidated with Income statements of DFCC for the Year ended 31 March.

For the year ended 31 March			Adjustment		Audited	
	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000
Interest income	9,529,393	9,512,191	1	1	9,529,393	9,512,191
Interest expense	(4,740,917)	(4,391,291)	(67,761)	(90,138)	(4,808,678)	(4,481,429)
Net interest income	4,788,476	5,120,900	(67,761)	(90,138)	4,720,715	5,030,762
Other Income						
Dividends from CBC (as investment security)	614,079	330,276		246,349 ²	614,079	576,625
Dividends received from unconsolidated - Subsidiaries	30,309	29,409			30,309	29,409
- Joint Venture	16,375	9,825			16,375	9,825
Dividends from non-affiliated entities	218,058	134,273			218,058	134,273
Gains from CBC Shares	0	4,341,089		(4,341,089) ³	0	0
Gains from sale of non-affiliated quoted shares	270,046	52,506			270,046	52,506
Foreign exchange income	118,875	(61,946)	67,761 ¹	90,138 ¹	186,636	28,192
Fees and Commission income	575,242	384,781			575,242	384,781
Others	248,254	509,758		(6,119)	248,254	503,639
Operating income	6,879,714	10,850,871	0	(4,100,859)	6,879,714	6,750,012
Personnel costs	1,203,353	1,014,566			1,203,353	1,014,566
Provision for staff retirement benefits	225,442	180,717			225,442	180,717
Premises, equipment & establishment expenses	665,224	621,511			665,224	621,511
Other overhead expenses	827,175	711,970			827,175	711,970
Operating expenses	2,921,194	2,528,764	0	0	2,921,194	2,528,764
Operating profit before provisions	3,958,520	8,322,107	0	(4,100,859)	3,958,520	4,221,248
Allowances for credit losses						
- Specific Provision	703,343	1,224,992			703,343	1,224,992
- Specific Provision Recoveries	(537,051)	(772,493)			(537,051)	(772,493)
- General Provision	(103,089)	25,953			(103,089)	25,953
Less: Provision for fall in value of investments	29,132	0			29,132	0
Operating profit before value added tax	3,866,185	7,843,655	0	(4,100,859)	3,866,185	3,742,796
Value added tax on financial services	(461,476)	(2,080,063)		1,340,269 ³	(461,476)	(739,794)
Operating profit before income tax	3,404,709	5,763,592	0	(2,760,590)	3,404,709	3,003,002
Income tax expense	(612,730)	(1,006,913)			(612,730)	(1,006,913)
Profit after tax	2,791,979	4,756,679	0	(2,760,590)	2,791,979	1,996,089
Minority Interest DVB	(7,504)	(12,199)			(7,504)	(12,199)
Profit after tax attributable to shareholders of DFCC	2,784,475	4,744,480	0	(2,760,590)	2,784,475	1,983,890
Share of profits of National Asset Management Limited and CBC Associate (CBC ceased to be an associate on 2 June 2010)	4,488	199,767		(193,354) ²	4,488	6,413
	2,788,963	4,944,247	-	(2,953,944)	2,788,963	1,990,303
Segregated exceptional profit on sale of CBC post tax reduced by minority interest					0	3,000,820
Adjusted Profit after tax attributable to shareholders of parent company- DFCC Bank					2,788,963	4,991,123

Adjustments explained by footnotes

- The forward exchange premium on US Dollar/LKR swap is included in the foreign exchange income, while interest earned on LKR from the swap is included in net interest income (NII) in the financial statements issued for external use. Thus the swap cost is netted against the NII to reflect the commercial reality of the transaction.
- Investment in Commercial Bank of Ceylon PLC (CBC) is treated as if it was an investment in a non-affiliated entity in previous financial year. Thus income from this investment is accounted as dividend income instead of equity accounted profit with consequential change to the respective balance sheets.
- Exceptional profit after taxes arising from sale of associate segregated from the profit after tax of the banking business.