



Results for the Nine months Ended 31 December 2013

This commentary relates to the interim non-audited financial statements for 9 months ended 31 December 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 2,064m for the nine months ended 31 December 2013 compared with LKR 2,027 m in the corresponding period of the previous year (comparable period) after adjusting for the one off non recurrent financial services value added tax over provision amounting to LKR 184 m included in the income statement for the comparable period. Apart from the Banking Business which contributed LKR 1,865m to profit after tax and is analysed below, the investment banking joint venture, Acuity Partners (Pvt) Limited (APL) contributed LKR 119m in the current period (LKR 25m in the comparable period). The contribution from all other subsidiaries and associate company collectively was LKR 80m in the current period (LKR 100m 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 21% from LKR 4,941m to LKR 5,970m although total loans and advances (net of accrued interest) only increased by 15% year on year to LKR 113,393m as at 31 December 2013.

The reported NII does not include the cost of hedging exchange rate risk arising from funding swaps in the market 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 591m is net of the cost arising from funding swaps of LKR 650m. The foreign exchange gain after adjusting for the swap cost for the current period amounts to LKR59m.

The forward exchange contracts are accounted as derivative instruments and their 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 596m an increase of 24% over LKR 481m in the previous comparable period. This is generated largely by DVB the commercial banking subsidiary since this source of income is mainly associated with trade finance and commercial banking services. Fee income during the period included consultancy fees earned on assignments undertaken in the Pacific Islands.

Total charge for impairment of loans and other losses for the current period was LKR 978 m a 64% increase over LKR 595m 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 31 December 2013 was 78%, a similar level as on 31 March 2013.

DBB added 15 branches during the current period. The number of service points including extension offices and SLP units were 155 as at 31 December 2013. The cost increases due to investment in technology and additional recruitment as a result of branch expansion were mitigated to an extent by rationalization of organization structure. The net increase in operating expenses was 17%.

The DBB recorded LKR 3,151m as operating profit before taxes which was an increase of 3% over the comparable period. Profit after tax (both VAT on financial services and income tax) was LKR 1,949m, which was a decrease of 9% over LKR 2,141m in the comparable period. DBB's profit after tax for the current period was in line with that of the previous period amounting to LKR 1,957 m if the one off reversal of VAT overprovision in the previous period is adjusted.

FUNDING

Following the proposal made in the government's last budget to support the Bank by way of foreign exchange risk cover for long term funds raised through international debt issues, DFCC Bank accessed the international capital markets to diversify its funding sources and on 31 October 2013 issued Notes to the value of USD 100 m with a tenor of 5 years.

In order to mitigate the foreign exchange risk the Central Bank of Sri Lanka has provided a special mechanism to the Bank in respect of USD 75 m.

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 31 December 2013, there was a fair value gain of LKR 1,287 m due to market appreciation of available for sale securities. In the comparable period the fair value gain was LKR 489 m.

DFCC made an investment of LKR 2,196 m in the equity of DVB on 30 December 2013 to support its growth and DFCC now own 99.17% of DVB as at 31 December 2013.

EQUITY CAPITAL

The Bank did not raise new equity in the current period. However, 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 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 78% and past due loans of three months and over not covered by impairment allowance as a proportion of equity was only 6%.

BANK CONSOLIDATION

In Pursuance of the policies announced by the Government encouraging consolidation of certain banking businesses DFCC Bank and NDB Bank made a joint disclosure to the Colombo Stock Exchange on 10 January 2014.

Arjun Fernando
Chief Executive Officer

13 February 2014

DFCC Bank
Income Statement

For the period ended	Bank				Group			
	For the 9 months ended		For the quarter ended		For the 9 months ended		For the quarter ended	
	31.12.13 LKR 000	31.12.12 LKR 000	31.12.13 LKR 000	31.12.12 LKR 000	31.12.13 LKR 000	31.12.12 LKR 000	31.12.13 LKR 000	31.12.12 LKR 000
Notes								
Interest income	7,298,272	6,738,181	2,343,318	2,402,610	13,960,837	11,614,659	4,511,751	4,126,279
Interest expense	3,688,807	3,661,286	1,233,605	1,300,813	7,932,253	6,591,266	2,648,657	2,452,610
Net interest income	3,609,465	3,076,895	1,109,713	1,101,797	6,028,584	5,023,393	1,863,094	1,673,669
Fees and commission Income	89,087	61,176	32,944	21,562	676,599	583,723	241,133	213,188
Less- Fees and commission expenses	-	-	-	-	5,377	7,582	1,929	2,399
Net fees and commission income	89,087	61,176	32,944	21,562	671,222	576,141	239,204	210,789
Net gain/(loss) from trading	1,145	1,997	117	1,663	111,703	79,010	28,740	38,330
Net gain/(loss) from financial instruments at fair value through profit or loss	40,105	(285,290)	(19,427)	(137,338)	19,726	(374,104)	40,913	(161,577)
Net gain from financial investments	495,175	417,954	225,037	172,154	500,277	365,673	316,929	187,603
Other operating (loss) /income (net)	(419,458)	311,416	(3,095)	143,858	(307,441)	502,107	(5,037)	174,358
Total operating income	3,815,519	3,584,148	1,345,289	1,303,696	7,024,071	6,172,220	2,483,844	2,123,172
Impairment for Loans and other losses								
- Individual impairment	126,228	55,356	120,935	13,745	538,166	353,142	288,513	145,661
- Collective impairment	155,152	115,201	(94,002)	4,226	407,982	239,321	15,170	(82,055)
- Others	31,389	2,562	17,079	3,946	31,389	2,562	17,079	3,946
Net operating Income	3,502,750	3,411,029	1,301,277	1,281,779	6,046,534	5,577,195	2,163,082	2,055,620
Operational expenses								
Personnel expenses	558,773	534,622	192,833	186,566	1,380,707	1,202,154	468,102	414,679
Depreciation and amortisation	101,493	93,313	34,675	32,214	263,321	244,019	89,840	88,918
Other expenses	396,188	323,186	125,010	109,599	1,215,794	982,795	412,274	374,770
Operating profit before value added tax (VAT)	2,446,296	2,459,908	948,759	953,400	3,186,712	3,148,227	1,192,866	1,177,253
Value added tax (VAT) on financial services	269,864	83,300	97,348	99,629	394,277	192,030	134,568	132,166
Operating profit after value added tax	2,176,432	2,376,608	851,411	853,771	2,792,435	2,956,197	1,058,298	1,045,087
Share of profits of associates	-	-	-	-	114,676	19,209	60,723	13,337
Profit before tax	2,176,432	2,376,608	851,411	853,771	2,907,111	2,975,406	1,119,021	1,058,424
Income tax expense	536,359	531,072	175,963	192,403	842,637	764,115	293,842	275,573
Profit for the period	1,640,073	1,845,536	675,448	661,368	2,064,474	2,211,291	825,179	782,851
Profit attributable to								
Equity holders of the Bank	1,640,073	1,845,536	675,448	661,368	1,979,345	2,150,733	791,451	761,912
Non-controlling interests	-	-	-	-	85,129	60,558	33,728	20,939
Profit for the period	1,640,073	1,845,536	675,448	661,368	2,064,474	2,211,291	825,179	782,851
Basic earnings per ordinary share - LKR	6.19	6.96	2.55	2.49	7.47	8.11	2.99	2.87

DFCC Bank
Statement of Comprehensive Income

	Bank				Group			
	For the 9 months ended		For the quarter ended		For the 9 months ended		For the quarter ended	
For the period ended	31.12.13 LKR 000	31.12.12 LKR 000	31.12.13 LKR 000	31.12.12 LKR 000	31.12.13 LKR 000	31.12.12 LKR 000	31.12.13 LKR 000	31.12.12 LKR 000
Profit for the period	1,640,073	1,845,536	675,448	661,368	2,064,474	2,211,291	825,179	782,851
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	1,227,433	471,963	608,959	(1,640,699)	1,286,685	488,788	650,131	(1,631,555)
Net amount transferred to income statement on disposal of available-for-sale financial assets	(83,110)	(22,395)	(13,175)	0	(83,110)	(22,395)	(13,175)	-
Share of profits of associates	-	-	-	-	1,710	1,666	(749)	275
Deemed Disposal gain-subsiidiary of joint venture	-	-	-	-	72,043	122,517	41,536	-
	1,144,323	449,568	595,784	(1,640,699)	1,277,328	590,576	677,743	(1,631,280)
Less: Tax expense relating to components of other comprehensive income	-	-	-	-	-	-	-	-
Other comprehensive income for the period, net of taxes	1,144,323	449,568	595,784	(1,640,699)	1,277,328	590,576	677,743	(1,631,280)
Total comprehensive income for the period	2,784,396	2,295,104	1,271,232	(979,331)	3,341,802	2,801,867	1,502,922	(848,429)
Total comprehensive income attributable to:								
Equity holders of the Bank	2,784,396	2,295,104	1,271,232	(979,331)	3,214,015	2,684,381	1,432,917	(870,270)
Non-controlling interests	-	-	-	-	127,787	117,486	70,005	21,841
Total comprehensive income for the period	2,784,396	2,295,104	1,271,232	(979,331)	3,341,802	2,801,867	1,502,922	(848,429)

Statement of Financial Position

As at	Notes	Bank		Group	
		31-12-2013 LKR 000	31-03-2013 LKR 000 (Audited)	31-12-2013 LKR 000	31-03-2013 LKR 000 (Audited)
Assets					
Cash and cash equivalents		152,578	597,456	2,915,409	3,976,892
Balances with Central Bank		-	-	2,149,549	2,620,790
Placements with banks		5,036,799	6,128,245	6,735,086	7,541,088
Derivative assets held for risk management		22,390	45,145	91,840	119,642
Other financial assets held- for- trading		100,939	377,800	1,281,213	593,408
Non current assets held- for- sale		-	-	2,875	2,875
Loans to and receivables from banks		1,299,524	1,822,838	4,295,849	5,633,902
Loans to and receivables from other customers	8	57,882,979	58,844,767	106,335,499	98,399,443
Financial Investments - available-for-sale		26,351,429	19,222,842	39,442,330	27,659,665
Financial Investments - held-to-maturity		526,594	75,022	1,038,846	157,963
Investment in subsidiary companies	9	5,968,564	3,755,953	2,212,610	-
Investment in associate companies		35,270	35,270	652,313	415,251
Investment in Joint Venture		655,000	655,000	-	-
Due from subsidiaries		57,262	39,204	-	-
Investment properties		-	-	189,303	169,485
Property, plant and equipment		433,898	438,259	1,032,008	1,027,655
Intangible assets		64,276	80,078	247,963	261,668
Goodwill on consolidation		-	-	226,411	226,411
Deferred tax asset		-	-	2,323	834
Income tax refund due		-	-	32,969	28,148
Prepayments		31,950	36,920	31,950	36,920
Other receivables		389,171	935,284	2,020,259	2,252,230
Total assets		99,008,623	93,090,083	170,936,605	151,124,270
Liabilities					
Due to banks		6,324,756	6,399,595	10,882,963	8,040,422
Derivative liabilities held for risk management		128,063	190,922	259,631	307,094
Due to other customers	10	11,598,072	15,548,067	66,389,236	62,750,266
Other borrowing		29,239,268	33,846,282	35,564,548	37,530,202
Debt securities issued	11	13,661,277	558,257	13,661,277	558,257
Current tax liability		255,656	85,937	456,004	179,826
Deferred tax liability		410,781	382,796	518,595	461,154
Other liabilities		552,738	761,825	2,286,787	2,434,906
Due to subsidiaries		-	525	-	-
Subordinated term debt		672,600	609,373	1,701,503	1,609,690
		62,843,211	58,383,579	131,720,544	113,871,817
Equity					
Share capital	13.2	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		2,275,266	2,006,025	2,275,266	2,006,025
Retained earnings		3,082,885	3,037,541	7,938,453	7,519,913
Other reserves		26,091,447	24,947,124	23,703,277	22,498,324
Total equity attributable to equity holders of the Bank		36,165,412	34,706,504	38,632,810	36,740,076
Non-Controlling interest		-	-	583,251	512,377
Total equity		36,165,412	34,706,504	39,216,061	37,252,453
Total equity and Liabilities		99,008,623	93,090,083	170,936,605	151,124,270
Contingent Liabilities & commitments		31,253,033	16,069,720	56,237,534	39,280,376
Net Asset value per share,LKR		136.42	130.92	145.73	138.59

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

	31.12.2013	31.12.2012
- Highest price Rs.	129.90	122.20
- Lowest price Rs.	115.00	106.00
- Last traded price Rs.	129.00	112.90

Statement of Changes in Equity
For the period ended 31.12.2013
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							1,845,536	1,845,536
Other comprehensive income (net of tax)					449,568			449,568
Total comprehensive income for the period	-	-	-	-	449,568	-	1,845,536	2,295,104
Transfers				269,920			(269,920)	-
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 31 December 2012	2,650,977	2,064,837	1,135,000	620,135	9,880,620	13,779,839	2,238,332	32,369,740
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							1,640,073	1,640,073
Other comprehensive income (net of tax)					1,144,323			1,144,323
Total comprehensive income for the period	-	-	-	-	1,144,323	-	1,640,073	2,784,396
Transfers				269,241			(269,241)	-
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 31 December 2013	2,650,977	2,064,837	1,285,000	990,266	12,311,608	13,779,839	3,082,885	36,165,412

Statement of Changes in Equity
For the period ended 31.12.2013
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							2,150,733	2,150,733	60,558	2,211,291
Other comprehensive income (net of tax)					467,899		65,749	533,648	56,928	590,576
Total comprehensive income for the period	-	-	-	-	467,899	-	2,216,482	2,684,381	117,486	2,801,867
Transfers				269,920			(269,920)	-		-
Transactions with equity holders, recognised directly in equity										
Dividends to equity holders							(1,060,391)	(1,060,391)	(56,667)	(1,117,058)
Total transactions with equity holders	-	-	-	-	-	-	(1,060,391)	(1,060,391)	(56,667)	(1,117,058)
Balance as at 31 December 2012	2,650,977	2,064,837	1,135,000	620,135	7,429,623	13,779,839	6,446,625	34,127,036	485,454	34,612,490
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							1,979,345	1,979,345	85,129	2,064,474
Other comprehensive income (net of tax)					1,204,953		29,717	1,234,670	42,658	1,277,328
Total comprehensive income for the period	-	-	-	-	1,204,953	-	2,009,062	3,214,015	127,787	3,341,802
Transfers				269,241			(269,241)	-		-
Transactions with equity holders, recognised directly in equity										
Consolidation Adjustment through Joint venture							4,207	4,207	654	4,861
Dividends to equity holders							(1,325,488)	(1,325,488)	(57,567)	(1,383,055)
Total transactions with equity holders	-	-	-	-	-	-	(1,321,282)	(1,321,282)	(56,914)	(1,378,194)
Balance as at 31 December 2013	2,650,977	2,064,837	1,285,000	990,266	9,923,438	13,779,839	7,938,453	38,632,810	583,251	39,216,061

For the period ended

	Bank		Group	
	31-12-2013	31-12-2012	31-12-2013	31-12-2012
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flow from operating activities				
Interest Receipts	6,097,633	5,763,847	11,976,621	9,622,388
Interest payments	(4,047,179)	(3,743,990)	(8,174,774)	(6,441,707)
Recoveries on loans previously written off	72,508	60,024	73,291	60,024
Receipts from other operating activities	(155,270)	311,898	523,154	958,485
Cash payments to employees & suppliers	(1,196,008)	(1,162,534)	(2,921,875)	(2,654,491)
Value added tax	(269,864)	(83,300)	(407,739)	(202,860)
Operating Cash flow before changes in operating assets and liabilities	501,820	1,145,945	1,068,678	1,341,839
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	-	-	471,006	(707,133)
Funds advanced to customers	993,108	(4,492,321)	(8,655,406)	(9,797,100)
Others	(54,429)	(43,875)	(244,905)	(271,548)
Increase /(decrease) in operating liabilities:				
Security deposits from customers	-	-	(5,857)	14,152
Deposits from customers	(3,766,443)	5,388,421	3,343,065	15,943,474
Negotiable certificates of deposit	-	-	121,548	81,004
Others	(69,704)	(100,813)	141,001	114,438
Net cash flow from operating activities before income tax	(2,395,648)	1,897,357	(3,760,870)	6,719,126
Income tax paid	(292,908)	(139,921)	(416,827)	(220,119)
Net cash flow from/(used in)operating activities	(2,688,556)	1,757,436	(4,177,697)	6,499,007
Cash flow from investing activities				
Dividends received	1,032,684	878,366	878,858	768,332
Interest received	758,427	455,855	829,463	1,171,920
Government Securities	(6,198,137)	(2,976,348)	(9,929,792)	(4,175,181)
Proceeds from sale and redemption of securities	593,347	546,566	593,347	546,566
Purchase of securities	(677,093)	(563,639)	(773,856)	(495,683)
Investment in associates by Joint Venture	-	-	(126,135)	(20,000)
Investment in additional shares of subsidiaries-DFCC Vardhana Bank PLC	(2,195,611)	(4,546)	(2,195,611)	(4,546)
Investment in additional shares of subsidiaries - (Synapsys Ltd)	(17,000)	-	(17,000)	-
Purchase of property , equipment ,intangibles and investment property	(83,792)	(142,391)	(283,955)	(312,327)
Proceeds from sale of equipment and investment property	19,986	3,123	31,624	30,661
Net cash from/(used in) investing activities	(6,767,189)	(1,803,014)	(10,993,057)	(2,490,258)
Cash flow from financing activities				
Issue of new shares by Subsidiary of joint venture	-	-	72,043	122,510
Redemption of debentures	-	(700,000)	-	(700,000)
Borrowing , medium and long - term	13,426,168	13,469,374	13,426,169	13,431,876
Other borrowings	4,138,350	463,500	10,416,164	(944,690)
Repayment of borrowing ,medium and long - term	(9,004,747)	(11,793,962)	(9,816,788)	(11,793,962)
Dividends paid	(1,318,292)	(1,055,208)	(1,375,859)	(1,141,719)
Net Cash flow from/(used in) financing activities	7,241,479	383,704	12,721,729	(1,025,985)
Net increase/(decrease) in cash & cash equivalents	(2,214,266)	338,126	(2,449,025)	2,982,764
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	5,344,690	4,555,345	9,898,521	10,967,024
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	152,578	158,857	2,915,409	1,530,496
Placements with banks	5,036,799	3,767,979	6,735,086	5,595,304
Government Securities-less than 3 months	155,313	628,509	248,026	3,859,742
Borrowing short term - Bank overdrafts	-	-	-	(18,518)
	5,344,690	4,555,345	9,898,521	10,967,024

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 31 December	Bank		Group	
	2013	2012	2013	2012
	LKR 000	LKR 000	LKR 000	LKR 000
Gain on sale of securities	87,373	74,439	87,373	74,439
Dividend income	396,059	337,182	236,563	221,499
Net gain from repurchase transactions	11,743	6,333	176,341	69,735
	495,175	417,954	500,277	365,673

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

For the period ended 31 December	Bank		Group	
	2013	2012	2013	2012
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange gain/(loss)	(563,791)	193,902	(590,850)	263,070
Others	144,333	117,514	283,409	239,037
	(419,458)	311,416	(307,441)	502,107

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	
	31-12-2013	31-03-2013	31-12-2013	31-03-2013
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 8.1)	61,376,086	62,191,645	113,164,426	104,396,499
Less: Individual impairment (Note 8.2.1)	(1,596,034)	(1,477,986)	(3,781,876)	(3,229,925)
Collective impairment (Note 8.2.2)	(1,897,073)	(1,868,892)	(3,047,051)	(2,767,131)
Net loans and receivables	57,882,979	58,844,767	106,335,499	98,399,443

Note 8.1 Loans and Receivables to Other Customers - By product

As at	Bank		Group	
	31-12-2013 LKR 000	31-03-2013 LKR 000	31-12-2013 LKR 000	31-03-2013 LKR 000
By product-Domestic Currency				
Overdrafts	-	-	18,993,502	15,122,703
Trade finance	-	-	8,224,742	6,842,089
Credit cards	-	-	102,476	62,118
Pawning	-	-	3,790,175	3,625,272
Staff loans	497,834	424,505	834,681	710,586
Term loans	45,256,274	44,539,949	58,301,687	53,668,262
Lease rentals receivable	8,513,993	9,487,857	9,964,444	10,722,720
Commercial papers and asset back notes	655,703	1,079,531	655,703	1,079,531
Debenture loans	878,920	1,096,741	878,920	1,096,741
Preference shares	1,350,000	1,792,405	1,222,895	1,642,405
Securities purchased under resale agreements	-	535,506	255,348	1,644,785
	57,152,724	58,956,494	103,224,573	96,217,212
By product-Foreign Currency				
Overdrafts	-	-	330,731	555,292
Trade finance	-	-	4,474,380	3,457,209
Term loans	4,223,362	3,235,151	5,134,742	4,166,786
	4,223,362	3,235,151	9,939,853	8,179,287
Gross Loans and Receivables	61,376,086	62,191,645	113,164,426	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	
	31-12-2013 LKR 000	31-03-2013 LKR 000	31-12-2013 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	126,228	104,388	538,166	417,218
Other movements	-	-	18,704	10,595
Write-off during the year	-	-	(4,465)	-
Exchange rate difference on foreign currency provision	-	-	7,726	-
Effect of discounting	(8,180)	(10,001)	(8,180)	(10,001)
Closing balance	1,596,034	1,477,986	3,781,876	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	155,152	52,988	407,982	243,222
Other movements	-	-	31,725	4,239
Write-off during the year	(114,926)	(238,791)	(148,691)	(338,240)
Exchange rate difference on foreign currency provision	-	-	949	-
Transfers to dues on terminated leases	(12,045)	(38,702)	(12,045)	(38,702)
Closing balance	1,897,073	1,868,892	3,047,051	2,767,131
Total Individual and Collective impairment	3,493,107	3,346,878	6,828,927	5,997,056

Note 9. Investment in Subsidiary Companies

During the period ended 31 December 2013, DFCC Bank invested LKR 2,196 Mn in DFCC Vardhana Bank PLC (DVB) and 17 Mn in Synapsys Ltd to subscribe to the Rights Issue. The Bank thereby increased its holding in DVB to 99.17% from 99.12%.

Note 10. Due to Other Customers - By product

As at	Bank		Group	
	31-12-2013 LKR 000	31-03-2013 LKR 000	31-12-2013 LKR 000	31-03-2013 LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	-	-	1,606,615	1,351,536
Savings deposits	-	-	10,202,895	9,142,650
Fixed deposits	10,810,581	14,151,819	43,847,159	41,837,373
Margin deposits	-	-	444,327	126,907
Certificate of deposits	-	-	501,596	370,833
	10,810,581	14,151,819	56,602,592	52,829,299
By product- Foreign Currency				
Demand deposits (current accounts)	-	-	93,245	87,122
Savings deposits	-	-	932,331	863,198
Fixed deposits	787,491	1,396,248	8,748,911	8,966,042
Margin deposits	-	-	12,157	4,605
	787,491	1,396,248	9,786,644	9,920,967
Total	11,598,072	15,548,067	66,389,236	62,750,266

Note 11. Debt Securities Issued

DFCC Bank issued USD 100 million 5 year Notes in October 2013. In order to mitigate the foreign exchange risk the Central Bank of Sri Lanka (CBSL) has entered into a special arrangement with the DFCC Bank in respect of USD 75 million of this issue. By this arrangement the Bank will be compensated for losses arising from a depreciation of the LKR during the tenor of the Notes on USD 75 million. Conversely in the event the LKR appreciates during the period the DFCC Bank will pay the gain to the CBSL.

This arrangement will be in force throughout the life of the Notes and is based on annually renewable contracts with losses or gains settled at the time of each renewal. There is no loss or gain recognized in the financial statements on 31 December 2013 in terms of this arrangement since the LKR/USD spot exchange rate on 31 December 2013 was unchanged since the time of the issue.

Note 12. Post Balance Sheet Events

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

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**

Number of shares of the Bank on 31 December 2013 (No increase from 31 March 2013)	<u>265,097,688</u>
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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 31.12.2013

	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	3,287,584	1.24
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

13.4 Public holding as at 31.12.2013 is 63.31%

13.5 Directors' Interests in Shares

	No of Shares As at 31.12.2013
Brito, J M S - Chairman	38,280
Fernando, A R –CEO/ Ex-officio Director	4,470
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	1,000

Certification

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

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

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

J M S Brito
Chairman

A R Fernando
Ex-officio Director
& Chief Executive

R A P Withana
Chief Financial Officer

29.01.2014

DFCC Listed Debenture

	Interest Payable Frequency	Applicable Interest Rate	Interest rate of Comparative Government Securites (Gross)	Balance as at 31.12.2013 LKR 000
Debenture Category				
Fixed Rate				
2006/2016 - 14.00% p.a.	Annually	14.00%	9.93%	<u>672,600</u>
Other Ratios		31.12.2013	31.03.2013	
Debt to equity Ratio		1.21	1.72	
Interest cover		1.28	1.38	
Liquid Asset Ratio (%)		100.8	52.8	

Business Segment Information
For the period ended 31 December 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	6,260,151	5,695,833	1,038,121	1,042,348	-	-	6,651,196	4,846,868	70,128	92,611	-	-	(58,759)	(63,001)	13,960,837	11,614,659
Net fees and commission income	62,200	39,693					507,352	420,250	195,327	195,348	26,887	21,483	(120,544)	(100,633)	671,222	576,141
Net gain/(loss) from trading							109,974	75,331	584	1,682	1,145	1,997			111,704	79,010
Net gain/(loss) from financial instruments designated at fair value through profit and loss																
							(20,379)	(88,814)			40,105	(285,290)			19,726	(374,104)
Net gain/(loss) from financial investments					495,175	417,954	81,797	34,743	99,865	41,404			(176,560)	(128,428)	500,277	365,673
Other income	72,508	60,024	-	-	(11,743)	(6,333)	(22,682)	75,695	156,472	134,942	(480,224)	257,725	(21,773)	(19,946)	(307,442)	502,107
Income from external customers	6,394,859	5,795,550	1,038,121	1,042,348	483,432	411,621	7,307,258	5,364,073	522,376	465,987	(412,087)	(4,085)	(377,636)	(312,008)	14,956,324	12,763,486
Total income	6,394,859	5,795,550	1,038,121	1,042,348	483,432	411,621	7,307,258	5,364,073	522,376	465,987	(412,087)	(4,085)	(377,636)	(312,008)	14,956,324	12,763,486
Percentage *	44	46	8	9	3	3	48	42	4	4	(3)	(1)	-	-	100	100
Expense																
Segment losses	256,118	161,426	42,848	11,693	13,803	-	664,768	421,906							977,537	595,025
Depreciation							133,756	123,753	28,072	26,953					161,828	150,706
Other operating & interest expenses	2,937,130	2,948,800	445,874	542,970	-	-	5,705,142	4,130,119	380,920	310,582			(201,076)	(183,580)	9,267,990	7,748,891
	3,193,248	3,110,226	488,722	554,663	13,803	-	6,503,666	4,675,778	408,992	337,535	-	-	(201,076)	(183,580)	10,407,355	8,494,622
Result	3,201,611	2,685,324	549,399	487,685	469,629	411,621	803,592	688,295	113,384	128,452					4,548,969	4,268,864
Unallocated expenses															1,362,257	1,120,637
Value Added Tax															394,277	192,030
Share of profits of associates															2,792,435	2,956,197
Profit before tax															114,676	19,209
Income tax on profit on ordinary activities															842,637	764,115
Profit after tax															2,064,474	2,211,291
Non controlling interests															85,129	60,558
Profit for the Equity Holders of the Bank															1,979,345	2,150,733
Profits for the period															2,064,474	2,211,291
Other Comprehensive Income net of tax					1,043,143	430,054	17,452	17,404	216,733	143,118					1,277,328	590,576
Total Comprehensive Income															3,341,802	2,801,867
Total Comprehensive Income - Non controlling interests															127,787	117,486
Profit for the Equity Holders of the Bank															3,214,015	2,684,381
Assets	77,190,602	69,363,165	8,343,313	9,640,032	6,623,564	4,420,087	73,056,783	55,865,010	4,206,559	3,889,337	1,840,159	1,342,670	(976,688)	(1,171,125)	170,284,292	143,349,176
Percentage*	45	48	6	7	4	3	43	39	2	3	1	1	(1)	(1)	100	100
Investment in associate company															652,313	411,596
															170,936,605	143,760,772
Liabilities	44,137,633	43,048,001	7,508,982	8,676,029	-	-	67,570,383	50,957,521	2,198,704	2,126,839	11,281,530	5,511,017	(976,688)	(1,171,125)	131,720,544	109,148,282

* 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 9 months ended 30 September is consolidated with Income statements of DFCC for the 9 months ended 31 December

For the nine months ended 31 December

	2013	2012
	LKR 000	LKR 000
Income	14,678,272	12,485,326
Interest income	13,929,739	11,550,266
Interest expenses	7,959,896	6,609,180
Net Interest Income	5,969,843	4,941,086
Fee and commission income	601,816	489,008
Less: Fee and commission expenses	5,377	7,582
Net Fee and Commission Income	596,439	481,426
Net gain/(loss) from trading	111,119	77,328
Net gain/(loss) from financial instruments at fair value through profit or loss	19,726	(374,104)
Net gain from financial investments	478,362	373,843
Other operating income (net)	(462,489)	368,985
Total Operating Income	6,713,000	5,868,564
Charge of Impairment for loans and other losses		
Individual Impairment	538,166	353,142
Collective Impairment	407,982	239,321
Others	31,389	2,562
Net Operating Income	5,735,463	5,273,539
Less: Operating Expenses		
Personnel expenses	1,178,394	1,046,249
Depreciation and Amortisation	235,249	217,066
Other operating expenses	1,170,542	940,875
Operating Profit Before Value Added Tax	3,151,278	3,069,349
Value added tax (VAT) on financial services	394,277	192,030
Profit Before Tax	2,757,001	2,877,319
Tax expenses	807,987	736,408
Profit for the Year	1,949,014	2,140,911

Note 01 Reconciliation with Group profit

For the nine months ended 31 December

	2013	2012
	LKR 000	LKR 000
Profit for the period - DBB	1,949,014	2,140,911
Consolidation adjustments		
Dividend from subsidiaries & JV accounted in DBB	(77,951)	(49,574)
WHT on dividend received	(5,718)	(4,902)
Reversal of provision for fall in value of investments in subsidiary	1,865,345	2,086,435
Add: Profit from other subsidiaries and Joint venture attributable to equity holders of DFCC Bank		
Subsidiaries	78,214	97,728
Joint venture	118,640	25,089
Share of profits of associate	2,276	2,039
Profit for the Period	2,064,474	2,211,291

Composition of the Joint Venture Results

	2013	2012
	LKR 000	LKR 000
Joint venture and its subsidiaries	6,240	7,919
Associates of joint venture and its subsidiaries	112,400	17,170
	118,640	25,089