



Results for the nine months ended 30 September 2016

This commentary relates to the interim non audited financial statements for the nine months ended 30 September 2016 (the current period) presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS) aligned with the International Financial Reporting Standards (IFRS).

The DFCC Group comprises DFCC Bank PLC (DFCC), and its subsidiaries - Lanka Industrial Estates Limited (LINDEL), DFCC Consulting (Pvt) Limited (DCPL) and Synapsys Limited (SL), the joint venture company - Acuity Partners (Pvt) Limited (APL) and the associate company - National Asset Management Limited (NAMAL).

Pursuant to the amalgamation with DFCC Vardhana Bank PLC (DVB) during 2015, DFCC changed its financial year-end from 31 March to 31 December. Accordingly, the nine months results during the year 2016 of DFCC relates to the period 01.01.2016 to 30.09.2016. The current period results are compared with the results of the period 01.01.2015 to 30.09.2015 (the previous period) of DFCC which is the surviving entity. The previous period results of the group include the results of DVB, SL, APL and NAMAL consolidated with a three months lag on account of their respective financial years ending 31 December. The other group entities, LINDEL and DCPL, are consolidated without a lag.

In order to facilitate comparison and give context to the DFCC's results for the current period, a combined Income Statement for the nine months ended 30 September 2015 (the comparable period) prepared as if the amalgamation with DVB took place prior to 1 January 2015, is given as supplementary financial information

Overview of Financial Performance of the Group

The DFCC Group recorded a consolidated profit after tax of LKR 2,692 million in the current period a growth of 32% over the LKR 2,034 million in the comparable period ended 30 September 2015. The total assets of the Group grew by 12% and stood at LKR 277,517 million as at 30 September 2016 compared to LKR 247,109 million as at 31 December 2015. The total assets of the Group recorded a year on year growth of 17% compared to LKR 236,564 million as at 30 September 2015.

Banking Business

While the DFCC Group is active in a broad and diversified range of financial services, the largest contribution to its profits and assets is from the core Banking Business which performed well.

During the current period, net interest income increased by 17% to LKR 6,231 million from LKR 5,325 million in the comparable period while net fee and commission income grew by 14% to LKR 951 million from LKR 832 million. Other income is largely in the form of dividends derived from the investment in Commercial Bank of Ceylon PLC supplemented by dividend from other equity securities classified as available-for-sale. In the current period, dividend income received from listed equity securities was LKR 569 million compared to LKR 577 million in the comparable period.

The impairment allowance during the current period was LKR 910 million compared to LKR 953 million in the comparable period. The decrease in the impairment charge during the period was as a result of improved recoveries. During the quarter ended 30 September 2016, the ratio of gross non-performing loans and advances (calculated using the CBSL guidelines) declined to 3.9% from 4.4% as at 30 June 2016.

Operating expenses were LKR 3,296 million in the current period, a decrease of 7% over LKR 3,530 million in the comparable period despite branch expansion and a high investment in building our brand. The adoption of stringent cost control and efficiency measures along with the benefit attributable to synergies from the amalgamated entities contributed largely to this performance.

The improved operating metrics enabled DFCC's Banking Business to post a profit after tax of LKR 2,527 million in the current period a growth of 43% from LKR 1,766 million over the comparable period.

Investments

Listed shares, Investments in treasury bills and bonds are classified as available for sale and carried at fair value. The fair value changes that represent unrealized gains/losses of such investments are recognized in other comprehensive income. The fair value gain during the nine months ended 30 September 2016 was LKR 276 million as against a fair value loss of LKR 1,529 million in the comparable period.

Equity Capital

Under SLFRS, the total income for the period comprises the income reported in the income statement and other comprehensive income. The equity capital was significantly augmented due to the recognition of net unrealized gain on the ordinary shares listed in the Colombo Stock Exchange and owned by the Bank at fair value.

Prudential Indicators

DFCC is one of the best capitalized banks in the industry. As at 30 September 2016, the Group Tier 1 capital adequacy ratio was 14.0% and the total capital adequacy ratio was 13.6% before considering the current year to date profit. These ratios stand well above the regulatory stipulated levels. The regulatory capital computation excludes fair value changes on financial assets classified as available for sale.

Annual General Meeting

We wish to advise that the 62nd Annual General Meeting of DFCC Bank is scheduled to be held on 30 March 2017.

Arjun Fernando
Chief Executive Officer

21 October 2016

DFCC Bank PLC
Income Statement

	Notes	Bank				Group			
		For the nine months ended		For the quarter ended		For the nine months ended		For the quarter ended	
		30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	LKR 000	Pre-amalgamation LKR 000	LKR 000	Pre-amalgamation LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	
Income		18,879,742	7,129,487	6,858,061	2,230,714	19,064,896	14,205,061	6,890,332	4,791,847
Interest income		16,990,759	6,167,371	6,358,375	2,192,873	16,999,858	12,139,877	6,361,441	4,324,951
Interest expense		10,759,350	3,846,025	3,958,084	1,416,873	10,737,702	6,926,946	3,948,979	2,549,403
Net interest income		6,231,409	2,321,346	2,400,291	776,000	6,262,156	5,212,931	2,412,462	1,775,548
Fees and commission income		950,540	131,937	350,623	53,611	950,540	893,513	350,078	302,586
Less- Fees and commission expenses		-	-	-	-	-	9,208	-	4,191
Net fees and commission income		950,540	131,937	350,623	53,611	950,540	884,305	350,078	298,395
Net gain/(loss) from trading		315,816	(2,584)	125,934	(23,405)	315,816	146,309	125,934	71,508
Net (loss) / gain from financial instruments at fair value through profit or loss	8	(272,443)	553,498	(66,780)	577,075	(272,443)	734,498	(66,780)	577,867
Net gain from financial investments	9	790,772	915,278	109,815	85,826	736,713	849,668	65,219	102,042
Other operating (loss) /income (net)	10	104,297	(636,013)	(19,907)	(655,266)	334,413	(558,804)	54,441	(587,107)
Total operating income		8,120,391	3,283,462	2,899,976	813,841	8,327,195	7,268,907	2,941,354	2,238,253
Impairment for Loans and other losses									
- Individual impairment		861,987	406,478	227,570	111,440	861,987	621,285	227,570	213,788
- Collective impairment		28,175	(31,575)	23,374	11,826	28,175	45,414	23,374	48,952
- Others		3,583	4,213	2,632	3,939	3,583	59,456	2,632	9,137
Investment - impairment losses		16,470	1,681	12,202	-	-	-	-	-
Net operating Income		7,210,176	2,902,665	2,634,198	686,636	7,433,450	6,542,752	2,687,778	1,966,376
Operational expenses									
Personnel expenses		1,679,058	735,014	561,406	165,803	1,821,239	1,946,848	604,637	580,524
Depreciation and amortisation		248,935	107,030	82,818	35,949	277,337	297,496	94,559	100,897
Other expenses		1,367,992	432,220	473,900	130,446	1,339,187	1,231,497	465,433	419,624
Operating profit before value added tax and nation building tax on financial services		3,914,191	1,628,401	1,516,074	354,438	3,995,687	3,066,911	1,523,149	865,331
Value added tax and nation building tax on financial services		610,180	262,059	195,233	49,584	610,180	550,441	195,233	132,459
Operating profit after value added tax and nation building tax on financial services		3,304,011	1,366,342	1,320,841	304,854	3,385,507	2,516,470	1,327,916	732,872
Share of profits of associate and joint venture		-	-	-	-	150,187	45,752	57,226	62,858
Profit before tax		3,304,011	1,366,342	1,320,841	304,854	3,535,694	2,562,222	1,385,142	795,730
Income tax expense		777,230	132,600	393,599	57,497	843,262	528,094	413,231	243,423
Profit for the period		2,526,781	1,233,742	927,242	247,357	2,692,432	2,034,128	971,911	552,307
Profit attributable to									
Equity holders of the Bank		2,526,781	1,233,742	927,242	247,357	2,655,838	1,981,376	953,786	534,678
Non-controlling interests		-	-	-	-	36,594	52,752	18,125	17,629
Profit for the period		2,526,781	1,233,742	927,242	247,357	2,692,432	2,034,128	971,911	552,307
Basic earnings per ordinary share - LKR		9.53	4.65	3.50	0.93	10.02	7.47	3.60	2.02

DFCC Bank PLC
Statement of Profit or Loss and Other
Comprehensive Income

	Bank				Group			
	For the nine months ended		For the quarter ended		For the nine months ended		For the quarter ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
LKR 000	Pre-amalgamation LKR 000	LKR 000	Pre-amalgamation LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	
Profit for the period	2,526,781	1,233,742	927,242	247,357	2,692,432	2,034,128	971,911	552,307
Other comprehensive income, net of tax								
Other comprehensive income to be reclassified to income statement								
Available for sale financial assets								
Net change in fair value of available-for-sale financial assets	310,557	(1,528,554)	3,253,651	(281,597)	310,557	(1,547,030)	3,253,651	(227,152)
Net amount transferred to income statement on disposal of available-for-sale financial assets	-	(36,874)	-	-	-	(136,603)	-	(1,008)
Tax expense relating to available for sale financial assets	(34,844)	(1,071)	(34,844)	-	(34,844)	(8,300)	(34,844)	(19,549)
Share of other comprehensive income of associate and joint venture	-	-	-	-	(28,349)	4,686	13,531	388
Total other comprehensive income to be reclassified to income statement	275,713	(1,566,499)	3,218,807	(281,597)	247,364	(1,687,247)	3,232,338	(247,321)
Other comprehensive income not to be reclassified to income statement								
Actuarial gains and losses on defined benefit plans	-	(171,807)	-	-	516	(187,912)	516	-
Tax expense relating to Actuarial gains and losses on defined benefit plans	-	4,898	-	-	-	10,276	-	-
Total Other comprehensive income not to be reclassified to income statement	-	(166,909)	-	-	516	(177,636)	516	-
Other comprehensive income for the period, net of tax	275,713	(1,733,408)	3,218,807	(281,597)	247,880	(1,864,883)	3,232,854	(247,321)
Total comprehensive income for the period	2,802,494	(499,666)	4,146,049	(34,240)	2,940,312	169,245	4,204,765	304,986
Total comprehensive income attributable to:								
Equity holders of the Bank	2,802,494	(499,666)	4,146,049	(34,240)	2,903,466	117,442	4,186,388	286,941
Non-controlling interests	-	-	-	-	36,846	51,803	18,377	18,046
Total comprehensive income for the period	2,802,494	(499,666)	4,146,049	(34,240)	2,940,312	169,245	4,204,765	304,987

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank		Group	
		30.09.2016 LKR 000	31.12.2015 Audited LKR 000	30.09.2016 LKR 000	31.12.2015 Audited LKR 000
Assets					
Cash and cash equivalents		3,152,876	4,305,247	3,113,401	4,314,777
Balances with Central Bank		7,701,876	5,553,809	7,701,876	5,553,809
Placements with banks		179,033	-	244,528	1,718
Derivative assets held for risk management		55,500	198,776	55,500	198,776
Other financial assets held-for-trading		1,560,833	-	1,560,833	-
Loans to and receivables from banks		12,339,734	4,574,319	12,339,734	4,602,263
Loans to and receivables from other customers	11	173,864,600	160,345,530	173,864,152	160,343,155
Financial investments - available-for-sale		50,736,620	48,957,015	50,736,620	48,957,015
Financial investments - held-to-maturity		21,690,682	17,903,885	21,690,682	17,903,885
Investments in subsidiaries		116,384	132,855	-	-
Investments in associates		35,270	35,270	63,910	66,980
Investments in joint ventures		755,000	655,000	1,393,650	1,180,819
Due from subsidiaries		20,064	17,394	-	-
Investment properties		-	-	220,180	195,732
Property, plant and equipment		861,857	943,017	959,887	1,042,301
Intangible assets		193,889	247,115	195,335	247,945
Goodwill on consolidation		-	-	156,226	156,226
Government grant receivable	13.1	405,504	539,758	405,504	539,758
Deferred tax asset		-	-	1,236	1,536
Prepayments		240,214	36,708	240,214	36,708
Other assets		2,523,040	1,705,379	2,573,061	1,765,199
Total assets		276,432,976	246,151,077	277,516,529	247,108,602
Liabilities					
Due to banks		14,365,023	24,364,403	14,364,575	24,365,653
Derivative liabilities held for risk management		80,237	85,333	80,237	85,333
Due to other customers	12	131,875,729	110,890,685	131,519,725	110,551,220
Other borrowing		49,685,457	35,955,297	49,685,457	35,955,297
Debt securities issued		28,890,425	23,292,660	28,890,425	23,292,660
Current tax liability		508,552	251,551	524,491	266,723
Deferred tax liability		826,855	880,490	848,947	880,490
Government grant deferred income	13.2	135,504	476,008	135,504	476,008
Other liabilities		3,048,513	3,368,558	3,211,929	3,500,012
Subordinated term debt		2,057,920	3,767,081	2,057,920	3,767,081
Total liabilities		231,474,215	203,332,066	231,319,210	203,140,477
Equity					
Stated capital	15.2	4,715,814	4,715,814	4,715,814	4,715,814
Reserve Fund		1,834,275	1,834,275	1,834,275	1,834,275
Retained earnings		10,067,463	8,203,426	13,497,722	11,506,206
Other reserves		28,341,209	28,065,496	25,907,032	25,659,404
Total equity attributable to equity holders of the Bank		44,958,761	42,819,011	45,954,843	43,715,699
Non-controlling interests		-	-	242,476	252,426
Total equity		44,958,761	42,819,011	46,197,319	43,968,125
Total equity and liabilities		276,432,976	246,151,077	277,516,529	247,108,602
Contingent liabilities and commitments					
		93,898,315	76,014,851	93,898,315	76,014,851
Net asset value per share, LKR		169.59	161.52	173.35	164.90

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

	30.09.2016	31.12.2015
- Highest price Rs.	168.10	183.00
- Lowest price Rs.	125.70	155.00
- Last traded price Rs.	129.30	168.10

DFCC Bank PLC

Statement of Changes in Equity - Bank

For the nine months ended 30 September 2016

	Stated capital LKR 000	Reserve fund LKR 000	Other reserves		Retained earnings LKR 000	Total equity LKR 000
			Fair value reserve LKR 000	General reserves LKR 000		
Balance as at 1st January 2015	4,715,814	1,380,000	18,205,948	13,779,839	6,421,795	44,503,396
Profit for the period	-	-	-	-	1,233,742	1,233,742
Other comprehensive income (Net of Tax)	-	-	(1,566,499)	-	(166,909)	(1,733,408)
Total comprehensive income for the period		-	(1,566,499)	-	1,066,833	(499,666)
Transfers		165,000	-	-	(165,000)	-
Transactions with equity holders, recognised directly in equity						
Dividend paid		-	-	-	(1,590,586)	(1,590,586)
Total contributions from and distribution to equity holders		-	-	-	(1,590,586)	(1,590,586)
Balance as at 30th September 2015	4,715,814	1,545,000	16,639,449	13,779,839	5,733,042	42,413,144
Balance as at 1st January 2016	4,715,814	1,834,275	14,285,657	13,779,839	8,203,426	42,819,011
Profit for the period		-	-	-	2,526,781	2,526,781
Other comprehensive income (Net of Tax)		-	275,713	-	-	275,713
Total comprehensive income for the period		-	275,713	-	2,526,781	2,802,494
Transactions with equity holders, recognised directly in equity						
Dividend paid	-	-	-	-	(662,744)	(662,744)
Total contributions from and distribution to equity holders	-	-	-	-	(662,744)	(662,744)
Balance as at 30th September 2016	4,715,814	1,834,275	14,561,370	13,779,839	10,067,463	44,958,761

DFCC Bank PLC
Statement of Changes in Equity - Group
For the nine months ended 30 September 2016

	Attributable to the equity holders of the Bank								
	Stated Capital	Reserve fund	Other reserves			Retained earnings	Total	Non- controlling interests	Total
			Fair value reserve	Exchange Equalization Reserve	General reserve				
			LKR 000	LKR 000	LKR 000				
Balance as at 1st January 2015	4,715,814	1,380,000	15,882,909	-	13,779,839	12,262,209	48,020,771	334,364	48,355,135
Profit for the period	-	-	-	-	-	1,981,376	1,981,376	52,752	2,034,128
Other comprehensive income net of tax	-	-	(1,686,298)	-	-	(177,636)	(1,863,934)	(949)	(1,864,883)
Total comprehensive income for the period	-	-	(1,686,298)	-	-	1,803,740	117,442	51,803	169,245
Transfers	-	165,000	-	-	-	(165,000)	-	-	-
Change in Holding through Joint venture	-	-	-	-	-	21,072	21,072	-	21,072
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	(56,718)	(56,718)
Final Dividend for the nine months ended 30th September 2015	-	-	-	-	-	(1,590,586)	(1,590,586)	-	(1,590,586)
Total contributions from and distribution to equity holders	-	165,000	-	-	-	(1,734,514)	(1,569,514)	(56,718)	(1,626,232)
Balance as at 30th September 2015	4,715,814	1,545,000	14,196,611	-	13,779,839	12,331,435	46,568,699	329,451	46,898,150
Balance as at 1st January 2016	4,715,814	1,834,275	11,857,655	21,910	13,779,839	11,506,206	43,715,699	252,426	43,968,125
Profit for the period	-	-	-	-	-	2,655,838	2,655,838	36,594	2,692,432
Other comprehensive income net of tax	-	-	239,023	8,605	-	-	247,628	252	247,880
Total comprehensive income for the period	-	-	239,023	8,605	-	2,655,838	2,903,466	36,846	2,940,312
Transactions with equity holders,									
Change in holding through joint venture	-	-	-	-	-	(322)	(322)	-	(322)
Preference share dividend paid by subsidiary of joint venture	-	-	-	-	-	(1,256)	(1,256)	-	(1,256)
Dividend paid	-	-	-	-	-	(662,744)	(662,744)	-	(662,744)
Increase in ownership interest by the Bank that does not result in change of control	-	-	-	-	-	-	-	-	-
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	(46,796)	(46,796)
Total contributions from and distribution to equity holders	-	-	-	-	-	(664,322)	(664,322)	(46,796)	(711,118)
Balance as at 30th September 2016	4,715,814	1,834,275	12,096,678	30,515	13,779,839	13,497,722	45,954,843	242,476	46,197,319

Cash Flow Statement

For the Nine months ended	Bank		Group	
	30.09.2016	30.09.2015 Pre-amalgamation	30.09.2016	30.09.2015
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flow from operating activities				
Interest Receipts	13,639,270	4,623,693	13,374,143	9,978,146
Interest payments	(9,450,688)	(3,225,474)	(9,429,407)	(6,338,583)
Recoveries on loans previously written off	18,835	25,689	18,835	33,787
Receipts from other operating activities	1,392,071	1,956,388	1,604,572	3,592,918
Cash payments to employees & suppliers	(3,546,647)	(1,123,797)	(3,648,700)	(2,875,258)
Value added tax and nation building on tax financial services	(513,168)	(389,465)	(513,168)	(726,096)
Other levies	(119,586)	69,852	(119,586)	93,431
Operating Cash flow before changes in operating assets and liabilities	1,420,087	1,936,886	1,286,689	3,758,345
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	(2,148,068)	-	(2,148,066)	(603,516)
Funds advanced to customers	(21,621,080)	(10,360,489)	(21,621,716)	(24,886,100)
Others	(535,983)	(521,851)	(509,751)	(1,025,336)
Increase /(decrease) in operating liabilities:				
Deposits from customers	20,068,985	8,749,434	20,424,311	17,681,826
Negotiable certificates of deposit	37,465	-	37,465	67,819
Others	(913,774)	(372,220)	(913,140)	(276,955)
Net cash flow from operating activities before income tax	(3,692,368)	(568,240)	(3,444,208)	(5,283,917)
Income tax paid	(539,019)	(148,959)	(573,732)	(310,406)
Net cash flow from/(used in)operating activities	(4,231,387)	(717,199)	(4,017,940)	(5,594,323)
Cash flow from investing activities				
Dividends received	710,972	977,603	661,957	697,996
Interest received	2,182,212	513,259	2,209,808	844,708
Government Securities- net	(6,124,718)	(5,431,783)	(6,124,718)	(3,948,230)
Proceeds from sale and redemption of securities	433,060	458,085	433,060	757,539
Purchase of securities	(630,627)	(2,063,936)	(630,627)	(3,913,815)
Investment in Joint Venture	(100,000)	-	(100,000)	-
Purchase of property , equipment ,intangibles and investment property	(118,920)	(75,195)	(168,730)	(356,560)
Proceeds from sale of equipment and investment property	10,943	1,078	27,925	1,100
Net cash from/(used in) investing activities	(3,637,078)	(5,620,889)	(3,691,325)	(5,917,262)
Cash flow from financing activities				
Issue of debentures	5,315,450	(36,400)	5,315,450	4,963,600
Redemption of debentures	(2,096,000)	-	(2,096,000)	0
Borrowing , medium and long - term	3,441,816	1,745,384	3,441,816	1,751,954
Other borrowings(Net)	3,507,423	10,240,000	3,507,423	9,738,442
Repayment of borrowing ,medium and long - term	(2,612,976)	(2,512,277)	(2,615,074)	(2,516,502)
Dividends paid	(660,586)	(1,579,612)	(753,503)	(1,630,616)
Net Cash flow from/(used in) financing activities	6,895,127	7,857,095	6,800,112	12,306,878
Net (decrease) in cash & cash equivalents	(973,338)	1,519,007	(909,155)	795,293
Cash & cash equivalents at the beginning of period	4,305,247	249,178	4,267,083	4,602,035
Cash & cash equivalents at the end of period	3,331,909	1,768,185	3,357,929	5,397,328
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	3,152,876	18,120	3,113,401	3,035,035
Placements with banks	179,033	1,750,065	244,528	2,362,293
	3,331,909	1,768,185	3,357,929	5,397,328

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 the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act, No. 07 of 2007 and the Banking Act No. 30 of 1988 and amendments thereto.

Note 2. Comparative Information of the Bank

DFCC Vardhana Bank PLC, which was a subsidiary of the Group was amalgamated with DFCC Bank PLC on 1st October 2015. The comparative information of the Bank for the period ended 30th September 2015 represents the results of the Bank for the period from 01.01.2015 to 30.09.2015 prior to the amalgamation with DFCC Vardhana Bank PLC. However, the combined income statement (DFCC Bank PLC and DFCC Vardhana Bank PLC) for the comparative period as if the amalgamation has taken place prior to 1st October 2015 is given under "supplementary financial information"

Note 3. Accounting policies

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

Note 4. Accounting for investments in subsidiary companies

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

Note 5. Accounting for investment in associate and joint venture company

Accounted under equity method in group's financial statements. Amounts are based on unaudited financial statements of the associate company and joint venture company unless otherwise stated.

Note 6. 31 March financial year companies

These are DFCC Consultancy (Pvt) Ltd. and Lanka Industrial Estates Ltd.

Note 7. Change of Financial Year End

DFCC Bank PLC changed its financial year end from 31 March to 31 December in the year 2015. Accordingly, the interim financial statements for the nine months ended 30th September 2016 of DFCC Bank PLC relates to the results for the period 01.01.2016 to 30.09.2016. As such the comparative results has been replaced with the results for the period 01.01.2015 to 30.09.2015 (comparable period for 2016), instead of the results for the nine months (01.04.2015 to 31.12.2015) of the financial period ended 31.12.2015.

Note 8. Net Gain/(Loss) from Financial Instruments at Fair Value Through Profit or Loss

For the nine months ended	Bank		Group	
	30.09.2016 LKR 000	30.09.2015 LKR 000	30.09.2016 LKR 000	30.09.2015 LKR 000
Forward exchange fair value changes	(138,189)	112,528	(138,189)	287,065
Gain/ (loss) on CBSL Swap	(134,254)	440,970	(134,254)	440,970
Realised gain on gold put options	-	-	-	6,463
	(272,443)	553,498	(272,443)	734,498

Note 9. Net Gain from Financial Investments

For the nine months ended	Bank		Group	
	30.09.2016 LKR 000	30.09.2015 LKR 000	30.09.2016 LKR 000	30.09.2015 LKR 000
Gain on sale of securities	10,333	37,018	10,333	42,140
Dividend income	649,001	861,172	594,942	562,581
Net gain from repurchase transactions	131,438	17,088	131,438	244,947
	790,772	915,278	736,713	849,668

Note 10. Other Operating Income/(Loss)

For the nine months ended	Bank		Group	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange gain/(loss)	(293,697)	(996,856)	(293,697)	(1,099,796)
Amortisation of deferred income on Government grant-CBSL swap	340,503	256,531	340,503	256,531
Others	57,491	104,312	287,607	284,461
	104,297	(636,013)	334,413	(558,804)

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 11 Loans to and Receivables from Other Customers

As at	Bank		Group	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 11.1)	180,696,585	166,511,168	180,696,137	166,508,793
Less: Specific allowance for impairment (Note 11.2.1)	(4,975,597)	(4,240,756)	(4,975,597)	(4,240,756)
Collective allowance for impairment (Note 11.2.2)	(1,856,388)	(1,924,882)	(1,856,388)	(1,924,882)
Net loans and receivables	173,864,600	160,345,530	173,864,152	160,343,155

Note 11.1 Loans and Receivables from Other Customers - By product

As at	Bank		Group	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	27,156,845	23,959,506	27,156,845	23,959,506
Trade finance	13,642,390	12,333,494	13,642,390	12,333,494
Credit cards	224,914	204,406	224,914	204,406
Pawning	1,863,668	1,532,181	1,863,668	1,532,181
Staff loans	1,353,857	1,241,687	1,353,857	1,241,687
Term loans	103,637,900	94,783,848	103,637,900	94,783,848
Lease rentals receivable	15,486,822	15,436,155	15,486,374	15,433,780
Commercial papers and asset back notes	1,368,524	1,934,126	1,368,524	1,934,126
Debenture loans	71,087	71,189	71,087	71,189
Preference shares	642,500	940,000	642,500	940,000
	165,448,507	152,436,592	165,448,059	152,434,217
By product-Foreign Currency				
Overdrafts	265,137	313,448	265,137	313,448
Trade finance	6,837,859	6,409,216	6,837,859	6,409,216
Term loans	8,145,082	7,351,912	8,145,082	7,351,912
	15,248,078	14,074,576	15,248,078	14,074,576
Gross loans and receivables	180,696,585	166,511,168	180,696,137	166,508,793

Note 11.2 Movement in Individual and Collective Impairment during the period for Loans and Receivable to Other Customers

As at	Bank		Group	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	LKR 000	LKR 000	LKR 000	LKR 000
11.2.1 Specific allowance for Impairment				
Opening balance	4,240,756	1,932,635	4,240,756	4,001,868
Balances transferred on amalgamation	-	2,278,723	-	-
Charge to income statement	861,987	325,635	861,987	757,051
Write-off loans and receivables	(127,146)	(303,708)	(127,146)	(540,754)
Effect of foreign currency movement	-	7,471	-	22,591
Closing balance	4,975,597	4,240,756	4,975,597	4,240,756
11.2.2 Collective allowance for Impairment				
Opening balance	1,924,882	968,820	1,924,882	2,007,988
Balances transferred on amalgamation	-	1,114,051	-	-
Charge / (Write back) to income statement	28,175	(104,907)	28,175	23,483
Write-off loans and receivables	(103,517)	(37,836)	(103,517)	(91,707)
Effect of foreign currency movement	7,088	791	7,088	1,155
Transfers to dues on terminated leases	(240)	(16,037)	(240)	(16,037)
Closing balance	1,856,388	1,924,882	1,856,388	1,924,882
Total Individual and Collective impairment	6,831,985	6,165,638	6,831,985	6,165,638

Note 12. Due to Other Customers - By product

As at	Bank		Group	
	30.09.2016 LKR 000	30.09.2015 LKR 000	30.09.2016 LKR 000	30.09.2015 LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	3,760,659	3,426,472	3,760,659	3,426,472
Savings deposits	16,226,286	16,160,783	16,133,566	16,123,950
Fixed deposits	88,732,985	79,529,651	88,469,702	79,231,401
Margin deposits	286,174	682,355	286,174	682,355
Certificate of deposits	742,102	257,280	742,102	257,280
	109,748,206	100,056,541	109,392,203	99,721,458
By product- Foreign Currency				
Demand deposits (current accounts)	2,058,053	279,057	2,058,053	279,057
Savings deposits	4,541,816	1,213,564	4,541,816	1,213,564
Fixed deposits	15,523,051	9,324,798	15,523,051	9,320,416
Margin deposits	4,602	16,725	4,602	16,725
	22,127,522	10,834,144	22,127,522	10,829,762
Total	131,875,728	110,890,685	131,519,725	110,551,220

Note 13. Government Grant

DFCC Bank in October 2013 raised USD 100 million by Issue of Notes abroad repayable in October 2018. The proceeds of this note issue are to be deployed predominantly in LKR denominated monetary assets. In order to hedge the resulting net open foreign currency liability position, DFCC Bank has entered in to an annually renewable currency SWAP arrangement with Central Bank of Sri Lanka (CBSL) in November 2013 for 75% of the US Dollar (USD) denominated liability. Accordingly this contract was renewed in November 2015.

	Bank		Group	
	30.09.2016 LKR 000	31-12-2015 LKR 000	30.09.2016 LKR 000	31-12-2015 LKR 000
13.1 Government Grant- Receivable				
Fair value at the Beginning of the period	539,758	483,727	539,758	483,727
Change in fair value on renewal of contract	-	41,993	-	41,993
Change in fair value during the period	(134,254)	14,038	(134,254)	14,038
Fair value at the end of period	405,504	539,758	405,504	539,758
13.2 Government Grant - Deferred Income				
Fair value at the Beginning of the period	476,008	303,727	476,008	303,727
Change in fair value on renewal of contract	-	41,993	-	41,993
Change in fair value during the period	(134,254)	14,038	(134,254)	14,038
Foreign exchange gain /(loss) on revaluation	(206,249)	116,250	(206,249)	116,250
Amortisation of deferred income on Government grant- CBSL swap	(340,503)	130,288	(340,503)	130,288
Fair value at the end of period	135,504	476,008	135,505	476,008

Note 14. Events after the reporting period

No circumstances have arisen which would require disclosure or adjustment to the financial statements.

Note 15. Disclosures under Appendix 7B of the Listing Rules**15.1 Bank has not incurred management fees or any other similar expenditure****15.2 Stated capital**

	Number of shares
Number of shares of the Bank on 30th September 2016 (No change from 31 December 2015)	<u>265,097,688</u>

15.3 Twenty Major Shareholders as at 30.09.2016

	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	20,296,700	7.66
6	Melstacorp Limited	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	Employees Trust Fund Board	3,987,952	1.50
14	HSBC Intl.Nominees Ltd-BP2S London-Aberdeen Asia Smaller Companies Investment Trust	3,889,870	1.47
15	Cargo Boat Development Company PLC	2,498,200	0.94
16	Mrs. L E M Yaseen	2,000,000	0.75
17	HSBC Intl. Nominees Ltd-BP2S Luxembourg-Aberdeen Globoal Frontier Markets Equity Fund	1,804,464	0.68
18	HSBC Intl Nominees Ltd-BP2S-London - Aberdeen New Dawn Investment Trust XCC6	1,800,000	0.68
19	Crescent Launderers and Dry Cleaners PVT Limited	1,482,548	0.56
20	Anverally & Sons (Pvt) Ltd	1,461,075	0.55

15.4 Public holding % and number of public share holders as at 30.09.2016 is 63.40% and 8,636 respectively.

15.5 Directors' Interests in Shares

	No of Shares As at 30.09.2016
C R Jansz	1,000
A R Fernando	4,470
P M B Fernando	1,000
K D N R Asoka	Nil
T Dharmarajah	500
K.P Cooray	Nil
S.R Thambiayah	Nil
V J Senaratne	1,296
L H A L Silva	3,476
L N De Silva Wijeyeratne	Nil

Certification

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

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

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

C R Jansz
Chairman

A R Fernando
Director & Chief Executive

Ashok Goonesekere
Chief Financial Officer

21-Oct-16

Listed Debentures

Debenture Category	Interest rate Frequency	Applicable Interest Rate %	Interest rate of Comparative Government Securities (Gross) p.a. %	Balance as at 30.09.2016 LKR 000	Market price			Yield Last Traded %
					Highest	Lowest	Last Traded	
Fixed Rate								
2014/2017	Annually	8.50	10.10	3,853,994	N/T	N/T	N/T	N/T
2014/2017	Quarterly	8.24	10.10	300,872	N/T	N/T	N/T	N/T
2014/2017	Semi-annually	8.33	11.61	880,962	N/T	N/T	N/T	N/T
2015/2020	Annually	9.10	11.30	3,070,729	N/T	N/T	N/T	N/T
2015/2020	Annually	9.4	11.30	2,048,902	N/T	N/T	N/T	N/T
2016/2019	Semi-annually	10.63	11.45	5,598,851	N/T	N/T	N/T	N/T

N/T -Not traded

Other Ratios	30.09.2016	31.12.2015
Debt to equity ratio (%)	2.11	2.04
Interest cover (times)	1.06	0.98
Liquid asset ratio (%)	26.0	22.5

Business Segment Information
For the nine months ended

For the nine months ended 30th September	Banking		Financial Leasing		Investing in Equity		Other		Unallocated		Eliminations		Total	
	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000
Revenue														
Interest income	15,690,196	11,377,728	1,300,564	840,302	-	-	30,747	19,046	-	-	(21,649)	(97,200)	16,999,858	12,139,876
Net fees and commission income	950,540	839,252	-	-	-	-	1,200	195,968	-	-	(1,200)	(141,707)	950,540	893,513
Net gain/(loss) from trading	315,816	148,893	-	-	-	-	-	-	-	(2,584)	-	-	315,816	146,309
Net gain/(loss) from financial instruments designated at fair value through PL	(272,443)	181,000	-	-	-	-	-	-	-	553,498	-	-	(272,443)	734,498
Net gain/(loss) from financial investments	194,431	101,150	-	-	596,341	844,141	-	4,990	-	86,643	(54,059)	(187,256)	736,713	849,668
Other income	104,297	(104,511)	-	-	-	69,554	356,305	166,078	-	(665,842)	(126,189)	(24,083)	334,413	(558,804)
Total income	16,982,837	12,543,512	1,300,564	840,302	596,341	913,695	388,252	386,082	-	(28,285)	(203,097)	(450,246)	19,064,896	14,205,060
Percentage*	89	88	7	6	-	6	2	3	-	-	(1)	(3)	100	100
Expense														
Segment losses / Reversal of losses	924,674	686,703	(14,459)	41,133	-	-	-	-	-	-	(16,470)	(1,681)	893,745	726,155
Depreciation	-	-	-	-	-	-	22,669	24,535	-	-	-	-	22,669	24,535
Other operating & interest expenses	12,483,834	8,406,492	926,448	496,989	-	-	246,500	250,178	-	-	(149,036)	(263,190)	13,507,747	8,890,469
Result	3,574,329	3,450,317	388,575	302,180	596,341	913,695	119,083	111,369	-	(28,285)	(37,591)	(185,375)	4,640,736	4,563,901
Unallocated expenses													645,048	1,431,363
Value Added Tax													610,180	616,068
Share of profits of associates & Joint venture													3,385,507	2,516,470
Profit before tax													150,187	45,752
Income tax on profit on ordinary activities													3,535,694	2,562,222
Profit after tax													843,262	528,094
Non controlling interests													2,692,432	2,034,128
Profit for the Equity Holders of the Bank													36,594	52,752
Profits for the year													2,655,838	1,981,376
Other Comprehensive Income net of tax													2,692,432	2,034,128
Total Comprehensive Income													247,880	(1,864,883)
Total Comprehensive Income - Non controlling interests													2,940,312	169,245
Profit for the Equity Holders of the Bank													36,846	51,803
Assets	223,261,864	192,316,048	15,486,822	13,154,271	20,099,334	28,247,970	749,455	739,496	16,949,321	7,193,018	(487,827)	(6,301,813)	276,058,969	235,348,990
Percentage*	81	82	6	6	7	12	-	-	6	3	-	(3)	100	100
Investment in associate & Joint venture													1,457,560	1,214,580
													277,516,529	236,563,570
Liabilities	200,935,677	164,709,406	13,938,140	7,979,265	-	-	216,720	170,177	16,600,116	17,139,822	(371,443)	(333,249)	231,319,210	189,665,421

* 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 others.

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

DFCC Vardhana Bank PLC which was a subsidiary of the group was amalgamated with DFCC Bank PLC on 01 October 2015 and DFCC Bank PLC was the surviving entity. As such the current period results are in respect of the DFCC Bank PLC.

The following combined income statement for the comparative period (01-01-2015 to 30-09-2015) was prepared as if the amalgamation has taken place prior to 01 January 2015.

Income Statement - Combined

For the nine months ended 30th September

2015
LKR 000

Income	<u><u>14,483,859</u></u>
Interest income	12,580,790
Interest expenses	<u>7,255,766</u>
Net Interest Income	5,325,024
Fee and commission income	841,328
Less: Fee and commission expenses	<u>8,706</u>
Net Fee and Commission Income	832,622
Net gain from trading	125,929
Net loss from financial instruments at fair value through profit or loss	628,411
Net gain from financial investments	871,573
Other operating income (net)	<u>(564,172)</u>
Total operating Income	7,219,387
Charge of Impairment for loans and other losses	
- Individual impairment	837,894
- Collective impairment	96,815
- Others	<u>18,158</u>
Net Operating Income	6,266,520
Less: Operating Expenses	
Personnel expenses	1,905,080
Depreciation and other amortization	272,550
Other operating expenses	<u>1,352,805</u>
Operating profit before value added tax and nation building tax on financial services	2,736,085
Value added tax and nation building tax on financial services	<u>508,891</u>
Profit Before Tax	2,227,194
Income tax expenses	<u>461,076</u>
Profit for the period	<u><u>1,766,118</u></u>