



Results for the six months ended 30 June 2016

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

The DFCC Group comprises DFCC Bank PLC (DFCC), together with 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 first-half results for the year 2016 of DFCC relates to the period 01.01.2016 to 30.06.2016. For clarity the current period results are compared with the results for the period 01.01.2015 to 30.06.2015 (the previous period). 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 restated Income Statement for the six months ended 30 June 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 1,721 million in the current period, which is a healthy growth of 16.1% over the LKR 1,482 million recorded in the comparable period ended 30 June 2015. The total assets of the Group stood at LKR 263,234 million as at 30 June 2016 compared to LKR 247,109 million on 31 December 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 recorded a robust performance on all fronts when regarded with the comparable period.

During the current period, net interest income increased by 9.4% to LKR 3,831 million from LKR 3,503 million in the comparable period while net fee and commission income grew by 14.7% to LKR 600 million from LKR 523 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 was LKR 569 million compared to LKR 558 million in the comparable period.

The impairment allowance during the current period was LKR 644 million compared to LKR 531 million in the comparable period. The increase in the impairment charge during the period was as a result of provisions made on account of two large exposures based on available objective evidence. However, recovery processes are being pursued to minimize any actual losses that may arise from such exposures. The ratio of impaired loans to total loans as at 30 June 2016 was 5.5% compared to

5.1% % as at 31 December 2015. The cumulative allowance for impairment for loans and advances was maintained at a healthy level of 70% of impaired loans and advances as at 30 June 2016.

Operating expenses were LKR 2,178 million in the current period, a decrease of 7% over LKR 2,344 million in the comparable period. Stringent cost control and efficiency measures will continue to remain a priority in the Bank's operations.

The improved operating metrics enabled DFCC's Banking Business to post a profit after tax of LKR 1,600 million in the current period, which is a growth of 14.9% from LKR 1,393 million recorded in the comparable period.

Investments

Listed shares are classified as available for sale and carried at fair value. Fair value changes that represent unrealized gains/loss are recognized in other comprehensive income. During the current period ended 30 June 2016, due to declining share market conditions, the available for sale securities recorded a fair value loss of LKR 2,943 million. In the comparable period, the fair value loss was LKR 1,247 million.

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 is 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 remains as one of the best capitalized Banks in the industry with a Group Tier 1 capital adequacy ratio of 14.50% and a total capital adequacy ratio of 14.18%, which are well above the regulatory stipulated levels. The regulatory capital computation excludes fair value changes on financial assets classified as available for sale.

Arjun Fernando
Chief Executive Officer

08 August 2016

DFCC Bank PLC
Income Statement

Notes	Bank				Group			
	For the six months ended		For the quarter ended		For the six months ended		For the quarter ended	
	30.06.2016 LKR 000	30.06.2015 LKR 000	30.06.2016 LKR 000	30.06.2015 LKR 000	30.06.2016 LKR 000	30.06.2015 LKR 000	30.06.2016 LKR 000	30.06.2015 LKR 000
Income	12,021,681	4,914,279	6,094,595	2,398,228	12,174,564	9,413,214	6,182,770	4,587,259
Interest income	10,632,384	3,974,498	5,655,471	2,048,695	10,638,417	7,814,926	5,659,782	4,011,008
Interest expense	6,801,266	2,444,658	3,612,481	1,268,426	6,788,723	4,377,544	3,606,728	2,246,809
Net interest income	3,831,118	1,529,840	2,042,990	780,269	3,849,694	3,437,382	2,053,054	1,764,199
Fees and commission income	599,917	75,158	303,447	30,285	600,462	590,927	295,334	269,106
Less- Fees and commission expenses	-	-	-	-	-	5,017	-	2,131
Net fees and commission income	599,917	75,158	303,447	30,285	600,462	585,910	295,334	266,975
Net gain/(loss) from trading	189,882	20,821	209,357	18,573	189,882	74,801	209,357	61,910
Net (loss) / gain from financial instruments at fair value through profit or loss	7 (205,663)	(23,577)	(437,372)	(130,760)	(205,663)	156,631	(437,372)	(192,371)
Net gain from financial investments	8 680,957	844,958	47,826	286,958	671,494	747,626	47,826	122,153
Other operating (loss) /income (net)	9 124,204	22,421	315,866	144,477	279,972	28,303	407,843	315,453
Total operating income	5,220,415	2,469,621	2,482,114	1,129,802	5,385,841	5,030,653	2,576,042	2,338,319
Impairment for Loans and other losses								
- Individual impairment	634,417	295,038	157,607	39,980	634,417	407,497	157,607	121,887
- Collective impairment	4,801	(43,401)	26,013	2,564	4,801	(3,538)	26,013	51,688
- Others	951	274	1,552	(879)	951	50,319	1,551	1,161
Investment - impairment losses	4,268	1,681	4,268	1,681	-	-	-	-
Net operating Income	4,575,978	2,216,029	2,292,674	1,086,456	4,745,672	4,576,375	2,390,871	2,163,583
Operational expenses								
Personnel expenses	1,117,652	569,211	557,132	167,603	1,216,602	1,366,324	626,759	550,192
Depreciation and amortisation	166,117	71,081	83,252	35,322	182,778	196,598	90,874	96,488
Other expenses	894,092	301,774	475,242	136,942	873,754	811,874	460,831	397,626
Operating profit before value added tax and nation building tax on financial services	2,398,117	1,273,963	1,177,048	746,589	2,472,538	2,201,579	1,212,407	1,119,277
Value added tax and nation building tax on financial services	414,947	212,475	222,651	100,614	414,947	417,982	222,652	187,962
Operating profit after value added tax and nation building tax on financial services	1,983,170	1,061,488	954,397	645,975	2,057,591	1,783,597	989,755	931,315
Share of profits of associate and joint venture	-	-	-	-	92,961	(17,106)	76,102	(21,103)
Profit before tax	1,983,170	1,061,488	954,397	645,975	2,150,552	1,766,491	1,065,857	910,212
Income tax expense	383,631	75,103	280,592	111,355	430,031	284,671	314,957	273,174
Profit for the period	1,599,539	986,385	673,805	534,620	1,720,521	1,481,820	750,900	637,038
Profit attributable to								
Equity holders of the Bank	1,599,539	986,385	673,805	534,620	1,702,052	1,446,698	747,009	622,157
Non-controlling interests	-	-	-	-	18,469	35,122	3,891	14,881
Profit for the period	1,599,539	986,385	673,805	534,620	1,720,521	1,481,820	750,900	637,038
Basic earnings per ordinary share - LKR	6.03	3.72	2.54	2.02	6.42	5.46	2.82	2.35

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

	Bank				Group			
	For the six months ended		For the quarter ended		For the six months ended		For the quarter ended	
	30.06.2016 LKR 000	30.06.2015 LKR 000	30.06.2016 LKR 000	30.06.2015 LKR 000	30.06.2016 LKR 000	30.06.2015 LKR 000	30.06.2016 LKR 000	30.06.2015 LKR 000
Profit for the period	1,599,539	986,385	673,805	534,620	1,720,521	1,481,820	750,900	637,038
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	(2,943,094)	(1,246,957)	(167,800)	(554,132)	(2,943,094)	(1,319,878)	(167,800)	(647,803)
Net amount transferred to income statement on disposal of available-for-sale financial assets	-	(36,874)	-	(36,874)	-	(135,595)	-	(49,907)
Tax expense relating to available for sale financial assets	-	(1,071)	-	(908)	-	11,249	-	29,141
Share of other comprehensive income of associate and joint venture	-	-	-	-	(41,880)	4,298	(29,220)	(584)
Total other comprehensive income to be reclassified to income statement	(2,943,094)	(1,284,902)	(167,800)	(591,914)	(2,984,974)	(1,439,926)	(197,020)	(669,153)
Other comprehensive income not to be reclassified to income statement								
Actuarial gains and losses on defined benefit plans	-	(171,807)	-	-	-	(187,912)	(515)	(187,912)
Tax expense relating to Actuarial gains and losses on defined benefit plans	-	4,898	-	-	-	10,276	-	10,276
Total Other comprehensive income not to be reclassified to income statement	-	(166,909)	-	-	-	(177,636)	(515)	(177,636)
Other comprehensive income for the period, net of tax	(2,943,094)	(1,451,811)	(167,800)	(591,914)	(2,984,974)	(1,617,562)	(197,535)	(846,789)
Total comprehensive income for the period	(1,343,555)	(465,426)	506,005	(57,294)	(1,264,453)	(135,742)	553,365	(209,751)
Total comprehensive income attributable to:								
Equity holders of the Bank	(1,343,555)	(465,426)	506,005	(57,294)	(1,282,922)	(169,499)	549,726	(46,356)
Non-controlling interests	-	-	-	-	18,469	33,757	3,639	14,241
Total comprehensive income for the period	(1,343,555)	(465,426)	506,005	(57,294)	(1,264,453)	(135,742)	553,365	(32,115)

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank		Group	
		30.06.2016 LKR 000	31.12.2015 LKR 000 (Audited)	30.06.2016 LKR 000	31.12.2015 LKR 000 Audited
Assets					
Cash and cash equivalents		4,275,123	4,305,247	4,297,666	4,314,777
Balances with Central Bank		6,764,197	5,553,809	6,764,197	5,553,809
Placements with banks		339,059	-	507,343	1,718
Derivative assets held for risk management		133,612	198,776	133,612	198,776
Other financial assets held-for-trading		516,647	-	516,647	-
Loans to and receivables from banks		12,576,185	4,574,319	12,578,880	4,602,263
Loans to and receivables from other customers	10	166,743,928	160,345,530	166,743,293	160,343,155
Financial investments - available-for-sale		50,189,167	48,957,015	50,189,167	48,957,015
Financial investments - held-to-maturity		15,923,985	17,903,885	15,923,985	17,903,885
Investments in subsidiaries		128,587	132,855	-	-
Investments in associates		35,270	35,270	60,504	66,980
Investments in joint ventures		655,000	655,000	1,226,298	1,180,819
Due from subsidiaries		16,043	17,394	-	-
Investment properties		-	-	203,520	195,732
Property, plant and equipment		879,792	943,017	969,530	1,042,301
Intangible assets		207,067	247,115	207,782	247,945
Goodwill on consolidation		-	-	156,226	156,226
Government grant receivable	12.1	483,710	539,758	483,710	539,758
Deferred tax asset		-	-	1,236	1536
Prepayments		214,247	36,708	214,247	36,708
Other assets		2,015,152	1,705,379	2,056,494	1,765,199
Total assets		262,096,771	246,151,077	263,234,337	247,108,602
Liabilities					
Due to banks		21,037,574	24,364,403	21,037,658	24,365,653
Derivative liabilities held for risk management		169,782	85,333	169,782	85,333
Due to other customers	11	120,089,110	110,890,685	119,810,272	110,551,220
Other borrowing		43,525,023	35,955,297	43,525,023	35,955,297
Debt securities issued		28,480,411	23,292,660	28,480,411	23,292,660
Current tax liability		361,966	251,551	384,412	266,723
Deferred tax liability		860,868	880,490	882,859	880,490
Government grant deferred income	12.2	281,210	476,008	281,210	476,008
Other liabilities		2,835,791	3,368,558	2,981,036	3,500,012
Subordinated term debt		3,642,324	3,767,081	3,642,324	3,767,081
Total liabilities		221,284,059	203,332,066	221,194,987	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		9,140,221	8,203,426	12,543,936	11,506,206
Other reserves		25,122,402	28,065,496	22,674,430	25,659,404
Total equity attributable to equity holders of the Bank		40,812,712	42,819,011	41,768,455	43,715,699
Non-controlling interests		-	-	270,895	252,426
Total equity		40,812,712	42,819,011	42,039,350	43,968,125
Total equity and liabilities		262,096,771	246,151,077	263,234,337	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		153.95	161.52	157.56	164.90

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

	30.06.2016	31.12.2015
- Highest price Rs.	170.00	183.00
- Lowest price Rs.	126.20	155.00
- Last traded price Rs.	127.00	168.10

DFCC Bank PLC

Statement of Changes in Equity - Bank

For the six months ended 30 June 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	-	-	-	-	986,385	986,385
Other comprehensive income (Net of Tax)	-	-	(1,284,902)	-	(166,909)	(1,451,811)
Total comprehensive income for the period		-	(1,284,902)	-	819,476	(465,426)
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 June 2015	4,715,814	1,545,000	16,921,046	13,779,839	5,485,685	42,447,384
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		-	-	-	1,599,539	1,599,539
Other comprehensive income (Net of Tax)		-	(2,943,094)	-	-	(2,943,094)
Total comprehensive income for the period		-	(2,943,094)	-	1,599,539	(1,343,555)
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 June 2016	4,715,814	1,834,275	11,342,563	13,779,839	9,140,221	40,812,712

DFCC Bank PLC
Statement of Changes in Equity - Group
For the six months ended 30 June 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	-	-	-	-	-	1,446,698	1,446,698	35,122	1,481,820
Other comprehensive income net of tax	-	-	(1,438,561)	-	-	(177,636)	(1,616,197)	(1,365)	(1,617,562)
Total comprehensive income for the period	-	-	(1,438,561)	-	-	1,269,062	(169,499)	33,757	(135,742)
Transfers		165,000	-	-	-	(165,000)	-	-	-
Change in Holding through Joint venture						35,120	35,120		35,120
Transactions with equity holders, recognised directly in equity					-				-
Final Dividend for the nine months ended 30th June 2015						(1,590,586)	(1,590,586)		(1,590,586)
Total contributions from and distribution to equity holders	-	165,000	-	-	-	(1,720,466)	(1,555,466)	-	(3,048,452)
Balance as at 30th June 2015	4,715,814	1,545,000	14,444,348	-	13,779,839	11,810,805	46,295,806	368,123	46,663,929
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	-	-	-	-	-	1,702,052	1,702,052	18,469	1,720,521
Other comprehensive income net of tax	-	-	(2,986,625)	1,651	-	-	(2,984,974)	-	(2,984,974)
Total comprehensive income for the period	-	-	(2,986,625)	1,651	-	1,702,052	(1,282,922)	18,469	(1,264,453)
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)
Final Dividend for the nine months ended 30th June 2016	-	-	-	-	-	(662,744)	(662,744)	-	(662,744)
Total contributions from and distribution to equity holders	-	-	-	-	-	(664,322)	(664,322)	-	(664,322)
Balance as at 30th June 2016	4,715,814	1,834,275	8,871,030	23,561	13,779,839	12,543,936	41,768,455	270,895	42,039,350

DFCC Bank PLC
Cash Flow Statement

	Bank		Group	
<i>For the six months ended</i>	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flow from operating activities				
Interest Receipts	8,646,416	2,826,054	8,634,006	6,301,532
Interest payments	(6,303,251)	(2,008,540)	(6,290,844)	(4,171,933)
Recoveries on loans previously written off	9,301	19,029	9,301	20,339
Receipts from other operating activities	943,728	279,271	1,090,337	1,447,974
Cash payments to employees & suppliers	(2,527,384)	(803,955)	(2,603,930)	(1,866,275)
Value added tax and nation building on tax financial services	(343,880)	(316,678)	(388,873)	(554,916)
Other levies	(44,994)	61,751	(44,994)	71,992
Operating Cash flow before changes in operating assets and liabilities	379,936	56,932	449,997	1,248,713
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	(1,210,388)	-	(1,210,388)	(105,672)
Funds advanced to customers	(14,524,054)	(2,927,489)	(14,524,692)	(13,401,660)
Others	66,513	455,927	(208,311)	68,106
Increase /(decrease) in operating liabilities:				
Deposits from customers	9,128,006	4,459,070	9,402,836	10,343,976
Negotiable certificates of deposit	(134,822)	-	(134,822)	41,038
Others	13,796	33,603	13,019	(14,487)
Net cash flow from operating activities before income tax	(6,281,013)	2,078,043	(6,212,361)	(1,819,986)
Income tax paid	(292,837)	(60,461)	(306,428)	(139,725)
Net cash flow from/(used in)operating activities	(6,573,850)	2,017,582	(6,518,789)	(1,959,711)
Cash flow from investing activities				
Dividends received	626,464	860,868	626,464	624,438
Interest received	1,195,711	332,855	1,212,067	774,684
Government Securities- net	(1,787,009)	(1,917,385)	(1,787,009)	(928,761)
Proceeds from sale and redemption of securities	196,300	253,023	196,300	253,023
Purchase of securities	(591,573)	(1,984,322)	(591,573)	(3,665,709)
Purchase of property , equipment ,intangibles and investment property	(67,085)	(52,265)	(81,874)	(242,677)
Proceeds from sale of equipment and investment property	-	1,078	16,981	1,100
Net cash from/(used in) investing activities	(427,192)	(2,506,148)	(408,644)	(3,183,902)
Cash flow from financing activities				
Issue of debentures	5,315,450	(36,400)	5,315,450	(36,400)
Borrowing , medium and long - term	2,813,853	1,127,607	2,969,237	1,134,180
Other borrowings(Net)	2,293,175	1,647,000	2,293,177	6,116,451
Repayment of borrowing ,medium and long - term	(2,453,002)	(2,066,501)	(2,453,003)	(2,070,026)
Dividends paid	(659,499)	(593)	(659,502)	(592)
Net Cash flow from/(used in) financing activities	7,309,977	671,113	7,465,359	5,143,613
Net (decrease) in cash & cash equivalents	308,935	182,547	537,926	(1,004,305)
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	4,614,182	431,725	4,805,009	3,597,730
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	4,275,123	627,920	4,297,666	3,399,192
Bank overdraft	-	(587,254)	-	(587,254)
Placements with banks	339,059	391,059	507,343	785,792
	4,614,182	431,725	4,805,009	3,597,730

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. Accounting policies

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

Note 3. 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.

Note 4. 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.

Note 5. 31 March financial year companies

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

Note 6. 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 2nd quarter results for the year 2016 of the DFCC Bank PLC relates to the results for the period 01.01.2016 to 30.06.2016. As such the comparative results has been replaced with the results for the period 01.01.2015 to 30.06.2015 (comparable period for 2016), instead of the results for the six months (01.04.2015 to 30.09.2015) of the financial period ended 31.12.2015

Note 7. Net Gain/(Loss) from Financial Instruments at Fair Value Through Profit or Loss

For the six months ended	Bank		Group	
	30-06-2016 LKR 000	30-06-2015 LKR 000	30-06-2016 LKR 000	30-06-2015 LKR 000
Forward exchange fair value changes	(149,615)	(10,827)	(149,615)	162,918
Gain/ (loss) on CBSL Swap	(56,048)	(12,750)	(56,048)	(12,750)
Realised gain on gold put options	-	-	-	6,463
	(205,663)	(23,577)	(205,663)	156,631

Note 8. Net Gain from Financial Investments

For the six months ended	Bank		Group	
	30-06-2016 LKR 000	30-06-2015 LKR 000	30-06-2016 LKR 000	30-06-2015 LKR 000
Gain on sale of securities	2,570	36,956	2,570	41,866
Dividend income	586,324	807,186	576,861	544,688
Net gain from repurchase transactions	92,063	816	92,063	161,072
	680,957	844,958	671,494	747,626

Note 9. Other Operating Income/(Loss)

For the six months ended	Bank		Group	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange gain/(loss)	(119,111)	(195,242)	(119,111)	(308,689)
Amortisation of deferred income on Government grant-CBSL swap	194,798	144,000	194,798	144,000
Others	48,517	73,663	204,285	192,992
	124,204	22,421	279,972	28,303

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 10.1 Loans to and Receivables from Other Customers

As at	Bank		Group	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 10.1)	173,394,421	166,511,168	173,393,786	166,508,793
Less: Specific allowance for impairment (Note 10.2.1)	(4,796,596)	(4,240,756)	(4,796,596)	(4,240,756)
Collective allowance for impairment (Note 10.2.2)	(1,853,897)	(1,924,882)	(1,853,897)	(1,924,882)
Net loans and receivables	166,743,928	160,345,530	166,743,293	160,343,155

Note 10.1 Loans and Receivables from Other Customers - By product

As at	Bank		Group	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	26,831,818	23,959,506	26,831,818	23,959,506
Trade finance	12,125,652	12,333,494	12,125,652	12,333,494
Credit cards	210,045	204,406	210,045	204,406
Pawning	1,752,990	1,532,181	1,752,990	1,532,181
Staff loans	1,325,536	1,241,687	1,325,536	1,241,687
Term loans	98,871,017	94,783,848	98,871,017	94,783,848
Lease rentals receivable	15,570,175	15,436,155	15,569,540	15,433,780
Commercial papers and asset back notes	1,649,769	1,934,126	1,649,769	1,934,126
Debenture loans	71,077	71,189	71,077	71,189
Preference shares	885,000	940,000	885,000	940,000
	159,293,079	152,436,592	159,292,444	152,434,217
By product-Foreign Currency				
Overdrafts	283,319	313,448	283,319	313,448
Trade finance	5,612,767	6,409,216	5,612,767	6,409,216
Term loans	8,205,256	7,351,912	8,205,256	7,351,912
	14,101,342	14,074,576	14,101,342	14,074,576
Gross loans and receivables	173,394,421	166,511,168	173,393,786	166,508,793

Note 10.2 Movement in Individual and Collective Impairment during the period for Loans and Receivable to Other Customers

As at	Bank		Group	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015
	LKR 000	LKR 000	LKR 000	LKR 000
10.2.1 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	644,021	325,635	644,021	757,051
Write-off loans and receivables	(88,181)	(303,708)	(88,181)	(540,754)
Effect of foreign currency movement	-	7,471	-	22,591
Closing balance	4,796,596	4,240,756	4,796,596	4,240,756
10.2.2 Collective allowance for Impairment				
Opening balance	1,924,882	968,820	1,924,882	2,007,988
Balances transferred on amalgamation	-	1,114,051	-	-
(Write back) / charge to income statement	(4,801)	(104,907)	(4,801)	23,483
Write-off loans and receivables	(69,789)	(37,836)	(69,789)	(91,707)
Effect of foreign currency movement	4,704	791	4,704	1,155
Transfers to dues on terminated leases	(1,099)	(16,037)	(1,099)	(16,037)
Closing balance	1,853,897	1,924,882	1,853,897	1,924,882
Total Individual and Collective impairment	6,650,493	6,165,638	6,650,493	6,165,638

Note 11. Due to Other Customers - By product

As at	Bank		Group	
	30-06-2016 LKR 000	31-12-2015 LKR 000	30-06-2016 LKR 000	31-12-2015 LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	3,047,162	3,426,472	3,047,162	3,426,472
Savings deposits	15,209,314	16,160,783	15,166,304	16,123,950
Fixed deposits	79,224,332	79,529,651	78,988,504	79,231,401
Margin deposits	309,127	682,355	309,127	682,355
Certificate of deposits	568,015	257,280	568,015	257,280
	98,357,950	100,056,541	98,079,112	99,721,458
By product- Foreign Currency				
Demand deposits (current accounts)	251,160	279,057	251,160	279,057
Savings deposits	1,236,800	1,213,564	1,236,800	1,213,564
Fixed deposits	20,238,517	9,324,798	20,238,517	9,320,416
Margin deposits	4,683	16,725	4,683	16,725
	21,731,160	10,834,144	21,731,160	10,829,762
Total	120,089,110	110,890,685	119,810,272	110,551,220

Note 12. 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	
	30-06-2016 LKR 000	31-12-2015 LKR 000	30-06-2016 LKR 000	31-12-2015 LKR 000
12.1 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	(56,048)	14,038	(56,048)	14,038
Fair value at the end of period	483,710	539,758	483,710	539,758
12.2 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	(56,048)	14,038	(56,048)	14,038
Foreign exchange gain /(loss) on revaluation	(138,750)	116,250	(138,750)	116,250
Amortisation of deferred income on Government grant- CBSL swap	(194,798)	130,288	(194,798)	130,288
Fair value at the end of period	281,210	476,008	281,210	476,008

Note 13. Events after the reporting period

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

Note 14. Disclosures under Appendix 7B of the Listing Rules**14.1 Bank has not incurred management fees or any other similar expenditure****14.2 Stated capital****Number of shares**

Number of shares of the Bank on 30th June 2016
(No change from 31 December 2015)

265,097,688

14.3 Twenty Major Shareholders as at 30.06.2016

	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	HSBC Intl. Nominees Ltd-BP2S Luxembourg-Aberdeen Global Frontier Markets Equity Fund	2,026,472	0.76
17	Mrs. L E M Yaseen	2,000,000	0.75
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	Akbar Brothers Pvt Limited A/c No. 1	1,255,747	0.47

14.4 Public holding % and number of public share holders as at 30.06.2016 is 63.34% and 8,641 respectively.

14.5 Directors' Interests in Shares

	No of Shares
	As at
	30.06.2016
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
A W Atukorala	14,500
V J Senaratne	1,296
L H A L Silva	3,476
L N De Silva Wijeyeratne	Nil
A N Fonseka	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

D S J Wettasinghe
Chief Financial Officer

27-Jul-16

Business Segment Information
For the six months ended

	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
For the six months ended 30th June														
Revenue														
Interest income	9,777,413	7,494,588	854,972	384,300	-	-	18,577	10,979	-	-	(12,544)	(74,941)	10,638,417	7,814,926
Net fees and commission income	599,917	560,203	-	-	-	-	600	110,860	-	-	(54)	(80,136)	600,462	590,927
Net gain/(loss) from trading	189,882	53,980	-	-	-	-	-	-	-	20,821	-	-	189,882	74,801
Net gain/(loss) from financial instruments designated at fair value through PL	(205,663)	180,208	-	-	-	-	-	-	-	(23,577)	-	-	(205,663)	156,631
Net gain/(loss) from financial investments	100,633	(33,168)	-	-	580,324	915,767	-	-	-	817	(9,463)	(135,790)	671,494	747,626
Other income	105,500	(107,564)	-	-	-	-	246,099	107,954	18,704	43,665	(90,331)	(15,752)	279,972	28,303
Total income	10,567,682	8,148,247	854,972	384,300	580,324	915,767	265,276	229,793	18,704	41,726	(112,392)	(306,619)	12,174,564	9,413,214
Percentage *	85	82	7	6	5	11	2	2	1	1	-	-	100	100
Expense														
Segment losses	643,012	443,416	1,425	12,543	-	-	-	-	-	-	(4,268)	(1,681)	640,169	454,278
Depreciation	-	53,143	-	-	-	-	9,008	16,407	-	-	-	-	9,008	69,550
Other operating & interest expenses	7,946,362	5,588,429	605,120	290,464	-	-	204,065	140,340	-	-	(102,929)	(167,812)	8,652,618	5,851,421
	8,589,374	6,084,988	606,545	303,007	-	-	213,073	156,747	-	-	(107,197)	(169,493)	9,301,795	6,375,249
Result	1,978,308	2,063,259	248,427	81,293	580,324	915,767	52,203	73,046	18,704	41,726	(5,195)	(137,126)	2,872,769	3,037,965
Unallocated expenses													400,231	836,386
Value Added Tax													414,947	417,982
Share of profits of associates & Joint venture													2,057,591	1,783,597
Profit before tax													92,961	(17,106)
Income tax on profit on ordinary activities													430,031	284,671
Profit after tax													1,720,521	1,481,820
Non controlling interests													18,469	35,124
Profit for the Equity Holders of the Bank													1,702,052	1,446,698
Profits for the year													1,720,521	1,481,820
Other Comprehensive Income net of tax													(2,984,974)	(1,617,562)
Total Comprehensive Income													(1,264,453)	(135,742)
Total Comprehensive Income - Non controlling interests													18,469	33,757
Profit for the Equity Holders of the Bank													(1,282,922)	(169,499)
Assets	220,161,592	169,907,680	15,570,175	10,966,528	17,110,929	23,664,438	806,724	783,076	8,734,396	5,051,461	(436,281)	(950,869)	261,947,535	218,735,495
Percentage*	83	81	6	5	7	11	-	-	4	3	-	-	100	100
Investment in associate & Joint venture													1,286,802	1,190,756
													263,234,337	219,926,251
Liabilities	198,145,432	150,590,868	14,013,158	7,425,082	-	-	202,581	151,038	9,141,510	4,801,205	(307,694)	(620,647)	221,194,987	173,262,324

* Net of eliminations

Revenue and expenses attributable to the incorporated business segments of industrial estate management, unit trust management, stock brokering 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.

Listed Debentures

Debenture Category	Interest rate Frequency	Applicable Interest Rate %	Interest rate of Comparative Government Securities (Gross) p.a. %	Balance as at 30-06-2016 LKR 000	Market price			Yield Last Traded %
					Highest	Lowest	Last Traded	
Fixed Rate								
2014/2017	Annually	8.50	11.61	4,105,919	N/T	N/T	N/T	N/T
2014/2017	Quarterly	8.24	11.61	301,290	N/T	N/T	N/T	N/T
2014/2017	Semi-annually	8.33	11.61	900,343	N/T	N/T	N/T	N/T
2015/2020	Annually	9.10	12.89	3,015,238	N/T	N/T	N/T	N/T
2006/2016	Annually	14	9.11	630,529	N/T	N/T	N/T	N/T
2011/2016	Semi-annually	14	9.11	833,588	N/T	N/T	N/T	N/T
2015/2020	Annually	9.4	12.89	2,010,481	N/T	N/T	N/T	N/T
2011/2016	Semi-annually	9.09	9.11	166,708	N/T	N/T	N/T	N/T
2016/2019	Semi-annually	10.63	12.69	5,474,298	N/T	N/T	N/T	N/T

N/T -Not traded

Other Ratios	30.06.2016	31.12.2015
Debt to equity ratio (%)	2.37	2.04
Interest cover (times)	1.07	0.98
Liquid asset ratio (%)	23.3	22.5

Supplementary Financial Information

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

The following restated income statement for the comparative period (01-01-2015 to 30-06-2015) was prepared as if the amalgamation has taken place prior to 01 January 2015.

Income Statement - Restated

For the six months ended 30th June

	2015
	LKR 000
Income	<u>9,617,842</u>
Interest income	8,094,064
Interest expenses	<u>4,591,140</u>
Net Interest Income	<u>3,502,924</u>
Fee and commission income	531,187
Less: Fee and commission expenses	<u>6,322</u>
Net Fee and Commission Income	<u>524,865</u>
Net gain from trading	159,071
Net loss from financial instruments at fair value through profit or loss	(84,396)
Net gain from financial investments	750,973
Other operating income (net)	<u>166,943</u>
Total operating Income	<u>5,020,380</u>
Charge of Impairment for loans and other losses	
- Individual impairment	479,293
- Collective impairment	42,849
- Others	<u>9,193</u>
Net Operating Income	<u>4,489,045</u>
Less: Operating Expenses	
Personnel expenses	1,259,122
Depreciation and other amortization	181,045
Other operating expenses	<u>903,687</u>
Operating profit before value added tax and nation building tax on financial services	<u>2,145,191</u>
Value added tax and nation building tax on financial services	<u>382,698</u>
Profit Before Tax	<u>1,762,493</u>
Tax expenses	<u>368,905</u>
Profit for the period	<u><u>1,393,588</u></u>