



Results for the three months Ended 31 March 2016

This commentary relates to the interim non audited financial statements for 3 months ended 31 March 2016. These Financial Statements are presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS) aligned with International Financial Reporting Standards (IFRS).

Overview of Financial Performance of the Group

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

DFCC changed its financial year-end from 31 March to 31 December during 2015. Accordingly, the 1st quarter results for the year 2016 of DFCC relates to the period 01.01.2016 to 31.03.2016. For clarity the current quarter results are compared with the results for the period 01.01.2015 to 31.03.2015, instead of the results published for the 1st quarter (01.04.2015 to 30.06.2015) of the financial period ended 31.12.2015. The comparative results of the group is as reported by DFCC in the quarter ending 31 March 2015, which included the results of DFCC Vardhana Bank PLC (DVB), Synapsys Limited (subsidiaries), APL (joint venture), and NAMAL (associate) consolidated with a three months lag.

In order to facilitate the comparison of the Banks results for the current period, a restated Income Statement prepared as if the amalgamation of DVB took place prior to 1 January 2015 is given as supplementary financial information.

The DFCC Group recorded a consolidated profit after tax of LKR 970 million for the 3 months ended 31 March 2016 compared with LKR 845 million in the previous 3 month period ended 31 March 2015 (comparable period).

The total assets of the Group was LKR 256,140 million as at 31 March 2016 compared to LKR 247,109 million on 31 December 2015.

Banking Business

By far the largest contribution to profits and assets was from the Banking Business which is our core business and therefore, this review mainly focuses on the performance of the banking business. Further the result for the comparable period is based on the restated income statement given as supplementary financial information.

Profit after tax of the banking business in the current period was LKR 926 million, an increase of 17.5% over LKR 788 million in the comparable period.

Net interest income (NII) increased by 3.6% from LKR 1,726 million to 1,788 million during the current period.

Net fee and commission income in the current period was LKR 296 million compared to LKR 273 million, an increase of 8.4%

Net loss from trading was mainly due to adverse fluctuations in the rates of government securities in the secondary market.

Net gain from financial investments comprise mainly of dividend income. Dividend income in the current period was LKR 569 million compared to LKR 558 million in the comparable period. Dividend income is derived largely form the investment in Commercial Bank of Ceylon PLC supplemented by dividend from other equity securities classified as available- for- sale.

Impairment allowance reported during the current period is LKR 455 million compared to LKR 343 million in the comparable period. The cumulative allowance for impairment for loans and advances was maintained at a healthy level of 72% as a percentage of impaired loans and advances on 31 March 2016. The ratio of impaired loans to total loans on 31 March 2016 was 5.6% compared to 5.1% % on 31 December 2015.

Operating expenses were LKR 1,062 million in the current period, a decrease of 12% over LKR 1,210 million in the comparable period. This decrease was mainly due to the reduction in personnel expenses, as a result of the annual performance based staff payments being included 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 period ended 31 March 2016, due to adverse market conditions the available for sale securities recorded a fair value loss of LKR 2,775 million. In the comparable period the fair value loss was LKR 693 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 listed ordinary shares listed in the Colombo Stock Exchange and owned by the bank at fair value.

Prudential Indicators

Bank continued to remain as one of the best capitalized Banks in the industry with Group Tier 1 capital adequacy ratio at 15.13% and total capital adequacy ratio at 15.07.%. The regulatory capital computation excludes fair value changes on financial assets classified as available for sale.

Arjun Fernando
Chief Executive Officer

12 May 2016

DFCC Bank PLC
Income Statement

		Bank		Group	
		2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000
For the three months ended 31 March					
	Notes				
Income		5,927,086	2,516,051	5,991,794	4,825,955
Interest income		4,976,913	1,925,803	4,978,635	3,803,918
Interest expense		3,188,785	1,176,232	3,181,995	2,130,735
Net interest income		1,788,128	749,571	1,796,640	1,673,183
Fees and commission Income		296,470	44,873	305,128	321,821
Less- Fees and commission expenses		-	-	-	2,886
Net fees and commission income		296,470	44,873	305,128	318,935
Net (loss)/ gain from trading		(19,475)	2,248	(19,475)	12,891
Net gain from financial instruments at fair value through profit or loss	7	231,709	107,183	231,709	349,002
Net gain from financial investments	8	633,131	558,000	623,668	625,473
Other operating (loss) /income (net)	9	(191,662)	(122,056)	(127,871)	(287,150)
Total operating income		2,738,301	1,339,819	2,809,799	2,692,334
Impairment for Loans and other losses					
- Individual impairment		476,810	255,058	476,810	285,610
- Collective impairment		(21,212)	(45,965)	(21,212)	(55,226)
- Others		(601)	1,153	(601)	49,158
Investment - impairment losses		-	-	-	-
Net operating Income		2,283,304	1,129,573	2,354,802	2,412,792
Operating expenses					
Personnel expenses		560,520	401,608	589,843	816,132
Depreciation and amortisation		82,865	35,759	91,904	100,110
Other expenses		418,850	97,207	412,923	346,621
Operating profit before value added tax and nation building tax on financial services		1,221,069	594,999	1,260,132	1,149,929
Value added tax and nation building tax on financial services		192,296	179,486	192,296	297,645
Operating profit after value added tax and nation building tax on financial services		1,028,773	415,513	1,067,836	852,284
Share of profits of associate and joint venture		-	-	16,859	3,997
Profit before tax		1,028,773	415,513	1,084,695	856,281
Income tax expense		103,039	(36,252)	115,074	11,497
Profit for the period		925,734	451,765	969,621	844,784
Profit attributable to					
Equity holders of the Bank		925,734	451,765	955,043	824,541
Non-controlling interests		-	-	14,578	20,243
Profit for the period		925,734	451,765	969,621	844,784
Basic earnings per ordinary share - LKR		3.49	1.70	3.60	3.11

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

	Bank		Group	
	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000
For the three months ended 31 March				
Profit for the period	925,734	451,765	969,621	844,784
Other comprehensive (expenses)/income for the period, net of tax				
Other comprehensive (expenses)/ income to be reclassified to income statement				
Available for sale financial assets				
Net change in fair value of available-for-sale financial assets	(2,775,294)	(692,825)	(2,775,294)	(672,075)
Net amount transferred to income statement on disposal of available-for-sale financial assets	-	-	-	(85,688)
Tax expense relating to available for sale financial assets	-	(163)	-	(17,892)
Actuarial gains and losses on defined benefit plans	-	-	-	-
Share of other comprehensive income of associates and joint venture	-	-	(12,660)	4,882
Total other comprehensive expenses to be reclassified to income statement	(2,775,294)	(692,988)	(2,787,954)	(770,773)
Other comprehensive income not to be reclassified to income statement				
Actuarial gains and losses on defined benefit plans	-	(171,807)	515	(187,912)
Tax expense relating to Actuarial gains and losses on defined benefit plans	-	4,898	-	10,276
	-	(166,909)	515	(177,636)
Other comprehensive expense for the period, net of taxes	(2,775,294)	(859,897)	(2,787,439)	(948,409)
Total comprehensive expense for the period	(1,849,560)	(408,132)	(1,817,818)	(103,625)
Total comprehensive (expense)/ income attributable to:				
Equity holders of the Bank	(1,849,560)	(408,132)	(1,832,648)	(123,143)
Non-controlling interests	-	-	14,830	19,518
Total comprehensive income for the period	(1,849,560)	(408,132)	(1,817,818)	(103,625)

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank		Group	
		31.03.2016 LKR 000	31.12.2015 LKR 000 (Audited)	31.03.2016 LKR 000	31.12.2015 LKR 000 (Audited)
Assets					
Cash and cash equivalents		3,188,892	4,305,247	3,196,440	4,314,777
Balances with Central Bank of Sri Lanka		6,659,740	5,553,809	6,659,740	5,553,809
Placements with banks		159,028	-	243,453	1,718
Derivative assets held- for -risk -management		291,198	198,776	291,198	198,776
Other financial assets held- for- trading		139,569	-	139,569	-
Loans to and receivables from banks		9,488,982	4,574,319	9,491,662	4,602,263
Loans to and receivables from other customers	10	163,496,621	160,345,530	163,495,054	160,343,155
Financial Investments - available-for-sale		48,603,482	48,957,015	48,603,482	48,957,015
Financial Investments - held-to-maturity		17,856,661	17,903,885	17,856,661	17,903,885
Investment in subsidiaries		132,855	132,855	-	-
Investment in associate		35,270	35,270	58,374	66,980
Investment in joint venture		655,000	655,000	1,367,590	1,180,819
Due from subsidiaries		16,018	17,394	-	-
Investment property		-	-	201,013	195,732
Property, plant and equipment		900,887	943,017	994,508	1,042,301
Intangible assets		224,614	247,115	225,367	247,945
Goodwill on consolidation		-	-	156,226	156,226
Deferred tax asset		-	-	1,451	1,536
Government grant receivables	12.1	691,082	539,758	691,082	539,758
Prepayments		34,768	36,708	34,768	36,708
Other assets		2,567,431	1,705,379	2,432,705	1,765,199
Total assets		255,142,098	246,151,077	256,140,343	247,108,602
Liabilities					
Due to banks		12,466,285	24,364,403	12,466,285	24,365,653
Derivative liabilities held - for - risk - management		97,369	85,333	97,369	85,333
Due to other customers	11	117,517,430	110,890,685	117,206,513	110,551,220
Other borrowing		47,338,520	35,955,297	47,313,478	35,955,297
Debt securities issued		28,830,739	23,292,660	28,830,739	23,292,660
Current tax liability		254,364	251,551	270,298	266,723
Deferred tax liability		886,812	880,490	886,812	880,490
Government grant - deferred income	12.2	473,582	476,008	473,582	476,008
Other liabilities		3,180,984	3,368,558	3,318,718	3,500,012
Subordinated term debt		3,789,306	3,767,081	3,789,307	3,767,081
Total liabilities		214,835,391	203,332,066	214,653,101	203,140,477
Equity					
Stated capital	14	4,715,814	4,715,814	4,715,814	4,715,814
Statutory Reserves		1,834,275	1,834,275	1,834,275	1,834,275
Retained earnings		8,466,416	8,203,426	11,798,447	11,506,206
Other reserves		25,290,202	28,065,496	22,871,450	25,659,404
Total equity attributable to equity holders of the Bank		40,306,707	42,819,011	41,219,986	43,715,699
Non-Controlling interest		-	-	267,256	252,426
Total equity		40,306,707	42,819,011	41,487,242	43,968,125
Total equity and Liabilities		255,142,098	246,151,077	256,140,343	247,108,602
Contingent Liabilities & commitments		79,015,629	76,014,851	79,015,629	76,014,851
Net Asset value per share,LKR		152.04	161.52	155.49	164.90

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

	31.03.2016	31.12.2015
- Highest price Rs.	168.00	183.00
- Lowest price Rs.	135.00	155.00
- Last traded price Rs.	137.00	168.10

DFCC Bank PLC

Statement of Changes in Equity

Bank

For the period ended 31 March 2016

	Stated capital LKR 000	Statutory reserves		Other reserves		Retained earnings LKR 000	Total equity LKR 000
		Reserve fund LKR 000	Fair value reserve LKR 000	General reserves LKR 000	LKR 000		
Balance as at 01 January 2015	4,715,814	1,380,000	18,205,948	13,779,839	6,421,795	44,503,396	
Profit for the period					451,765	451,765	
Other comprehensive income (net of tax)			(692,988)		(166,909)	(859,897)	
Total comprehensive income for the period		-	(692,988)	-	284,856	(408,132)	
Transfers		165,000			(165,000)	-	
Balance as at 31 March 2015	4,715,814	1,545,000	17,512,960	13,779,839	6,541,651	44,095,264	
Balance as at 01 January 2016	4,715,814	1,834,275	14,285,657	13,779,839	8,203,426	42,819,011	
Total comprehensive income for the period							
Profit for the period					925,734	925,734	
Other comprehensive income (net of tax)			(2,775,294)			(2,775,294)	
Total comprehensive income for the period		-	(2,775,294)	-	925,734	(1,849,560)	
Transactions with equity holders, recognised directly in equity							
Final Dividend for the nine months ended 31 December 2015					(662,744)	(662,744)	
Total transactions with equity holders					(662,744)	(662,744)	
Balance as at 31 March 2016	4,715,814	1,834,275	11,510,363	13,779,839	8,466,416	40,306,707	

DFCC Bank PLC
Statement of Changes in Equity - Group
For the period ended 31 March 2016

Group	Attributable to the equity holders of the Bank								Total equity
	Stated Capital	Statutory reserves		Other reserves		Retained earnings	Total	Non- controlling interests	
		Reserve fund	Fair value reserve	equalisation reserve	General reserve				
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Balance as at 01.01.2015	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 year	-	-	-	-	-	824,540	824,540	20,243	844,783
Other comprehensive income net of tax	-	-	(770,048)	-	-	(177,636)	(947,684)	(725)	(948,409)
Total comprehensive income for the year	-	-	(770,048)	-	-	646,904	(123,144)	19,518	(103,626)
Transfers	-	165,000	-	-	-	(165,000)	-	-	-
Transactions with equity holders, recognised directly in equity									
Change in holding through joint venture	-	-	-	-	-	11,244	11,244	-	11,244
Total contributions from and distribution to equity holders	-	-	-	-	-	11,244	11,244	-	11,244
Balance as at 31.03.2015	4,715,814	1,545,000	15,112,861	-	13,779,839	12,755,357	47,908,871	353,882	48,262,753
Balance as at 01.01.2016	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	-	-	-	-	-	955,043	955,043	14,578	969,621
Other comprehensive (expenses)/income net of tax	-	-	(2,787,705)	(249)	-	263	(2,787,691)	252	(2,787,439)
Total comprehensive (expenses)/income for the period	-	-	(2,787,705)	(249)	-	955,306	(1,832,648)	14,830	(1,817,818)
Transactions with equity holders, recognised directly in equity									
Increase in ownership interest by the Bank that does not result in change of control	-	-	-	-	-	(321)	(321)	-	(321)
Change in holding through joint venture	-	-	-	-	-	-	-	-	-
Final Dividend for the nine months ended 31 December 2015	-	-	-	-	-	(662,744)	(662,744)	-	(662,744)
Total contributions from and distribution to equity holders	-	-	-	-	-	(663,065)	(663,065)	-	(663,065)
Balance as at 31.03.2016	4,715,814	1,834,275	9,069,950	21,661	13,779,839	11,798,447	41,219,986	267,256	41,487,242

Cash Flow Statement

For the three months ended 31 March

	Bank		Group	
	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000
Cash flow from operating activities				
Interest Receipts	4,217,831	1,199,993	4,225,916	2,845,943
Interest payments	(2,380,862)	(647,032)	(2,373,988)	(1,694,018)
Recoveries on loans previously written off	8,609	7,746	8,609	8,046
Receipts from other operating activities	590,212	321,577	810,985	1,057,495
Cash payments to employees & suppliers	(1,137,727)	(297,071)	(1,206,298)	(891,785)
Value added tax and nation building on tax financial services	(156,529)	(150,530)	(156,529)	(299,080)
Other levies	-	69,852	-	93,431
Operating Cash flow before changes in operating assets and liabilities	1,141,534	504,535	1,308,695	1,120,032
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	(1,105,931)	-	(1,105,931)	327,030
Funds advanced to customers	(8,403,063)	(261,837)	(8,404,633)	(6,366,687)
Others	(1,263,325)	(90,437)	(1,554,399)	(531,418)
Increase /(decrease) in operating liabilities:				
Deposits from customers	6,537,544	2,836,777	6,873,496	9,763,149
Negotiable certificates of deposit	(57,337)	-	(57,337)	(6,536)
Others	419,035	(46,396)	418,481	(140,870)
Net cash flow from operating activities before income tax	(2,731,543)	2,942,642	(2,521,628)	4,164,700
Income tax paid	(870,496)	(45,158)	(898,650)	(109,335)
Net cash flow from/(used in)operating activities	(3,602,039)	2,897,484	(3,420,278)	4,055,365
Cash flow from investing activities				
Dividends received	587,950	600,269	587,950	600,269
Interest received	392,832	116,622	424,081	222,201
Government Securities- net	(1,765,006)	(1,654,202)	(1,765,006)	2,654,664
Proceeds from sale and redemption of securities	25,000	25,000	25,000	25,000
Purchase of securities	(31,663)	(921,106)	(31,663)	(2,602,493)
Purchase of property , equipment ,intangibles and investment property	(22,383)	(42,662)	(59,163)	(184,595)
Proceeds from sale of equipment and investment property	-	1,078	16,981	1,100
Net cash from/(used in) investing activities	(813,270)	(1,875,001)	(801,820)	716,146
Cash flow from financing activities				
Issue of debentures	5,315,450	(36,400)	5,315,450	(36,400)
Borrowing , medium and long - term	2,781,442	928,013	2,780,743	934,583
Other borrowings(Net)	(3,409,543)	(1,095,000)	(3,409,543)	(4,458,571)
Repayment of borrowing ,medium and long - term	(571,038)	(569,121)	(571,038)	(571,918)
Dividends paid	(658,329)	(534)	(770,116)	(534)
Net Cash flow from/(used in) financing activities	3,457,982	(773,042)	3,345,496	(4,132,840)
Net (decrease) in cash & cash equivalents	(957,327)	249,441	(876,602)	638,671
Cash & cash equivalents at the beginning of period	4,305,247	249,178	4,316,495	4,566,496
Cash & cash equivalents at the end of period	3,347,920	498,619	3,439,893	5,205,167
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	3,188,892	110,576	3,196,440	4,060,820
Bank overdraft	-	(328,579)	-	(330,545)
Placements with banks	159,028	716,622	243,453	1,324,892
Government Securities-less than 3 months	-	-	-	150,000
	3,347,920	498,619	3,439,893	5,205,167

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 year.

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

DFCC Bank PLC changed its financial year end from 31 March to 31 December in the year 2015. Accordingly, the 1st quarter results for the year 2016 of the DFCC Bank PLC relates to the results for the period 01.01.2016 to 31.03.2016. As such the comparative results have been replaced with the results for the period 01.01.2015 to 31.03.2015 (comparable period for 2016), instead of the results for the 1st quarter (01.04.2015 to 30.06.2015) of the financial period ended 31.12.2015

Note 7. Net gain from financial instruments at fair value through profit or loss

For the three months ended 31 March	Bank		Group	
	2016 LKR 000	2015 LKR 000	2016 LKR 000	2015 LKR 000
Forward exchange fair value changes	80,385	16,831	80,385	252,187
Gain/ (loss) on CBSL Swap	151,324	90,352	151,324	90,352
Realised gain on gold put options	-	-	-	6,463
	231,709	107,183	231,709	349,002

Note 8. Net Gain from Financial Investments

Gain on sale of securities	698	-	698	4,910
Dividend income	569,328	557,543	559,865	531,342
Net gain from repurchase transactions	63,105	457	63,105	89,221
	633,131	558,000	623,668	625,473

Note 9. Other Operating (Loss)/ Income-net

For the three months ended 31 March	Bank		Group	
	2016	2015	2016	2015
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange loss	(222,366)	(172,130)	(222,366)	(409,611)
Amortisation of deferred income on Government grant-CBSL swap	2,426	18,398	2,426	18,398
Others	28,278	31,676	92,069	104,063
	(191,662)	(122,056)	(127,871)	(287,150)

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. Loans to and Receivables from Other Customers

As at	Bank		Group	
	31-03-2016	31-12-2015	31-03-2016	31-12-2015
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 10.1)	169,995,562	166,511,168	169,993,995	166,508,793
Less: Specific allowance for impairment (Note 10.2.1)	(4,646,758)	(4,240,756)	(4,646,758)	(4,240,756)
Collective allowance for impairment (Note 10.2.2)	(1,852,183)	(1,924,882)	(1,852,183)	(1,924,882)
Net loans and receivables	163,496,621	160,345,530	163,495,054	160,343,155

Note 10.1 Loans and Receivables to Other Customers - By product

As at	Bank		Group	
	31-03-2016	31-12-2015	31-03-2016	31-12-2015
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	26,958,806	23,959,506	26,958,806	23,959,506
Trade finance	12,340,807	12,333,494	12,340,807	12,333,494
Credit cards	206,828	204,406	206,828	204,406
Pawning	1,589,951	1,532,181	1,589,951	1,532,181
Staff loans	1,282,380	1,241,687	1,282,380	1,241,687
Term loans	95,395,196	94,783,848	95,395,196	94,783,848
Lease rentals receivable	15,352,871	15,436,155	15,351,304	15,433,780
Commercial papers and asset back notes	1,961,763	1,934,126	1,961,763	1,934,126
Debenture loans	71,189	71,189	71,189	71,189
Preference shares	945,000	940,000	945,000	940,000
Securities purchased under resale agreements	-	-	-	-
	156,104,791	152,436,592	156,103,224	152,434,217
By product-Foreign Currency				
Overdrafts	184,878	313,448	184,878	313,448
Trade finance	5,975,613	6,409,216	5,975,613	6,409,216
Term loans	7,730,280	7,351,912	7,730,280	7,351,912
	13,890,771	14,074,576	13,890,771	14,074,576
Gross loans and receivables	169,995,562	166,511,168	169,993,995	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	
	31-03-2016	31-12-2015	31-03-2016	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	476,810	325,635	476,810	757,051
Write-off loans and receivables	(70,808)	(303,708)	(70,808)	(540,754)
Effect of foreign currency movement	-	7,471	-	22,591
Closing balance	4,646,758	4,240,756	4,646,758	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	(21,212)	(104,907)	(21,212)	23,483
Write-off loans and receivables	(56,550)	(37,836)	(56,550)	(91,707)
Effect of foreign currency movement	5,695	791	5,695	1,155
Transfers to dues on terminated leases	(632)	(16,037)	(632)	(16,037)
Closing balance	1,852,183	1,924,882	1,852,183	1,924,882
Total Individual and Collective impairment	6,498,941	6,165,638	6,498,941	6,165,638

Note 11. Due to Other Customers - By product

As at	Bank		Group	
	31-03-2016 LKR 000	31-12-2015 LKR 000	31-03-2016 LKR 000	31-12-2015 LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	2,919,509	3,426,472	2,871,389	3,426,472
Savings deposits	16,122,064	16,160,783	16,118,941	16,123,950
Fixed deposits	81,975,379	79,529,651	81,715,705	79,231,401
Margin deposits	634,680	682,355	634,680	682,355
Certificate of deposits	261,033	257,280	261,033	257,280
	101,912,665	100,056,541	101,601,748	99,721,458
By product- Foreign Currency				
Demand deposits (current accounts)	238,220	279,057	238,220	279,057
Savings deposits	1,124,588	1,213,564	1,124,588	1,213,564
Fixed deposits	14,233,777	9,324,798	14,233,777	9,320,416
Margin deposits	8,180	16,725	8,180	16,725
	15,604,765	10,834,144	15,604,765	10,829,762
Total	117,517,430	110,890,685	117,206,513	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	
	31-03-2016 LKR 000	31-03-2015 LKR 000	31-12-2015 LKR 000	31-03-2015 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	151,324	14,038	151,324	14,038
Fair value at the end of period	691,082	539,758	691,082	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	151,324	14,038	151,324	14,038
Foreign exchange (loss)/gain on revaluation	(153,750)	116,250	(153,750)	116,250
Amortisation of deferred income on Government grant- CBSL swap	(2,426)	130,288	(2,426)	130,288
Fair value at the end of period	473,582	476,008	473,582	476,008

Note 13. Events occurring 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 31 March 2016 (No change from 31 December 2015)	<u>265,097,688</u>

14.3 Twenty Major Shareholders as at 31.03.2016

	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	HSBC Intl. Nominees Ltd-BP2S Luxembourg-Aberdeen Global Frontier Markets Equity Fund	2,284,584	0.86
16	Cargo Boat Development Company PLC	2,098,200	0.79
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	Akbar Brothers Pvt Limited A/c No. 1	1,255,747	0.47
20	Anverally & Sons (Pvt) Ltd A/C No 1	1,097,992	0.47

14.4 Public holding % and number of public share holders as at 31.03.2016 is 63.34% and 8,619 respectively.

14.5 Directors' Interests in Shares

	No of Shares As at 31.03.2016
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. Thambiyah	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	117,342

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-Apr-16

Business Segment Information

For the three months ended 31 March	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	4,529,567	3,757,877	447,347	99,019	-	-	8,595	3,662	-	-	(6,874)	(56,640)	4,978,635	3,803,918
Net fees and commission income	296,470	296,441	-	-	-	-	56,316	63,482	-	-	(47,658)	(40,988)	305,128	318,935
Net gain/(loss) from trading	(19,475)	10,643	-	-	-	-	-	-	-	2,248	-	-	(19,475)	12,891
Net gain/(loss) from financial instruments designated at fair value through PL	231,709	241,819	-	-	-	-	-	-	-	107,183	-	-	231,709	349,002
Net gain/(loss) from financial investments	63,803	(33,168)	-	-	569,328	557,542	-	-	-	458	(9,463)	100,641	623,668	625,473
Other income	(191,662)	(231,488)	-	-	-	-	64,146	54,981	-	(103,044)	(355)	(7,599)	(127,871)	(287,150)
Inter segment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	4,910,412	4,042,124	447,347	99,019	569,328	557,542	129,057	122,125	-	6,845	(64,350)	(4,586)	5,991,794	4,823,069
Percentage *	82	82	7	6	9	11	1	2	-	1	-	-	100	100
Expense														
Segment losses	418,043	273,000	37,054	6,542	-	-	-	-	-	-	-	-	455,097	279,542
Depreciation	-	-	-	-	-	-	9,038	8,384	-	-	-	-	9,038	8,384
Other operating & interest expenses	3,774,859	2,845,272	277,150	160,655	-	-	71,409	72,437	-	-	(44,347)	(105,227)	4,079,071	2,973,137
	4,192,902	3,118,272	314,204	167,197	-	-	80,447	80,821	-	(44,347)	(105,227)	(105,227)	4,543,206	3,261,063
Result	914,007	923,852	133,139	(68,178)	569,328	557,542	48,610	41,304	-	6,845	(20,003)	100,641	1,448,588	1,562,006
Unallocated expenses													188,456	414,077
Value Added Tax													192,296	295,645
Share of profits of associates & Joint venture													1,067,836	862,284
Profit before tax													16,859	3,997
Income tax on profit on ordinary activities													1,084,695	856,281
Profit after tax													115,074	11,497
Non controlling interests													969,621	844,784
Profit for the Equity Holders of the Bank													14,578	20,243
Profits for the year													955,043	824,541
Other Comprehensive Income net of tax													969,621	844,784
Total Comprehensive Income													(2,787,439)	(948,409)
Total Comprehensive Income - Non controlling interests													(1,817,818)	(103,625)
Profit for the Equity Holders of the Bank													14,830	19,518
													(1,832,648)	(123,143)
Assets	208,772,316	169,907,680	15,347,457	10,966,528	15,693,004	23,664,438	777,409	783,076	14,477,680	5,051,461	(353,487)	(950,869)	254,714,379	209,422,314
Percentage*	82	81	6	5	6	11	-	-	6	3	-	-	100	100
Investment in associate & Joint venture													1,425,964	1,187,985
													256,140,343	210,610,299
Liabilities	188,071,842	150,590,868	13,812,711	7,425,082	-	-	171,189	151,038	12,950,847	4,801,205	(353,487)	(620,647)	214,653,102	162,347,546

* 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.

Listed Debentures

Debenture Category	Interest Payable Frequency	Applicable Interest Rate	Interest rate of Comparative Government Securites (Gross) p.a.	Balance as at 31-03-2016 LKR 000	Market price			Yield Last Traded %	
					Highest	Lowest	Last Traded		
Fixed Rate									
	2014/2017	Annually	8.50	10.75%	4,023,115	N/T	N/T	N/T	N/T
	2014/2017	Quarterly	8.24	10.75%	301,523	N/T	N/T	N/T	N/T
	2014/2017	Semi-annualy	8.33	10.75%	882,869	N/T	N/T	N/T	N/T
	2015/2020	Annually	9.10	12.30%	3,218,527	N/T	N/T	N/T	N/T
	2006/2016	Annually	14	9.50%	611,250	N/T	N/T	N/T	N/T
	2011/2016	Semi-annualy	11.5	9.50%	857,153	N/T	N/T	N/T	N/T
	2015/2020	Annually	9.4	12.30%	2,150,459	N/T	N/T	N/T	N/T
	2011/2016	Semi-annualy	9.09	9.50%	170,444	N/T	N/T	N/T	N/T
	2016/2019	Semi-annualy	10.63	11.75%	5,336,071	N/T	N/T	N/T	N/T

N/T -Not traded

Other Ratios

	31.03.2016	31.12.2015
Debt to equity ratio (%)	2.29	2.04
Interest cover (times)	1.18	0.98
Liquid asset ratio (%)	24.8	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 quarter results are in respect of the amalgamated entity.

The following restated income statement for the comparative period (01-01-2015 to 31-03-2015) was prepared as if the amalgamation has taken place prior to 01 January 2015.

Income Statement - Restated

For the three months ended 31 March

2015

LKR 000

Income	4,899,448
Interest income	3,899,099
Interest expenses	2,172,915
Net Interest Income	1,726,184
Fee and commission income	275,464
Less: Fee and commission expenses	2,131
Net Fee and Commission Income	273,333
Net gain/(loss) from trading	45,585
Net gain/(loss) from financial instruments at fair value through profit or loss	45,572
Net gain from financial investments	629,626
Other operating income (net)	4,102
Total operating Income	2,724,402
Charge of Impairment for loans and other losses	
- Individual impairment	336,965
- Collective impairment	3,159
- Others	3,193
Net Operating Income	2,381,085
Less: Operating Expenses	
Personnel expenses	741,344
Depreciation and other amortisation	88,902
Other operating expenses	380,142
Operating profit before value added tax and nation building tax on financial services	1,170,697
Value added tax and nation building tax on financial services	266,834
Profit Before Tax	903,863
Income tax expenses	115,799
Profit for the period	788,064