



Interim Financial Results for the three months ended 31 March 2017

This commentary relates to the interim non audited financial statements for the three months ended 31 March 2017 (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).

Overview of Financial Performance of the Group

For the quarter ended 31 March 2017, DFCC Group recorded a consolidated profit after tax (PAT) of LKR 1,373 million up 42% over the LKR 970 million recorded in the comparable period. PAT for the current period reflects a growth of 77% over the LKR 777 million reported for the quarter ended 31 December 2016.

Banking Business

Bank reported a commendable performance by recording 65% growth in profit before tax and 45% growth in profit after tax over the quarter ended 31 March 2016 despite tight conditions prevailed due to high inflationary trends and increased taxes during the period under review.

During the current period, net interest income recorded a credible growth of 44% to LKR 2,581 million from LKR 1,788 million in the comparable period while net fee and commission income grew by 16% to LKR 343 million from LKR 296 million. Interest margin improved to 3.6% during the quarter under review from 3.3% during the quarter ended in December 2016. Non-interest income other than fee and commission income had declined by LKR 75 million year on year mainly due to increase in cost of swapping foreign currency to fund the rupee lending.

Bank's impairment charge has declined by LKR 268 million (59%) over the previous year mainly due to provisions made for few special accounts in the quarter ended 31 March 2016. This along with the positive growth in income streams during the current period boosted the net operating income to record a growth of LKR 1,033 million (45 %) over the previous year.

Operating expenses increased by 17% from LKR 1,062 million to LKR 1,244 million in the comparable period due to branch expansion and business promotions undertaken during the first quarter 2017. This was furthered due to inflationary effects. Despite the above increase, Bank had been able to manage its cost at a lowest level in relation to net income.

Other Comprehensive Income-Bank

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 loss reduced from LKR 2,775 million

recorded in first quarter of 2016 to LKR 1708 million in the current period mainly due to positive gains from investment in equity and Government securities year on year. However, during the first quarter of 2017 Bank's other comprehensive income declined by LKR 1,704 million (net of tax) due to adverse share market trends prevailed with in the current period.

Financial Position

Bank's Loans to and receivables from other customers (L&R) grew by LKR 23,616 million to LKR 187,113 million compared to LKR 163,497 million as at 31 March 2016, reflecting a growth of 14% year on year. During the first quarter 2017, L&R reported a growth of LKR 1,328 million (0.7%) from LKR 185,785 million reported as at December 2016. Bank's deposit base increased to LKR 143,625 up 22% from LKR 117,517 million in March 2016. During the quarter ended 31 March 2017, Bank's total deposit base increased by LKR 3,110 million that was more than the loan growth reported during the same period. However, due to high interest difference in saving deposits and fixed deposits, the CASA ratio of the Bank declined to 18% from 20% recorded by end December 2016.

Bank recorded a NP ratio of 3.34% by March 2017 which is higher than the ratio of 2.97% recorded by end December 2016. Bank is closely following up the non performing advances to arrest defaults at an early stage.

Prudential Indicators

DFCC continued to maintain its position as one of the best capitalized banks in the industry. As at 31 March 2017, the Group Tier 1 capital adequacy ratio was 13.98% and the total capital adequacy ratio was 16.79% compared to 14.60% and 17.47% recorded in December 2016. The Bank's Tier 1 and total capital adequacy ratios were 12.98% and 16.39% respectively as at 31 March 2017 compared to 13.62% and 17.09% respectively as at December 2016. Decline in ratios reported during the first quarter 2017 was due to dividend payment of LKR 1,193 million in March 2017. These ratios reflect well above the regulatory stipulated levels.

Arjun Fernando
Chief Executive Officer

28 April 2017

DFCC Bank PLC
Income Statement

		Bank		Group	
For the three months ended 31st March		2017	2016	2017	2016
		LKR 000	LKR 000	LKR 000	LKR 000
Income		8,180,019	5,927,086	8,266,244	5,991,794
Interest income		7,257,921	4,976,913	7,261,447	4,978,635
Interest expense		4,676,536	3,188,785	4,667,397	3,181,995
Net interest income		2,581,385	1,788,128	2,594,050	1,796,640
Fee and commission income		342,988	296,470	342,976	305,128
Fee and commission expenses		-	-	-	-
Net fee and commission income		342,988	296,470	342,976	305,128
Net gain / (loss) from trading		30,971	(19,475)	30,971	(19,475)
Net gain from financial instruments at fair value through profit or loss	5	189,039	231,709	189,039	231,709
Net gain from financial investments	6	631,181	633,131	631,181	623,668
Other operating (loss) /income- net	7	(272,081)	(191,662)	(189,370)	(127,871)
Total operating income		3,503,483	2,738,301	3,598,847	2,809,799
Impairment for loans and other losses					
- Individual impairment		211,380	476,810	211,380	476,810
- Collective impairment		(44,268)	(21,212)	(44,268)	(21,212)
- Others		5,402	(601)	5,402	(601)
Investment - impairment losses		14,832	-	4,935	-
Net operating income		3,316,137	2,283,304	3,421,398	2,354,802
Operating expenses					
Personnel expenses		624,764	560,520	669,531	589,843
Depreciation and amortisation		85,369	82,865	95,305	91,904
Other expenses		533,449	418,850	539,730	412,923
Operating profit before value added tax and nation building Tax on financial services		2,072,555	1,221,069	2,116,832	1,260,132
Value added tax and nation building tax on financial services		380,079	192,296	380,079	192,296
Operating profit after value added tax and nation building tax on financial services		1,692,476	1,028,773	1,736,753	1,067,836
Share of profits of associate and joint venture		-	-	10,253	16,859
Profit before tax		1,692,476	1,028,773	1,747,006	1,084,695
Tax expense		353,449	103,039	373,747	115,074
Profit for the period		1,339,027	925,734	1,373,259	969,621
Profit attributable to:					
Equity holders of the Bank		1,339,027	925,734	1,360,627	955,043
Non-controlling interests		-	-	12,632	14,578
Profit for the period		1,339,027	925,734	1,373,259	969,621
Basic earnings per ordinary share (LKR)		5.05	3.49	5.13	3.60

DFCC Bank PLC

Statement of Profit or Loss and Other Comprehensive Income

	BANK		GROUP	
For the three months ended 31st March	2017 LKR 000	2016 LKR 000	2017 LKR 000	2016 LKR 000
Profit for the period	1,339,027	925,734	1,373,259	969,621
Other comprehensive income / (expenses) for the period, net of tax				
Items that are or may be re classified subsequently to profit or loss				
Available for sale financial assets:				
Net change in fair value of available-for-sale financial assets	(1,691,133)	(2,775,294)	(1,691,133)	(2,775,294)
Net amount transferred to income statement on disposal of available-for-sale financial assets	(17,472)	-	(17,472)	-
Tax expense relating to available-for-sale financial assets	4,771	-	4,771	-
Share of other comprehensive expenses of equity accounted joint venture and associates		-	(18,462)	(12,660)
Total other comprehensive expenses that are or may be re classified subsequently to profit or loss	(1,703,834)	(2,775,294)	(1,722,296)	(2,787,954)
Items that will not to be reclassified to income statement				
Actuarial gains and losses on defined benefit plans	-	-	425	515
Tax expense relating to actuarial gains and losses on defined benefit plans	-	-	-	-
Total other comprehensive expenses not to be reclassified to income statement	(1,703,834)	(2,775,294)	(1,721,871)	(2,787,439)
Other comprehensive expenses for the period, net of tax	(1,703,834)	(2,775,294)	(1,721,871)	(2,787,439)
Total comprehensive expenses for the period	(364,807)	(1,849,560)	(348,612)	(1,817,818)
Total comprehensive expenses attributable to:				
Equity holders of the Bank	(364,807)	(1,849,560)	(361,450)	(1,832,648)
Non-Controlling interest	-	-	12,838	14,830
Total comprehensive expenses for the period	(364,807)	(1,849,560)	(348,612)	(1,817,818)

DFCC Bank PLC
Statement of Financial Position

As at	Notes	BANK		GROUP	
		31.03.2017 LKR 000	31.12.2016 (Audited) LKR 000	31.03.2017 LKR 000	31.12.2016 (Audited) LKR 000
Assets					
Cash and cash equivalents		3,790,787	4,330,934	3,803,740	4,344,260
Balances with Central Bank of Sri Lanka		7,638,718	8,062,567	7,638,718	8,062,567
Placements with banks		339,066	1,351,117	449,006	1,415,985
Derivative assets held for risk management		220,578	122,977	220,578	122,977
Loans to and receivables from banks		9,939,751	12,300,398	9,939,751	12,300,398
Loans to and receivables from other customers	8	187,112,968	185,784,979	187,112,968	185,784,979
Financial investments - available-for-sale		46,293,952	49,272,243	46,293,952	49,272,243
Financial investments - held-to-maturity		22,980,968	23,189,085	22,980,968	23,189,085
Investments in subsidiaries		102,035	111,932	-	-
Investments in associate		35,270	35,270	64,873	64,873
Investments in joint venture		755,000	755,000	1,367,977	1,378,254
Due from subsidiaries		23,167	19,855	-	-
Investment Property		-	-	256,276	231,352
Property, plant and equipment		964,579	927,857	1,052,931	1,042,619
Intangible assets		189,198	203,742	193,763	208,382
Goodwill on consolidation		-	-	156,226	156,226
Government grant receivable	10.1	911,843	861,915	911,843	861,915
Deferred tax asset		-	-	589	628
Prepayments		53,803	53,803	53,803	53,803
Other assets		2,912,829	2,728,340	2,964,773	2,775,017
Total assets		284,264,513	290,112,014	285,462,735	291,265,563
Liabilities					
Due to banks		16,959,095	18,103,587	16,959,095	18,103,587
Derivative liabilities held- for- risk -management		64,148	105,741	64,148	105,741
Due to other customers	9	143,624,905	140,514,373	143,331,982	140,219,872
Other borrowing		33,983,630	40,802,490	33,983,630	40,787,444
Debt securities issued		29,522,443	29,179,185	29,522,443	29,179,185
Current tax liability		917,176	607,333	935,788	626,470
Deferred tax liability		783,681	851,662	813,133	873,912
Government grant - deferred Income	10.2	605,343	701,664	605,343	701,664
Other liabilities		4,049,584	4,190,675	4,216,417	4,352,331
Subordinated term debt		9,462,589	9,205,637	9,462,589	9,205,637
Total liabilities		239,972,594	244,262,348	239,894,568	244,155,843
Equity					
Stated capital	12	4,715,814	4,715,814	4,715,814	4,715,814
Statutory reserves		2,004,275	2,004,275	2,004,275	2,004,275
Retained earnings		10,946,338	10,800,251	14,398,945	14,231,009
Other reserves		26,625,492	28,329,326	24,176,395	25,898,721
Total equity attributable to equity holders of the Bank		44,291,919	45,849,666	45,295,429	46,849,819
Non-controlling interests		-	-	272,738	259,900
Total equity		44,291,919	45,849,666	45,568,167	47,109,719
Total equity and liabilities		284,264,513	290,112,014	285,462,735	291,265,563
Contingent liabilities and commitments		100,748,805	101,452,101	100,748,805	101,452,101
Net asset value per share, LKR		167.08	172.95	170.86	176.73

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

	31.03.2017	31.12.2016
- Highest price Rs.	124.00	130.00
- Lowest price Rs.	110.00	116.80
- Last traded price Rs.	114.00	122.50

DFCC Bank PLC

Statement of Changes in Equity

	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		
Bank						
Balance as at 01.01.2016	4,715,814	1,834,275	14,285,657	13,779,839	8,203,426	42,819,011
Total comprehensive income/(expense) for the period						
Profit for the period	-	-	-	-	925,734	925,734
Other comprehensive expenses net of tax	-	-	(2,775,294)	-	-	(2,775,294)
Total comprehensive income/(expense) for the period	-	-	(2,775,294)	-	925,734	1,849,560
Transactions with equity holders, recognised directly in equity						
Final Dividend	-	-	-	-	(662,744)	(662,744)
Total contributions from and distribution to equity holders	-	-	-	-	(662,744)	(662,744)
Balance as at 31.03.2016	4,715,814	1,834,275	11,510,363	13,779,839	8,466,416	40,306,707
Balance as at 01.01.2017	4,715,814	2,004,275	14,549,487	13,779,839	10,800,251	45,849,666
Profit for the period					1,339,027	1,339,027
Other comprehensive expenses net of tax	-	-	(1,703,834)	-	-	(1,703,834)
Total comprehensive income / /expenses for the period	-	-	(1,703,834)	-	1,339,027	(364,807)
Transactions with equity holders, recognised directly in equity						
Final Dividend	-	-	-	-	(1,192,940)	(1,192,940)
Total contributions from and distribution to equity holders	-	-	-	-	(1,192,940)	(1,192,940)
Balance as at 31.03.2017	4,715,814	2,004,275	12,845,653	13,779,839	10,946,338	44,291,919

DFCC Bank PLC

Statement of Changes in Equity

	Attributable to the equity holders of the Bank								Total LKR 000	
	Stated Capital LKR 000	Statutory reserves		Other reserves		General reserve LKR 000	Retained earnings LKR 000	Total LKR 000		Non- controlling interests LKR 000
		Reserve fund LKR 000	Fair value reserve LKR 000	Exchange equalisation reserve LKR 000						
Group										
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 income/(expenses) net of tax	-	-	(2,787,705)	(249)	-	263	(2,787,691)	252	(2,787,439)	
Total comprehensive income/(expenses) 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	-	-	-	-	-	(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	
Balance as at 01.01.2017	4,715,814	2,004,275	12,085,454	33,428	13,779,839	14,231,009	46,849,819	259,900	47,109,719	
Profit for the period	-	-	-	-	-	1,360,626	1,360,627	12,632	1,373,259	
Other comprehensive income net of tax	-	-	(1,712,474)	(9,852)	-	249	(1,722,077)	206	(1,721,871)	
Total comprehensive income for the period			(1,712,474)	(9,852)	-	1,360,875	(361,450)	12,838	(348,612)	
Transactions with equity holders, recognised directly in equity										
Change in holding through joint venture	-	-	-	-	-	-	-	-	-	
Final dividend	-	-	-	-	-	(1,192,940)	(1,192,940)	-	(1,192,940)	
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	-	
Total contributions from and distribution to equity holders						(1,192,940)	(1,192,940)	-	(1,192,940)	
Balance as at 31.03.2017	4,715,814	2,004,275	10,372,980	23,576	13,779,839	14,398,944	45,295,429	272,738	45,568,167	

Statement of Cash Flows

	Bank		Group	
	2017 LKR 000	2016 LKR 000	2017 LKR 000	2016 LKR 000
<i>For the three months ended</i>				
Cash flows from operating activities				
Interest Receipts	5,976,371	4,217,831	5,976,040	4,225,916
Interest payments	(3,586,478)	(2,380,862)	(3,568,770)	(2,373,988)
Recoveries on loans previously written off	24,423	8,609	24,423	8,609
Receipts from other operating activities	442,722	590,212	522,945	810,985
Cash payments to employees & suppliers	(1,466,573)	(1,137,727)	(1,506,954)	(1,206,298)
Value added tax and nation building on tax financial services	(336,885)	(156,529)	(336,885)	(156,529)
Other levies	(49,497)	-	(49,497)	-
Operating Cash flows before changes in operating assets and liabilities	1,004,083	1,141,534	1,061,302	1,308,695
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	423,848	(1,105,931)	423,848	(1,105,931)
Funds advanced to customers	781,796	(8,403,063)	781,796	(8,404,633)
Others	(259,432)	(1,263,325)	(281,043)	(1,554,399)
Increase /(decrease) in operating liabilities:				
Deposits from customers	2,743,302	6,537,544	2,459,278	6,873,496
Negotiable certificates of deposit	(185,466)	(57,337)	(185,466)	(57,337)
Others	233,620	419,035	235,497	418,481
Net cash flows from operating activities before income tax	4,741,751	(2,731,543)	4,495,212	(2,521,628)
Income tax paid	(106,816)	(870,496)	(120,777)	(898,650)
Net cash flows used in operating activities	4,634,935	(3,602,039)	4,374,435	(3,420,278)
Cash flows from investing activities				
Dividends received	360,519	587,950	360,519	587,950
Interest received	1,394,193	392,832	1,708,814	424,081
Government Securities- net	1,263,111	(1,765,006)	1,263,111	(1,765,006)
Proceeds from sale and redemption of securities	240,625	25,000	240,625	25,000
Purchase of securities	(1,168)	(31,663)	(1,168)	(31,663)
Purchase of property , equipment ,intangibles and investment property	(107,863)	(22,383)	(117,288)	(59,163)
Proceeds from sale of equipment and investment property	3,494	0	3,494	16,981
Net cash used in investing activities	3,152,911	(813,270)	3,458,107	(801,820)
Cash flows from financing activities				
Issue of debentures	-	5,315,450	-	5,315,450
Borrowing , medium and long - term	1,069,327	2,781,442	1,069,327	2,780,743
Other borrowings(Net)	(8,739,554)	(3,409,543)	(8,739,553)	(3,409,543)
Repayment of borrowing ,medium and long - term	(517,151)	(571,038)	(517,150)	(571,038)
Dividends paid	(1,152,666)	(658,329)	(1,152,665)	(770,116)
Net Cash flows used in financing activities	(9,340,044)	3,457,982	(9,340,041)	3,345,496
Net (decrease) in cash & cash equivalents	(1,552,198)	(957,327)	(1,507,499)	(876,602)
Cash & cash equivalents at the beginning of period	5,682,051	4,305,247	5,760,245	4,316,495
Cash & cash equivalents at the end of period	4,129,853	3,347,920	4,252,746	3,439,893
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	3,790,787	3,188,892	3,803,740	3,196,440
Placements with banks	339,066	159,028	449,006	243,453
	4,129,853	3,347,920	4,252,746	3,439,893

The Cash Flow Statement of the bank includes the results of associate, joint venture and subsidiary companies only to the extent of the cash flows between Bank and respective companies as required by Sri Lanka Accounting Standards

EXPLANATORY NOTES

Note 1. Statement of Compliance

The consolidated financial statements of the Bank (Group) and the separate financial statements of the Bank (Bank) have been prepared in accordance with the Sri Lanka Accounting Standards 34 (LKAS 34) on "Interim Financial Statements" 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.

During the period, there were no material changes in the composition of assets, liabilities and contingent liabilities. All known expenditure items have been provided for.

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. Group Financial Statements

The Group Financial Statements comprise the Bank and its subsidiaries DFCC Consulting (Pvt) Limited, Lanka Industrial Estates Limited and Synapsys Limited and group interest in associate Company National asset Management Limited and group interest in joint venture Acuity Partners (Pvt) Ltd. Investments in Subsidiaries, joint venture and associate Companies are accounted under cost method in Bank's financial statements. Investment in associate and joint venture are accounted under equity method in group's financial statements.

Note 4. 31 March financial year company

This is Lanka Industrial Estates Ltd.

Note 5. Net Gain from Financial Instruments at Fair Value Through Profit or Loss

	Bank		Group	
	2017	2016	2017	2016
For the three months ended 31st March	LKR 000	LKR 000	LKR 000	LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	139,110	80,385	139,110	80,385
Contract with CBSL	49,929	151,324	49,929	151,324
	189,039	231,709	189,039	231,709

Note 6. Net Gain from Financial Investments

	Bank		Group	
	2017	2016	2017	2016
For the three months ended 31st March	LKR 000	LKR 000	LKR 000	LKR 000
Assets available for sale				
Gain on sale of securities	19,198	698	19,198	698
Dividend income	566,282	569,328	566,282	559,865
Net gain from repurchase transactions	45,701	63,105	45,701	63,105
	631,181	633,131	631,181	623,668

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

	Bank		Group	
	2017	2016	2017	2016
For the three months ended 31st March	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange (loss)/gain	(407,672)	(222,366)	(407,672)	(222,366)
Amortisation of deferred income on Government grant-CBSL swap	96,321	2,426	96,321	2,426
Others	39,269	28,278	121,981	92,069
	(272,081)	(191,662)	(189,370)	(127,871)

Foreign exchange gain/(loss) does not include the offsetting effect of exchange rate movements on forward exchange contracts used as hedging instruments to mitigate market risk of open positions arising from US dollar/LKR funding swaps. This effect is included under ' Net gain/ (loss) from financial instruments at fair value through profit or loss' in the income statement.

Note 8 Loans to and Receivables from Other Customers

As at	Bank		Group	
	31.03.2017 LKR 000	31.12.2016 LKR 000	31.03.2017 LKR 000	31.12.2016 LKR 000
Gross loans and receivables (Note 8.1)	193,948,284	192,454,529	193,948,284	192,454,529
Less: Allowance for individual impairment (Note 8.2.1)	(4,968,353)	(4,778,752)	(4,968,353)	(4,778,752)
Allowance for collective impairment (Note 8.2.2)	(1,866,963)	(1,890,798)	(1,866,963)	(1,890,798)
Net loans and receivables	187,112,968	185,784,979	187,112,968	185,784,979

Note 8.1 Loans and Receivables from Other Customers - By product

As at	Bank		Group	
	31.03.2017 LKR 000	31.12.2016 LKR 000	31.03.2017 LKR 000	31.12.2016 LKR 000
By product-Domestic Currency				
Overdrafts	30,961,860	28,824,199	30,961,860	28,824,199
Trade finance	15,391,626	16,895,812	15,391,626	16,895,812
Credit cards	232,163	242,091	232,163	242,091
Pawning	2,136,947	2,109,667	2,136,947	2,109,667
Staff loans	1,445,918	1,397,579	1,445,918	1,397,579
Term loans	109,432,504	108,910,801	109,432,504	108,910,801
Lease rentals receivable	15,725,439	15,909,152	15,725,439	15,909,152
Commercial papers and asset back notes	1,072,538	962,763	1,072,538	962,763
Debenture loans	71,122	71,119	71,122	71,119
Preference shares	455,000	517,500	455,000	517,500
	176,925,117	175,840,683	176,925,117	175,840,683
By product-Foreign Currency				
Overdrafts	231,064	291,021	231,064	291,021
Trade finance	7,555,840	7,831,178	7,555,840	7,831,178
Term loans	9,236,263	8,491,648	9,236,263	8,491,648
	17,023,167	16,613,847	17,023,167	16,613,847
Gross loans and receivables	193,948,284	192,454,530	193,948,284	192,454,530

Note 8.2 Movement in Individual and Collective Impairment during the period for Loans and Receivable to Other Customers

As at	Bank		Group	
	31.03.2017 LKR 000	31.12.2016 LKR 000	31.03.2017 LKR 000	31.12.2016 LKR 000
8.2.1 Allowance for Individual Impairment				
Opening balance	4,750,434	4,240,756	4,750,434	4,240,756
Charge to income statement	211,380	792,389	211,380	792,389
Write-off loans and receivables	(4,265)	(277,296)	(4,265)	(277,296)
Effect of foreign currency movement	10,804	22,903	10,804	22,903
Closing balance	4,968,353	4,778,752	4,968,353	4,778,752
8.2.2 Allowance for Collective Impairment				
Opening balance	1,919,116	1,924,882	1,919,116	1,924,882
Charge / (Write back) to income statement	(44,268)	81,772	(44,268)	81,772
Write-off loans and receivables	(6,068)	(116,224)	(6,068)	(116,224)
Effect of foreign currency movement	(1,501)	3,712	(1,501)	3,712
Transfers to dues on terminated leases	(316)	(3,344)	(316)	(3,344)
Closing balance	1,866,963	1,890,798	1,866,963	1,890,798
Total Individual and Collective impairment	6,835,316	6,669,550	6,835,316	6,669,550

Note 9. Due to Other Customers - By product

As at	Bank		Group	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	3,508,010	4,056,706	3,508,010	4,056,051
Savings deposits	19,088,273	20,392,185	19,063,738	20,369,906
Fixed deposits	86,553,229	86,707,366	86,294,288	86,442,739
Other deposits	277,680	272,957	277,680	272,957
Certificate of deposits	550,168	739,483	550,168	739,483
	109,977,360	112,168,697	109,693,884	111,881,136
By product- Foreign Currency				
Demand deposits (current accounts)	203,264	592,663	203,264	592,663
Savings deposits	2,036,678	3,406,307	2,034,261	3,406,307
Fixed deposits	31,399,699	24,345,451	31,392,669	24,338,511
Other deposits	7,904	1,255	7,904	1,255
	33,647,545	28,345,676	33,638,098	28,338,736
Total	143,624,905	140,514,373	143,331,982	140,219,872

Note 10. 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 2016.

As at	Bank		Group	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	LKR 000	LKR 000	LKR 000	LKR 000
10.1 Government Grant- Receivable				
Fair value at beginning	861,915	539,758	861,915	539,758
Change in fair value on renewal of contract	-	405,763	-	405,763
Change in fair value during the period	49,929	(83,606)	49,929	(83,606)
Fair value at end	911,844	861,915	911,844	861,915
10.2 Government Grant - Deferred Income				
Fair value at beginning	701,665	476,008	701,665	476,008
Change in fair value on renewal of contract	-	405,763	-	405,763
Change in fair value during the period	49,929	(83,606)	49,929	(83,606)
Foreign exchange (loss)/gain on revaluation	(146,250)	(96,500)	(146,250)	(96,500)
Amortisation of deferred income on Government grant- CBSL swap	(96,321)	(180,106)	(96,321)	(180,106)
Fair value at end	605,344	701,665	605,344	701,665

Note 11. Events after the reporting period

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

Note 12. Disclosures under Appendix 7B of the Listing Rules**12.1 Bank has not incurred management fees or any other similar expenditure****12.2 Stated capital**

	Number of shares
Number of shares of the Bank on 31st March 2017 (No change from 31 December 2016)	<u>265,097,688</u>

12.3 Twenty Major Shareholders as at 31.03.2017

	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	Melstacorp Limited	22,175,280	8.36
6	Mr. M.A. Yaseen	20,296,700	7.66
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-BP2S LDN-Aberdeen Asia Pacific Equity Fund	6,750,000	2.55
11	HSBC Intl. Nom 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-London - Aberdeen New Dawn Investment Trust XCC6	1,800,000	0.68
18	Crescent Launderers and Dry Cleaners PVT Limited	1,482,548	0.56
19	Akbar Brothers Pvt Ltd A/C No.01	1,355,747	0.51
20	Renuka Consultants and Services Limited	1,097,992	0.41

12.4 Public holding % and number of public share holders as at 31.03.2017 is 63.40% and 8,777 respectively.

12.5 Directors' Interests in Shares

	No of Shares
	As at
	31.03.2017
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:

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

26-Apr-17

Listed Debentures

Debenture Category	Interest rate Frequency	Applicable Interest Rate %	Interest rate of Comparative Government Securities (Gross) p.a. %	Balance as at 31.03.2017 LKR 000	Market price			Yield Last Traded %
					Highest	Lowest	Last Traded	
Fixed Rate								
2014/2017	Annually	8.50	9.75	4,022,270	N/T	N/T	N/T	N/A
2014/2017	Semi-annually	8.33	9.75	883,077	N/T	N/T	N/T	N/A
2014/2017	Quarterly	8.24	9.75	301,593	N/T	N/T	N/T	N/A
2015/2020	Annually	9.1	12.06	3,219,846	N/T	N/T	N/T	N/A
2015/2020	Annually	9.4	12.06	2,151,332	N/T	N/T	N/T	N/A
2016/2019	Semi-annually	10.63	11.88	5,389,396	N/T	N/T	N/T	N/A
2016/2021	Annually	12.15	12.34	1,000,990	N/T	N/T	N/T	N/A
2016/2023	Annually	12.75	12.54	6,334,632	100	100	100	12.71

N/T -Not traded

Other Ratios (Bank)	31.03.2017	31.12.2016
Debt to equity ratio (%)	2.03	2.12
Interest cover (times)	1.06	1.01
Liquid asset ratio (%)	26.6	27.2

Status of objectives on Debentures issued from 1st January 2015 to 30th June 2016

Year of issue and the period	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including whether the funds are invested (eg: whether lent to related party/s etc)
Year 2015/2020	The funds raised by this debenture offering will be utilized for the on-going lending activities of DFCC as part of its normal course of business for the following benefits.	Rs. 5 Billion	By end of year 2015	Rs. 5 Billion	100%	Rs. 5 Billion	100%	N/A
	1. Reduce asset and liability maturity mismatches.							
	2.Reduec interest rate risk of the bank by way of Debenture carrying a fixed interest rate.							
	3. Lock in medium term guaranteed funding.							
Year 2016/2019	DFCC will use these mobilized funds to support the lending in the SME Sector, Personal Financial services, and Project financing.	Rs. 5.3 Billion	By end of year 2016	Rs. 5.3 Billion	100%	Rs. 5.3 Billion	100%	N/A
	DFCC will use this funds to better management of its assets and liability mismatches and interest rate sensitivity gap.							

SELECTED PERFORMANCE INDICATORS

	Bank		Group	
	31.03.2017	31.12.16	31.03.2017	31.12.16
Regulatory Capital Adequacy				
Core capital (Tier - 1 Capital) LKR 000	27,775,133	29,064,210	30,052,288	31,327,840
Total capital base LKR 000	35,079,871	36,475,370	36,091,493	37,473,467
Core capital ratio (Minimum requirement 5%)	12.98	13.62	13.98	14.60
Total capital ratio (Minimum requirement 10%)	16.39	17.09	16.79	17.47
Asset Quality				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	3.34	2.97	3.34	2.97
Non-performing loans and advances - Net exposure % (Net of interest in suspense and provisions)	1.2	0.8	1.2	0.8
Profitability				
Interest margin %	3.6	3.3	3.6	3.3
Return on assets (Profit before Tax) %	1.8	1.6	1.8	1.7
Return on equity %	9.0	7.4	9.1	7.6
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Domestic Banking Unit	52,075,596	50,695,653		
Off-Shore Banking Unit	8,740,442	8,564,256		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	23.89	24.56		
Off-Shore Banking Unit	68.69	73.20		
Bank	26.6	27.20		

Bu Business Segment Information

	Banking		Financial Leasing		Investing in Equity		Other		Unallocated		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
For the three months ended 31st March														
Revenue														
Interest income	7,096,967	4,529,567	160,955	447,347	-	-	12,666	8,595	-	-	(9,140)	(6,874)	7,261,448	4,978,635
Net fees and commission income	342,988	296,470	-	-	-	-	-	56,316	-	-	(12)	(47,658)	342,976	305,128
Net gain/(loss) from trading	30,971	(19,475)	-	-	-	-	-	-	-	-	-	-	30,971	(19,475)
Net gain/(loss) from financial instruments designated at fair value through PL	189,039	231,709	-	-	-	-	-	-	-	-	-	-	189,039	231,709
Net gain/(loss) from financial investments	45,877	63,803	-	569,328	569,328	569,328	-	-	-	-	-	(9,463)	631,181	623,668
Other Operating (loss) / income	(272,081)	(191,662)	-	-	-	-	104,820	64,146	-	-	(22,109)	(355)	(189,370)	(127,871)
Total Income	7,433,761	4,910,412	160,955	1,016,675	569,328	569,328	117,486	129,057	-	-	(31,261)	(64,350)	8,266,245	5,991,794
Percentage *	90	82	2	7	7	9	1	1	-	-	-	(2)	100	100
Expense														
Segment losses / Reversal of losses	191,100	418,043	(3,754)	37,054	14,832	-	-	-	-	-	(9,896)	-	192,292	455,097
Depreciation	-	-	-	-	-	-	9,936	9,038	-	-	-	-	9,936	9,038
Other operating & interest expenses	5,296,307	3,774,859	387,874	277,150	-	-	246,500	71,409	-	-	(149,036)	(44,347)	5,781,644	4,079,071
	5,487,407	4,192,902	384,120	314,204	14,832	-	256,436	80,447	-	-	(158,932)	(44,347)	5,983,862	4,543,206
Result	1,946,354	914,007	(223,165)	133,139	554,496	569,328	(138,950)	48,610	-	-	(62,823)	(20,003)	2,282,381	1,448,588
Unallocated expenses													165,549	188,456
Value Added Tax													380,079	192,296
													1,736,753	1,067,836
Share of profits of associates & Joint venture													10,253	16,859
Profit before tax													1,747,006	1,084,695
Income tax on profit on ordinary activities													343,747	115,074
Profit after tax													1,373,259	969,621
Other Comprehensive Income net of tax													(1,721,871)	(2,787,439)
Total Comprehensive Income													(348,612)	(1,817,818)
Total Comprehensive Income - Non controlling interests													12,838	14,830
Profit for the Equity Holders of the Bank													(361,450)	(1,832,648)
Assets	230,719,249	208,772,316	15,725,439	15,347,457	20,084,985	15,693,004	816,248	777,409	17,101,377	14,477,680	(417,413)	(353,487)	284,029,885	254,714,379
Percentage*	81	82	6	6	7	6	-	-	6	6	-	(3)	100	100
Investment in associate & Joint venture													1,432,850	1,425,964
													285,462,735	256,140,343
Liabilities	216,289,558	188,071,842	14,152,896	13,812,711	-	-	171,189	170,177	9,596,302	12,950,847	(315,377)	(315,377)	239,894,568	214,653,102

* Net of eliminations

Revenue and expenses attributable to the incorporated business segments of industrial estate management, information technology services 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.

	Fair value through profit or loss - mandatory LKR 000	Fair value- held-for- trading LKR 000	Fair value through other comprehensive income LKR 000	Amortised cost LKR 000	Held-to- maturity LKR 000	Total LKR 000
<i>As at 31 March 2017</i>						
25. Analysis of Financial Instruments by Measurement Basis						
25.1 Bank						
Financial Assets						
Cash and cash equivalents	-	-	-	3,790,787	-	3,790,787
Balances with Central Bank of Sri Lanka	-	-	-	7,638,718	-	7,638,718
Placements with banks	-	-	-	339,066	-	339,066
Derivative assets held-for-risk management	220,578	-	-	-	-	220,578
Loans to and receivables from banks	-	-	-	9,939,751	-	9,939,751
Loans to and receivables from other customers	-	-	-	187,112,968	-	187,112,968
Financial investments	-	-	46,293,952	-	22,980,968	69,274,920
Due from subsidiaries	-	-	-	23,167	-	23,167
Government grant receivable	911,843	-	-	-	-	911,843
Other assets	-	-	-	2,912,829	-	2,912,829
	1,132,421	-	46,293,952	211,757,287	22,980,968	282,164,628
Financial Liabilities						
Due to banks	-	-	-	16,959,095	-	16,959,095
Derivative liabilities held-for-risk management	64,148	-	-	-	-	64,148
Due to other customers	-	-	-	143,624,905	-	143,624,905
Other borrowing	-	-	-	33,983,630	-	33,983,630
Debt securities issued	-	-	-	29,522,443	-	29,522,443
Subordinated term debt	-	-	-	9,462,589	-	9,462,589
Other liabilities	-	-	-	3,854,090	-	3,854,090
	64,148	-	-	237,406,752	-	237,470,899
<i>As at 31 December 2016</i>						
25.2 Bank						
Financial Assets						
Cash and cash equivalents	-	-	-	4,330,934	-	4,330,934
Balances with Central Bank of Sri Lanka	-	-	-	8,062,567	-	8,062,567
Placements with banks	-	-	-	1,351,117	-	1,351,117
Derivative assets held-for-risk management	122,977	-	-	-	-	122,977
Loans to and receivables from banks	-	-	-	12,300,398	-	12,300,398
Loans to and receivables from other customers	-	-	-	185,784,979	-	185,784,979
Financial investments	-	-	49,272,243	-	23,189,085	72,461,328
Due from subsidiaries	-	-	-	19,855	-	19,855
Government grant receivable	861,915	-	-	-	-	861,915
Other assets	-	-	-	2,562,978	-	2,562,978
	984,892	-	49,272,243	214,412,828	23,189,085	287,859,048
Financial Liabilities						
Due to banks	-	-	-	18,103,587	-	18,103,587
Derivative liabilities held-for-risk management	105,741	-	-	-	-	105,741
Due to other customers	-	-	-	140,514,373	-	140,514,373
Other borrowing	-	-	-	40,802,490	-	40,802,490
Debt securities issued	-	-	-	29,179,185	-	29,179,185
Subordinated term debt	-	-	-	9,205,637	-	9,205,637
Other liabilities	-	-	-	3,850,825	-	3,850,825
	105,741	-	-	241,656,097	-	241,761,838

	Fair value through profit or loss - mandatory	Fair value-held-for-trading	Fair value through other comprehensive income	Amortised cost	Held-to-maturity	Total
<i>As at 31 March 2017</i>						
25.3 Group						
Financial Assets						
Cash and cash equivalents				3,803,740		3,803,740
Balances with Central Bank of Sri Lanka				7,638,718		7,638,718
Placements with banks				449,006		449,006
Derivative assets held-for-risk management	220,578					220,578
Loans to and receivables from banks				9,939,751		9,939,751
Loans to and receivables from other customers				187,112,968		187,112,968
Financial investments			46,293,952		22,980,968	69,274,920
Government grant receivable						-
Other assets				2,964,773		2,964,773
	220,578	-	46,293,952	211,908,956	22,980,968	281,404,454

Financial Liabilities						
Due to banks				16,959,095		16,959,095
Derivative liabilities held-for-risk management	64,148					64,148
Due to other customers				143,331,982		143,331,982
Other borrowing				33,983,630		33,983,630
Debt securities issued				29,522,443		29,522,443
Subordinated term debt				9,462,589		9,462,589
Other liabilities				4,020,923		4,020,923
	64,148	-	237,280,661	-	-	237,344,809

	Fair value through profit or loss - mandatory	Fair value-held-for-trading	Fair value through other comprehensive income	Amortised cost	Held-to-maturity	Total
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As at 31 December 2016

25.4 Group

Financial Assets

Cash and cash equivalents				4,344,260		4,344,260
Balances with Central Bank of Sri Lanka				8,062,567		8,062,567
Placements with banks				1,415,985		1,415,985
Derivative assets held-for-risk management	122,977					122,977
Loans to and receivables from banks				12,300,398		12,300,398
Loans to and receivables from other customers				185,784,979		185,784,979
Financial investments			49,272,243		23,189,085	72,461,328
Government grant receivable	861,914					861,914
Other assets				2,609,655		2,609,655
	984,891	-	49,272,243	214,517,844	23,189,085	287,964,063

Financial Liabilities

Due to banks				18,103,587		18,103,587
Derivative liabilities held-for-risk management	105,741					105,741
Due to other customers				140,219,872		140,219,872
Other borrowing				40,787,444		40,787,444
Debt securities issued				29,179,185		29,179,185
Subordinated term debt				9,205,637		9,205,637
Other liabilities				3,961,249		3,961,249
	105,741	-	241,456,974	-	-	241,562,715