



Results for the First Quarter Ended 30 June 2013

This commentary relates to the interim non-audited financial statements for 3 months ended 30 June 2013.

This is the first Interim Financial Statements presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS) aligned with International Financial Reporting Standards (IFRS). In this presentation, the comparative amounts previously reported, under the former accounting standards collectively referred to Generally Accepted Accounting Principles (GAAP) have been restated under SLFRS.

GROUP PERFORMANCE

The DFCC Group recorded a consolidated profit after tax of LKR 615m for the 1st quarter ended 30 June 2013 compared with LKR 609m in the corresponding period of the previous year (comparable period).

Apart from the Banking Business which contributed LKR 577m to profit after tax and is analysed below, the investment banking joint venture, Acuity Partners (Pvt) Limited (APL) contributed LKR 14m in the current period and a loss of LKR 1m in the comparable period. The contribution from all other subsidiaries and associate company collectively was LKR 24m in the current period (LKR 29m in the comparable period).

BANKING BUSINESS

The Banking Business of the DFCC Group is undertaken by DFCC Bank (DFCC), a licensed specialized bank and 99 % owned subsidiary DFCC Vardhana Bank (DVB), a licensed commercial bank. Both banks function as one economic entity and as such it is appropriate to analyse the consolidated performance of the two banks as DFCC Banking Business (DBB). A consolidated Income statement for DBB has been released to the Colombo Stock Exchange as supplementary financial information. This statement was derived from the interim financial statements. Since the financial year of DVB ends in December, the accounts of DVB are consolidated with a 3 month lag.

Net Interest Income (NII) of DBB for the period increased by 35% from LKR 1,574 m to LKR 2,120 m although total loans and advances (net of accrued interest) only increased by 11% year on year to LKR 108,075m as at 30 June 2013. However, the reported NII does not include the cost of hedging exchange rate risk arising from funding swaps where the DBB swaps foreign currency to LKR to fund LKR assets as part of its funding strategy. The hedging instruments are forward exchange purchase contracts accounted as a derivative and its fair value changes are reported as 'net gain / (loss) from financial instruments at fair value through profit or loss' in the income statement.

In order to measure the financial impact of funding swaps, the elements included in fair value changes on forward exchange contracts (viz swap premium, exchange rate movement and fair value changes on forward exchange contracts) have to be redistributed to interest expense and foreign exchange income/(loss).

The swap premiums during the current period was LKR 261m compared with LKR 266m in the comparable period. Adjusted for these costs, the NII would have been LKR 1859m for the quarter and LKR 1308m in the comparable period, a 42% increase signifying the successful outcome of the funding swap strategy that offset the pressure on interest margin in an environment where LKR interest rates progressively declined and the Central Bank of Sri Lanka relaxed its monetary policy with a view to stimulating credit demand.

Correspondingly an adjustment has to be made for foreign exchange income/(loss) reported under 'other operating income'. With such adjustments the revised foreign exchange loss in the current period is LKR 35m (reduced from reported loss from LKR 254m). The comparable previous period income is LKR 264m (increased from reported gain of LKR 50m). Net fee and commission income of DBB in the current period was LKR 170m an increase of 5% over LKR 162m in the previous comparable period. This is generated largely by DVB the commercial banking subsidiary since this source of income is largely associated with trade finance and commercial banking services.

Total charge for impairment for the current period was LKR 351m a 33% increase over LKR 263m in the comparable period. The charge included interest on impaired loans recognized on accrual basis as interest income and hence in NII.

The cumulative allowance for impairment as a percentage of impaired loans on 30 June 2013 was 80%, the same level as on 31 March 2013.

DBB added eleven more branches as at 30 June 2013 compared to the number of branches one year ago on 30 June 2012. Investment in technology, rationalization of organization structure, additional recruitment contributed to an 18% increase in the operating expenses in the current period.

The DBB recorded LKR 958 m as operating profit before taxes which was an increase of 3% over the comparable period. Profit after tax (both VAT on financial services and income tax) was LKR 577m, marginally lower than LKR 586m 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 under SLFRS under previous GAAP they were carried at cost.

During the quarter ended 30 June 2013, due to market appreciation of listed shares there was a fair value gain of LKR 585 m. In the comparable period the fair value loss was LKR 550m. A Substantial proportion of the listed share portfolio is on account of investment in Commercial Bank of Ceylon PLC

EQUITY CAPITAL

Under SLFRS, the total income for the period comprises the income reported in the income statement and other comprehensive income. Consequent to this change there are two significant changes. Shares listed in the Colombo Stock Exchange and owned by the bank are recognized at the fair value and changes in the fair value included in other comprehensive income significantly augmenting the equity capital.

PRUDENTIAL INDICATORS

The capital adequacy and liquidity ratios continued to be well above the stipulated regulatory minimum. The regulatory capital computation excludes fair value changes on financial assets classified as available for sale. Impairment allowance cover for the DBB was 80% and past due loans of three months and over not covered by impairment allowance as a proportion of equity was under 4%.

Nihal Fonseka
Chief Executive Officer

12 August 2013

DFCC Bank
Income Statement

For the period ended 30 June	Bank		Group	
	2013 LKR 000	2012 LKR 000	2013 LKR 000	2012 LKR 000
Interest income	2,568,326	2,059,470	4,777,666	3,514,819
Interest expense	1,266,672	1,126,591	2,616,557	1,917,357
Net interest income	1,301,654	932,879	2,161,109	1,597,462
Fees and comission Income	23,522	21,518	192,215	187,042
Less- Fees and commision expenses	-	-	1,448	2,458
Net fees and commision income	23,522	21,518	190,767	184,584
Net gain/(loss) from trading	818	(926)	15,989	21,175
Net gain/(loss) from financial instruments at fair value through profit or loss	21,715	9,741	(41,933)	(52,618)
Net gain from financial investments	165,006	154,792	95,353	87,132
Other operating (loss) /income (net)	(281,092)	1,717	(189,160)	126,679
Total operating income	1,231,623	1,119,721	2,232,125	1,964,414
Impairment for Loans and other losses				
- Individual impairment	27,562	(34,390)	139,419	126,875
- Collective impairment	112,050	53,199	211,524	119,595
- Others	122	16,331	122	16,331
Net operationg Income	1,091,889	1,084,581	1,881,060	1,701,613
Operational expenses				
Personnel expenses	185,433	170,597	438,693	369,646
Depreciation and amortisation	32,598	28,919	85,306	78,156
Other expenses	117,560	102,220	358,178	295,388
Operating profit before value added tax (VAT)	756,298	782,845	998,883	958,423
Value added tax (VAT) on financial services	88,187	85,683	131,684	121,416
Operating profit after value added tax	668,111	697,162	867,199	837,007
Share of profits of associates	-	-	6,570	4,235
Profit before tax	668,111	697,162	873,769	841,242
Income tax expense	166,053	169,252	258,198	231,675
Profit for the period	502,058	527,910	615,571	609,567
Profit attributable to				
Equity holders of the Bank	502,058	527,910	595,389	593,610
Non-controlling interests	-	-	20,182	15,957
Profit for the period	502,058	527,910	615,571	609,567
Basic earnings per ordinary share - LKR	1.89	1.99	2.25	2.24

DFCC Bank**Statement of Comprehensive Income**

For the period ended 30 June

	Bank		Group	
	2013 LKR 000	2012 LKR 000	2013 LKR 000	2012 LKR 000
Profit for the period	502,058	527,910	615,571	609,567
Other comprehensive income, net of tax				
Gains and losses on re-measuring available-for-sale financial assets				
Net change in fair value of available-for-sale financial assets	590,793	(546,566)	584,657	(550,140)
Net amount transferred to income statement on disposal of available-for-sale financial assets	(46,761)	(22,393)	(46,761)	(22,393)
Share of profits of associates	-	-	1,366	42
Deemed Disposal gain-subsiary of joint venture	-	-	19,278	71,158
	544,032	(568,959)	558,540	(501,333)
Less: Tax expense relating to components of other comprehensive income	-	-	-	-
Other comprehensive income for the period, net of taxes	544,032	(568,959)	558,540	(501,333)
Total comprehensive income for the period	1,046,090	(41,049)	1,174,111	108,234
Total comprehensive income attributable to:				
Equity holders of the Bank	1,046,090	(41,049)	1,150,052	77,783
Non-controlling interests	-	-	24,059	30,451
Total comprehensive income for the period	1,046,090	(41,049)	1,174,111	108,234

Statement of Financial Position

As at	Bank		Group	
	30-06-2013 LKR 000	31-03-2013 LKR 000 (Audited)	30-06-2013 LKR 000	31-03-2013 LKR 000 (Audited)
Assets				
Cash and cash equivalents	405,088	597,456	2,799,475	3,976,892
Balances with central Bank	-	-	3,032,837	2,620,790
Placements with banks	2,690,761	6,128,245	4,651,494	7,541,088
Derivative assets held for risk management	15,208	45,145	89,758	119,642
Other financial assets held- for- trading	211,631	377,800	675,625	593,408
Non current assets held- for- sale	-	-	2,875	2,875
Loans to and receivables from banks	1,708,661	1,822,838	5,124,545	5,633,902
Loans to and receivables from other customers	58,309,782	58,844,767	100,745,040	98,399,443
Financial Investments - available-for-sale	21,388,985	19,222,842	30,479,446	27,659,665
Financial Investments - held-to-maturity	78,148	75,022	363,199	157,963
Investment in subsidiary companies	3,755,953	3,755,953	-	-
Investment in associate companies	35,270	35,270	548,188	415,251
Investment in Joint Venture	655,000	655,000	-	-
Due from subsidiaries	40,847	39,204	-	-
Investment properties	-	-	179,766	169,485
Property, plant and equipment	413,721	438,259	983,500	1,027,655
Intangible assets	76,382	80,078	247,840	261,668
Goodwill on consolidation	-	-	226,411	226,411
Deferred tax asset	-	-	860	834
Income tax refund due	-	-	493	28,148
Prepayments	34,937	36,920	34,937	36,920
Other receivables	586,424	935,284	2,213,709	2,252,230
Total assets	90,406,798	93,090,083	152,399,998	151,124,270
Liabilities				
Due to banks	3,807,958	6,399,595	6,798,216	8,040,422
Derivative liabilities held for risk management	139,271	190,922	319,139	307,094
Due to other customers	15,354,850	15,548,067	66,375,126	62,750,266
Other borrowing	33,002,753	33,846,282	35,125,953	37,530,202
Debt securities issued	579,881	558,257	579,881	558,257
Current tax liability	162,134	85,937	327,577	179,826
Deferred tax liability	386,958	382,796	471,253	461,154
Other liabilities	1,916,278	761,825	3,627,152	2,434,906
Due to subsidiaries	-	525	-	-
Subordinated term debt	629,609	609,373	1,658,918	1,609,690
	55,979,692	58,383,579	115,283,215	113,871,817
Equity				
Share capital	2,650,977	2,650,977	2,650,977	2,650,977
Share premium	2,064,837	2,064,837	2,064,837	2,064,837
Stated capital	4,715,814	4,715,814	4,715,814	4,715,814
Statutory Reserves	2,093,726	2,006,025	2,093,726	2,006,025
Retained earnings	2,126,410	3,037,541	6,717,455	7,519,913
Other reserves	25,491,156	24,947,124	23,037,646	22,498,324
Total equity attributable to equity holders of the Bank	34,427,106	34,706,504	36,564,641	36,740,076
Non-Controlling interest	-	-	552,142	512,377
Total equity	34,427,106	34,706,504	37,116,783	37,252,453
Total equity and Liabilities	90,406,798	93,090,083	152,399,998	151,124,270
Commitments & contingencies	16,153,118	16,069,720	39,155,272	39,280,376
Net Assets value per share,LKR	129.87	130.92	137.93	138.59

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

	30.06.2013	30.06.2012
- Highest price Rs.	153.00	123.00
- Lowest price Rs.	130.00	103.00
- Last traded price Rs.	137.50	110.40

Statement of Changes in Equity
For the period ended 30.06.2013
Bank

	Share Capital	Share Premium	Statutory Reserves		Other Reserves		Retained earnings	Total
			Reserve fund	Investment Fund Account	Fair value reserve	General reserves		
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Balance as at 01 April 2012	2,650,977	2,064,837	1,135,000	350,215	9,431,052	13,779,839	1,723,107	31,135,027
Total comprehensive income for the period								
Profit for the period							527,910	527,910
Other comprehensive income (net of tax)					(568,959)			(568,959)
Total comprehensive income for the period	-	-	-	-	(568,959)	-	527,910	(41,049)
Transfers				87,827			(87,827)	-
Transactions with equity holders, recognised directly in equity								
Dividends to equity holders							(1,060,391)	(1,060,391)
Total transactions with equity holders	-	-	-	-	-	-	(1,060,391)	(1,060,391)
Balance as at 30 June 2012	2,650,977	2,064,837	1,135,000	438,042	8,862,093	13,779,839	1,102,799	30,033,587
Balance as at 01 April 2013	2,650,977	2,064,837	1,285,000	721,025	11,167,285	13,779,839	3,037,541	34,706,504
Total comprehensive income for the period								
Profit for the period							502,058	502,058
Other comprehensive income (net of tax)					544,032			544,032
Total comprehensive income for the period	-	-	-	-	544,032	-	502,058	1,046,090
Transfers				87,701			(87,701)	-
Transactions with equity holders, recognised directly in equity								
Dividends to equity holders							(1,325,488)	(1,325,488)
Total transactions with equity holders	-	-	-	-	-	-	(1,325,488)	(1,325,488)
Balance as at 30 June 2013	2,650,977	2,064,837	1,285,000	808,726	11,711,317	13,779,839	2,126,410	34,427,106

Statement of Changes in Equity
For the period ended 30.06.2013
Group

	Attributable to the equity holders of the Bank									Total
	Share Capital	Share Premium	Statutory Reserves		Other Reserves		Retained earnings	Total	Non Controlling interests	
			Reserve fund	Investment Fund Account	Fair value reserve	General reserves				
LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Balance as at 01 April 2012	2,650,977	2,064,837	1,135,000	350,215	6,961,724	13,779,839	5,560,454	32,503,046	424,635	32,927,681
Total comprehensive income for the period										
Profit for the period							593,610	593,610	15,957	609,567
Other comprehensive income (net of tax)					(572,455)		56,628	(515,827)	14,494	(501,333)
Total comprehensive income for the period	-	-	-	-	(572,455)	-	650,238	77,783	30,451	108,234
Transfers				87,827			(87,827)	-		-
Transactions with equity holders, recognised directly in equity										
Dividends to equity holders							(1,060,391)	(1,060,391)		(1,060,391)
Share issued to non controlling interest by Sub of Joint venture								-	32,520	32,520
Total transactions with equity holders	-	-	-	-	-	-	(1,060,391)	(1,060,391)	32,520	(1,027,871)
Balance as at 30 June 2012	2,650,977	2,064,837	1,135,000	438,042	6,389,269	13,779,839	5,062,474	31,520,438	487,606	32,008,044
Balance as at 01 April 2013	2,650,977	2,064,837	1,285,000	721,025	8,718,485	13,779,839	7,519,913	36,740,076	512,377	37,252,453
Total comprehensive income for the period										
Profit for the period							595,389	595,389	20,182	615,571
Other comprehensive income (net of tax)					539,322		15,342	554,664	3,876	558,540
Total comprehensive income for the period	-	-	-	-	539,322	-	610,731	1,150,053	24,058	1,174,111
Transfers				87,701			(87,701)	-		-
Transactions with equity holders, recognised directly in equity										
Dividends to equity holders							(1,325,488)	(1,325,488)		(1,325,488)
Share issued to non controlling interest by Sub of Joint venture									15,707	15,707
Total transactions with equity holders	-	-	-	-	-	-	(1,325,488)	(1,325,488)	15,707	(1,309,781)
Balance as at 30 June 2013	2,650,977	2,064,837	1,285,000	808,726	9,257,807	13,779,839	6,717,455	36,564,641	552,142	37,116,783

Cash Flow Statement

For the period ended	Bank		Group	
	30-06-2013	30-06-2012	30-06-2013	30-06-2012
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flow from operating activities				
Interest Receipts	2,091,515	1,741,793	3,966,318	2,875,672
Interest payments	(1,428,565)	(871,485)	(2,722,738)	(1,545,339)
Recoveries on loans previously written off	5,217	20,575	5,219	20,575
Receipts from other operating activities	(6,665)	395,808	172,798	602,235
Cash payments to employees & suppliers	(507,446)	(511,485)	(1,080,983)	(948,885)
Value added tax	(88,187)	(85,683)	(126,140)	(131,248)
Operating Cash flow before changes in operating assets and liabilities	65,869	689,523	214,474	873,010
(Increase)/decrease in operating assets:				
Deposits held for regulatory or monetary control purposes	0	0	(412,250)	(535,003)
Funds advanced to customers	473,704	(1,763,373)	(2,257,935)	(5,527,422)
Others	(97,681)	233,498	(326,453)	(260,033)
Increase /(decrease) in operating liabilities:				
Security deposits from customers	0	0	(4,895)	95
Deposits from customers	(197,909)	416,899	3,407,513	8,269,778
Negotiable certificates of deposit	0	0	41,299	23,286
Others	(11,794)	(265,108)	135,931	16,394
Net cash flow from operating activities before income tax	232,189	(688,561)	797,684	2,860,106
Income tax paid	(70,788)	(37,198)	(99,105)	(51,144)
Net cash flow from/(used in)operating activities	161,401	(725,759)	698,579	2,808,962
Cash flow from investing activities				
Dividends received	616,736	554,095	524,082	479,354
Interest received	300,527	96,475	309,241	299,998
Government Securities	(2,024,218)	(385,780)	(3,061,880)	4,093,128
Proceeds from sale and redemption of securities	271,473	266,414	707,165	266,414
Purchase of securities	(226,736)	(207,492)	(359,795)	(250,455)
Investment in associates by Joint Venture			(125,000)	
Investment in additional shares of subsidiaries-DFCC Vardhana Bank PL	0	(4,546)	0	(4,546)
Purchase of property , equipment ,intangibles and investment property	(4,363)	(43,376)	(37,713)	(85,911)
Proceeds from sale of equipment and investment property	0	586	63	25,354
Net cash from/(used in) investing activities	(1,066,580)	276,376	(2,043,835)	4,823,337
Cash flow from financing activities				
Issue of new shares by Subsidiary of joint venture		0	34,984	0
Borrowing , medium and long - term	124,950	7,284,542	124,950	7,184,541
Other borrowings	268,750	(794,500)	1,773,041	(2,370,102)
Repayment of borrowing , medium and long - term	(3,867,879)	(3,389,168)	(5,404,826)	(3,389,168)
Dividends paid	(96)	(445)	(96)	(445)
Net Cash flow from/(used in) financing activities	(3,474,275)	3,100,429	(3,471,947)	1,424,826
Net increase/(decrease) in cash & cash equivalents	(4,379,454)	2,651,046	(4,817,203)	9,057,125
Cash & cash equivalents/(overdraft-net) at the beginning of period	7,558,956	4,217,219	12,347,546	7,984,260
Cash & cash equivalents at the end of period	3,179,502	6,868,265	7,530,343	17,041,385
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	405,088	405,140	2,799,475	2,256,641
Placements with banks	2,690,761	4,401,622	4,651,494	4,365,564
Government Securities-less than 3 months	83,653	2,061,503	83,653	10,454,877
Borrowing short term - Bank overdrafts	0	0	(4,279)	(35,697)
	3,179,502	6,868,265	7,530,343	17,041,385

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

Business Segment Information
For the period ended 30 June 2013

	Lending		Financial Leasing		Investing in Equity		Commercial Banking		Other		Unallocated		Eliminations		Total	
	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000	2013 LKR 000	2,012 LKR 000
Revenue																
Interest income	2,220,417	1,726,690	395,803	359,254	-	-	2,136,323	1,424,941	45,252	27,321	-	-	(20,129)	(23,387)	4,777,666	3,514,819
Net fees and commission income	23,522	21,518					148,310	142,907	48,097	52,047			(27,714)	(29,430)	192,215	187,042
Net gain/(loss) from trading							16,463	23,977	(1,293)	(1,876)	818	(926)			15,989	21,175
Net gain/(loss) from financial instruments designated at fair value through profit and loss							(63,648)	(62,359)			21,715	9,741			(41,933)	(52,618)
Net gain/(loss) from financial investments					165,006	154,792	14,922	4,374	8,079	6,257			(98,610)	(84,314)	89,397	81,109
Other income	5,215	20,575			(1,541)	41,868	49,112	88,266	55,990	48,729	(284,766)	(60,726)	(7,215)	(6,010)	(183,205)	132,702
Total income	2,249,154	1,768,783	395,803	359,254	163,465	196,660	2,301,482	1,622,106	156,125	132,478	(262,233)	(51,911)	(153,668)	(143,141)	4,850,129	3,884,229
Percentage*	46	46	8	9	3	5	47	42	3	3	(5)	(1)	-	-	100	100
Expense																
Segment losses	118,102	931	21,804	36,682			211,159	225,188							351,065	262,801
Depreciation							43,074	40,153	9,634	9,083					52,708	49,236
Other operating & interest expenses	1,020,988	903,255	173,828	176,613			1,794,455	1,151,289	105,813	92,981			(55,058)	(58,827)	3,040,026	2,265,311
	1,139,090	904,186	195,632	213,295	-	-	2,048,688	1,416,630	115,447	102,064	-	-	(55,058)	(58,827)	3,443,799	2,577,348
Result	1,110,064	864,597	200,171	145,959	163,465	196,660	252,794	205,476	40,678	30,414					1,406,330	1,306,881
Unallocated expenses															407,447	348,458
Value Added Tax															131,684	121,416
Share of profits of associates															867,199	837,007
Profit before tax															6,570	4,235
Income tax on profit on ordinary activities															873,769	841,242
Profit after tax															258,198	231,675
Non controlling interests															615,571	609,567
Profit for the Equity Holders of the Bank															20,182	15,957
															595,389	593,610
Profits for the period															615,571	609,567
Other Comprehensive Income net of tax					535,735	(570,145)	(6,880)	(3,810)	29,685	72,622					558,540	(501,333)
Total Comprehensive Income															1,174,111	108,234
Total Comprehensive Income - Non controlling interests															24,059	30,451
Profit for the Equity Holders of the Bank															1,150,052	77,783
Assets	72,274,459	64,159,300	10,403,364	10,493,074	4,410,952	4,420,086	62,651,498	51,946,796	3,939,687	3,657,565	(906,178)	1,778,149	(921,972)	(1,219,786)	151,851,810	135,235,184
Percentage*	48	47	7	8	3	3	41	38	3	3	(1)	1	(1)	(1)	100	100
Investment in associate company															548,188	377,504
															152,399,998	135,612,688
Liabilities	43,705,577	39,236,238	8,219,672	8,555,260			58,614,338	48,204,982	300,388	1,903,964	5,365,212	6,923,985	(921,972)	(1,219,786)	115,283,215	103,604,643

* Net of eliminations

Revenue and expenses attributable to the incorporated business segments of industrial estate management, unit trust management, stockbroking and consultancy services are included in the column for Other.

Revenues and expenses attributable to the business segment of DFCC Vardhana Bank PLC is included in the column for commercial banking

Property & equipment and depreciation attributable to an incorporated business segment is included in the relevant segment and the balance is unallocated.

Eliminations are the consolidation adjustments for inter company transactions, dividend and dividend payable attributable to minority shareholders.

Listed Debentures Note

	Interest Payable Frequency	Applicable Interest Rate	Comparative Govt. Sec. Interest Rate (Gross)	Balance as at 30.06.2013 LKR 000
Debenture Categories				
Fixed Rate				
2006/2016 - 14.00% p.a.	Annually	14.00%	12.39%	629,609
Other Ratios		30.06.2013	31.03.2013	
Debt Equity Ratio		1.10	1.72	
Interest cover		1.25	1.38	
Liquid Asset Ratio (%)		50.6	52.8	

EXPLANATORY NOTES

Note 1. Statement of Compliance

The consolidated financial statements of the Bank (Group) and the separate financial statements of the Bank (Bank) have been prepared in accordance with relevant Sri Lanka Financial Reporting Standards (SLFRS) adopted by The Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of Banking Act No. 30 of 1988 and amendments thereto.

Note 2. Accounting policies

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

Note 3. Accounting for investments in associate company and subsidiary companies

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

Note 4. Accounting for investment in Joint Venture Company

Accounted under proportionate consolidation method in group's financial statements. Amounts are based on unaudited financial statements of the joint venture company.

Note 5. 31 December financial year companies

These are DFCC Vardhana Bank PLC, Synapsys Ltd (subsidiaries) and Acuity Partners (Pvt) Limited (joint venture) and National Asset Management Limited (associate).

Note 6. Net Gain/(Loss) from Financial Investments

For the period ended 30 June	Bank		Group	
	2013	2012	2013	2012
	LKR 000	LKR 000	LKR 000	LKR 000
Gain on sale of securities	52,545	58,072	52,545	58,072
Dividend income	110,676	95,772	18,022	17,481
Net gain from repurchase transactions	1,785	948	24,786	11,579
	165,006	154,792	95,353	87,132

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

For the period ended 30 June	Bank		Group	
	2013	2012	2013	2012
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange gain/(loss)	(302,895)	(36,782)	(253,950)	49,385
Others	21,803	38,499	64,790	77,294
	(281,092)	1,717	(189,160)	126,679

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. Disclosures under Appendix 7B of the Listing Rules

8.1 Bank has not incurred management fees or any other similar expenditure

8.2 Share Capital

Number of shares

Number of shares of the Bank on 30 June 2013
(No increase from 31 March 2013)

265,097,688

The Financial Statements of the Bank has retained the concept of par value, authorized capital and share premium account instead of the Stated Capital introduced by the Companies Act No. 7 of 2007 in accordance with section 7 of the DFCC Bank Act No. 35 of 1955 as amended.

8.3 Twenty Major Shareholders as at 30.06.2013

	Name of Shareholder/Company	Shareholding	%
1	Bank of Ceylon No.2 A/c.	38,039,994	14.35
2	Hatton National Bank PLC A/c No.1	32,396,140	12.22
3	Sri Lanka Insurance Corporation Ltd-Life Fund	26,509,832	10.00
4	Employees Provident Fund	24,368,995	9.19
5	Mr M A Yaseen	22,886,700	8.63
6	Distilleries Company of Sri Lanka PLC	17,042,856	6.43
7	Seafeld International Limited	15,286,794	5.77
8	HSBC Intl Nom. Ltd-BPSS Lux-Aberdeen Global Asia Pacific Equity Fund	12,216,146	4.61
9	Renuka City Hotels PLC	6,926,870	2.61
10	HSBC Intl Nom Ltd-BPSS LDN-Aberdeen Asia Pacific Fund	6,750,000	2.55
11	HSBC Intl Nominees Ltd-BP2S London-Edinburg Dragon Trust PLC	5,620,164	2.12
12	Renuka Hotels Limited	4,073,360	1.54
13	HSBC Intl Nominees Ltd-BP2S London-Aberdeen Asia Smaller Companies Investment Trust	3,889,870	1.47
14	HSBC Intl Nominees Ltd-BP2S Luxembourg-Aberdeen Global Frontier Markets Equity Fund	3,133,300	1.18
15	Employees Trust Fund Board	2,559,601	0.97
16	Cargo Boat Development Company PLC	2,098,200	0.79
17	HSBC Intl Nominees Ltd-BP2S-London - Aberdeen New Dawn Investment Trust XCC6 Dawn Investment Trust XCC6	1,800,000	0.68
18	Mellon Bank N.A. - Florida Retirement System	1,500,000	0.57
19	National Savings Bank	1,342,024	0.51
20	Renuka Consultants & Services Limited	1,097,992	0.41

8.4 Public holding as at 30.06.2013 is 63.26%

8.5 Directors' Interests in Shares

	No of Shares As at 30.06.2013
Brito, J M S - Chairman	28,760
Fonseka, A N – Ex-officio Director	142,006*
Abeyewardena, A S	10,380
Dayasri, G K	1,036
Gunawardana, H M N S	Nil
Jansz, C R	1,000
Thambiayah, R B	211,200
Thambiayah, S.R – Alternative Director	Nil
Chandradasa L P	500
Perumal, J E A	42,475

*Directors' shareholding includes shares held by the spouse.

Certification

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

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- (b) the information contained in these statements have been extracted from the unaudited financial statements of the Bank unless indicated as audited .

J M S Brito
Chairman

A.N Fonseka
Ex-officio Director
& Chief Executive

S. Nagarajah
Chief Financial Officer

31/07/2013

Supplementary Financial Information (Consolidated Income Statement of DFCC & DVB (DBB))

This information relates to the consolidation of DFCC Bank (DFCC) and DFCC Vardhana Bank PLC (DVB) for purpose of and analysis of the banking business and is derived from total Group financial statements.internal review

Income statement of DVB for the 3 months ended 31 March is consolidated with Income statements of DFCC for the 3 months ended 30 June

For the three months ended 30 June

	2013	2012
	LKR 000	LKR 000
Income	4,736,505	3,794,493
Interest income	4,746,785	3,495,336
Interest expenses	2,626,774	1,921,219
Net Interest Income	2,120,011	1,574,117
Fee and commission income	171,832	164,425
Less: Fee and commission expenses	1,448	2,458
Net Fee and Commission Income	170,384	161,967
Net gain/(loss) from trading	17,282	23,051
Net gain/(loss) from financial instruments at fair value through profit or loss	(41,933)	(52,618)
Net gain from financial investments	81,318	80,312
Other operating income (net)	(238,779)	83,987
Total Operating Income	2,108,283	1,870,816
Charge of Impairment for loans and other losses		
Individual Impairment	139,419	126,875
Collective Impairment	211,524	119,595
Others	122	16,331
Net Operating Income	1,757,218	1,608,015
Less: Operating Expenses		
Personnel expenses	379,567	315,801
Depreciation and Amortisation	75,672	69,072
Other operating expenses	343,774	289,674
Operating Profit Before Value Added Tax	958,205	933,468
Value added tax (VAT) on financial services	131,684	121,416
Profit Before Tax	826,521	812,052
Tax expenses	249,190	225,677
Profit for the Year	577,331	586,375

Note 01 Reconciliation with Group profit

For the three months ended 30 June

	2013	2012
	LKR 000	LKR 000
Profit for the period - DBB	577,331	586,375
Consolidation adjustments		
Dividend from subsidiaries accounted in DBB	-	(5,460)
	577,331	580,915
Add: Profit from other subsidiaries and Joint venture attributable to equity holders of DFCC Bank		
Subsidiaries	24,261	27,666
Joint venture	13,611	(669)
Share of profits of associate	368	1,655
Profit for the Period	615,571	609,567

Composition of the Joint Venture Results

	2013	2012
	LKR 000	LKR 000
Joint venture and its subsidiaries	7,409	(3,249)
Associates of joint venture and its subsidiaries	6,202	2,580
	13,611	(669)