

DFCC Bank
Income Statement

For the three months ended	Bank		Group	
	30.06.08 Rs 000	30.06.07 Rs 000	30.06.08 Rs 000	30.06.07 Rs 000
Income	2,467,309	2,228,599	3,100,529	2,616,310
Interest income	2,103,009	2,026,230	2,733,111	2,407,235
Interest income on loans & advances	1,849,795	1,755,368	2,399,976	2,082,967
Interest income on other interest earning assets	253,214	270,862	333,135	324,268
Less : Interest expenses	1,421,689	1,468,789	1,815,333	1,699,563
Interest expense on deposits	257,416	612,628	607,968	784,655
Interest expense on other interest bearing liabilities	1,164,273	856,161	1,207,365	914,908
Net interest income	681,320	557,441	917,778	707,672
Non interest income	364,300	202,369	367,418	209,075
Foreign exchange income	(538)	7,829	24,574	40,497
Other income	364,838	194,540	342,844	168,578
Less : Non interest expenses	251,968	237,150	445,924	368,932
Personnel costs	114,863	117,887	192,390	165,470
Provision for staff retirement benefits	24,211	22,404	24,211	22,404
Premises, equipment & establishment expenses	51,477	45,073	102,122	84,145
Loss on trading / investment securities	0	0	0	904
Other operating expenses	49,637	40,923	106,399	77,004
Amortisation of intangible assets				
Software	11,780	10,863	20,802	19,005
Less : Provision for bad & doubtful debts and loans written off	127,491	63,761	164,026	86,104
Provisions - general	95,505	44,000	103,686	53,558
Provisions - specific	101,371	84,210	145,942	105,480
Recoveries	(69,403)	(64,647)	(85,620)	(73,132)
Loans written off	18	198	18	198
Less : Provision for fall in value of dealing & investment securities losses	0	0	0	0
Operating profit on ordinary activities before taxes	666,161	458,899	675,246	461,711
Less : Value added tax on financial services	141,361	80,325	158,005	89,736
Operating profit on ordinary activities before corporate tax	524,800	378,574	517,241	371,975
Share of profits of associates*	-	-	253,598	227,441
Operating profit before corporate tax	524,800	378,574	770,839	599,416
Less : Income tax on profit on ordinary activities	178,328	146,811	229,134	183,320
Profit for the period	346,472	231,763	541,705	416,096
Attributable to				
Equity holders of the Bank	346,472	231,763	515,160	395,119
Minority interest	-	-	26,545	20,977
	346,472	231,763	541,705	416,096
Basic earnings per share - Rs	2.66	1.83	3.95	3.12
Diluted earnings per share - Rs	2.65	1.81	3.95	3.08

* After tax and minority interest

Balance Sheet

As at	Bank		Group	
	30.06.08 Rs 000	31.03.08 Rs 000 (Audited)	30.06.08 Rs 000	31.03.08 Rs 000 (Audited)
On-Balance Sheet Assets				
Cash in hand	230	196	491,673	489,972
Balances with Central Bank of Sri Lanka	0	0	638,561	611,301
Due from Banks and other financial institutions	2,146,767	1,912,349	4,224,124	3,965,303
Investments - trading account	2,924,378	2,270,364	2,924,378	2,270,364
Government securities	2,908,208	2,252,773	2,908,208	2,252,773
Other securities	16,170	17,591	16,170	17,591
Investments - held to maturity (net of provisions)	6,048,916	5,846,994	6,640,567	7,423,546
Government securities	4,264,461	4,167,167	6,327,383	5,240,212
Investments in ordinary shares	396,804	450,109	530,156	546,435
Investments in preference shares	731,833	878,833	935,188	1,100,939
Investments in debentures	0	0	169,379	160,429
Investments in unit trusts	655,818	350,885	705,818	400,885
Less : Provision for decline in value of Investments	0	0	27,357	25,354
Investment in associate companies	3,187,229	3,187,229	6,496,338	6,395,789
Investment in subsidiary companies	2,642,163	2,642,163	-	-
Total loans and advances				
Total performing loans and advances	41,845,131	43,603,564	52,763,608	54,121,986
Bills of exchange discounted	0	0	387,762	442,687
Overdrafts	0	0	5,367,637	5,069,305

Finance leases	5,410,319	6,042,783	5,410,319	6,042,783
Other loans	36,434,812	37,560,781	41,597,890	42,567,211
Total non performing loans and advances	4,641,758	3,871,825	6,086,602	4,730,671
Bills of exchange discounted	0	5,640	17,139	62,375
Overdrafts	0	0	651,587	302,010
Finance leases	952,101	682,877	952,101	682,877
Other loans	2,601,852	2,202,457	3,274,134	2,633,882
Loan interest receivable	1,087,805	980,851	1,191,641	1,049,527
Total gross loans and advances	46,486,889	47,475,389	58,850,210	58,852,657
Less :				
Interest in suspense	1,087,805	980,851	1,301,655	1,124,515
Provision for credit losses - specific	966,535	915,137	1,157,522	1,077,888
Provision for credit losses - general	359,594	264,089	422,699	319,011
Net loans and advances	44,072,955	45,315,312	55,968,334	56,331,243
Group balances receivable	50,336	71,348	0	0
Prepayments	44,939	45,353	44,939	45,353
Other receivables	1,767,740	1,569,036	2,536,995	2,449,902
Differed tax asset	0	0	69,034	83,571
Investment property	6,500	6,500	136,565	137,181
Goodwill on consolidation	-	-	146,658	146,658
Property and equipment (Net of accumulated depreciation)	415,246	438,610	764,716	749,238
Intangible assets	42,150	53,930	154,459	170,107
Total On Balance Sheet Assets	63,349,549	63,359,384	83,237,341	81,269,528
On Balance Sheet Liabilities				
Total deposits	5,901,449	5,111,517	17,493,909	16,352,643
Demand deposits	0	0	643,634	594,987
Savings deposits	0	0	1,546,074	1,359,713
Time deposits	5,901,449	5,111,517	15,129,516	14,103,109
Margin deposits	0	0	116,345	281,294
Other deposits	0	0	58,340	33,540
Total borrowings	41,682,547	42,480,232	44,172,255	43,423,917
Borrowings from CBSL	1,523,670	1,689,464	1,523,670	1,689,464
Borrowings from Banks and financial institutions in Sri Lanka	7,519,479	8,035,231	8,917,461	8,240,796
Borrowings from Banks and financial institutions abroad	5,205,963	5,312,782	5,485,198	5,529,037
Borrowings under repurchase agreements	2,488,363	2,371,712	3,300,854	2,893,577
Debentures - Subordinated	2,000,000	2,000,000	2,000,000	2,000,000
Debentures - Others	2,700,000	2,700,000	2,700,000	2,700,000
Other Borrowings	20,245,072	20,371,043	20,245,072	20,371,043
Interest accrued	883,543	1,131,697	1,147,382	1,396,777
Current taxation	89,359	132,130	162,477	197,147
Deferred taxation	258,092	250,623	258,093	250,624
Other liabilities	397,944	492,085	1,142,778	1,354,733
Proposed Dividends	653,662	-	653,662	0
Total On Balance Sheet Liabilities	49,866,596	49,598,284	65,030,556	62,975,841
Equity				
Share capital	1,307,190	1,301,956	1,307,190	1,301,956
Reserves				
Share premium	3,207,954	3,184,145	3,260,147	3,236,338
Reserve fund	495,000	495,000	674,120	674,120
General reserve	3,953,584	3,953,584	6,625,898	6,627,882
Other reserves	4,028,459	4,028,459	3,918,981	3,918,981
Retained earnings	480,766	797,956	1,789,048	1,928,719
Shareholders' equity	13,482,953	13,761,100	17,575,384	17,687,996
Minority interest	-	-	631,401	605,691
Total equity	13,482,953	13,761,100	18,206,785	18,293,687
Total equity and liabilities	63,349,549	63,359,384	83,237,341	81,269,528
Off-Balance Sheet Items and Contra Accounts				
Contingencies	1,151,442	1,196,690	7,019,998	6,912,012
Commitments	4,876,505	6,113,996	6,243,449	7,026,447
Net assets value per share, Rs	103.44	108.70	134.83	145.46
Memorandum Information				
Number of employees	416	419	833	810
Number of branches	14	14	49	48
The highest, the lowest and the last traded market price recorded during the year ended	30.06.2008	31.03.2008		
- Highest price Rs.	130.00	200.00		
- Lowest price Rs.	110.25	115.50		
- Last traded price Rs.	120.50	126.00		

Statement of Changes in Equity - Bank

	Ordinary Shares Rs. 000	Share Premium Rs. 000	Reserve Fund Rs. 000	General Reserve Rs. 000	Other Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
Balance as at 31.03.2007	865,565	607,106	425,000	3,233,584	3,372,684	990,230	9,494,169
Issue of shares under employee share option plan	32	182				214	214
Profit for the period						231,763	231,763
Bonus issue of shares	216,398	(216,398)					
Right issue of shares	216,391	2,795,587					3,011,978
Final dividends approved on 30.06.2007						(64,918)	(64,918)
Balance as at 30.06.2007	1,298,386	3,186,477	425,000	3,233,584	3,372,684	1,157,075	12,673,206

Balance as at 31.03.2008	1,301,956	3,184,145	495,000	3,953,584	4,028,459	797,956	13,761,100
Issue of shares under employee share option plan	5,234	23,809					29,043
Profit for the period						346,472	346,472
First & final dividends approved on 30.06.2008						(653,662)	(653,662)
Balance as at 30.06.2008	1,307,190	3,207,954	495,000	3,953,584	4,028,459	490,766	13,482,953

Statement of Changes in Equity - Group

	Attributable to Equity Holders of the Bank							Total equity
	Ordinary Shares	Share Premium	Reserve Fund	General Reserve	Other Reserve	Retained Earnings	Minority Interest	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Balance as at 31.03.2007	865,565	659,299	548,841	5,254,420	3,505,618	1,708,205	554,731	13,096,679
Issue of shares under employee share option plan	32	182						214
Profit for the year						395,119	20,977	416,096
Bonus issue of shares	216,398	(216,398)						-
Right issue of shares	216,391	2,795,587						3,011,978
Debenture issue expenses written off - Associate				(1,834)				(1,834)
Currency translation gain / loss -Overseas operations - Associate					267			267
Share of profit recognised in equity - Associate						(2,349)		(2,349)
Final dividends approved on 30.06.2007						(64,918)		(64,918)
Balance as at 30.06.2007	1,298,386	3,238,670	548,841	5,252,586	3,505,885	2,036,057	575,708	16,456,133
Balance as at 31.03.2008	1,301,956	3,236,338	674,120	6,627,882	3,918,981	1,928,719	605,691	18,293,687
Issue of shares under employee share option plan	5,234	23,809						29,043
Profit for the year						515,160	26,545	541,705
Final dividends approved on 30.06.2008						(653,662)	(835)	(654,497)
Currency translation gain/loss - overseas operations - Associate				(1,984)				(1,984)
Surplus on revaluation of property - Associate								-
Provision for decline in value of investments						(1,169)		(1,169)
Balance as at 30.06.2008	1,307,190	3,260,147	674,120	6,625,898	3,918,981	1,789,048	631,401	18,206,785

Selected Performance Indicators

	Bank		Group	
	30.06.08	31.03.08	30.06.08	31.03.08
Regulatory Capital Adequacy				
Core capital (Tier - 1 Capital) Rs. Mn	10,248	10,860	13,825	14,422
Total capital base Rs. Mn	9,136	9,994	12,601	13,435
Core capital ratio (Minimum requirement 5%)	18.3	19.4	19.4	20.4
Total capital ratio (Minimum requirement 10%)	16.3	17.9	17.6	19.0
Asset Quality				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	7.8	6.2	8.3	6.3
- Net exposure % (Net of interest in suspense and provisions)	4.9	3.7	5.6	3.8
Profitability (Annualised)				
Interest margin %	4.3	4.3	4.5	4.5
Return on assets %	2.2	2.1	2.5	2.8
Return on equity %	10.2	11.3	11.7	14.3
Regulatory Liquidity				
Statutory liquid assets Rs. Mn	2,913	2,328		
Statutory liquid assets ratio % (Minimum requirement 20%)	54.8	31		

CASH FLOW STATEMENT

For the period ended

	Bank		Group	
	30.06.2008 Rs.000	30.06.2007 Rs.000	30.06.2008 Rs.000	30.06.2007 Rs.000
Cash flow from operating activities				
Interest Receipts	1,872,987	1,727,559	2,454,220	2,060,381
Interest payments	(1,637,008)	(1,552,858)	(2,031,607)	(1,794,846)
Recoveries on loans previously written off	20,379	26,343	20,379	26,343
Receipts from other operating activities	49,111	42,847	189,537	164,197
Cash payments to employees & suppliers	(464,336)	(518,766)	(639,489)	(579,011)
Value added tax	(154,491)	(115,281)	(171,255)	(122,513)
Operating profit before changes in operating assets	(313,358)	(390,156)	(178,215)	(245,449)
(Increase)/decrease in operating assets:				
Balances with Central Bank of Sri Lanka	0	0	(27,260)	(110,742)
Funds advanced to customers	1,169,140	589,382	271,817	(840,043)
Other short - term securities	(752,729)	(1,512,491)	(908,151)	(1,717,063)
Others	(70,534)	(47,225)	(62,654)	92,379
Increase /(decrease) in operating liabilities:				
Security deposits from customers	0	0	885	0
Deposits from customers	789,932	(1,292,248)	265,851	(369,211)
Negotiable certificates of deposit	0	(2,482)	24,800	(528)
Net cash flow from operating activities before Income tax	822,451	(2,655,220)	(612,927)	(3,190,657)
Income tax paid	(191,893)	(147,962)	(228,430)	(169,361)
Net cash from/(used in) operating activities	630,558	(2,803,182)	(841,357)	(3,360,018)
Cash flow from investing activities				
Dividends received	186,495	143,754	195,552	154,756
Interest received	228,952	254,483	230,478	278,778
Proceeds from sale and redemption of securities	358,087	39,371	421,119	51,892
Purchase of securities	(327,432)	(2,907)	(403,657)	(4,907)
Subscription to rights issue in associate - (Commercial Bank Limited)	0	(1,602,541)	0	(1,602,541)
Purchase of property , equipment ,intangibles and investment property	(441)	(351)	(62,539)	(56,083)
Proceeds from sale of equipment and investment property	0	10,063	4	10,163
Net cash from investing activities	445,661	(1,158,128)	380,957	(1,167,942)
Cash Flow from financing activities				
Issue of new shares under option	29,043	214	29,043	214
Issue of new shares under Right Issue	0	3,011,978	0	3,011,978
Borrowing , medium and long - term	474,083	932,542	474,083	932,542
Other Borrowings	(227,467)	(285,813)	1,292,113	(19,146)
Repayment of borrowing ,medium and long - term	(1,122,667)	(508,030)	(1,122,667)	(508,030)
Dividends paid	(6)	1,921	(3,996)	1,968
Net Cash flow from financing activities	(847,014)	3,152,812	668,576	3,419,526
Net increase/(decrease) in cash & cash equivalents	229,205	(808,498)	208,176	(1,108,434)
Cash & cash equivalents/(overdraft-net) at the beginning of period	1,898,313	4,746,177	4,435,479	6,506,073
Cash & cash equivalents at the end of period	2,127,518	3,937,679	4,643,655	5,397,639
Reconciliation of cash & cash equivalents				
Cash & short - term funds	1,764,997	1,777,679	3,782,344	2,912,625
Securities purchased under resale agreements	382,000	2,160,000	928,897	2,535,170
Borrowing short term - Bank overdrafts	(19,479)	0	(67,586)	(50,156)
	2,127,518	3,937,679	4,643,655	5,397,639

The Cash Flow Statement of the bank includes the results of associate/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 three months ended 30 June	Lending		Financial Leasing		Investing in Equity		Commercial Banking		Venture Capital		Other		Unallocated		Eliminations		Total	
	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000	2008 Rs 000	2007 Rs 000
Revenue																		
Interest income	1,851,091	1,730,467	251,918	295,763	-	-	611,879	366,979	20,336	18,951	10,453	8,446	-	-	(12,566)	(13,371)	2,733,111	2,407,235
Other income	78,081	37,833	-	-	321,793	152,101	95,581	57,203	23,129	14,518	59,776	63,078	(37,799)	6,296	(173,143)	(121,954)	367,418	209,075
Income from external customers	1,929,172	1,768,300	251,918	295,763	321,793	152,101	707,460	424,182	43,465	33,469	70,229	71,524	(37,799)	6,296	(185,709)	(135,325)	3,100,529	2,616,310
Inter segment income	-	-	-	-	-	-	-	-	-	-	-	-	(2,996)	6,139	2,996	(6,139)	-	-
Total income	1,929,172	1,768,300	251,918	295,763	321,793	152,101	707,460	424,182	43,465	33,469	70,229	71,524	(40,795)	12,435	(182,713)	(141,464)	3,100,529	2,616,310
Percentage *	62	65	8	11	10	6	23	15	1	1	2	3	4	-	-	-	100	100
Expense																		
Segment losses	17,159	53,002	110,332	10,759	-	-	36,535	22,343	-	-	-	-	-	-	-	-	164,026	86,104
Depreciation	-	-	-	-	-	-	23,086	16,143	179	182	4,470	3,461	-	-	-	-	27,735	19,786
Other operating & interest expenses	1,211,198	1,214,516	191,808	239,937	-	-	546,947	323,898	5,582	6,161	19,903	26,082	-	-	(12,566)	(13,371)	1,962,872	1,797,223
Inter segment expense	-	-	-	-	-	-	3,398	5,549	-	-	11,399	590	-	-	(14,797)	(6,139)	-	-
	1,228,357	1,267,518	302,140	250,696	-	-	609,966	367,933	5,761	6,343	35,772	30,133	-	-	(27,363)	(19,510)	2,154,633	1,903,113
Result	700,815	500,782	(50,222)	45,067	321,793	152,101	97,494	56,249	37,704	27,126	34,457	41,391	-	-	-	-	945,896	713,197
Unallocated expenses																	270,650	251,486
Value Added Tax on financial services																	158,005	89,736
Share of profits of associates																	517,241	371,975
Profit on ordinary activities before tax																	770,839	599,416
Income tax on profit on ordinary activities																	229,134	183,320
Profit on ordinary activities after tax																	541,705	416,096
Minority interest																	26,545	20,977
Profit for the period																	515,160	395,119
Assets	40,620,260	42,292,236	6,129,056	7,688,854	1,784,455	1,234,400	18,170,894	12,722,189	893,408	883,222	744,719	623,963	8,347,875	6,984,225	50,336	(768,857)	76,741,003	71,660,232
Percentage	53	59	8	11	2	2	24	18	1	1	1	1	11	10	-	(1)	100	100
Investment in associate company																	6,496,338	5,844,554
																	83,237,341	77,504,786
Liabilities	32,535,081	32,807,799	5,516,150	6,919,969	-	-	15,601,286	11,218,663	13,812	8,591	268,690	224,360	11,045,201	10,608,662	50,336	(768,857)	65,030,556	61,019,187

Revenue and expenses attributable to the incorporated business segments of industrial estate management, unit trust management, stock broking and consultancy services are included in the column for other
Property & equipment and depreciation attributable to an incorporated business segment is included in the relevant segment and the balance is unallocated
Dealing securities losses and goodwill written off of subsidiary company are included in unallocated expenses.
Eliminations are the consolidation adjustments for inter company transactions, dividend and dividend payable attributable to minority shareholders.

* Net of eliminations