

Highlights

Operational

Set-up the MSME Strategic Business Unit

to cater to the Small Enterprise sector



Set-up the Payments and Cash Management Unit

to focus on driving CASA and Other Income



Launched an internally developed Complaint Management System

which enables the real time entry of customer complaints and monitors the rectification process to completion



Upgraded eight Sri Lanka Postal Units

to fully-fledged branches



Digitalisation

Launched the Vardhana Virtual Wallet

and extended the service to non-DFCC Bank customers



Upgraded the Lanka Money Transfer (LMT) service

enabling remittances to be received through the Vardhana Virtual Wallet



Adopted Google's G Suite

being the first Bank to move its entire collaboration platform onto G Suite to facilitate employee communication



Initiated a cutting-edge Security Information Event Management System

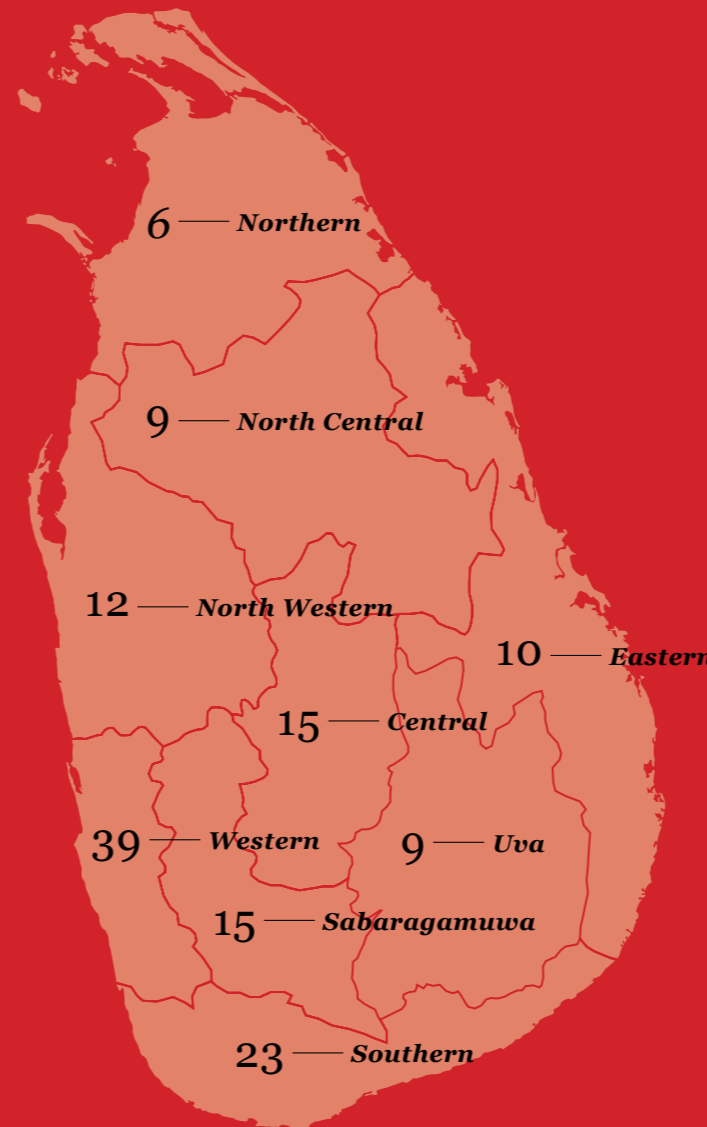
to monitor ongoing security events from all systems on a single platform



Our Reach

We strive to keep pace with current trends by making cutting-edge internet and mobile banking services available to our customers. We will also continue to grow our physical branch network. DFCC Bank currently operates 88 branches and 50 service points at Sri Lanka Post outlets.

Customers can utilise 3,600 ATMs island-wide and also have the facility of zero cost cash withdrawals via any Lankapay member bank.



Details of the branch network are given in the online report [<http://dfcc2016.annualreports.lk>]

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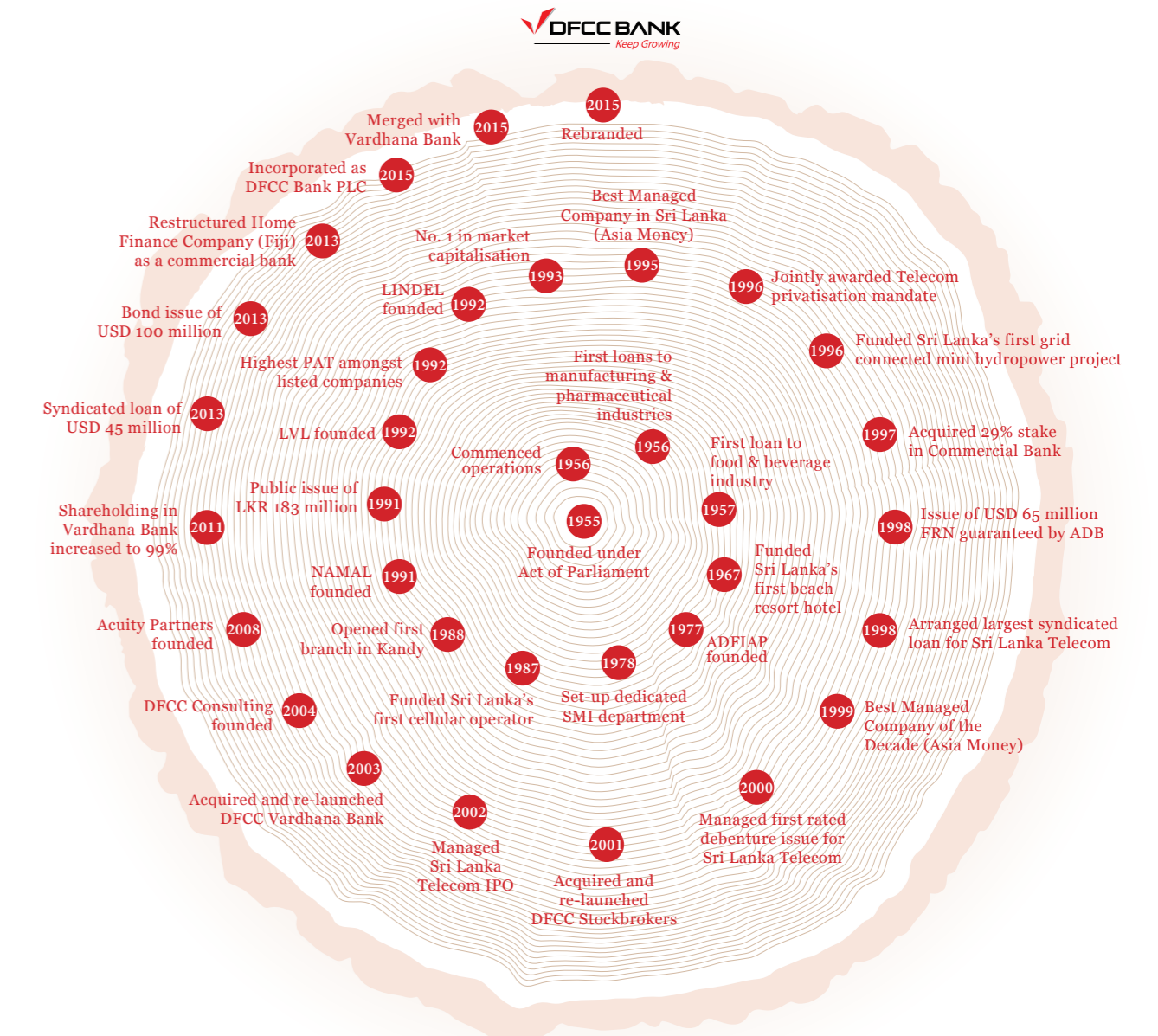
24 hour contact centre: 0112 350000
www.dfcc.lk

DFCC Bank is rated AA-(lka) from Fitch Rating Lanka Limited.
DFCC Bank is a licensed commercial bank supervised by the Central Bank of Sri Lanka.



DFCC BANK PLC

Annual Snapshot 2016



The theme of our Annual Report this year is 'Growth at Our Core' which resonates with our brand promise: 'Keep Growing'. The concept is visually represented above using the analogy of a cross section of a tree trunk. Each year, a tree trunk forms new cells into a concentric circle known as an annual ring. Similarly, the tree trunk cross section above has 62 annual rings, each representing a year in DFCC Bank's journey.



Consumer Banking



Digital Strategy



Small Enterprise Strategy



Reaping the Benefits of a Giant Leap

October 2016 marked the first anniversary of the amalgamation of DFCC Bank and DFCC Vardhana Bank and their union was the first ever amalgamation in Sri Lanka's commercial banking industry.

In the year under review, our merger bore fruit. While there were barriers to be overcome in the process, we have emerged strengthened and better positioned to serve our clientele. We continue to provide the full gamut of development and commercial banking products and services, but now, under one roof.

In the course of its journey of over six decades the Bank has grown and evolved through supporting and sustaining livelihoods and creating employment opportunities in every district in Sri Lanka. In the process we have nurtured entrepreneurs, SMEs and helped start-up businesses grow into large corporates. In addition, we have set-up group companies that provide complementary services such as consultancy services, industrial park management, information technology, investment banking and wealth management.

While we have expanded our reach through our brick and mortar network, we have also done so through innovative non-traditional means. This has been facilitated by blending our banking know-how with cutting edge technology in developing products such as the Vardhana Virtual Wallet (VVW) in June. We have broken new ground in the sectors we have pioneered such as renewable energy. In 2016, the Bank reinforced its status as Sri Lanka's pre-eminent financier of renewable energy by financing the nation's first 10MW Solar Power Project in December.

In 2015, we embarked on an ambitious five year strategic plan aspiring to position the Bank in the upper quartile of the banking industry. In 2016, we have gone a great distance towards our target. We achieved a landmark in our bottom line (sans extraordinary capital gains), by recording a 60% growth and crossing the LKR 3 billion mark for the first time in our history. We also demonstrated our creativity, innovation and customer centricity through many initiatives such as VVW, migration to the Google App Platform and setting up the MSME Strategic Business Unit.

In our plans for 2017, we hope to build further on what we have achieved in 2016. DFCC Bank has been rebranded and repositioned on a platform of sustainability, enshrined in the 'Eleven Sustainable Banking Principles Developed for Sri Lanka.' DFCC Bank will continue to forge ahead in the years to come, by continuous improvement and innovation in its products and services. The Bank will utilise its human resources and technological competencies to contribute to the economic and social development of Sri Lanka.



C R Jansz
Chairman

28 February 2017



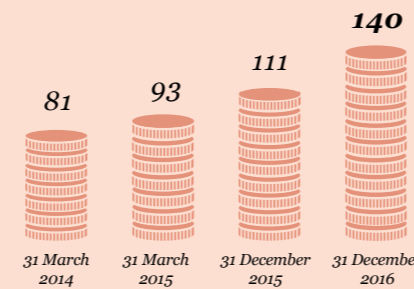
Arjun Fernando
Chief Executive/Director



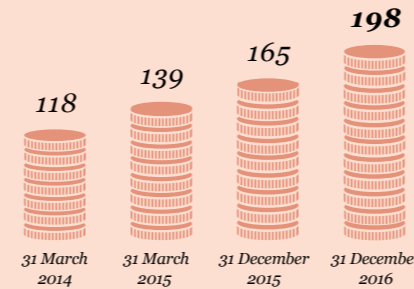
Delivering Value to All

Value creation is the end result of a multi-faceted process to which many resources contribute. These include our financial capital, physical assets, human resources, systems and processes, information technology and intangibles such as values, ethics and corporate culture. While we derive value from the process we in turn deliver value to all our stakeholders, customers, investors, employees, business partners, local communities and the environment.

Group Deposits – LKR billion



Group Loans and Receivables – LKR billion



Bank Market Capitalisation and Dividends



Gender Balance

53 : 47



Training

Average training hours per employee

Overall 36.56

Management 38.52

Executives 39.61

Non-Executives 34.99

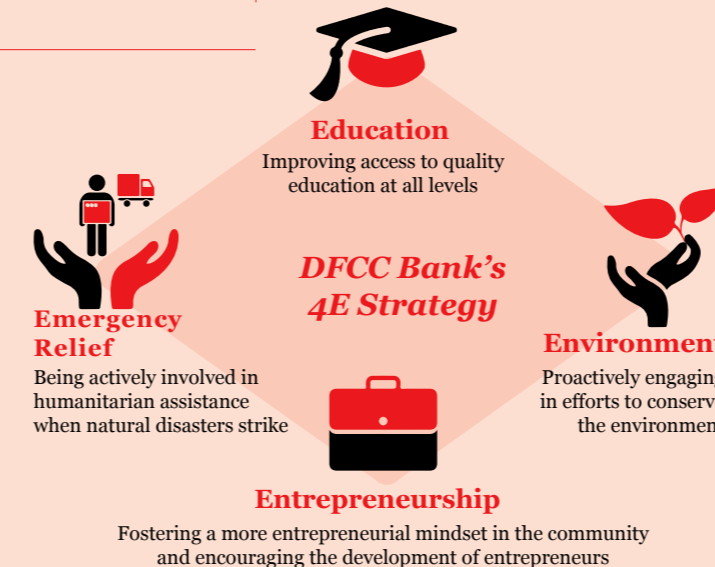


Corporate Social Responsibility

DFCC Bank strives to be a responsible corporate citizen. We implemented a 4E strategy focusing on four aspects: education, emergency relief, environment and entrepreneurship, to further strengthen our corporate social responsibility measures.

DFCC Bank is committed to the Sustainable Banking Principles developed for Sri Lanka:

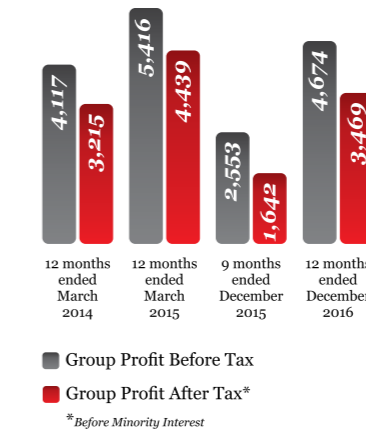
1. Our business activities and operations are environmentally and socially friendly.
2. We respect the rights of our stakeholders and are committed to promoting financial inclusion.
3. We practice transparent environmental and social governance and promote ethical finance and green economy growth.
4. We develop individual institutional and sector capacity to manage environmental and social risks and opportunities, and collaborate with partners locally and internationally for collective progress.
5. We promote transparency and accountability and will not compete with other banks on environmental and social issues.



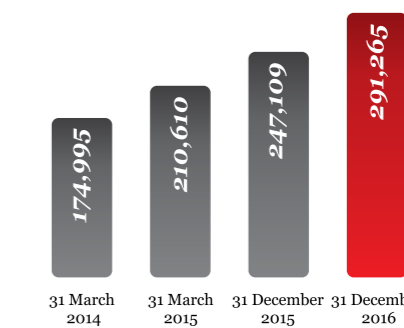
Maintaining Sustainable Growth

Value creation is a dual process. We derive value for ourselves while we deliver value to our stakeholders. When creating value, we have to strike a balance between the different aspects of value; we also have to keep in mind the short, medium and long-term perspectives. The value we create for ourselves is reflected in our profits, the growth and quality of our asset base, our financial stability as well as the recognition we have achieved locally and internationally.

Group Profitability – LKR million



Group Total Assets – LKR billion



Credit Quality

DFCC Bank recorded an NPL ratio of 2.97%, its lowest in the recent past. The ratio of impaired loans to total loans for the Bank improved from 5.1% on 31 December 2015 to 4.5% on 31 December 2016.

Credit Ratings

Fitch Ratings of DFCC Bank were maintained and unaffected by the amalgamation:

Local currency rating of 'AA-' (negative outlook)

Foreign currency rating of 'B+' (stable outlook)

Key Achievements



Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)
Merit Award for Coconut-based product facility in Sri Lanka

Global Sustainable Finance Conference, City of Karlsruhe, Germany
Certificate of Merit for financing a Biomass-based Combined Heat and Power Plant

Business Today – Top 30 Business Today Magazine
DFCC Bank ranked No. 21

International Recognition



Implemented three credit lines as an Administrative Unit for Renewable Energy Projects and received 'Highly Satisfactory' rating



Apex Body for credit component of Plantation Development Project



Apex Body for DFCC V credit line for SME in the North and the East



Apex Body for DFCC V credit line for SME in the North and the East



Implementing EUR 90 million SME and Green Energy Global Loan