

Message from the Chairman



Dear Shareholders,

The year under review has been one of progress. The first green shoots of the synergies released by the amalgamation with Vardhana are visible. The blending of a development bank with a commercial bank has been successfully achieved. The expectation that the amalgamation would create an entity greater than the sum of its parts is starting to become reality. This has not been an easy journey, but one during which bonds have been formed, barriers broken and a culture of going the extra mile for our customers and the Bank has become entrenched. Corporate Governance has been strengthened by expanding the scope of the Nominations Committee to include Governance, and a policy prohibiting insider trading was formally adopted. A Code of Conduct for Directors was also implemented.

This progress is reflected in our results – expenses have been curtailed, the NPL ratio is at a historical low, other indicators are improving and profit is up. The Bank is growing its digital channels like the Vardhana Virtual Wallet and the Lanka Money Transfer system, and engaging customers over the web and social media, thus providing them with cheaper, faster alternatives.

More work remains to be done. Our CASA ratio, while improving, is still low, due to the fact that DFCC did not have access to CASA, when it was a specialised Bank, and raising this ratio as rapidly as possible is a top priority in 2017. We also need to grow our customer base and targeted branch openings have been scheduled over the year. Our customer service standards are among the best in the

industry, and as we grow and expand, these standards need to be maintained and enhanced. Progress will be monitored by our Branding and Marketing Committee.

The Bank continues to look for ways to improve the products and services we provide our customers, and to improve the ease of doing business with DFCC. Useful suggestions for improvement from our people at all levels as well as from customers are speedily evaluated and acted on. Access by the staff to the Chairman and CEO is possible during designated 'Open Days' and the channels of communication are always open. The Bank takes its responsibility as an equal opportunity employer very seriously, and has vibrant whistleblower, anti-discriminatory and grievance redress policies in place. These and other measures introduced during the year, such as making DFCC, 'a great place to work' will help us to reach our goal of being an employer of choice.

The Directors have approved a first and final dividend of LKR 4.50 per share, which is a payout of 38% of distributable profits.

My thanks to the CEO and his management team, and the staff at all levels for the good work done last year, and I look forward to an even greater effort this year. I am grateful to my colleagues on the Board for their guidance and dedication, and for the support of the officials of the Ministry of Finance and the Central Bank of Sri Lanka, and to our loyal customers for their continued patronage. We are committed to providing them with levels of service that exceed expectation.

Messrs Nihal Fonseka and Ananda Atukorala left the Board during the year to take up positions elsewhere, and while acknowledging with thanks their immense contribution, I wish them every success in their new positions.

Mr H A Ariyaratne joined the Board in October, and I am sure his vast experience and knowledge in Banking would be an asset to the Board.

You, dear shareholders, have always been our strength and I thank you for your consistent support over the years and look forward to this continuing in the years ahead. On behalf of the Board and the DFCC team, I assure you that we will spare no effort to add value to your shareholding, and to make your Bank one of the very best in this country.

C R Jansz

Chairman

20 February 2017