Chief Executive's Review

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To be "the Bank for the Times" requires many things – it requires the institution to be at the cutting edge – to be customer centric, to be proactive to competitive pressures, to be attuned to channel developments, to explore "Blue Oceans" and so on. In other words, the institution must be agile on several fronts. The DFCC of today is progressing on a foundation based on capital strength and an agility fostered by four pillars – its employees, its financial technology, its franchise and a mindset of being a pioneer, a pathfinder and a trailblazer.

In 2017, DFCC was exemplified as the Bank for the Times. Following the amalgamation with DFCC Vardhana Bank and its transformation to a commercial bank in 2015, the new financial landscape might have proved daunting particularly given the fact that the Bank would be going head on against longer established commercial banks. However, it is gratifying that DFCC not only withstood the competitive pressure successfully but also prospered. This is validated by the highlights of DFCC's financial performance. Some key numbers speak volumes; advances and loan book up 15% to LKR 213,676 million, non-performing ratio down to 2.77% from 2.97%, deposits up 38% to LKR 193,308 million and profit after tax up 34% to LKR 4,415 million. In terms of the Group, the subsidiaries – Lanka Industrial Estates Limited and DFCC Consulting (Pvt) Limited posted profit growths as did the joint venture – Acuity Partners (Pvt) Limited. The IT Subsidiary – Synapsys Limited reduced its losses while the Associate – National Asset Management Limited recorded a small profit decline. Especially gratifying is the fact that the robustness of DFCC's performance was recognised by rating agencies S&P and Fitch. The former revised the Bank's international rating outlook to "stable" from "negative" while maintaining a B/B rating and the latter upgrading the Bank's international and long-term outlook to "stable" from "negative" while maintaining B+ and AA- ratings respectively. Moreover, DFCC was the only commercial bank to have some form of upgrade during the rating period. The upgrades also reflect the fact that looking ahead, DFCC's strategies were acknowledged to provide the foundation for a sustainable progress.

In the prelude to this message, there was reference to four pillars. As always, DFCC's greatest asset has been its employees and the increasing mix of young blood with the Bank's experienced cadre is a key factor enabling DFCC to quickly adapt to change and thereby move with the times. However, people need to be enabled to deliver, which is where DFCC's technology comes into play. An automated work flow and communication system has enhanced efficiency and virtually eliminated paperwork. On the delivery side, DFCC's Virtual Wallet, the first of its kind in the local banking industry, is rapidly gaining market acceptance. Another is an innovative Payments and Cash Management solution. With other products under development, DFCC is fully geared to embrace the Internet and Mobile banking regime. Together with people and technology, making headway in a crowded market also requires a strong franchise, including a regularly refreshed branding. During the year, DFCC stepped up its marketing initiatives and has raised its visibility. While the Bank is regarded as a unique commercial banking institution with a development banking forte, it has also engendered an image for innovation. Besides new products, the Bank remains as the financier of preference for pioneering ventures. Cases in point are two new waste-to-energy projects and a rooftop solar power programme. This appetite to venture boldly epitomises DFCC's mindset as a pioneer, pathfinder and trailblazer. In fact, over my 31 years at DFCC, I have personally witnessed how the Bank blazed a trail across the industrial and commercial landscape of Sri Lanka, from financing the first beach resort to being the first to venture into the financing of clean hydro, wind and solar energy. Eventhough all other banks were unwilling to take such long-term risks, DFCC forged ahead.

Going forward, DFCC has set in place plans to achieve a demanding target within the next three years. In doing so, it expects to be placed as a Systemically Important Bank in the upper quartile of commercial banks in Sri Lanka. A mix of complementary strategies will be employed, which would also include some "Blue Ocean" initiatives. In this context, DFCC will explore a range of opportunities in consolidation and offshore markets. The Bank will also leverage on its Group relationships particularly in the area of Public Private Partnerships.

In conclusion, I wish to express my appreciation for the guidance and inspiration provided by my Chairman, Mr Royle Jansz and other Board members. Their direction will continue to be invaluable in driving DFCC forward. My special thanks go out to Mr Arjun Fernando, my predecessor, who manned the helm till August 2017 and was the force behind the successful amalgamation between DFCC Bank and DFCC Vardhana Bank. I wish him well in his future endeavours.
I welcome on Board my deputy Mr Thimal Perera, who brings in a wealth of commercial banking expertise. I thank the Senior Management and my colleagues for their effort, which has enabled DFCC to reach a new performance threshold.
I thank all our customers for their loyalty and patronage.
I thank officials of the Central Bank of Sri Lanka, the Ministry of Finance and other Government authorities for their cooperation and support. I also thank the international financial institutions, our bondholders and debenture holders, and depositors for the trust placed in DFCC Bank. May they all continue to prosper from their relationship with the "Bank for the Times".

L H A L Silva

Chief Executive Officer/Director

19 February 2018