

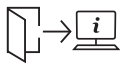
Message from the Chairman



The fundamentals have been put in place for stable, sustainable growth. This has been recognised by S&P and the international rating outlook has been revised to “stable” from “negative” while maintaining our ratings at B/B. Fitch also upgraded DFCC’s international and long-term outlook from “negative” to “stable” while maintaining the international and domestic ratings at B+ and AA- respectively.

The Directors have approved a first and final dividend of LKR 5.00 per share, which is a payout of 32% of distributable profits.

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<http://dfcc2017.annualreports.lk/mftc.html>

Dear Shareholders,

DFCC Bank has continued to grow in 2017. Our results show the dynamic is changing. Profit is up by 34%, expenses carefully managed despite the cost of relocating and upgrading branches and increased investment in building the DFCC brand. Our NPL ratio has come down to a historical low in line with industry average and CASA is slowly but steadily moving upwards.

We have been a great deal more visible than before as befits our commercial banking franchise, people are responding to our products, and our highly regarded customer service, with enthusiasm. During the year, the Bank has relocated many branches to more customer friendly locations with enhanced facilities and we have extended our digital footprint across cyberspace. Our Virtual Wallet now has thousands of users, with more merchants joining by the day, and it is fast becoming a necessity.

The fundamentals have been put in place for stable, sustainable growth. This has been recognised by S&P and the international rating outlook has been revised to “stable” from “negative” while maintaining our ratings at B/B. Fitch also upgraded DFCC’s international and long-term outlook from “negative” to “stable” while maintaining the international and domestic ratings at B+ and AA- respectively. During a year within which the Bank had to face many challenges, this is a very significant achievement.

The Bank has set itself a challenging target over the next three years, and our people are geared to bringing this plan to fruition. Quarterly reviews of results against the plan are conducted at Board level, concerns identified and corrective action taken. Good corporate governance is a cornerstone of the Bank’s policy and governance has been strengthened. The Bank recognises that our people are our greatest asset, and during the year under review, many initiatives to increase the skills and competence of the staff have been put in place, while ensuring they are well compensated, excellence rewarded, and talent recognised.

The Directors have approved a first and final dividend of LKR 5.00 per share, which is a payout of 32% of distributable profits. Shareholders will appreciate that with the introduction of Basel III, it is important that the Bank builds up its capital while ensuring shareholders get a fair return.

My thanks go out to the former CEO, Mr Arjun Fernando, and the current CEO, Mr Lakshman Silva for their untiring efforts to ensure the Bank performed creditably during the year, and to the Management team and staff at all levels who upheld the highest standards of professionalism and service that has enabled the Bank to produce these results. I am fortunate to have as colleagues on the Board a team of dedicated professionals whose guidance and support have been invaluable. I am grateful for the support of the officials of the Central Bank of Sri Lanka and the Ministry of Finance, and to our loyal customers for their continued patronage. We recognise that our customers are the reason for our success, and remain committed to providing a service that exceed expectations.

Mr Arjun Fernando relinquished duties as CEO on 15 August 2017, and I must acknowledge the huge contribution he made during his tenure. He was a driving force, along with Mr Lakshman Silva, behind the amalgamation with Vardhana, and the successful integration of the staff of the two banks. I wish Arjun every success in his future career.

Messrs Lalit Wijeyaratne, Ranjith Asoka and H A Ariyaratne left the Board during the year, and I thank them for their immense contribution, and wish them the very best. Ms Hiroshini Fernando joined the Board in November, and I have no doubt she will contribute greatly to Board deliberations. Mr Kithsiri Nemawatta was appointed a Director on 1 February 2018, to succeed Mr Ranjith Asoka, and I welcome him to the Board.

You, our shareholders, have always been our strength and I thank you for your constant support over the years, and look forward to a continuation of this support in the years ahead, as we take your Bank forward and upward. With your support, we will ensure that DFCC Bank “keeps growing”.



C R Jansz
Chairman

19 February 2018