



## **DFCC Bank Posts Resilient 3<sup>rd</sup> Quarter Amidst Economic Uncertainty**

*Despite unprecedented challenges and a volatile economic environment, DFCC Bank continued its commitment to serving customers across the country, delivering high-quality customer centric banking services. Accordingly, the Bank has recorded a resilient performance for the 3<sup>rd</sup> Quarter of 2022, ended 30<sup>th</sup> September 2022, remaining steady against a volatile business environment, further compounded by external challenges and domestic political uncertainty.*

*The fluid political situation and heightened fiscal, external and financial sector imbalances pose significant uncertainty for Sri Lanka's economy, all of which have resulted in a relatively subdued performance for the Bank.*

*Along with this, rising impairment costs and provisioning for the same have resulted in a negative impact on profitability for the period. However, this should ease as impairment mitigation measures take further effect over the upcoming quarters. The contractionary fiscal policies of Central Bank of Sri Lanka (CBSL) would complement the effects of tight monetary policy measures already in place, helping to mitigate any build-up of aggregate demand pressures, thereby anchoring inflation expectations and bringing down headline inflation, while supporting the economy to reach its potential. Foreign exchange liquidity in the domestic banking system also recorded some improvement, supported by increased inflows in the form of export proceeds and workers' remittances. Together, these measures and impacts could work to help build momentum towards a recovery in 2023.*

The following commentary relates to the unaudited Financial Statements for the period ended 30 September 2022, presented in accordance with Sri Lanka Accounting Standard 34 (LKAS 34) on "Interim Financial Statements".

### **Financial Performance**

#### **Profitability**

The DFCC Group comprises of DFCC Bank PLC (DFCC), and its subsidiaries – Lanka Industrial Estates Limited (LINDEL), DFCC Consulting (Pvt) Limited (DCPL) and Synapsys Limited (SL), the joint venture company – Acuity Partners (Pvt) Limited (APL) and associate company – National Asset Management Limited (NAMAL).

The Bank reported a profit before tax (PBT) of LKR 1,420 Mn and a profit after tax (PAT) of LKR 1,043 Mn for the period ended 30 September 2022 compared to a PBT of LKR 4,105 Mn

and a PAT of LKR 3,070 Mn in the comparable period. The subdued profit during the period is due to the higher charge made for impairment loss considering the potential future impacts of the prevailing economic conditions on the lending and investment portfolios.

The Group recorded a PBT of LKR 1,762 Mn and a PAT of LKR 1,320 Mn for the period ended 30 September 2022, compared to LKR 4,508 Mn and LKR 3,413 Mn, respectively, in September 2021.

### **Net Interest Income**

Market interest rates are continuously adjusting upwards reflecting the tight liquidity conditions in the domestic money market. Accordingly, interest rates on the Bank's deposit and lending products have considerably increased during the period under review. The net interest income (NII), which is the core business of the Bank, therefore recorded an increase of 114% and reached LKR 18.6 Bn by the end of Q3 2022. The increase in AWPLR by 1,941bps over the past 12 months and the time lag in repricing the existing deposits contributed to the increase in the interest margin from 2.66 % in December 2021 to 4.92% by September 2022.

### **Total Operating Income**

DFCC Bank posted a total operating income of LKR 21.6 Bn for the period ended 30 September 2022 compared to LKR 13.9 Bn in the comparative period, which is a 56% increase. Due to depreciation of the rupee, import restrictions and other unfavorable economic conditions, the momentum of the business was negatively affected. However, the concerted effort made has helped the Bank to record a non-fund income (NFI) of LKR 2,031 Mn for the period ended 30 September 2022, which is a 5% increase against the comparable period.

### **Impairment Charge on Loans and Other Losses**

The impaired loan (stage 3) ratio increased from 3.03% in December 2021 to 3.50% as at end September 2022. In order to address the current and potential future impacts of prevailing economic conditions on the lending portfolio, the Bank has made adequate impairment provisions during the quarter, by introducing changes to internal models to cover unseen risk factors in the present highly uncertain and volatile environment.

The Bank also recognized substantial impairment provisions on its foreign currency denominated government securities owing to the recent downgrading by rating agencies of Sri Lanka's Sovereign rating and the announcement by the Government on restructuring of the country's external debt via an economic adjustment programme supported by the IMF.

With these provisions made to cover the additional risk in the economic environment, the impairment charge recorded an increase of 372% against the comparative period and stood at LKR 11.96Bn for the period ended 30 September 2022 compared to LKR 2.5Bn in the comparable period of last year.

## **Operating Expenses**

With the implementation of the core banking system during the last quarter of 2021, the Bank carried out upgrades to its IT infrastructure to provide multiple channels for service delivery to customers through a strong digital drive.

Primarily due to the increase in IT related expenses as a result of infrastructure upgrades carried out and increases in cost due to inflation and rupee devaluation, the operating expenses for the period ended 30<sup>th</sup> September 2022 increased to LKR 7,382 Mn compared with LKR 6,165 Mn during the corresponding period in 2021.

However, the numerous process automation and workflow management systems introduced during the period helped to curtail and manage operating expenses at these levels.

## **Other Comprehensive Income (OCI)**

Changes in fair value of investments in equity securities and fixed income securities (treasury bills and bonds) and movement in hedging reserve are recorded through OCI. The amount reclassified during the period to the income statement includes the negative movement of LKR 8,735 Mn from hedging reserve which was due to the currency depreciation. A fair value loss of LKR 3,660 Mn was recorded on account of equity securities outstanding as at 30 September 2022.

## **Business Growth**

The gross loan portfolio of the bank increased to LKR 411,883 Mn as at 30<sup>th</sup> September 2022 compared to LKR 384,959 Mn as at 31<sup>st</sup> December 2021. The Bank did not pursue an aggressive lending growth strategy due to high inflation, currency depreciation and rising interest rate environment. Bank curtailed its foreign currency lending portfolio by over Rs. 8.3 Bn during the period ended 30<sup>th</sup> September 2022.

The deposit portfolio of the Bank experienced an increase of LKR 22,785 Mn to record LKR 342,646 Mn as at 30 September 2022 compared to LKR 319,861Mn as at 31 December 2021. This resulted in a loan to deposit ratio of 111% as at 30 September 2022. The CASA ratio decreased to 24.97% as at 30 September 2022. DFCC Bank will continue to tap local and foreign currency related long to medium term borrowing opportunities to facilitate lending to deserving segments of the market whilst maintaining a high-quality portfolio.

## **Equity and Compliance with Capital Requirements**

As at 30 September 2022, the Bank recorded Tier 1 and Total Capital ratios of 10.22% and 13.68% respectively. The Bank's Net Stable Funding Ratio (NSFR) was 121.57% and Liquidity Coverage Ratio (LCR) – all currency was 157% as at 30 September 2022. All these ratios were maintained above the minimum regulatory requirement.

## **CEO's Statement**

*“Despite having to deal with unprecedented economic, energy and sociopolitical crises during the 3rd Quarter of 2022, DFCC Bank has been able to successfully post a resilient, though subdued financial performance during the period under review. During this time, Sri Lanka experienced quite turbulent social unrest and political instability. Fortunately, the country’s strong democratic institutions prevailed and the political atmosphere, though uneasy, remains stable. This was driven, no doubt, by the uncontrolled inflation and poor fiscal and monetary policy adopted during the latter half of 2021 and the earlier part of 2022. However, subsequently, the Central Bank of Sri Lanka has adopted a prudent, tighter monetary stance and the government has introduced more responsible fiscal policies, including increased taxation to shore up government revenues and bridge the deficit. The first fruits of these responsible actions have begun to emerge with inflation easing for the first time this year in October 2022. We expect further easement in the next few months, along with a concrete debt restructuring plan, together with continued responsible policy, which will likely provide a fertile environment for an economic recovery in 2023, which we are presently well-positioned to take advantage of.*

**Thimal Perera**

**Director / Chief Executive Officer**

**14 November 2022**

**DFCC Bank PLC**  
**Income Statement**

Notes	Bank						Group					
	For the period ended			For the quarter ended			For the period ended			For the quarter ended		
	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %
<b>Gross Income</b>	<b>48,328,547</b>	31,971,553	51	<b>21,180,098</b>	10,553,516	101	<b>48,778,587</b>	32,336,542	51	<b>21,317,965</b>	10,672,212	100
Interest income	44,780,008	26,629,035	68	19,325,812	8,927,371	116	44,780,460	26,629,461	68	19,325,676	8,927,526	116
Interest expense	26,203,264	17,928,913	46	11,799,268	5,828,359	102	26,151,094	17,907,955	46	11,772,376	5,821,107	102
<b>Net interest income</b>	<b>18,576,744</b>	8,700,122	114	<b>7,526,544</b>	3,099,012	143	<b>18,629,366</b>	8,721,506	114	<b>7,553,301</b>	3,106,419	143
Fee and commission income	2,542,275	2,117,779	20	1,036,913	704,226	47	2,543,077	2,117,338	20	1,037,075	704,093	47
Fee and commission expenses	510,971	188,394	171	188,833	73,256	158	510,971	188,394	171	188,833	73,256	158
<b>Net fee and commission income</b>	<b>2,031,304</b>	1,929,385	5	<b>848,080</b>	630,970	34	<b>2,032,106</b>	1,928,944	5	<b>848,242</b>	630,837	34
Net (loss) / gain from trading	(1,000,342)	775,323	(229)	365,372	678,551	(46)	(1,000,342)	775,323	(229)	365,372	678,551	(46)
Net gain / (loss) from financial instruments at fair value through profit or loss	117,035	(949,407)	112	(39,697)	226,217	(118)	117,035	(949,407)	112	(39,697)	226,217	(118)
Net gains from derecognition of financial assets												
Fair value through other comprehensive income	39,438	1,325,747	(97)	29,031	3,892	646	39,438	1,325,747	(97)	29,031	3,892	646
Net other operating income	1,850,133	2,073,076	(11)	462,667	13,259	3,389	2,298,919	2,438,080	(6)	600,507	131,933	355
<b>Total operating income</b>	<b>21,614,312</b>	13,854,246	56	<b>9,191,997</b>	4,651,901	98	<b>22,116,522</b>	14,240,193	55	<b>9,356,756</b>	4,777,849	96
Impairment charge for loans and other losses												
Loans to and receivables from other customers	10,116,092	2,513,331	302	3,891,038	939,718	314	10,133,591	2,513,331	303	3,891,038	939,718	314
Other financial assets	1,855,161	4,617	40,081	1,269,751	(67,027)	1,994	1,855,161	4,617	40,081	1,269,751	(67,027)	1,994
Others	(8,977)	13,907	(165)	(6,050)	10,455	(158)	(8,977)	13,907	(165)	(6,050)	10,455	(158)
<b>Net operating income</b>	<b>9,652,036</b>	11,322,391	(15)	<b>4,037,258</b>	3,768,755	7	<b>10,136,747</b>	11,708,338	(13)	<b>4,202,017</b>	3,894,703	8
Operating expenses												
Personnel expenses	3,377,410	2,921,464	16	1,124,666	970,097	16	3,546,921	3,065,664	16	1,178,175	1,016,109	16
Depreciation and amortisation	838,694	735,605	14	278,789	255,023	9	882,585	772,433	14	292,285	267,429	9
Other expenses	3,165,986	2,507,798	26	1,147,697	845,184	36	3,095,624	2,457,122	26	1,113,758	831,465	34
<b>Total operating expenses</b>	<b>7,382,090</b>	6,164,867	20	<b>2,551,152</b>	2,070,304	23	<b>7,525,130</b>	6,295,219	20	<b>2,584,217</b>	2,115,003	22
<b>Operating profit before taxes on financial services</b>	<b>2,269,946</b>	5,157,524	(56)	<b>1,486,106</b>	1,698,451	(13)	<b>2,611,617</b>	5,413,119	(52)	<b>1,617,799</b>	1,779,700	(9)
Taxes on financial services	849,744	1,052,255	(19)	397,000	345,904	15	849,744	1,052,255	(19)	397,000	345,904	15
<b>Operating profit after taxes on financial services</b>	<b>1,420,202</b>	4,105,269	(65)	<b>1,089,106</b>	1,352,547	(19)	<b>1,761,873</b>	4,360,864	(60)	<b>1,220,801</b>	1,433,796	(15)
Share of profits of associate and joint venture	-	-	-	-	-	-	(326)	147,076	(100)	(149,436)	80,103	(287)
<b>Profit before income tax</b>	<b>1,420,202</b>	4,105,269	(65)	<b>1,089,106</b>	1,352,547	(19)	<b>1,761,547</b>	4,507,940	(61)	<b>1,071,365</b>	1,513,899	(29)
Income tax expense	376,937	1,035,328	(64)	558,826	314,011	78	441,387	1,094,796	(60)	575,488	337,258	71
<b>Profit for the period</b>	<b>1,043,265</b>	3,069,941	(66)	<b>530,280</b>	1,038,536	(49)	<b>1,320,160</b>	3,413,144	(61)	<b>495,877</b>	1,176,641	(58)
<b>Profit attributable to:</b>												
Equity holders of the Bank	1,043,265	3,069,941	(66)	530,280	1,038,536	(49)	1,206,362	3,318,894	(64)	451,900	1,147,333	(61)
Non-controlling interests	-	-	-	-	-	-	113,798	94,250	21	43,977	29,308	50
<b>Profit for the period</b>	<b>1,043,265</b>	3,069,941	(66)	<b>530,280</b>	1,038,536	(49)	<b>1,320,160</b>	3,413,144	(61)	<b>495,877</b>	1,176,641	(58)
Basic/Diluted earnings per ordinary share (LKR)	2.88	9.74	(70)	1.46	3.30	(56)	3.33	10.53	(68)	1.25	3.64	(66)

### Statement of Profit or Loss and Other Comprehensive Income

	Bank						Group					
	For the period ended			For the quarter ended			For the period ended			For the quarter ended		
	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %	30.09.2022 LKR 000	30.09.2021 LKR 000	Change %
Profit for the period	1,043,265	3,069,941	(66)	530,280	1,038,536	(49)	1,320,160	3,413,144	(61)	495,877	1,176,641	(58)
Other comprehensive (expense) / income for the period, net of tax												
Items that are or may be reclassified subsequently to income												
Movement in fair value reserve(fair value through other comprehensive income debt instrument):												
Net change in fair value	988,262	(1,766,142)	156	173,788	(1,341,568)	(113)	988,262	(1,766,142)	156	173,788	(1,341,568)	113
Reclassified to income statement	(257,535)	(2,062,305)	88	-	(791)	(100)	(257,535)	(2,062,305)	88	-	(791)	(100)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	676,993	58,013	1,067	(110,653)	(19,675)	462
Movement in hedging reserve:												
Cash flow hedge - effective portion of changes in fair value	11,447,567	1,086,952	953	4,773,310	729,649	554	11,447,567	1,086,952	953	4,773,310	729,649	554
Cash flow hedge - reclassified to income statement	(20,182,500)	(743,317)	(2,615)	85,716	(615,233)	114	(20,182,500)	(743,317)	2,615	85,716	(615,233)	114
Related deferred tax	2,087,319	980,474	113	(1,225,059)	262,942	(566)	2,087,319	980,474	113	(1,225,059)	262,942	(566)
Total other comprehensive expense that are or may be reclassified subsequently to income statement	(5,916,887)	(2,504,338)	(136)	3,807,755	(965,001)	495	(5,239,894)	(2,446,325)	(114)	3,697,102	(984,676)	475
Items that will not be reclassified to income statement												
Movement in fair value reserve (FVOCI equity instruments) :												
Equity investments at fair value through other comprehensive income - net change in fair value	(3,660,489)	504,997	(825)	1,068,205	(380,074)	(381)	(3,649,445)	504,997	(823)	1,068,205	(380,074)	381
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	654	(16)	4,187	249	-	100
Total other comprehensive (expense) / income on items that will not be reclassified to income statement	(3,660,489)	504,997	(825)	1,068,205	(380,074)	(381)	(3,648,791)	504,981	(823)	1,068,454	(380,074)	381
Other comprehensive (expense) / income for the period , net of tax	(9,577,376)	(1,999,341)	(379)	4,875,960	(1,345,075)	463	(8,888,685)	(1,941,344)	(358)	4,765,556	(1,364,750)	449
Total comprehensive (expense) / income for the period	(8,534,111)	1,070,600	(897)	5,406,240	(306,539)	1,864	(7,568,525)	1,471,800	(614)	5,261,433	(188,109)	2,897
Total comprehensive (expense) / income attributable to:												
Equity holders of the Bank	(8,534,111)	1,070,600	(897)	5,406,240	(306,539)	1,864	(7,682,323)	1,377,550	(658)	5,217,456	(217,417)	2,500
Non-controlling interests	-	-	-	-	-	-	113,798	94,250	21	43,977	29,308	50
Total comprehensive (expense) / income for the period	(8,534,111)	1,070,600	(897)	5,406,240	(306,539)	1,864	(7,568,525)	1,471,800	(614)	5,261,433	(188,109)	2,897

**DFCC Bank PLC**
**Statement of Financial Position**

As at	Notes	Bank			Group		
		30.09.2022	31.12.2021	Change	30.09.2022	31.12.2021	Change
		LKR 000	(Audited) LKR 000	%	LKR 000	(Audited) LKR 000	%
<b>Assets</b>							
Cash and cash equivalents		13,147,640	10,688,255	23	13,155,628	10,690,873	23
Balances with Central Bank of Sri Lanka		8,403,904	9,359,241	(10)	8,403,904	9,359,241	(10)
Placements with banks		5,676,519	6,288,006	(10)	5,677,060	6,332,533	(10)
Derivative financial assets		10,923,955	280,235	3,798	10,923,955	280,235	3,798
Financial assets measured at fair value through profit or loss		578,238	218,875	164	578,238	218,875	164
Financial assets at amortised cost - Loans to and receivables from other customers	8	381,832,418	365,900,540	4	381,832,418	365,900,540	4
Financial assets at amortised cost - Debt and other instruments		42,777,748	26,674,962	60	42,777,748	26,674,962	60
Financial assets measured at fair value through other comprehensive income		41,738,831	54,329,436	(23)	41,738,831	54,333,429	(23)
Investments in subsidiaries		237,035	217,436	9	-	-	-
Investments in associate		33,169	35,270	(6)	33,215	35,608	(7)
Investments in joint venture		755,000	755,000	-	3,484,584	2,804,871	24
Investment property		9,879	9,879	-	464,893	469,841	(1)
Property, plant and equipment		3,198,523	3,237,124	(1)	3,343,024	3,389,102	(1)
Intangible assets and goodwill		2,002,300	2,227,577	(10)	2,169,270	2,408,816	(10)
Deferred tax asset		4,575,187	1,358,895	237	4,575,187	1,358,895	237
Other assets		9,201,533	3,924,505	134	9,476,441	3,998,987	137
<b>Total assets</b>		<b>525,091,879</b>	<b>485,505,236</b>	<b>8</b>	<b>528,634,396</b>	<b>488,256,808</b>	<b>8</b>
<b>Liabilities</b>							
Due to banks		3,582,613	3,349,836	7	3,582,613	3,349,836	7
Derivative financial liabilities		52,682	814,219	(94)	52,682	814,219	(94)
Financial liabilities at amortised cost - Due to depositors	9	342,645,631	319,861,013	7	342,019,766	319,362,372	7
Financial liabilities at amortised cost - Due to other borrowers		95,090,805	69,589,129	37	95,090,805	69,589,129	37
Debt securities in issue		15,811,714	16,297,256	(3)	15,811,714	16,297,256	(3)
Retirement benefit obligation		722,353	688,598	5	750,140	716,477	5
Current tax liabilities		1,236,504	951,645	30	1,276,865	1,031,557	24
Deferred tax liability		-	-	-	109,962	112,514	(2)
Other liabilities		4,089,633	6,580,166	(38)	4,412,794	6,831,147	(35)
Subordinated term debt		19,053,041	18,387,276	4	19,053,041	18,387,276	4
<b>Total liabilities</b>		<b>482,284,976</b>	<b>436,519,138</b>	<b>10</b>	<b>482,160,382</b>	<b>436,491,783</b>	<b>10</b>
<b>Equity</b>							
Stated capital		13,182,025	8,600,457	53	13,182,025	8,600,457	53
Statutory reserve		2,746,968	2,746,968	-	2,746,968	2,746,968	-
Retained earnings		21,045,449	22,091,649	(5)	24,906,724	25,831,589	(4)
Other reserves		5,832,461	15,547,024	(62)	5,242,327	14,268,853	(63)
<b>Total equity attributable to equity holders of the Bank</b>		<b>42,806,903</b>	<b>48,986,098</b>	<b>(13)</b>	<b>46,078,044</b>	<b>51,447,867</b>	<b>(10)</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>395,970</b>	<b>317,158</b>	<b>25</b>
<b>Total equity</b>		<b>42,806,903</b>	<b>48,986,098</b>	<b>(13)</b>	<b>46,474,014</b>	<b>51,765,025</b>	<b>(10)</b>
<b>Total equity and liabilities</b>		<b>525,091,879</b>	<b>485,505,236</b>	<b>8</b>	<b>528,634,396</b>	<b>488,256,808</b>	<b>8</b>
<b>Contingent liabilities and commitments</b>							
		176,240,698	148,131,691	19	176,240,698	148,131,691	19
<b>Net assets value per share, LKR</b>							
		106.31	152.83	(30)	114.43	160.51	(29)

	Bank		Group	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
<b>Memorandum Information</b>				
Number of Employees	2,029	2,072	2,136	2,182
Number of Branches (Including Service centres)	139	139		

## Statement of Cash Flows

	Bank		Group	
For the nine months ended 30 September	2022	2021	2022	2021
	LKR 000	LKR 000	LKR 000	LKR 000
<b>Cash flows from operating activities</b>				
Interest receipts	35,449,315	18,829,093	35,455,024	18,827,744
Interest payments	(23,375,025)	(19,695,134)	(23,332,102)	(19,678,386)
Net commission receipts	2,542,275	2,117,779	2,542,275	2,117,779
Net trading income	25,824	775,023	25,824	775,023
Recoveries from loans previously written off	130,521	49,198	130,521	49,198
Receipts from other operating activities	23,576,152	4,359,995	24,100,150	4,936,761
Payments on other operating activities	(4,155,617)	(3,310,876)	(4,154,248)	(3,636,035)
Cash payments to employees	(3,750,215)	(1,882,313)	(4,208,372)	(1,882,313)
Taxes on financial services	(876,977)	(1,052,801)	(876,977)	(1,052,801)
<b>Operating Cash flows before changes in operating assets and liabilities</b>	<b>29,566,253</b>	<b>189,964</b>	<b>29,682,095</b>	<b>456,971</b>
<b>Increase / (decrease) in operating assets:</b>				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	2,196,073	(7,301,352)	2,196,073	(7,301,352)
Financial assets at amortised cost - Loans to and receivables from other customers	(26,645,122)	(48,807,837)	(26,645,122)	(48,808,151)
Others	(14,235,300)	(2,093,357)	(13,928,442)	(1,836,907)
<b>Increase /(decrease) in operating liabilities:</b>				
Financial liabilities at amortised cost - Due to depositors	20,605,498	30,915,936	20,174,911	30,605,815
Negotiable certificates of deposits	(259,276)	(77,046)	(259,276)	(77,046)
Others	(1,301,163)	1,652,848	(1,301,163)	1,634,880
<b>Net cash flows from/(used in) operating activities before income tax</b>	<b>9,926,963</b>	<b>(25,520,843)</b>	<b>9,919,076</b>	<b>(25,325,790)</b>
Surcharge tax paid	(616,245)	-	(620,331)	-
Income tax paid	(1,221,051)	(990,523)	(1,301,029)	(1,032,680)
<b>Net cash flows from/(used in) operating activities</b>	<b>8,089,667</b>	<b>(26,511,366)</b>	<b>7,997,716</b>	<b>(26,358,469)</b>
<b>Cash flows from investing activities</b>				
Dividends received from investmenet in subsidiaries, joint venture, and associate	-	3,500	-	-
Dividend received from other investments	1,087,933	648,107	1,087,933	648,107
Interest received	4,981,005	6,651,729	5,023,595	6,672,409
Government Securities- net	(7,835,243)	6,139,397	(7,835,243)	6,139,397
Proceeds from sale and redemption of securities	379,997	4,692,607	395,034	4,708,207
Purchase of financial investments	(1,160,491)	(7,006,284)	(1,160,491)	(7,006,284)
Purchase of property , equipment ,intangibles and investment property	(575,204)	(730,915)	(579,496)	(733,484)
Proceeds from sale of equipment, investment property and others	9,728	13,387	9,728	18,973
<b>Net cash flows (used in)/from investing activities</b>	<b>(3,112,275)</b>	<b>10,411,528</b>	<b>(3,058,940)</b>	<b>10,447,325</b>
<b>Cash flows from financing activities</b>				
Issue of new shares under Right Issue	3,620,001	-	3,620,001	-
Borrowing , medium and long - term	4,093,432	4,605,670	4,093,432	4,605,670
Other borrowings - net	11,124,317	11,510,204	11,124,317	11,510,204
Repayment of borrowing ,medium and long - term	(21,967,424)	(13,919,694)	(21,967,424)	(13,919,694)
Dividends paid	180	437	180	437
<b>Net Cash flows ( used in) /from financing activities</b>	<b>(3,129,494)</b>	<b>2,196,617</b>	<b>(3,129,494)</b>	<b>2,196,617</b>
Net increase /(decrease) in cash and cash equivalents	<b>1,847,898</b>	<b>(13,903,221)</b>	<b>1,809,282</b>	<b>(13,714,526)</b>
Cash and cash equivalents at the beginning of year	<b>16,976,261</b>	<b>23,138,651</b>	<b>17,023,406</b>	<b>23,160,931</b>
<b>Cash and cash equivalents at the end of period</b>	<b>18,824,159</b>	<b>9,235,430</b>	<b>18,832,688</b>	<b>9,446,405</b>
<b>Reconciliation of cash and cash equivalents with items reported in the statement of financial position</b>				
Cash and cash equivalents	13,147,640	9,235,430	13,156,169	9,438,887
Placements with banks	5,676,519	-	5,676,519	7,518
	<b>18,824,159</b>	<b>9,235,430</b>	<b>18,832,688</b>	<b>9,446,405</b>

The Statement of Cash Flows of the Bank includes the results of associate, joint venture, and subsidiary companies only to the extent of the cash flows between Bank and respective companies as required by Sri Lanka Accounting Standards.



# Statement of Changes in Equity

	Stated capital LKR 000	Statutory reserve Reserve fund LKR 000	Fair value reserve LKR 000	Other reserves Hedging reserve LKR 000	General reserves LKR 000	Retained earnings LKR 000	Total equity LKR 000
<b>Bank</b>							
<b>Balance as at 01 January 2021</b>	<b>7,682,465</b>	<b>2,583,968</b>	<b>5,882,811</b>	<b>(224,095)</b>	<b>13,779,839</b>	<b>19,652,169</b>	<b>49,357,157</b>
Profit for the period	-	-	-	-	-	3,069,941	3,069,941
Other comprehensive (expenses) / income , net of tax	-	-	(2,248,054)	248,713	-	-	(1,999,341)
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>(2,248,054)</b>	<b>248,713</b>	<b>-</b>	<b>3,069,941</b>	<b>1,070,600</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(296,330)	-	-	296,330	-
<b>Transactions with equity holders of the Bank, recognised directly in equity</b>							
Final dividend for 2020 - Scrip	917,992	-	-	-	-	(917,992)	-
<b>Total contributions from and distribution to equity holders</b>	<b>917,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(917,992)</b>	<b>-</b>
<b>Balance as at 30 September 2021</b>	<b>8,600,457</b>	<b>2,583,968</b>	<b>3,338,427</b>	<b>24,618</b>	<b>13,779,839</b>	<b>22,100,448</b>	<b>50,427,757</b>
<b>Balance as at 01 January 2022</b>	<b>8,600,457</b>	<b>2,746,968</b>	<b>2,096,627</b>	<b>(329,442)</b>	<b>13,779,839</b>	<b>22,091,649</b>	<b>48,986,098</b>
Adjustment on surcharge tax	-	-	-	-	-	(1,232,490)	(1,232,490)
<b>Adjusted balance as at 01 January 2022</b>	<b>8,600,457</b>	<b>2,746,968</b>	<b>2,096,627</b>	<b>(329,442)</b>	<b>13,779,839</b>	<b>20,859,159</b>	<b>47,753,608</b>
Profit for the period	-	-	-	-	-	1,043,265	1,043,265
Other comprehensive expenses net of tax	-	-	(2,938,827)	(6,638,549)	-	-	(9,577,376)
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>(2,938,827)</b>	<b>(6,638,549)</b>	<b>-</b>	<b>1,043,265</b>	<b>(8,534,111)</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(137,187)	-	-	137,187	-
<b>Transactions with equity holders of the Bank, recognised directly in equity</b>							
Rights issue	3,620,001	-	-	-	-	(36,089)	3,583,912
Forfeiture of unclaimed dividends	-	-	-	-	-	3,494	3,494
Final dividend for 2021 – Scrip	961,567	-	-	-	-	(961,567)	-
<b>Total contributions from and distribution to equity holders</b>	<b>4,581,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(994,162)</b>	<b>3,587,406</b>
<b>Balance as at 30 September 2022</b>	<b>13,182,025</b>	<b>2,746,968</b>	<b>(979,387)</b>	<b>(6,967,991)</b>	<b>13,779,839</b>	<b>21,045,449</b>	<b>42,806,903</b>

## Statement of Changes in Equity

Group	Attributable to the equity holders of the Bank									
	Stated Capital	Statutory reserve		Other reserves			Retained earnings	Total	Non- controlling interests	Total equity
		Reserve fund	Fair value reserve	Exchange equalization reserve	Hedging reserve	General reserve				
Balance as at 01 January 2021	7,682,465	2,583,968	4,439,846	103,054	(224,095)	13,779,839	23,061,084	51,426,161	282,589	51,708,750
Profit for the period	-	-	-	-	-	-	3,318,894	3,318,894	94,250	3,413,144
Other comprehensive (expense) / income, net of tax	-	-	(2,251,505)	61,464	248,713	-	(16)	(1,941,344)	-	(1,941,344)
Total comprehensive (expense) / income for the period	-	-	(2,251,505)	61,464	248,713	-	3,318,878	1,377,550	94,250	1,471,800
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(296,330)	-	-	-	296,330	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Final dividend for 2020 - Scrip	917,992	-	-	-	-	-	(917,992)	-	-	-
Total contributions from and distribution to equity holders	917,992	-	-	-	-	-	(917,992)	-	-	-
Balance as at 30 September 2021	8,600,457	2,583,968	1,892,011	164,518	24,618	13,779,839	25,758,300	52,803,711	376,839	53,180,550
Balance at 01 January 2022	8,600,457	2,746,968	655,255	163,201	(329,442)	13,779,839	25,831,589	51,447,867	317,158	51,765,025
Adjustment on surcharge tax	-	-	-	-	-	-	(1,274,906)	(1,274,906)	(34,986)	(1,309,892)
Adjusted balance as at 01 January 2022	8,600,457	2,746,968	655,255	163,201	(329,442)	13,779,839	24,556,683	50,172,961	282,172	50,455,133
Profit for the period	-	-	-	-	-	-	1,206,362	1,206,362	113,798	1,320,160
Other comprehensive (expense) / income , net of tax	-	-	(2,936,160)	685,371	(6,638,550)	-	654	(8,888,685)	-	(8,888,685)
Total comprehensive (expense) / income for the period	-	-	(2,936,160)	685,371	(6,638,550)	-	1,207,016	(7,682,323)	113,798	(7,568,525)
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(137,187)	-	-	-	137,187	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Rights issue	3,620,001	-	-	-	-	-	(36,089)	3,583,912	-	3,583,912
Forfeiture of unclaimed dividends	-	-	-	-	-	-	3,494	3,494	-	3,494
Final dividend for 2021 – Scrip	961,567	-	-	-	-	-	(961,567)	-	-	-
Total contributions from and distribution to equity holders	4,581,568	-	-	-	-	-	(994,162)	3,587,406	-	3,587,406
Balance as at 30 September 2022	13,182,025	2,746,968	(2,418,092)	848,572	(6,967,992)	13,779,839	24,906,724	46,078,044	395,970	46,474,014

## **Explanatory Notes**

### **Note 1. Statement of Compliance**

The consolidated financial statements of the Group and the separate financial statements of the Bank have been presented in accordance with the Sri Lanka Accounting Standards 34 (LKAS 34) "Interim Financial Statements" issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act, No. 07 of 2007 and the Banking Act No. 30 of 1988 and amendments thereto.

### **Note 2. Accounting Policies and Accounting Estimates**

There were no changes to the accounting policies and method of computation since the publication of the last annual financial statements.

### **Note 3. Corporate income tax rate change**

As per the budget proposals presented by the president, the income tax rate applicable for the Banking sector will be revised to 30%. The new Inland Revenue amendment bill issued in October 2022 incorporating the proposed changes to the corporate tax rate changes. However, the effective date is not known as the proposed rates are yet to be enacted. Therefore, deferred tax has been calculated at the rate of 24% for the 9 months ended 30 September 2022.

### **Note 4. Group Financial Statements**

The Group Financial Statements comprise the Bank and its subsidiaries DFCC Consulting (Pvt) Limited, Lanka Industrial Estates Limited and Synapsys Limited and group interest in associate company National Asset Management Limited and group interest in joint venture Acuity Partners (Pvt) Ltd. Investments in Subsidiaries, joint venture and associate companies are accounted under cost method in Bank's financial statements. Investment in associate and joint venture are accounted under equity method in group's financial statements.

#### **Note 4.1 31 March Financial Year Company**

This is Lanka Industrial Estates Ltd.

**Note 5. Net (loss) / profit from trading**

For the period ended 30 September

	<b>Bank</b>		<b>Group</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>LKR 000</b>	LKR 000	<b>LKR 000</b>	LKR 000
Foreign exchange from banks	<b>(976,412)</b>	628,197	<b>(976,412)</b>	628,197
Government securities				
- Net capital gain /(loss)	<b>9,146</b>	(728)	<b>9,146</b>	(728)
Equity securities				
- Net marked to market (loss) / gain	<b>(58,430)</b>	6,610	<b>(58,430)</b>	6,610
- Net capital gain	<b>16,669</b>	140,944	<b>16,669</b>	140,944
- Dividend income	<b>8,675</b>	300	<b>8,675</b>	300
	<b>(1,000,342)</b>	775,323	<b>(1,000,342)</b>	775,323

**Note 6. Net profit / (loss) from financial instruments at fair value through profit or loss**

For the period ended 30 September

	<b>Bank</b>		<b>Group</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>LKR 000</b>	LKR 000	<b>LKR 000</b>	LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	<b>135,842</b>	(937,137)	<b>135,842</b>	(937,137)
Contracts with CBSL	<b>(16,171)</b>	-	<b>(16,171)</b>	-
Loss on financial assets fair value through profit or loss - equity securities	<b>(2,636)</b>	(12,270)	<b>(2,636)</b>	(12,270)
	<b>117,035</b>	(949,407)	<b>117,035</b>	(949,407)

**Note 7. Net Other Operating Income**

For the period ended 30 September

	<b>Bank</b>		<b>Group</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>LKR 000</b>	LKR 000	<b>LKR 000</b>	LKR 000
Financial assets measured at fair value through other comprehensive income				
Dividend income	<b>1,079,258</b>	916,203	<b>1,079,258</b>	916,203
Dividend income from subsidiaries, joint venture and associate	-	3,500	-	-
Net gain from repurchase transactions	<b>127,980</b>	302,591	<b>127,980</b>	302,591
Gains on revaluation of foreign exchange	<b>454,347</b>	781,679	<b>454,347</b>	781,679
Others	<b>188,548</b>	69,103	<b>637,334</b>	437,607
	<b>1,850,133</b>	2,073,076	<b>2,298,919</b>	2,438,080

**Note 8. Financial Assets at Amortized Cost - Loans to and Receivables from Other Customers**

As at	Bank		Group	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
		(Audited)		(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 8.1)	411,883,132	384,958,591	411,883,132	384,958,591
Less: Allowance for impairment (Note 8.2)	(30,050,714)	(19,058,051)	(30,050,714)	(19,058,051)
<b>Net loans and receivables</b>	<b>381,832,418</b>	<b>365,900,540</b>	<b>381,832,418</b>	<b>365,900,540</b>

**Note 8.1 Loans to and Receivables from Other Customers - By product**

As at	Bank		Group	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
		(Audited)		(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	56,697,689	45,718,734	56,697,689	45,718,734
Trade finance	20,547,795	23,698,670	20,547,795	23,698,670
Credit cards	4,788,115	3,669,701	4,788,115	3,669,701
Pawning	8,255,855	5,970,069	8,255,855	5,970,069
Staff loans	2,857,247	2,656,268	2,857,247	2,656,268
Term loans	222,028,314	230,954,588	222,028,314	230,954,588
Lease rentals receivable	19,624,341	23,761,600	19,624,341	23,761,600
Asset back notes	212,144	681,528	212,144	681,528
	<b>335,011,500</b>	<b>337,111,158</b>	<b>335,011,500</b>	<b>337,111,158</b>
By product-Foreign Currency				
Overdrafts	931,971	413,968	931,971	413,968
Trade finance	23,444,792	16,176,908	23,444,792	16,176,908
Term loans	52,494,869	31,256,557	52,494,869	31,256,557
	<b>76,871,632</b>	<b>47,847,433</b>	<b>76,871,632</b>	<b>47,847,433</b>
Gross loans and receivables	<b>411,883,132</b>	<b>384,958,591</b>	<b>411,883,132</b>	<b>384,958,591</b>

**Note 8.2 Movement in Impairment during the period**

	Bank		Group	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
		(Audited)		(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
<b>Stage 1</b>				
Balance at beginning	2,202,670	1,305,740	2,202,670	1,305,740
Charge to income statement	1,353,057	896,995	1,353,057	896,995
Write-off during the period	-	(65)	-	(65)
Balance at end	<b>3,555,727</b>	<b>2,202,670</b>	<b>3,555,727</b>	<b>2,202,670</b>
<b>Stage 2</b>				
Balance at beginning	1,989,584	1,065,570	1,989,584	1,065,570
Charge to income statement	1,735,387	924,214	1,735,387	924,214
Write-off during the period	-	(200)	-	(200)
Balance at end	<b>3,724,971</b>	<b>1,989,584</b>	<b>3,724,971</b>	<b>1,989,584</b>
<b>Stage 3</b>				
Balance at beginning	14,865,797	12,951,965	14,865,797	12,951,965
Charge to income statement	7,027,647	2,024,892	7,027,647	2,024,892
Effect of foreign currency movement	909,097	102,856	909,097	102,856
Write-off during the period	(32,525)	(213,316)	(32,525)	(213,316)
Other movements	-	(600)	-	(600)
Balance at end	<b>22,770,016</b>	<b>14,865,797</b>	<b>22,770,016</b>	<b>14,865,797</b>
<b>Total Impairment</b>	<b>30,050,714</b>	<b>19,058,051</b>	<b>30,050,714</b>	<b>19,058,051</b>

**Note 9. Financial liabilities at amortized cost - Due to depositors**

As at	<b>Bank</b>		<b>Group</b>	
	<b>30.09.2022</b>	31.12.2021 (Audited)	<b>30.09.2022</b>	31.12.2021 (Audited)
	<b>LKR 000</b>	LKR 000	<b>LKR 000</b>	LKR 000
<b>By product-Domestic Currency</b>				
Demand deposits (current accounts)	<b>8,078,848</b>	9,844,879	<b>8,078,798</b>	9,844,815
Savings deposits	<b>41,035,689</b>	65,299,886	<b>40,823,481</b>	65,263,188
Fixed deposits	<b>220,174,211</b>	197,597,692	<b>219,811,885</b>	197,173,942
Other deposits	<b>388,175</b>	1,272,521	<b>388,175</b>	1,272,521
Certificate of deposits	<b>2,130,506</b>	2,328,082	<b>2,130,506</b>	2,328,082
	<b>271,807,429</b>	276,343,060	<b>271,232,845</b>	275,882,548
<b>By product- Foreign Currency</b>				
Demand deposits (current accounts)	<b>1,132,578</b>	866,504	<b>1,132,578</b>	866,504
Savings deposits	<b>34,855,919</b>	22,494,093	<b>34,847,447</b>	22,474,930
Fixed deposits	<b>34,783,615</b>	19,934,389	<b>34,740,807</b>	19,915,423
Other deposits	<b>66,089</b>	222,967	<b>66,089</b>	222,967
	<b>70,838,201</b>	43,517,953	<b>70,786,921</b>	43,479,824
<b>Total</b>	<b>342,645,631</b>	319,861,013	<b>342,019,766</b>	319,362,372

**Note 10. Reclassifications of Financial Instrument**

Considering the unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has decided to issue the "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio". This SoAT will provide a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVTOCI) to amortised cost.

The Bank used this option to reclassify long term debt instruments subsequent to the initial recognition. Accordingly, the impact on the equity as at the reporting date was LKR 3.7 Bn (Net of tax). The following table illustrates the investments classified from fair value through other comprehensive income to amortised cost;

<b>Investment Type</b>	<b>Face Value as at 30 September 2022 LKR "000"</b>
Sovereign Bonds	1,799,400
Treasury Bonds	18,836,222

**Note 11. Events after the reporting period**

There were no material events that took place after the reporting date which require adjustment to or disclosure in the Financial Statements.

**Note 12. Disclosures under Listing Rules**

**12.1** During the year, there were no material changes in the composition of assets, liabilities and contingent liabilities. All known expenditure items have been provided for.

There is no management fees or similar expenditure provided for in the Financial Statements

**12.2 Stated capital**

	<b>Number of shares</b>	
As at	<b>30.09.2022</b>	31.12.2021
Number of shares of the Bank	<b>402,666,056</b>	320,522,436

**12.3 Market price of a share**

Information on shares of the Bank for the quarter ended	<b>30.09.2022</b>	31.12.2021
- Highest price LKR	<b>39.50</b>	69.00
- Lowest price LKR	<b>33.00</b>	57.60
- Market price LKR	<b>36.00</b>	60.00

#### 12.4 Twenty Major Shareholders as at 30.09.2022

	Name of Shareholder/Company	Shareholding	%
1	Hatton National Bank PLC A/C No 1	50,224,072	12.47
2	Bank of Ceylon-No2 A/C (BOC PTF)	42,124,141	10.46
3	LOLC Investment Holding Three (Private) Limited	40,266,605	9.99
4	Sri Lanka Insurance Corporation Ltd-Life Fund	30,537,974	7.58
5	Don And Don Holdings Private Limited	28,873,821	7.17
6	Employee's Provident Fund	26,985,361	6.70
7	Mr. M.A. Yaseen	25,684,181	6.37
8	Melstacorp PLC	24,786,820	6.15
9	Seafeld International Ltd	19,618,948	4.87
10	Mr. H.H. Abdulhusein	10,090,000	2.50
11	People's Leasing & Finance PLC / Don And Don Holdings (Private) Limited	9,439,441	2.34
12	Commercial Bank of Ceylon PLC / Mr. M.A.Yaseen	8,216,644	2.04
13	Renuka City Hotels PLC	7,670,569	1.90
14	Renuka Hotels PLC	4,510,693	1.12
15	Employees Trust Fund Board	4,416,115	1.09
16	Seylan Bank PLC / Senthilveri Holdings (Pvt) Ltd	3,547,601	0.88
17	Akbar Brothers Pvt Ltd A/C No 1	3,005,179	0.74
18	Anverally International (Pvt) Limited	2,947,914	0.73
19	Cargo Boat Development Company PLC	2,766,417	0.68
20	Sri Lanka Insurance Corporation Ltd-General Fund	2,384,981	0.59

#### 12.5 Public Holdings as at 30.09.2022

Public holdings percentage	67.02%
Number of Public shareholders	10,523
Float adjusted market capitalisation	LKR 9,715 million
Applicable option as per CSE Listing Rule 7.13.1 (a)	Option 2

#### 12.6 Directors' Interests in Shares

	No of Shares As at 30.09.2022
J. Durairatnam	Nil
L.K.A.H. Fernando ( Ms.)	Nil
H.M.N.S Gunawardana (Ms.)	Nil
N.K.G.K. Nemmawatta	Nil
N.H.T.I.Perera	24,635
V J Senaratne (Ms.)	2,006
A.L.Thambiayah (Ms)	100,292
N.V.Kumar	Nil
H.A.J. de Silva Wijeyeratne	12,316
W.D. Batagoda	Nil
W.R.H.Fernando	Nil

#### Certification

These Financial Statements have been prepared in compliance with requirements of the Companies Act No 07 of 2007.

#### Chinthika Amarasekera Chief Financial Officer

We, the undersigned, being the Chairman, the Chief Executive Officer of DFCC Bank PLC certify that:

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- (b) the information contained in these statements have been extracted from the unaudited financial statements of the Bank and the Group unless indicated as audited.

**J. Durairatnam**  
Chairman

**Thimal Perera**  
Director & Chief Executive Officer

**Disclosures regarding the utilization of funds as per the objectives stated in the Rights issue Circular**

<b>Objective No</b>	<b>Objective as per Circular</b>	<b>Amount allocated as per circular (LKR)</b>	<b>Proposed Date of utilization as per Circular</b>	<b>Amount allocated upon the receipts of proceeds (LKR)(A)</b>	<b>% of Total Proceeds</b>	<b>Amount utilized as at 30.09.2022 in LKR (B)</b>	<b>% of utilization against allocation (B/A)</b>	<b>Clarification if not fully utilized including where the funds are invested (eg. Whether lent to related party/s etc)</b>
1	Further Strengthen the Equity Base of the Bank and thereby Improve Capital Adequacy Ratios in line with Basel III Guidelines of the Central Bank of Sri Lanka (CBSL or Central Bank).	LKR 3.620 Billion	By 31 December 2022	LKR 3.620 Billion	100%	LKR 3.620 Billion	100%	N/A
2	Support the Bank's Asset Growth	LKR 3.620 Billion	Over the period of twelve months from the date of allotment.	LKR3.620 Billion	100%	LKR 3.620 Billion	100%	N/A



## Listed Debentures

Debenture Category	Interest rate	Effective	Coupon	Interest rate of	Balance as at				Yield	Last	
	Frequency	Rate	Rate	Comparative							Traded
				Government							%
		%	%	Securities	30.09.2022	Market price LKR					
				(Gross) p.a.	LKR 000	Highest	Lowest	Last Traded	Last Traded	Traded	
Fixed Rate											
2016/2023	Annually	12.75	12.75	22.84	6,722,611	N/T	N/T	N/T	N/A	N/A	
2018/2023	Annually	12.60	12.60	22.11	3,093,415	N/T	N/T	N/T	N/A	N/A	
2018/2025	Annually	13.00	13.00	26.28	4,341,793	N/T	N/T	N/T	N/A	N/A	
2019/2024	Annually	13.50	13.50	23.29	4,054,942	N/T	N/T	N/T	N/A	N/A	
2019/2026	Annually	13.75	13.75	25.06	1,902,105	N/T	N/T	N/T	N/A	N/A	
2019/2029	Annually	13.90	13.90	26.41	4,703,214	N/T	N/T	N/T	N/A	N/A	
2020/2025	Annually	9.00	9.00	25.47	4,672,963	N/T	N/T	N/T	N/A	N/A	
2020/2027	Annually	9.25	9.25	25.14	222,260	N/T	N/T	N/T	N/A	N/A	

N/T -Not traded

**Selected Performance Indicators**

	<b>Bank</b>		<b>Group</b>	
	<b>30.09.2022</b>	<b>31.12.2021</b>	<b>30.09.2022</b>	<b>31.12.2021</b>
<b>Regulatory Capital ( LKR '000)</b>				
Common Equity Tier I	<b>40,260,523</b>	34,259,288	<b>39,476,119</b>	34,265,838
Tier 1 Capital	<b>40,260,523</b>	34,259,288	<b>39,476,119</b>	34,265,838
Total Capital	<b>53,892,133</b>	47,968,017	<b>53,107,729</b>	47,974,567
<b>Regulatory Capital Ratios %</b>				
Common Equity Tier 1 Capital Ratio (Minimum requirement - 7%)	<b>10.221</b>	9.305	<b>9.994</b>	9.283
Tier 1 Capital Ratio (Minimum requirement - 8.5% )	<b>10.221</b>	9.305	<b>9.994</b>	9.283
Total Capital Ratio (Minimum requirement - 12.5%)	<b>13.682</b>	13.029	<b>13.445</b>	12.997
<b>Leverage Ratio ( Minimum requirement is 3%)</b>	<b>6.99</b>	6.61	<b>6.96</b>	6.62
<b>Regulatory Liquidity</b>				
Statutory liquid assets LKR 000				
Domestic Banking Unit	<b>93,987,139</b>	93,333,115		
Off-Shore Banking Unit	<b>8,970,525</b>	31,186,738		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	<b>20.76</b>	21.60		
Off-Shore Banking Unit	<b>20.21</b>	41.79		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2022 - 90%, 2021 - 100%)	<b>246.00</b>	152.86		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2022 -90% , 2021 -100%)	<b>157.41</b>	136.18		
Net Stable Funding Ratio (%) (Minimum requirement - 2022 - 90%, 2021 - 100%)	<b>121.57</b>	122.43		
<b>Asset Quality</b>				
Impaired Loans (Stage 3) Ratio (%)	<b>3.50</b>	3.03		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	<b>55.20</b>	48.76		
<b>Profitability</b>				
Interest margin %	<b>4.92</b>	2.66		
Return on assets ( profit before tax) %	<b>0.32</b>	0.91		
Return on equity (profit after tax) %	<b>2.50</b>	6.55		
<b>Other Ratios</b>				
Debt to equity ratio (times)	<b>2.44</b>	2.26		
Interest cover (times)	<b>1.40</b>	1.85		

## Fair Values of Financial Instruments

### Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

#### (a) Derivatives

Derivative products valued with market-observable inputs are mainly currency swaps and forward foreign exchange contracts. Such valuations incorporate various inputs such as foreign exchange spot and forward rates.

#### (b) Financial Assets at Fair Value through Other Comprehensive Income

Financial Assets at Fair Value through Other Comprehensive Income are valued using valuation techniques or pricing models primarily consisted of unquoted equities.

#### (c) Financial Assets at Fair Value through Profit or Loss

Quoted Equities and Sri Lanka Government Securities - are included under Financial Assets at Fair Value through Profit or Loss are valued using market prices.

### Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable

The following table shows an analysis of financial instruments and non financial assets and liabilities recorded at fair value by level of fair value hierarchy

As at 30 September 2022	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
<b>Financial Assets</b>				
Derivative financial assets				
Forward foreign exchange contracts		9,974,098		9,974,098
Financial assets measured at fair value through profit or loss				
Equity securities - quoted	543,426			543,426
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		31,072		31,072
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	32,466,154			32,466,154
Sri Lanka Sovereign bonds				
Equity shares- quoted	9,056,074			9,056,074
Equity shares- unquoted			216,602	216,602
	<b>42,069,394</b>	<b>10,005,170</b>	<b>216,602</b>	<b>52,291,166</b>
<b>Financial Liabilities</b>				
Derivative financial liabilities				
Forward foreign exchange contracts		52,682		52,682
	-	<b>52,682</b>	-	<b>52,682</b>

As at 31 December 2021	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
<b>Financial Assets</b>				
Derivative financial assets				
Forward foreign exchange contracts		280,235		280,235
Financial assets measured at fair value through profit or loss				
Equity securities - quoted	181,425			181,425
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		33,710		33,710
Financial assets measured at fair value through other comprehensive income				-
Government of Sri Lanka Treasury Bills and Bonds	40,780,663			40,780,663
Sri Lanka Sovereign bonds	994,984			994,984
Equity shares- quoted	12,337,187			12,337,187
Equity shares- unquoted			216,602	216,602
Preference shares			-	-
	<b>54,297,999</b>	<b>313,945</b>	<b>216,602</b>	<b>54,828,546</b>
<b>Financial Liabilities</b>				
Derivative financial liabilities				
Forward foreign exchange contracts		814,219		814,219
	-	<b>814,219</b>	-	<b>814,219</b>

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	As at 30th September 2022		As at 31st December 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	13,147,640	13,147,640	10,688,255	10,688,255
Balances with Central Bank of Sri Lanka	8,403,904	8,403,904	9,359,241	9,359,241
Placements with banks	5,676,519	5,676,519	6,288,006	6,288,006
Financial assets at amortised cost - Loans to and receivables from other customers	381,925,814	359,691,327	365,900,540	348,256,773
Financial assets at amortised cost - Debt and other instruments	42,777,748	42,581,098	26,674,962	26,162,922
Other assets	7,653,101	7,653,101	2,855,254	2,855,254
<b>Financial Liabilities</b>				
Due to banks	3,582,613	3,582,613	3,349,836	3,349,836
Financial liabilities at amortised cost - due to depositors	342,645,631	342,233,373	319,861,013	319,604,601
Financial liabilities at amortised cost - due to other borrowers	95,090,805	95,090,805	69,589,129	69,589,129
Debt securities in issue	15,811,714	11,324,962	16,297,256	14,932,065
Other liabilities	2,176,595	2,176,595	4,470,497	4,470,497
Subordinated term debt	19,053,041	15,657,991	18,387,276	16,580,539

#### Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

#### Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is applied for Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka, Placements with Banks and Securities Purchased under Re-sale Agreements. This assumption is also applied to demand deposits, savings accounts without a specific maturity, floating rate instruments and fixed rate instruments having maturities within 12 months.

#### Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

**Reconciliation of Level 3 fair values**

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	<b>Equity Securities</b>	
	<b>Bank/Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>LKR 000</b>	<b>LKR 000</b>
Balance at 1 January	216,602	213,810
Purchased during the year		
<b>Gain included in OCI</b>		
– Net change in fair value (unrealised)	-	2,792
Balance at end of the period	216,602	216,602

**Sensitivity analysis**

For the fair values of equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	<b>OCI Net of Tax</b>	
	<b>Increase</b>	<b>Decrease</b>
	<b>LKR 000</b>	<b>LKR 000</b>
<b>Equity securities as at 30.09.2022</b>		
Adjusted net assets value (5% movement)	10,830	(10,830)

## Analysis of Financial Instruments By Measurement Basis

	Bank				Group			
	Fair value through profit or loss - mandatory	Fair value through other comprehensive income	Amortised cost	Total	Fair value through profit or loss - mandatory	Fair value through other comprehensive income	Amortised cost	Total
As at 30 September 2022	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
<b>Financial Assets</b>								
Cash and cash equivalents	-	-	13,147,640	13,147,640	-	-	13,155,628	13,155,628
Balances with Central Bank of Sri Lanka	-	-	8,403,904	8,403,904	-	-	8,403,904	8,403,904
Placements with banks	-	-	5,676,519	5,676,519	-	-	5,677,060	5,677,060
Derivative financial assets	10,923,955	-	-	10,923,955	10,923,955	-	-	10,923,955
Financial assets measured at fair value through profit or loss	578,238	-	-	578,238	578,238	-	-	578,238
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	381,832,418	381,832,418	-	-	381,832,418	381,832,418
Financial assets at amortised cost - Debt and other instruments	-	-	42,777,748	42,777,748	-	-	42,777,748	42,777,748
Financial assets measured at fair value through other comprehensive income	-	41,738,831	-	41,738,831	-	41,738,831	-	41,738,831
Other assets	-	-	7,653,101	7,653,101	-	-	7,877,322	7,877,322
<b>Total financial assets</b>	<b>11,502,193</b>	<b>41,738,831</b>	<b>459,491,330</b>	<b>512,732,354</b>	<b>11,502,193</b>	<b>41,738,831</b>	<b>459,724,080</b>	<b>512,965,104</b>
<b>Financial Liabilities</b>								
Due to banks	-	-	3,582,613	3,582,613	-	-	3,582,613	3,582,613
Derivative financial liabilities	52,682	-	-	52,682	52,682	-	-	52,682
Financial liabilities at amortised cost -Due to depositors	-	-	342,645,631	342,645,631	-	-	342,019,766	342,019,766
Financial liabilities at amortised cost - Due to other borrowers	-	-	95,090,805	95,090,805	-	-	95,090,805	95,090,805
Debt securities issued	-	-	15,811,714	15,811,714	-	-	15,811,714	15,811,714
Other liabilities	-	-	2,061,537	2,061,537	-	-	2,337,633	2,337,633
Subordinated term debt	-	-	19,053,041	19,053,041	-	-	19,053,041	19,053,041
<b>Total financial liabilities</b>	<b>52,682</b>	<b>-</b>	<b>478,245,342</b>	<b>478,298,023</b>	<b>52,682</b>	<b>-</b>	<b>477,895,572</b>	<b>477,948,254</b>

	Bank				Group			
	Fair value through profit or loss - mandatory	Fair value through other comprehensive income	Amortised cost	Total	Fair value through profit or loss - mandatory	Fair value through other comprehensive income	Amortised cost	Total
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
<b>As at 31 December 2021</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	-	-	10,688,255	10,688,255	-	-	10,690,873	10,690,873
Balances with Central Bank of Sri Lanka	-	-	9,359,241	9,359,241	-	-	9,359,241	9,359,241
Placements with banks	-	-	6,288,006	6,288,006	-	-	6,332,533	6,332,533
Derivative financial assets	280,235	-	-	280,235	280,235	-	-	280,235
Financial assets measured at fair value through profit or loss	218,875	-	-	218,875	218,875	-	-	218,875
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	365,900,540	365,900,540	-	-	365,900,540	365,900,540
Financial assets at amortised cost - Debt and other instruments	-	-	26,674,962	26,674,962	-	-	26,674,962	26,674,962
Financial assets measured at fair value through other comprehensive income	-	54,329,436	-	54,329,436	-	54,333,429	-	54,333,429
Other assets	-	-	2,855,254	2,855,254	-	-	2,916,565	2,916,565
<b>Total financial assets</b>	<b>499,111</b>	<b>54,329,436</b>	<b>421,766,258</b>	<b>476,594,804</b>	<b>499,110</b>	<b>54,333,429</b>	<b>421,874,714</b>	<b>476,707,253</b>
<b>Financial Liabilities</b>								
Due to banks	-	-	3,349,836	3,349,836	-	-	3,349,836	3,349,836
Derivative financial liabilities	814,219	-	-	814,219	814,219	-	-	814,219
Financial liabilities at amortised cost -Due to depositors	-	-	319,861,013	319,861,013	-	-	319,362,372	319,362,372
Financial liabilities at amortised cost - Due to other borrowers	-	-	69,589,129	69,589,129	-	-	69,589,129	69,589,129
Debt securities issued	-	-	16,297,256	16,297,256	-	-	16,297,256	16,297,256
Other liabilities	-	-	4,470,499	4,470,499	-	-	4,601,683	4,601,683
Subordinated term debt	-	-	18,387,276	18,387,276	-	-	18,387,276	18,387,276
<b>Total financial liabilities</b>	<b>814,219</b>	<b>-</b>	<b>431,955,009</b>	<b>432,769,228</b>	<b>814,219</b>	<b>-</b>	<b>431,587,552</b>	<b>432,401,771</b>

**OPERATING SEGMENTS - GROUP**  
**Information about reportable segments**

	30 September 2022					30 September 2021				
	Corporate Banking	Banking	Treasury	Other	Total	Corporate Banking	Banking	Treasury	Other	Total
	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000
<b>External revenue</b>										
Interest income	14,587,833	23,565,633	5,404,036	52,623	43,610,125	6,577,462	12,999,872	5,834,811	21,386	25,433,531
Net fees and commission income	530,107	2,052,965	(40,799)	-	2,542,274	713,200	981,130	423,449	-	2,117,779
Net (loss) / (gain) from trading	-	-	(1,000,342)	-	(1,000,342)	-	-	775,323	-	775,323
Net gain / (loss) from financial instruments at fair value through profit or loss	-	-	117,035	-	117,035	-	-	(949,407)	-	(949,407)
Net gain from derecognition of financial assets	-	-	39,438	-	39,438	-	-	1,325,747	-	1,325,747
Net other operating income	83,718	69,644	582,327	676,454	1,412,143	32,522	8,577	1,084,269	547,319	1,672,687
Income from external customers	15,201,658	25,688,242	5,101,695	729,077	46,720,673	7,323,184	13,989,579	8,494,192	568,705	30,375,660
Inter segment revenue	-	-	-	(279,036)	(279,036)	-	-	-	(203,716)	(203,716)
<b>Total segment revenue</b>	<b>15,201,658</b>	<b>25,688,242</b>	<b>5,101,695</b>	<b>450,041</b>	<b>46,441,637</b>	<b>7,323,184</b>	<b>13,989,579</b>	<b>8,494,192</b>	<b>364,989</b>	<b>30,171,944</b>
<b>Other material non-cash items:</b>										
– Impairment losses on financial assets	-	-	-	-	(11,979,775)	-	-	-	-	(2,531,855)
– Depreciation and amortisation	-	-	-	-	(882,585)	-	-	-	-	(882,585)
Other expenses	-	-	-	-	(33,304,610)	-	-	-	-	(23,619,135)
<b>Segment profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>274,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,138,369</b>
<b>Segment assets</b>	<b>155,616,724</b>	<b>218,691,880</b>	<b>121,237,887</b>	<b>1,049,895</b>	<b>496,596,386</b>	<b>149,630,894</b>	<b>200,536,708</b>	<b>131,935,253</b>	<b>1,105,387</b>	<b>483,208,242</b>
<b>Segment liabilities</b>	<b>69,090,224</b>	<b>273,092,760</b>	<b>134,053,501</b>	<b>501,272</b>	<b>476,737,757</b>	<b>97,686,713</b>	<b>242,284,442</b>	<b>101,572,121</b>	<b>439,560</b>	<b>441,982,836</b>
<b>Information on cash flows</b>										
Cash flows from operating activities	-	-	-	-	7,997,716	-	-	-	-	(12,884,173)
Cash flows from investing activities	-	-	-	-	(3,058,940)	-	-	-	-	(9,508,608)
Cash flows from financing activities	-	-	-	-	(3,129,494)	-	-	-	-	7,666,130
<b>Net cash flows generated during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,809,282</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,726,651)</b>
<b>Capital expenditure:</b>										
Property, plant and equipment	367	41,040	-	-	41,407	105	258,650	-	43,003	301,758
Intangible assets	-	32,328	-	-	32,328	-	290,737	-	38,796	329,533



**Reconciliations of information on reportable segments to the amounts reported in the financial statements**

	<b>2022</b> <b>LKR.'000</b>	<b>2021</b> <b>LKR.'000</b>
<b>Revenues</b>		
Total revenue for reportable segments	46,720,673	30,375,660
Unallocated amounts	2,336,950	2,164,598
Elimination of inter-segment revenue	(279,036)	(203,716)
Consolidated revenue	<u>48,778,587</u>	<u>32,336,542</u>
<b>Net Interest Income</b>		
Total net operating income for reportable segments	17,459,482	7,525,576
Unallocated amounts	1,222,507	1,217,316
Elimination of inter-segment adjustments	(52,623)	(21,386)
Consolidated net operating income	<u>18,629,366</u>	<u>8,721,506</u>
<b>Assets</b>		
Total assets for reportable segments	496,596,386	483,208,242
Other unallocated amounts	32,038,010	19,156,752
Consolidated total assets	<u>528,634,396</u>	<u>502,364,994</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	476,737,757	441,982,836
Other unallocated amounts	5,422,625	7,201,608
Consolidated total liabilities	<u>482,160,382</u>	<u>449,184,444</u>