



DFCC Bank reports strong performance amidst heightened economic challenges

- DFCC Group recorded a PAT of LKR 2 Bn.
- Total operating income is up by 93% to LKR 11 Bn.
- Impairment charges of LKR 4.7 Bn reflecting the current economic stresses.

The following commentary relates to the unaudited Financial Statements for the period ended 31 March 2023, presented in accordance with Sri Lanka Accounting Standard 34 (LKAS 34) on “Interim Financial Statements”.

Financial Performance

Profitability

DFCC Bank PLC, the largest entity within the Group, reported a Profit Before Tax (PBT) of LKR 2,684 Mn and a Profit After Tax (PAT) of LKR 1,749 Mn for the quarter ended 31 March 2023. This compares with a PBT of LKR 143 Mn and a PAT of LKR 366 Mn in the previous period.

The Group recorded a PBT of LKR 3,001 Mn and PAT of LKR 2,062 Mn for the quarter ended 31 March 2023 as compared to LKR 326 Mn and LKR 527 Mn respectively in 2022. All the member entities of the Group made positive contributions to this performance.

The Bank's Return on Equity (ROE) increased to 10.88% during the quarter ended 31 March 2023 from 5.04% recorded for the year ended 31 December 2022. The Bank's Return on Assets (ROA) before tax for the quarter ended 31 March 2023 is 1.63% compared to 0.46% for the year ended 31 December 2022.

Net Interest Income

The Bank's Net Interest Income (NII), increased by 75% over Q1 of 2022 to reach LKR 8.34 Bn by the quarter end of March 2023. The tight liquidity conditions in the domestic money market have resulted in rising market interest rates. As a result, the Bank's deposit and lending products experienced a significant increase in interest rates during the period under review. While the higher interest rates may have continued to depress the lending portfolio, it led to an overall improvement in Net Interest income (NII). Strategically, the Bank increased the fixed income investment portfolio, which contributed significantly to an increase in investment interest income. In line with the increase in the AWPLR over the past 12 months, the interest margin increased from 3.80% in March 2022 to 5.93% by March 2023.

Fee and Commission Income

The untiring efforts of the Bank's staff led to increased remittances, trade-related commissions and other fee income lines which contributed to the increase of non-funded business during the period. Fee income

generated by credit cards also increased significantly in line with the volume of the transactions. Accordingly, net fee and commission income have increased to LKR 1,064 Mn for the quarter ended 31 March 2023, compared to LKR 639 Mn in the comparative period in the year 2022.

Impairment Charge on Loans and Other Losses

The impaired loan (stage 3) ratio has increased from 4.36% in December 2022 to 4.80% as of 31 March 2023, a continuation of the trend in the prevailing economic condition. To address the current and potential future impacts of the current economic conditions on the lending portfolio, the Bank made adequate impairment provisions during the period by introducing changes to internal models to account for unseen risk factors in the current highly uncertain and volatile environment. With these provisions made to cover the additional risks in the economic environment, the impairment charge recorded an increase of 67% against the comparative period and stood at LKR 4.69 Bn for the quarter ended 31 March 2023 compared to LKR 2.81 Bn in the comparable period.

Operating Expenses

The operating expenses for the quarter ended on 31 March 2023 increased due to an increase in IT-related expenses as a result of infrastructure upgrades, as well as cost increases due to inflation and the Sri Lanka Rupee devaluation. However, the numerous process automation and workflow management systems introduced over the period helped curtail and manage operating expenses at reduced levels.

Other Comprehensive Income

Changes in the fair value of investments in equity securities and fixed income securities (treasury bills and bonds) and movement in hedging reserves are recorded through other comprehensive income.

Due to the application of hedge accounting, the impact on the bank equity due to the exchange fluctuation was minimized. A fair value gain of LKR 2,034 Mn was recorded on account of equity securities outstanding as at 31 March 2023. The increase in the share price of Commercial Bank of Ceylon PLC during the period was the main contributor to the reported fair value gain in equity securities. The favourable movement in the treasury bills and bonds yields resulted in a fair value gain of LKR 908 Mn during the period.

Business Growth

Assets

Despite the challenges faced by the economy and the banking sector, DFCC Bank's total assets increased by LKR 9.8 Bn, recording a growth of 1.75% from December 2022. In line with the bank's growth strategy and the current economic situation, an increase in investment in fixed income securities, combined with positive fair value movement in both fixed income securities

and equity securities, has contributed to a 49% increase in investment in financial assets at fair value through other comprehensive income as of 31 March 2023 compared to the balance as of 31 December 2022. With increased provision for expected credit losses and appreciation of the Sri Lanka Rupee, the net loan portfolio has recorded LKR 357 Bn as at 31 March 2023.

Liabilities

The Bank's deposit base experienced a growth of 2.29%, recording an increase of LKR 8,490 Mn to LKR 378,805 Mn from LKR 370,314 Mn as at 31 December 2022. This resulted in recording a loan to deposit ratio of 104.33%. Further the CASA ratio is 18.05% as at 31 March 2023. The Bank's funding costs were also contained by using medium to long-term concessionary credit lines. When these concessionary term borrowings are considered, the CASA ratio further improved to 29.86% and the loans to deposit ratio improved to 89.02% as at 31 March 2023.

Equity and Compliance with Capital Requirements

DFCC Bank's total equity increased to LKR 57 Bn as at 31 March 2023 with the recorded profit after tax of LKR 1.75 Bn. The favourable movements in the equity portfolio and fixed income security portfolio classified as fair value through other comprehensive income and positive movement in hedging reserve also resulted in an increase of the Bank's total equity.

As at 31 March 2023, the Bank Recorded Tier 1 and Total Capital ratios of 10.171% and 12.848%, respectively. The Bank's Net Stable Funding Ratio (NSFR) was 128.24%, and Liquidity Coverage Ratio (LCR) – all currency was 226.43% as at 31 March 2023. All these ratios were maintained above the minimum regulatory requirement.

CEO's Statement

"As we reflect on the last quarter's performance, we are pleased to report strong financials across all business areas. Sri Lanka's resilient and adaptable economy and our commitment to innovation, operational excellence, and customer-centricity continue to pay off, as evidenced by our steady revenue growth and increased profitability. We are confident that our robust growth strategy and prudent risk management practices will enable us to continue delivering sustainable value to our stakeholders in the long term, which bodes well for the overall economic situation of Sri Lanka."

Thimal Perera

Director / Chief Executive Officer

11 May 2023

DFCC Bank PLC
Income Statement

For the three months ended 31 March

	Notes	Bank			Group		
		2023 LKR 000	2022 LKR 000	Change %	2023 LKR 000	2022 LKR 000	Change %
Gross Income		28,880,876	12,186,497	137	29,028,513	12,353,744	135
Interest income		25,914,698	11,179,282	132	25,915,054	11,179,874	132
Interest expense		17,569,797	6,408,017	174	17,541,065	6,398,517	174
Net interest income		8,344,901	4,771,265	75	8,373,989	4,781,357	75
Fee and commission income		1,361,784	793,618	72	1,361,478	794,097	71
Fee and commission expenses		297,375	154,469	93	297,375	154,469	93
Net fee and commission income		1,064,409	639,149	67	1,064,103	639,628	66
Net gain/ (loss) from trading	5	1,388,545	1,510,968	8	1,388,545	1,510,968	8
Net loss from financial instruments at fair value through profit or loss	6	(477,142)	(2,272,859)	79	(477,142)	(2,272,859)	79
Net gains from derecognition of financial assets							
Fair value through other comprehensive income		132,790	10,236	1,197	132,790	10,236	1,197
Net other operating income	7	560,201	965,252	(42)	707,788	1,131,428	(37)
Total operating income		11,013,704	5,624,011	96	11,190,073	5,800,758	93
Impairment charge for loans and other losses							
Loans to and receivables from other customers		4,679,997	2,752,548	70	4,679,997	2,752,548	70
Other financial assets		10,919	64,680	(83)	10,919	64,680	(83)
Net operating income		6,322,788	2,806,783	125	6,499,157	2,983,530	118
Operating expenses							
Personnel expenses		1,230,096	1,148,052	7	1,293,291	1,203,095	7
Depreciation and amortisation		272,729	275,155	(1)	293,375	290,286	1
Other expenses		1,334,515	996,870	34	1,324,264	989,881	34
Total operating expenses		2,837,340	2,420,077	17	2,910,930	2,483,262	17
Operating profit before taxes on financial services		3,485,448	386,706	801	3,588,227	500,268	617
Taxes on financial services		801,782	243,444	229	801,782	243,444	229
Operating profit after taxes on financial services		2,683,666	143,262	1,773	2,786,445	256,824	985
Share of profits of associate and joint venture		-	-	-	214,667	69,471	209
Profit before income tax		2,683,666	143,262	1,773	3,001,112	326,295	820
Income tax expense		934,927	(223,294)	519	939,158	(200,569)	568.25
Profit for the period		1,748,739	366,556	377	2,061,954	526,864	291
Profit attributable to:							
Equity holders of the Bank		1,748,739	366,556	377	2,014,316	486,689	314
Non-controlling interests		-	-	-	47,638	40,174	19
Profit for the period		1,748,739	366,556	377	2,061,954	526,863	291
Basic/Diluted earnings per ordinary share (LKR)		4.31	1.12	285	4.97	1.49	233

DFCC Bank PLC
Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March

Profit for the period

Other comprehensive income / (expense) for the period, net of tax

Items that are or may be reclassified subsequently to income statement

Movement in fair value reserve(fair value through other comprehensive income debt instrument):

Net change in fair value

Reclassified to income statement

Share of other comprehensive income of equity accounted associate and joint venture

Movement in hedging reserve:

Cash flow hedge - effective portion of changes in fair value

Cash flow hedge - reclassified to income statement

Related deferred tax

Total other comprehensive income / (expense) that are or may be reclassified subsequently to income statement

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

Total other comprehensive income / (expense) on items that will not be reclassified to income statement

Other comprehensive income / (expense) for the period , net of tax

Total comprehensive income / (expense) for the period

Total comprehensive income / (expense) attributable to:

Equity holders of the Bank

Non-controlling interests

Total comprehensive income / (expense) for the period

	Bank			Group		
	2023	2022	Change	2023	2022	Change
	LKR 000	LKR 000	%	LKR 000	LKR 000	%
	1,748,739	366,556	377	2,061,954	526,863	291
	908,492	(1,502,452)	160	908,492	(1,502,452)	160
	56,491	(257,535)	122	56,491	(257,535)	122
	-	-	-	(183,404)	499,503	(137)
	(1,060,880)	5,924,579	(118)	(1,060,880)	5,924,579	(118)
	4,398,750	(11,809,224)	137	4,398,750	(11,809,224)	137
	(1,278,197)	1,022,332	(225)	(1,278,197)	1,022,332	(225)
	3,024,656	(6,622,300)	146	2,841,252	(6,122,797)	146
	2,034,374	(2,702,394)	175	2,034,374	(2,702,394)	175
	2,034,374	(2,702,394)	175	2,034,374	(2,702,394)	175
	5,059,030	(9,324,694)	154	4,875,626	(8,825,191)	155
	6,807,769	(8,958,138)	176	6,937,580	(8,298,328)	(184)
	6,807,769	(8,958,138)	176	6,889,942	(8,338,502)	(183)
	-	-		47,638	40,174	19
	6,807,769	(8,958,138)	176	6,937,580	(8,298,328)	(184)

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank			Group		
		31.03.2023	31.12.2022 (Audited)	Change	31.03.2023	31.12.2022 (Audited)	Change
		LKR 000	LKR 000	%	LKR 000	LKR 000	%
Assets							
Cash and cash equivalents		16,868,813	16,122,565	5	16,886,517	16,126,635	5
Balances with Central Bank of Sri Lanka		7,440,589	9,030,868	(18)	7,440,589	9,030,868	(18)
Placements with banks		6,385,677	15,224,692	(58)	6,393,137	15,242,493	(58)
Derivative financial assets		20,079,706	20,473,544	(2)	20,079,706	20,473,544	(2)
Financial assets measured at fair value through profit or loss		880,526	1,429,149	(38)	880,526	1,429,149	(38)
Financial assets at amortised cost - Loans to and receivables from other customers.	8	356,941,070	369,072,030	(3)	356,941,070	369,072,030	(3)
Financial assets at amortised cost - Debt and other instruments		52,316,120	50,947,926	3	52,316,120	50,947,926	3
Financial assets measured at fair value through other comprehensive income		94,469,384	63,319,060	49	94,469,384	63,319,060	49
Investments in subsidiaries		237,035	237,035	0	-	-	-
Investments in associate		33,169	33,169	(0)	35,828	35,394	1
Investments in joint venture		755,000	755,000	-	3,608,529	3,577,701	1
Investment property		9,879	9,879	-	436,038	439,973	(1)
Property, plant and equipment		3,183,195	3,198,553	(0)	3,376,098	3,389,441	(0)
Intangible assets and goodwill		2,094,792	2,198,042	(5)	2,269,613	2,375,055	(4)
Deferred tax asset		4,200,587	4,137,828	2	4,206,293	4,143,535	2
Other assets		9,906,530	9,737,079	2	10,089,357	9,920,180	2
Total assets		575,802,071	565,926,419	2	579,428,805	569,522,984	2
Liabilities							
Due to banks		20,670,188	15,857,994	30	20,670,188	15,857,994	30
Derivative financial liabilities		1,228,362	84,670	1,351	1,228,362	84,670	1,351
Financial liabilities at amortised cost - Due to depositors	10	378,804,705	370,314,026	2	378,121,037	369,746,855	2
Financial liabilities at amortised cost - Due to other borrowers		75,360,840	81,145,692	(7)	75,360,840	81,145,692	(7)
Debt securities in issue		15,423,937	16,304,115	(5)	15,423,937	16,304,115	(5)
Retirement benefit obligation		610,795	591,550	3	631,007	615,849	2
Current tax liabilities		3,885,728	2,479,562	57	3,891,289	2,575,008	51
Deferred tax liability		-	-	-	126,165	149,608	(16)
Other liabilities		7,306,299	10,027,872	(27)	7,735,095	10,322,400	(25)
Subordinated term debt		15,103,303	18,399,991	(18)	15,103,303	18,399,991	(18)
Total liabilities		518,394,156	515,205,472	1	518,291,223	515,202,182	1
Equity							
Stated capital		13,866,557	13,182,025	5	13,866,557	13,182,025	5
Statutory reserve		2,874,968	2,874,968	-	2,874,968	2,874,968	-
Retained earnings		23,544,304	22,600,898	4	27,940,841	26,731,857	5
Other reserves		17,122,086	12,063,056	42	16,101,428	11,225,802	43
Total equity attributable to equity holders of the Bank		57,407,915	50,720,947	13	60,783,794	54,014,652	13
Non-controlling interests		-	-	-	353,788	306,150	16
Total equity		57,407,915	50,720,947	13	61,137,582	54,320,802	13
Total equity and liabilities		575,802,071	565,926,419	2	579,428,805	569,522,984	2
Contingent liabilities and commitments							
		176,870,578	169,132,507	5	176,870,578	169,132,507	5
Net assets value per share, LKR							
		136.05	125.96	8	144.05	134.14	7

	Bank		Group	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Memorandum Information				
Number of Employees	2,036	1,989	2,152	2,097
Number of Branches (Including Service centres)	139	139		

Statement of Changes in Equity

	Stated capital	Statutory reserve	Other reserves			Retained earnings	Total equity
	LKR 000	Reserve fund LKR 000	Fair value reserve LKR 000	Hedging reserve LKR 000	General reserves LKR 000	LKR 000	LKR 000
Bank							
Balance as at 01 January 2022	8,600,457	2,746,968	2,096,627	(329,442)	13,779,839	22,091,649	48,986,098
Profit for the period	-	-	-	-	-	366,556	366,556
Other comprehensive (expenses) / income , net of tax	-	-	(4,852,364)	(4,472,330)	-	-	(9,324,694)
Total comprehensive (expense) / income for the period	-	-	(4,852,364)	(4,472,330)	-	366,556	(8,958,138)
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(12,126)	-	-	12,126	-
Transactions with equity holders of the Bank, recognised directly in equity							
Final dividend for 2021 - Scrip	961,567	-	-	-	-	(961,567)	-
Total contributions from and distribution to equity holders	961,567	-	-	-	-	(961,567)	-
Balance as at 31 March 2022	9,562,024	2,746,968	(2,767,863)	(4,801,772)	13,779,839	21,508,764	40,027,960
Balance as at 01 January 2023	13,182,025	2,874,968	(1,832,190)	115,407	13,779,839	22,600,898	50,720,947
Profit for the period	-	-	-	-	-	1,748,738	1,748,738
Other comprehensive expenses net of tax	-	-	2,722,521	2,336,509	-	-	5,059,030
Total comprehensive (expense) / income for the period	-	-	2,722,521	2,336,509	-	1,748,738	6,807,768
Transfers	-	-	-	-	-	-	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-
Transactions with equity holders of the Bank, recognised directly in equity							
Rights issue	-	-	-	-	-	-	-
Forfeiture of unclaimed dividends	-	-	-	-	-	-	-
Final dividend for 2022 – Scrip	684,532	-	-	-	-	(805,332)	(120,800)
Total contributions from and distribution to equity holders	684,532	-	-	-	-	(805,332)	(120,800)
Balance as at 31 March 2023	13,866,557	2,874,968	890,331	2,451,916	13,779,839	23,544,304	57,407,915

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				
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Balance as 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
Profit for the period	-	-	-	-	-	-	486,689	486,689	40,174	526,863
Other comprehensive (expense) / income, net of tax	-	-	(4,861,733)	508,872	(4,472,330)	-	-	(8,825,191)	-	(8,825,191)
Total comprehensive (expense) / income for the period	-	-	(4,861,733)	508,872	(4,472,330)	-	486,689	(8,338,502)	40,174	(8,298,328)
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(12,126)	-	-	-	12,126	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Final dividend for 2021 - Scrip	961,567	-	-	-	-	-	(961,567)	-	-	-
Total contributions from and distribution to equity holders	961,567	-	-	-	-	-	(961,567)	-	-	-
Balance as at 31 March 2022	9,562,024	2,746,968	(4,218,604)	672,073	(4,801,772)	13,779,839	25,368,837	43,109,365	357,332	43,466,697
Balance at 01 January 2023	13,182,025	2,874,968	(3,273,562)	604,118	115,407	13,779,839	26,731,857	54,014,652	306,150	54,320,802
Profit for the period	-	-	-	-	-	-	2,014,316	2,014,316	47,638	2,061,954
Other comprehensive income / (expense) , net of tax	-	-	2,733,781	(194,663)	2,336,508	-	-	4,875,626	-	4,875,626
Total comprehensive income / (expense) for the period	-	-	2,733,781	(194,663)	2,336,508	-	2,014,316	6,889,942	47,638	6,937,580
Transactions with equity holders of the Bank, recognized directly in equity										
Final dividend for 2022 – Scrip	684,532	-	-	-	-	-	(805,332)	(120,800)	-	(120,800)
Total contributions from and distribution to equity holders	684,532	-	-	-	-	-	(805,332)	(120,800)	-	(120,800)
Balance as at 31 March 2023	13,866,557	2,874,968	(539,781)	409,455	2,451,915	13,779,839	27,940,841	60,783,794	353,788	61,137,582

Statement of Cash Flows

	BANK		GROUP	
For the three months ended 31 March	2023	2022	2023	2022
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flows from operating activities				
Interest receipts	17,245,675	10,185,256	17,243,219	10,185,735
Interest payments	(12,475,397)	(6,609,193)	(12,486,035)	(6,601,255)
Net commission receipts	1,282,935	793,618	1,282,935	793,618
Net trading income	5,135	850,623	5,135	850,623
Recoveries from loans previously written off	-	73,248	-	73,248
Receipts from other operating activities	(537,427)	(2,038,152)	(393,747)	(1,894,546)
Payments on other operating activities	(1,234,694)	(663,486)	(1,178,415)	(663,486)
Cash payments to employees	(1,366,624)	(1,544,072)	(1,546,253)	(1,717,481)
Taxes on financial services	(734,597)	(209,727)	(734,597)	(209,727)
Operating Cash flows before changes in operating assets and liabilities	2,185,006	838,115	2,192,242	816,729
(Increase)/ decrease in operating assets:				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	1,590,279	1,767,035	1,590,279	1,767,035
Financial assets at amortised cost - Loans to and receivables from other customers	1,011,717	(31,506,785)	1,011,717	(31,506,785)
Others	(2,261,301)	6,732,121	(2,285,012)	7,185,478
Increase /(decrease) in operating liabilities:				
Financial liabilities at amortised cost - Due to depositors	9,068,404	28,011,378	8,435,909	27,615,108
Negotiable certificates of deposits	(34,131)	(111,383)	(34,131)	(111,383)
Others	969,992	1,170,033	1,048,912	1,169,544
Net cash flows from / (used in) operating activities before income tax	12,529,966	6,900,514	11,959,916	6,935,726
Surcharge tax paid	-	-	-	-
Income tax paid	(869,718)	(1,834,266)	(873,802)	(1,847,150)
Net cash flows from /(used in) operating activities	11,660,248	5,066,248	11,086,114	5,088,576
Cash flows from investing activities				
Dividends received from investment in subsidiaries, joint venture, and associate	-	-	(89,861)	-
Dividend received from other investments	572,860	9,450	572,860	9,450
Interest received	6,216,115	1,607,180	6,239,028	1,615,077
Government Securities- net	(28,489,749)	(7,013,040)	(28,489,749)	(7,013,040)
Proceeds from sale and redemption of securities	43,964	98,548	43,964	98,548
Purchase of financial investments	(358,963)	(328,448)	(358,963)	(328,448)
Purchase of property, equipment, intangibles and investment property	(146,081)	(215,578)	(153,118)	(219,870)
Proceeds from sale of equipment, investment property and others	-	21	-	21
Net cash flows (used in)/ from investing activities	(22,161,854)	(5,841,867)	(22,235,839)	(5,838,262)
Cash flows from financing activities				
Redemption of debentures	(2,913,470)	-	(2,913,470)	-
Issue of new shares under Right Issue	-	-	-	-
Borrowing, medium and long-term	767,521	1,120,493	767,521	1,120,465
Other borrowings - net	6,308,547	7,412,409	6,308,480	7,412,409
Repayment of borrowing, medium and long-term	(2,898,855)	(8,696,382)	(2,898,855)	(8,696,354)
Dividends paid	(78)	(6)	89,783	(6)
Net Cash flows (used in) /from financing activities	1,263,665	(163,486)	1,353,459	(163,486)
Net increase /(decrease) in cash and cash equivalents	(9,237,941)	(939,105)	(9,796,266)	(913,172)
Cash and cash equivalents at the beginning of year	32,492,431	16,976,261	33,075,920	17,023,406
Cash and cash equivalents at the end of year	23,254,490	16,037,156	23,279,654	16,110,234
Reconciliation of cash and cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	16,868,813	14,833,646	16,886,517	14,836,856
Placements with banks	6,385,677	1,203,510	6,393,137	1,273,378
	23,254,490	16,037,156	23,279,654	16,110,234

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.

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. 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 3.1 31 March Financial Year Company

This is Lanka Industrial Estates Ltd.

Note 4. Expected Credit Loss calculation

In order to address the impacts of prevailing economic conditions on the lending portfolio, the Bank has made adequate impairment provision as at 31 March 2023 by introducing changes to internal models to cover unseen risk factors in the highly uncertain and highly volatile environment including additional provisions made as management overlay for the exposures to risk elevated sectors.

The main uncertainties regarding the estimations for the recoverability of the Bank's total exposure related to the debt service capacity of the Government of Sri Lanka, which, in turn, is affected by the development of the prevailing macroeconomic environment as well as by the levels of liquidity of the Government and the outcome of the Debt restructuring negotiations with the International Monetary Fund (IMF) and the resultant comprehensive debt restructuring program. Due to the uncertainties relating to the above, the Bank has used significant judgement using the information available as at reporting date to estimate the recoverable value of foreign currency denominated investments securities issued by Government of Sri Lanka. Accordingly, an impairment charge has been recognized to maintain a minimum provision cover of 40% on above investments.

Note 5. Net profit / (loss) from trading

	Bank		Group	
For the period ended 31 March	2023	2022	2023	2022
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange from banks other customers	1,452,304	1,640,283	1,452,304	1,640,283
Government securities				
- Net marked to market loss	(9,974)	-	(9,974)	-
- Net capital gain	4,132	490	4,132	490
Equity securities				
- Net marked to market loss	(78,845)	(147,923)	(78,845)	(147,923)
- Net capital gain	984	16,669	984	16,669
- Dividend income	19,944	1,449	19,944	1,449
	1,388,545	1,510,968	1,388,545	1,510,968

Note 6. Net loss from financial instruments at fair value through profit or loss

	Bank		Group	
For the period ended 31 March	2023	2022	2023	2022
	LKR 000	LKR 000	LKR 000	LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	(473,368)	(2,261,596)	(473,368)	(2,261,596)
Contracts with CBSL	(4,562)	(6,894)	(4,562)	(6,894)
Gain / (Loss) on financial assets fair value through profit or loss - equity securities	788	(4,369)	788	(4,369)
	(477,142)	(2,272,859)	(477,142)	(2,272,859)

Note 7. Net Other Operating Income

	Bank		Group	
For the period ended 31 March	2023	2022	2023	2022
	LKR 000	LKR 000	LKR 000	LKR 000
Financial assets measured at fair value through other comprehensive income				
Dividend income	552,916	1,042,141	552,916	1,042,141
Premises rental income	-	-	104,223	-
Gain on sale of property, plant and equipment	74	-	74	-
Foreign exchange (loss) / gain	(23,110)	(173,810)	(27,906)	(173,810)
Others	30,321	96,921	78,481	263,097
	560,201	965,252	707,788	1,131,428

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

As at	Bank		Group	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
		(Audited)		(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 8.1)	395,197,475	402,975,829	395,197,475	402,975,829
Less: Allowance for impairment (Note 8.2)	(38,256,405)	(33,903,799)	(38,256,405)	(33,903,799)
Net loans and receivables	356,941,070	369,072,030	356,941,070	369,072,030

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

As at	Bank		Group	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
		(Audited)		(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	55,787,160	53,985,736	55,787,160	53,985,736
Trade finance	18,453,626	18,965,291	18,453,626	18,965,291
Credit cards	5,852,521	5,552,271	5,852,521	5,552,271
Pawning	10,579,021	9,619,908	10,579,021	9,619,908
Staff loans	2,553,289	2,722,811	2,553,289	2,722,811
Term loans	219,845,199	221,023,597	219,845,199	221,023,597
Lease rentals receivable	15,451,897	17,237,903	15,451,897	17,237,903
Asset back notes	-	95,272	-	95,272
	328,522,713	329,202,789	328,522,713	329,202,789
By product-Foreign Currency				
Overdrafts	748,991	852,782	748,991	852,782
Trade finance	22,908,852	23,244,992	22,908,852	23,244,992
Term loans	43,016,919	49,675,266	43,016,919	49,675,266
	66,674,762	73,773,040	66,674,762	73,773,040
Gross loans and receivables	395,197,475	402,975,829	395,197,475	402,975,829

Note 8.2 Movement in Impairment during the period

	Bank		Group	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
		(Audited)		(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Stage 1				
Balance at beginning	4,495,287	2,202,668	4,495,287	2,202,668
Charge / (reversal) to income statement	(1,309,812)	2,292,619	(1,309,812)	2,292,619
Write-off during the period	-	-	-	-
Balance at end	3,185,475	4,495,287	3,185,475	4,495,287
Stage 2				
Balance at beginning	5,677,290	1,989,584	5,677,290	1,989,584
Charge to income statement	3,775,260	3,687,706	3,775,260	3,687,706
Write-off during the period	-	-	-	-
Balance at end	9,452,550	5,677,290	9,452,550	5,677,290
Stage 3				
Balance at beginning	23,731,222	14,865,798	23,731,222	14,865,798
Charge to income statement	2,386,736	7,947,831	2,386,736	7,947,831
Effect of foreign currency movement	(497,561)	964,205	(497,561)	964,205
Write-off during the period	(2,017)	(46,612)	(2,017)	(46,612)
Other movements	-	-	-	-
Balance at end	25,618,380	23,731,222	25,618,380	23,731,222
Total Impairment	38,256,405	33,903,799	38,256,405	33,903,799

9 . Analysis of Commitments and Contingencies and Impairment

	As at	Bank		Group	
		31.03.2023	31.12.2022 (Audited)	31.03.2023	31.12.2022 (Audited)
		Rs 000	Rs 000	Rs 000	Rs 000
9.1	Gross commitment and contingencies	176,870,858	169,132,507	176,870,858	169,132,507
	Accumulated impairment under stage 1	418,775	519,425	418,775	519,425
	Accumulated impairment under stage 2	25,709	97,300	25,709	97,300
	Accumulated impairment under stage 3	-	-	-	-
	Net commitments and contingencies	176,426,374	168,515,782	176,426,374	168,515,782
9.2	Product-wise commitments and contingencies				
	Domestic currency				
	Credit related commitments & contingencies				
	Undrawn -Credit facilities	74,022,482	72,337,584	74,022,482	72,337,584
	Acceptances	266,705	12,038	266,705	12,038
	Documentary Letter of credit	88,102	77,434	88,102	77,434
	Guarantees	24,224,245	24,018,867	24,224,245	24,018,867
		98,601,534	96,445,923	98,601,535	96,445,923
	Other commitments & contingencies				
	Capital commitments	297,567	296,559	297,567	297,567
	Bid Bonds	438,598	310,790	438,598	310,790
		736,165	607,349	736,165	607,349
	Sub total	99,337,699	97,053,272	99,337,699	97,053,272
	Foreign currency				
	Credit related commitments & contingencies				
	Undrawn - Credit facilities	14,157,364	15,359,202	14,157,364	15,359,202
	Acceptances	2,728,484	2,813,862	2,728,484	2,813,862
	Documentary Letter of credit	6,577,280	2,725,835	6,577,280	2,725,835
	Guarantees	3,042,971	1,699,809	3,042,971	-
		26,506,099	22,598,708	26,506,099	20,898,899
	Other commitments & contingencies				
	Forward exchange contracts	51,027,059	49,480,528	51,027,059	49,480,528
		51,027,059	49,480,528	51,027,059	49,480,528
	Sub total	77,533,158	72,079,235	77,533,158	70,379,427
	Total gross commitments and contingencies	176,870,858	169,132,507	176,870,858	167,432,699

9.3	Bank	Stage 01 Rs 000	Stage 02 Rs 000	Stage 03 Rs 000	Total Rs 000
	Balance as at 1st January 2023	519,425	97,300	-	616,725
	Net charge to profit or loss	(100,650)	(71,591)	-	(172,241)
	Write-off during the year	-	-	-	-
	Balance as at 31 March 2023	418,775	25,709	-	444,484

	Group	Stage 01 Rs 000	Stage 02 Rs 000	Stage 03 Rs 000	Total Rs 000
	Balance as at 1st January 2023	519,425	97,300	-	616,725
	Net charge to profit or loss	(100,650)	(71,591)	-	(172,241)
	Write-off during the year	-	-	-	-
	Balance as at 31 March 2023	418,775	25,709	-	444,484

Note 10. Financial liabilities at amortized cost - Due to depositors

As at	Bank		Group	
	31.03.2023	31.12.2022 (Audited)	31.03.2023	31.12.2022 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	9,996,581	8,317,768	9,992,707	8,314,555
Savings deposits	40,749,157	38,476,411	40,716,852	38,457,883
Fixed deposits	258,302,610	253,748,588	257,715,623	253,286,947
Other deposits	310,403	784,949	310,403	784,949
Certificate of deposits	2,036,844	1,976,859	2,036,844	1,976,859
	311,395,595	303,304,575	310,772,429	302,821,193
By product- Foreign Currency				
Demand deposits (current accounts)	900,149	953,618	900,149	953,618
Savings deposits	16,433,620	20,183,650	16,413,148	20,143,443
Fixed deposits	50,075,341	45,833,914	50,035,311	45,790,333
Other deposits	-	38,269	-	38,268
	67,409,110	67,009,451	67,348,608	66,925,662
Total	378,804,705	370,314,026	378,121,037	369,746,855

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 other than below.

Note 11.1 Proposed Debenture Issue

The Board of Directors and shareholders has decided to issue up to eighty million (80,000,000) Basel III compliant, subordinated, listed, rated, unsecured, redeemable debentures with a non-convertibility conversion option, each at an issue price (par value) of LKR 100 with a term up to seven years. This was approved by the shareholders at the extra ordinary general meeting (EGM) on 30 March 2023 subject to obtaining all necessary regulatory and other approvals.

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

As at	Number of shares	
	31.03.2023	31.12.2022
Number of shares of the Bank	421,948,655	402,666,056

12.3 Market price of a share

Information on shares of the Bank for the quarter ended	31.03.2023	31.12.2022
- Highest price LKR	49.00	37.00
- Lowest price LKR	30.00	31.00
- Market price LKR	43.90	32.00

12.4 Twenty Major Shareholders as at 31.03.2023

	Name of Shareholder/Company	Shareholding	%
1	Hatton National Bank PLC A/C No 1	52,629,168	12.47
2	Bank of Ceylon-No2 A/C (BOC PTF)	44,141,353	10.46
3	LOLC Investment Holding Three (Private) Limited	42,194,864	9.99
4	Mr. M.A.Yaseen	35,524,244	8.41
5	Sri Lanka Insurance Corporation Ltd-Life Fund	32,000,355	7.58
6	Don And Don Holdings Private Limited	30,256,510	7.17
7	Employee's Provident Fund	28,277,617	6.70
8	Melstacorp PLC	25,973,794	6.15
9	Seafeld International Ltd	20,558,446	4.87
10	Mr. H.H. Abdulhusein	10,622,929	2.51
11	People's Leasing & Finance PLC / Don And Don Holdings (Private) Limited	9,891,470	2.34
12	Renuka City Hotels PLC	8,037,892	1.90
13	Renuka Hotels PLC	4,726,698	1.12
14	Employees Trust Fund Board	4,627,590	1.09
15	Seylan Bank PLC / Senthilveri Holdings (Pvt) Ltd	3,717,486	0.88
16	Akbar Brothers Pvt Ltd A/C No 1	3,149,088	0.74
17	Anverally International (Pvt) Limited	3,089,081	0.73
18	Cargo Boat Development Company PLC	2,898,893	0.68
19	Sri Lanka Insurance Corporation Ltd - General Fund	2,499,191	0.59
20	Star Packaging (Pvt) Ltd	2,320,000	0.54

12.5 Public Holdings as at 31.03.2023

Public holdings percentage	67.02%
Number of Public shareholders	10,403
Float adjusted market capitalisation	LKR 12,414 million
Applicable option as per CSE Listing Rule 7.13.1 (a)	Option 1

12.6 Directors' Interests in Shares

	No of Shares As at 31.03.2023
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	25,814
V J Senaratne (Ms.)	2,101
A.L.Thambiayah (Ms)	105,094
N.V.Kumar	Nil
H.A.J. de Silva Wijeyeratne	12,905
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

Listed Debentures

Debenture Category	Interest rate	Effective	Coupon	Interest rate of	Balance as at	Market price LKR			Yield	Last
	Frequency	Rate	Rate	Comparative		Highest	Lowest	Last Traded	Last Traded %	Traded Date
		%	%	Government Securities (Gross) p.a.						
					31.03.2023					
					LKR 000					
Fixed Rate										
2016/2023	Annually	12.75	12.75	25.58	6,331,011	N/T	N/T	N/T	N/A	N/A
2018/2025	Annually	13.00	13.00	27.77	4,084,031	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	13.50	26.57	3,806,225	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	26.18	1,783,085	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	25.02	4,405,325	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	9.00	9.00	28.02	4,475,654	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	9.25	9.25	26.27	212,607	N/T	N/T	N/T	N/A	N/A

N/T -Not traded

Selected Performance Indicators

	Bank		Group	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Regulatory Capital (LKR '000)				
Common Equity Tier I	36,814,858	36,818,873	36,348,953	36,381,998
Tier 1 Capital	36,814,858	36,818,873	36,348,953	36,381,998
Total Capital	46,506,834	48,004,800	46,047,194	47,574,242
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum requirement - 7%)	10.171	10.085	10.017	9.937
Tier 1 Capital Ratio (Minimum requirement - 8.5%)	10.171	10.085	10.017	9.937
Total Capital Ratio (Minimum requirement - 12.5%)	12.848	13.148	12.689	12.993
Leverage Ratio (Minimum requirement is 3%)	5.64	5.93	5.57	5.87
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Total bank operations	142,515,649	122,283,753		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Total bank operations	28.01	26.36		
Total Stock of High-Quality Liquid Assets	122,955,968	101,602,039		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2023 - 100%, 2022 - 90%)	331.87	289.85		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2023 - 100% , 2022 -90%)	226.43	202.34		
Net Stable Funding Ratio (%) (Minimum requirement - 2023 - 100%, 2022 - 90%)	128.24	126.55		
Asset Quality				
Impaired Loans (Stage 3) Ratio (%)	4.80	4.36		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	50.90	51.73		
Profitability				
Interest margin %	5.93	4.96		
Return on assets (profit before tax) %	1.63	0.46		
Return on equity (profit after tax) %	10.88	5.04		
Other Ratios				
Debt to equity ratio (times)	2.31	2.51		
Interest cover (times)	2.21	1.47		

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 31 March 2023	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	16,868,813	16,868,813	-	-	16,886,517	16,886,517
Balances with Central Bank of Sri Lanka	-	-	7,440,589	7,440,589	-	-	7,440,589	7,440,589
Placements with banks	-	-	6,385,677	6,385,677	-	-	6,393,137	6,393,137
Derivative financial assets	20,079,706	-	-	20,079,706	20,079,706	-	-	20,079,706
Financial assets measured at fair value through profit or loss	880,526	-	-	880,526	880,526	-	-	880,526
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	356,941,070	356,941,070	-	-	356,941,070	356,941,070
Financial assets at amortised cost - Debt and other instruments	-	-	52,316,120	52,316,120	-	-	52,316,120	52,316,120
Financial assets measured at fair value through other comprehensive income	-	94,469,384	-	94,469,384	-	94,469,384	-	94,469,384
Other assets	-	-	7,745,936	7,745,936	-	-	7,870,408	7,870,408
Total financial assets	20,960,232	94,469,384	447,698,205	563,127,821	20,960,232	94,469,384	447,847,841	563,277,457
Financial Liabilities								
Due to banks	-	-	20,670,188	20,670,188	-	-	20,670,188	20,670,188
Derivative financial liabilities	1,228,362	-	-	1,228,362	1,228,362	-	-	1,228,362
Financial liabilities at amortised cost -Due to depositors	-	-	378,804,705	378,804,705	-	-	378,121,037	378,121,037
Financial liabilities at amortised cost - Due to other borrowers	-	-	75,360,840	75,360,840	-	-	75,360,840	75,360,840
Debt securities issued	-	-	15,423,937	15,423,937	-	-	15,423,937	15,423,937
Other liabilities	-	-	5,455,926	5,455,926	-	-	5,837,873	5,837,873
Subordinated term debt	-	-	15,103,303	15,103,303	-	-	15,103,303	15,103,303
Total financial liabilities	1,228,362	-	510,818,899	512,047,261	1,228,362	-	510,517,178	511,745,540

	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
As at 31 December 2022								
Financial Assets								
Cash and cash equivalents	-	-	16,122,565	16,122,565	-	-	16,126,635	16,126,635
Balances with Central Bank of Sri Lanka	-	-	9,030,868	9,030,868	-	-	9,030,868	9,030,868
Placements with banks	-	-	15,224,692	15,224,692	-	-	15,242,493	15,242,493
Derivative financial assets	20,473,544	-	-	20,473,544	20,473,544	-	-	20,473,544
Financial assets measured at fair value through profit or loss	1,429,149	-	-	1,429,149	1,429,149	-	-	1,429,149
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	369,072,030	369,072,030	-	-	369,072,030	369,072,030
Financial assets at amortised cost - Debt and other instruments	-	-	50,947,926	50,947,926	-	-	50,947,926	50,947,926
Financial assets measured at fair value through other comprehensive income	-	63,319,060	-	63,319,060	-	63,319,060	-	63,319,060
Other assets	-	-	7,791,474	7,791,474	-	-	7,957,933	7,957,933
Total financial assets	21,902,693	63,319,060	468,189,555	553,411,308	21,902,693	63,319,060	468,377,885	553,599,638
Financial Liabilities								
Due to banks	-	-	15,857,994	15,857,994	-	-	15,857,994	15,857,994
Derivative financial liabilities	84,670	-	-	84,670	84,670	-	-	84,670
Financial liabilities at amortised cost -Due to depositors	-	-	370,314,026	370,314,026	-	-	369,746,855	369,746,855
Financial liabilities at amortised cost - Due to other borrowers	-	-	81,145,692	81,145,692	-	-	81,145,692	81,145,692
Debt securities issued	-	-	16,304,115	16,304,115	-	-	16,304,115	16,304,115
Other liabilities	-	-	8,101,153	8,101,153	-	-	8,288,066	8,288,066
Subordinated term debt	-	-	18,399,991	18,399,991	-	-	18,399,991	18,399,991
Total financial liabilities	84,670	-	510,122,971	510,207,641	84,670	-	509,742,713	509,827,383

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 31st March 2023	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
Financial Assets				
Derivative financial assets				
Forward foreign exchange contracts		20,079,706		20,079,706
Financial assets measured at fair value through profit or loss				
Government of Sri Lanka Treasury Bonds	-			-
Equity securities - quoted	844,974			844,974
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		31,812		31,812
Financial assets measured at fair value through other comprehensive income				-
Government of Sri Lanka Treasury Bills and Bonds	84,052,642			84,052,642
Sri Lanka Sovereign bonds	-			-
Equity shares- quoted	10,195,325			10,195,325
Equity shares- unquoted			221,419	221,419
	95,096,680	20,111,518	221,419	115,429,616
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts		1,228,362		1,228,362
	-	1,228,362	-	1,228,362

As at 31st December 2022	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
Financial Assets				
Derivative financial assets				
Forward foreign exchange contracts		20,473,544		20,473,544
Financial assets measured at fair value through profit or loss				
Government of Sri Lanka Treasury Bonds				-
Government of Sri Lanka Treasury Bonds	795,433			795,433
Equity securities - quoted	598,972			598,972
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		31,004		31,004
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	54,926,057			54,926,057
Sri Lanka Sovereign bonds	-			-
Equity shares- quoted	8,171,584			8,171,584
Equity shares- unquoted			221,419	221,419
	64,495,786	20,504,548	221,419	85,221,753
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	84,670	-	84,670
	-	84,670	-	84,670

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 31st March 2023		As at 31st December 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	16,868,813	16,868,813	16,122,564	16,122,564
Balances with Central Bank of Sri Lanka	7,440,589	7,440,589	9,030,868	9,030,868
Placements with banks	6,385,677	6,385,677	15,224,692	15,224,692
Financial assets at amortised cost - Loans to and receivables from other customers	356,941,070	339,370,851	369,072,030	339,333,283
Financial assets at amortised cost - Debt and other instruments	52,316,120	52,144,770	50,947,926	50,780,504
Other assets	7,745,936	7,745,936	7,791,474	7,791,474
Financial Liabilities				
Due to banks	20,670,188	20,670,188	15,857,994	15,857,994
Financial liabilities at amortised cost - due to depositors	378,804,705	371,664,408	370,314,026	361,987,182
Financial liabilities at amortised cost - due to other borrowers	75,360,840	75,360,840	81,145,692	81,145,692
Debt securities in issue	15,423,937	10,871,738	16,304,115	11,786,904
Other liabilities	5,455,926	5,455,926	8,101,153	8,101,153
Subordinated term debt	15,103,303	11,706,783	18,399,991	15,010,515

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.

	Equity Securities	
	Bank/Group	
	2023 LKR 000	2022 LKR 000
Balance at 1 January	216,602	216,602
Purchased during the year		
Gain included in OCI		
– Net change in fair value (unrealised)	4,817	4,817
Balance at end of the period	221,419	221,419

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.

	OCI Net of Tax	
	Increase LKR 000	Decrease LKR 000
Equity securities as at 31.03.2023		
Adjusted net assets value (5% movement)	11,071	(11,071)

OPERATING SEGMENTS - GROUP

Information about reportable segments

	31 March 2023					31 March 2022				
	Corporate Banking LKR.'000	Retail Banking LKR.'000	Treasury LKR.'000	Other LKR.'000	Total LKR.'000	Corporate Banking LKR.'000	Retail Banking LKR.'000	Treasury LKR.'000	Other LKR.'000	Total LKR.'000
External revenue										
Interest income	7,163,887	10,100,644	8,336,494	29,089	25,630,114	4,029,823	5,706,798	1,422,423	10,092	11,169,136
Net fees and commission income	331,797	804,930	225,057	-	1,361,784	167,036	333,580	138,533	-	639,149
Net gain from trading			1,305,437	-	1,305,437	-	-	(961,532)	-	(961,532)
value through profit or loss			(477,142)	-	(477,142)	-	-	(2,272,859)	-	(2,272,859)
Net gain from derecognition of financial assets			132,790	-	132,790	-	-	10,236	-	10,236
Net other operating income	(12,855)	(97,046)	(23,109)	206,585	73,575	77,792	(1,676)	2,340,291	209,810	2,626,217
Income from external customers	7,482,829	10,808,528	9,499,527	235,674	28,026,558	4,274,651	6,038,702	677,092	219,902	11,210,347
Inter segment revenue	-	-	-	(88,037)	(88,037)	-	-	-	(52,656)	(52,656)
Total segment revenue	7,482,829	10,808,528	9,499,527	147,637	27,938,521	4,274,651	6,038,702	677,092	167,246	11,157,691
Impairment for loans and other losses	-	-	-	-	4,690,917	-	-	-	-	2,817,228
Interest Expense	-	-	-	-	17,541,065	-	-	-	-	6,398,517
Net operating income					5,706,539					1,941,946
Segment assets	147,107,216	201,917,744	185,223,819	1,007,548	535,256,327	151,602,076	233,915,764	112,360,853	1,018,115	498,896,808
Segment liabilities	60,584,088	315,596,469	127,786,630	576,811	504,543,998	81,256,428	266,843,736	127,360,287	511,339	475,971,790
Information on cash flows										
Cash flows from operating activities	-	-	-	-	11,086,114	-	-	-	-	(58,260,801)
Cash flows from investing activities	-	-	-	-	(22,235,839)	-	-	-	-	41,712,085
Cash flows from financing activities	-	-	-	-	1,353,459	-	-	-	-	10,411,191
Net cash flows generated during the year	-	-	-	-	(9,796,266)	-	-	-	-	(6,137,525)
Capital expenditure:										
Property, plant and equipment	-	8,983	-	-	8,983	147	354,348	-	-	354,495
Intangible assets	-	-	-	-	-	-	1,509,676	-	-	1,509,676

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

	2023 LKR.'000	2022 LKR.'000
Revenue		
Total revenue for reportable segments	28,026,558	11,210,347
Unallocated amounts	1,089,992	1,079,159
Elimination of inter-segment revenue	(88,037)	(52,656)
Consolidated revenue	29,028,513	12,236,850
Net Operating Income		
Total net operating income for reportable segments	5,706,539	1,941,946
Unallocated amounts	763,529	897,328
Elimination of inter-segment adjustments	29,089	27,361
Consolidated net operating income	6,499,157	2,866,635
Assets		
Total assets for reportable segments	535,256,327	498,896,808
Other unallocated amounts	44,172,478	28,255,134
Consolidated total assets	579,428,805	527,151,942
Liabilities		
Total liabilities for reportable segments	504,543,998	475,971,790
Other unallocated amounts	13,747,225	7,713,454
Consolidated total liabilities	518,291,223	483,685,244