



DFCC Bank Records Strong Performance Despite Economic Challenges in Q3 2023

- Group Total operating income up by 43% to LKR 31 Bn
- Group records Operating Profit Before Taxes on Financial Services of LKR 11 Bn.
- Group PAT of LKR 7 Bn
- Impairment charge of LKR 12 Bn reflective of present economic stresses

During the period under review, DFCC Bank remained committed to providing high-quality, customer-centric banking services across the country despite facing unprecedented challenges that affected the banking industry. As a result of this dedication, the Bank has recorded a strong performance for the Q3 of 2023.

The Central Bank of Sri Lanka's (CBSL) timely policy rate relaxation has enabled downward adjustments to the historically high-interest rates, and improved economic conditions would help boost credit flows to the economy in the period ahead. Meanwhile, a reduction was also observed in the yields on government securities with falling risk premia following the finalisation of the debt treatment on rupee-denominated instruments under the domestic debt optimisation (DDO) programme.

The Bank has aligned with the CBSL guidelines and reduced lending and deposit rates to pass the benefits of the continued easing of monetary conditions to individuals and businesses adequately and swiftly, thus supporting the envisaged rebound of the economy.

The following commentary relates to the unaudited Financial Statements for the period ended 30 September 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 an Operating Profit Before Taxes on Financial Services of LKR 10,693 Mn, Profit Before Income Tax (PBT) of LKR 8,305 Mn and a Profit After Tax (PAT) of LKR 5,498 Mn for the period ended 30 September 2023. This compares with an Operating Profit Before Taxes on Financial Services of LKR 2,269 Mn, PBT of LKR 1,420 Mn and a PAT of LKR 1,043 Mn in Q3 of 2022. The Group recorded an Operating Profit Before Taxes on Financial Services of LKR 11,069 Mn, PBT of LKR 9,938 Mn and PAT of LKR 7,064 Mn for the period ended 30 September 2023 compared to 2,612 Mn, LKR 1,762 Mn and LKR 1,320 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 11.66% during the period ended 30 September 2023 from 5.04% recorded for the year ended 31 December 2022. The Bank's Return on Assets (ROA) before tax for the period ended 30 September 2023 is 1.76% compared to 0.46% for the year ended 31 December 2022.

Net Interest Income

The Bank's Net Interest Income (NII) increased 26% over Q3 of 2022 to reach LKR 23,655 Mn by the end of September 2023. Both deposit and lending interest rates have continued to adjust downwards with the broader guidelines provided by the Central Bank in line with the relaxed monetary policy stance of the Central Bank. Accordingly, the Bank has reduced both lending and deposit rates to pass on the benefits of the continued easing of monetary conditions to individuals and businesses adequately and swiftly, thereby supporting the envisaged rebound of the economy. While lower interest rates may have resulted in reduced interest income and expenses, in nominal terms, Net Interest Income (NII) has continued to improve as a metric during the period under review as a result of the Bank's strategy of investing in high-yield government securities.

Strategically, the Bank thus increased its fixed-income investment portfolio, contributing significantly to increased interest income. The interest margin increased from 4.95% in September 2022 to 5.45% by September 2023.

Fee and Commission Income

The Bank's dynamic strategies and the efforts of its dedicated teams led to increased remittances, trade-related commissions, and other fee income lines, which contributed to the increase in 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 by 40% to LKR 2,848 Mn for the period ended 30 September 2023, compared to LKR 2,031 Mn for the comparative period in 2022.

Impairment Charge on Loans and Other Losses

The impaired loan (stage 3) ratio increased from 4.36% in December 2022 to 6.13% as of 30 September 2023, continuing the prevalent trend amidst the present economic conditions. However, the Bank expects this trend to moderate and potentially improve towards the end of the year, reflecting positive developments in the macroeconomic environment coupled with the Bank's concerted efforts regarding recoveries. To address the current and potential future impacts of the present 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 present highly uncertain and volatile environment, including additional provisions made for the Bank's exposure to risk elevated sectors.

The Bank has used significant judgment using the information available at the reporting date to estimate the recoverable value of foreign currency-denominated investment securities issued by the Government of Sri Lanka. Accordingly, an impairment charge has been recognised to maintain a provision cover of 45% on the above investments.

Accordingly, with these provisions to address the additional risks in the economic environment, the impairment charge recorded at LKR 12,113 Mn for the period ended 30 September 2023, compared to LKR 11,962 Mn in the comparable period.

Operating Expenses

Operating expenses for the period ended 30 September 2023 increased to LKR 8,370 Mn compared with LKR 7,382 Mn during the corresponding period in 2022, primarily due to the increase in inflation. However, the Bank has taken numerous cost control measures within the Bank, resulting in operating expenses being curtailed and managed at these 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 total equity of the Bank due to exchange rate fluctuation was minimised. A fair value gain of LKR 6,431 Mn was recorded on account of equity securities outstanding as at 30 September 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 treasury bills and bond yields also resulted in a fair value gain of LKR 3,239 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 28.7 Bn, recording a growth of 5.07% from December 2022. In line with the Bank's growth strategy and the present economic climate, 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 100% increase in investment in financial assets at fair value through other comprehensive income as of 30 September 2023 compared to the balance as of 31 December 2022. With increased provision for expected credit losses, appreciation of the Sri Lanka Rupee compared to 31 December 2022 and considerable economic challenges, the net loan portfolio was recorded at LKR 335 Bn as at 30 September 2023, which is 9% lower than the balance as at 31 December 2022.

Liabilities

The Bank's deposit base experienced a growth of 5.75% during the period, recording an increase of LKR 21.3 Bn to LKR 392 Bn, up from LKR 370 Bn as at 31 December 2022. This resulted in recording a loan-to-deposit ratio of 96.98%. Further, the CASA ratio was 22.20% as at 30 September 2023. The Bank's funding costs were also contained using medium to long-term concessionary credit lines, primarily used to grow the lending portfolio. Taking into consideration these concessionary term borrowings, the CASA ratio further improved to 33.12%, and the loans-to-deposit ratio improved to 83.37% as at 30 September 2023.

Equity and Compliance with Capital Requirements

DFCC Bank's total equity increased to LKR 65 Bn as at 30 September 2023, supported by favourable movements in the equity portfolio and fixed income security portfolio classified as fair value through other comprehensive income, and positive movements in the hedging reserve, together with the recorded profit after tax of LKR 5.5 Bn. Accordingly, Tier 1 and Total Capital ratios improved to 11.090% and 13.722%, respectively, by 30 September 2023, compared to 10.085% and 13.148%, respectively, as at 31 December 2022. The Bank's Net Stable Funding Ratio (NSFR) was 135.63%, and Liquidity Coverage Ratio (LCR) – all currency – was 463.22% as at 30 September 2023, compared to 126.55% and 202.34%, respectively, as at 31 December 2022. All these ratios were thus maintained well above the minimum regulatory requirement.

CEO's Statement

“DFCC Bank's strong performance in Q3 of 2023, as evidenced by a remarkable 43% increase in total group operating income, underscores our commitment to delivering exceptional banking services in challenging times. We're optimistic about the future, thanks to the Central Bank's supportive policies, lower interest rates, and improved economic conditions. While facing external challenges and ongoing economic stresses, our prudent strategies have led to a significant boost in profitability, growth in assets, and improved equity positions. We remain steadfast in our mission to navigate the volatile business environment and continue supporting our valued customers and the nation's economy.”

Thimal Perera

Director / Chief Executive Officer

9 November 2023

DFCC Bank PLC
Income Statement

| | | Bank | | | | | | Group | | | | | |
|--|-------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|
| | | For the period ended | | | For the quarter ended | | | For the period ended | | | For the quarter ended | | |
| For the nine months ended 30 September | Notes | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % |
| Gross Income | | 83,182,752 | 49,504,401 | 68 | 27,125,251 | 21,865,301 | 24 | 83,653,361 | 49,954,441 | 67 | 27,296,562 | 22,003,168 | 24 |
| Interest income | | 74,718,665 | 46,083,842 | 62 | 23,981,690 | 20,197,152 | 19 | 74,720,213 | 46,084,294 | 62 | 23,982,062 | 20,197,017 | 19 |
| Interest expense | | 51,063,795 | 27,379,119 | 87 | 15,802,120 | 12,484,472 | 27 | 50,975,365 | 27,326,949 | 87 | 15,773,705 | 12,457,580 | 27 |
| Net interest income | | 23,654,870 | 18,704,723 | 26 | 8,179,570 | 7,712,680 | 6 | 23,744,848 | 18,757,345 | 27 | 8,208,357 | 7,739,437 | 6 |
| Fee and commission income | | 3,789,657 | 2,542,275 | 49 | 1,247,287 | 1,036,913 | 20 | 3,788,829 | 2,543,077 | 49 | 1,246,911 | 1,037,075 | 20 |
| Fee and commission expenses | | 941,983 | 510,971 | 84 | 344,515 | 188,833 | 82 | 941,983 | 510,971 | 84 | 344,515 | 188,833 | 82 |
| Net fee and commission income | | 2,847,674 | 2,031,304 | 40 | 902,772 | 848,080 | 6 | 2,846,846 | 2,032,106 | 40 | 902,396 | 848,242 | 6 |
| Net gain/ (loss) from trading | 5 | 1,675,060 | (384,330) | 536 | 240,473 | 622,513 | (61) | 1,675,060 | (384,330) | 536 | 240,473 | 622,513 | (61) |
| Net (loss)/ gain from financial instruments at fair value through profit or loss | 6 | (301,506) | 117,035 | (358) | (259,294) | (39,697) | (553) | (301,506) | 117,035 | (358) | (259,294) | (39,697) | (553) |
| Net gains from derecognition of financial assets | | | | | | | | | | | | | |
| Fair value through other comprehensive income | | 2,618,875 | 39,438 | 6,540 | 1,836,771 | 29,031 | 6,227 | 2,618,875 | 39,438 | 6,540 | 1,836,771 | 29,031 | 6,227 |
| Net other operating income | 7 | 682,001 | 1,106,141 | (38) | 78,324 | 19,389 | 304 | 1,151,890 | 1,554,927 | (26) | 249,639 | 157,229 | 59 |
| Total operating income | | 31,176,974 | 21,614,312 | 44 | 10,978,616 | 9,191,997 | 19 | 31,736,013 | 22,116,522 | 43 | 11,178,342 | 9,356,756 | 19 |
| Impairment charge for loans and other losses | | | | | | | | | | | | | |
| Loans to and receivables from other customers | | 11,525,277 | 10,116,092 | 14 | 3,738,363 | 3,891,038 | (4) | 11,525,277 | 10,133,591 | 14 | 3,738,363 | 3,891,038 | (4) |
| Other financial assets | | 588,222 | 1,855,161 | (68) | 278,735 | 1,269,751 | (78) | 588,222 | 1,855,161 | (68) | 278,735 | 1,269,751 | (78) |
| Others | | - | (8,977) | 100 | - | (6,050) | 100 | - | (8,977) | 100 | - | (6,050) | 100 |
| Net operating income | | 19,063,475 | 9,652,036 | 98 | 6,961,518 | 4,037,258 | 72 | 19,622,514 | 10,136,747 | 94 | 7,161,244 | 4,202,017 | 70 |
| Operating expenses | | | | | | | | | | | | | |
| Personnel expenses | | 3,421,696 | 3,377,410 | 1 | 1,161,374 | 1,124,666 | 3 | 3,607,629 | 3,546,921 | 2 | 1,216,095 | 1,178,175 | 3 |
| Depreciation and amortisation | | 814,005 | 838,694 | (3) | 254,478 | 278,789 | (9) | 862,164 | 882,585 | (2) | 270,636 | 292,285 | (7) |
| Other expenses | | 4,134,173 | 3,165,986 | 31 | 1,466,247 | 1,147,697 | 28 | 4,083,689 | 3,095,624 | 32 | 1,450,181 | 1,113,758 | 30 |
| Total operating expenses | | 8,369,874 | 7,382,090 | 13 | 2,882,099 | 2,551,152 | 13 | 8,553,482 | 7,525,130 | 14 | 2,936,912 | 2,584,217 | 14 |
| Operating profit before taxes on financial services | | 10,693,601 | 2,269,946 | 371 | 4,079,419 | 1,486,106 | 175 | 11,069,032 | 2,611,617 | 324 | 4,224,332 | 1,617,799 | 161 |
| Taxes on financial services | | 2,388,406 | 849,744 | 181 | 883,956 | 397,000 | 123 | 2,388,406 | 849,744 | 181 | 883,956 | 397,000 | 123 |
| Operating profit after taxes on financial services | | 8,305,195 | 1,420,202 | 485 | 3,195,463 | 1,089,106 | 193 | 8,680,626 | 1,761,873 | 393 | 3,340,376 | 1,220,801 | 174 |
| Share of profits of associate and joint venture | | - | - | - | - | - | - | 1,257,412 | (326) | 385,809 | 731,072 | (149,436) | 589 |
| Profit before income tax | | 8,305,195 | 1,420,202 | 485 | 3,195,463 | 1,089,106 | 193 | 9,938,038 | 1,761,547 | 464 | 4,071,448 | 1,071,365 | 280 |
| Income tax expense | | 2,806,988 | 376,937 | 645 | 902,533 | 558,826 | 62 | 2,874,482 | 441,387 | 551 | 931,150 | 575,488 | 62 |
| Profit for the period | | 5,498,207 | 1,043,265 | 427 | 2,292,930 | 530,280 | 332 | 7,063,556 | 1,320,160 | 435 | 3,140,298 | 495,877 | 533 |
| Profit attributable to: | | | | | | | | | | | | | |
| Equity holders of the Bank | | 5,498,207 | 1,043,265 | 427 | 2,292,930 | 530,280 | 332 | 6,933,641 | 1,206,362 | 475 | 3,095,592 | 451,900 | 585 |
| Non-controlling interests | | - | - | - | - | - | - | 129,915 | 113,798 | 14 | 44,706 | 43,977 | 2 |
| Profit for the period | | 5,498,207 | 1,043,265 | 427 | 2,292,930 | 530,280 | 332 | 7,063,556 | 1,320,160 | 435 | 3,140,298 | 495,877 | 533 |
| Basic/Diluted earnings per ordinary share (LKR) | | 13.20 | 2.88 | 358 | 5.50 | 1.46 | 277 | 16.64 | 3.33 | 400 | 7.43 | 1.25 | 494 |

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 | | |
| For the nine months ended 30 September | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % | 30.09.2023 LKR 000 | 30.09.2022 LKR 000 | Change % |
| Profit for the period | 5,498,207 | 1,043,265 | 427 | 2,292,930 | 530,280 | 332 | 7,063,556 | 1,320,160 | 435 | 3,140,298 | 495,877 | 533 |
| 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 | 3,239,206 | 988,262 | 228 | 894,890 | 173,788 | 415 | 3,239,206 | 988,262 | 228 | 894,890 | 173,788 | 415 |
| Reclassified to income statement | 135,645 | (257,535) | 153 | 17,876 | - | 100 | 135,645 | (257,535) | 153 | 17,876 | - | 100 |
| Share of other comprehensive income of equity accounted associate and joint venture | - | - | - | - | - | - | (251,631) | 676,993 | (137) | 83,015 | (110,653) | 175 |
| Movement in hedging reserve: | | | | | | | | | | | | |
| Cash flow hedge - effective portion of changes in fair value | (4,394,939) | 11,447,567 | (138) | 2,048,618 | 4,773,310 | (57) | (4,394,939) | 11,447,567 | (138) | 2,048,618 | 4,773,310 | (57) |
| Cash flow hedge - reclassified to income statement | 4,925,000 | (20,182,500) | 124 | (2,016,250) | 85,716 | (2,452) | 4,925,000 | (20,182,500) | 124 | (2,016,250) | 85,716 | (2,452) |
| Related deferred tax | (1,150,638) | 2,087,319 | (155) | (262,756) | (1,225,059) | 79 | (1,150,638) | 2,087,319 | (155) | (262,756) | (1,225,059) | 79 |
| Total other comprehensive income / (expense) that are or may be reclassified subsequently to income statement | 2,754,274 | (5,916,887) | 147 | 682,378 | 3,807,755 | (82) | 2,502,643 | (5,239,894) | 148 | 765,393 | 3,697,102 | (79) |
| 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 | 6,431,350 | (3,660,489) | 276 | 3,672,529 | 1,068,205 | 244 | 6,431,350 | (3,649,445) | 276 | 3,672,529 | 1,068,205 | 244 |
| Share of other comprehensive income of equity accounted associate and joint venture | - | - | - | - | - | - | 67 | 654 | (90) | 67 | 249 | (73) |
| Total other comprehensive income / (expense) on items that will not be reclassified to income statement | 6,431,350 | (3,660,489) | 276 | 3,672,529 | 1,068,205 | 244 | 6,431,417 | (3,648,791) | 276 | 3,672,596 | 1,068,454 | 244 |
| Other comprehensive income / (expense) for the period , net of tax | 9,185,624 | (9,577,376) | 196 | 4,354,907 | 4,875,960 | (11) | 8,934,060 | (8,888,685) | 201 | 4,437,989 | 4,765,556 | (7) |
| Total comprehensive income / (expense) for the period | 14,683,831 | (8,534,111) | 272 | 6,647,837 | 5,406,240 | 23 | 15,997,616 | (7,568,525) | 311 | 7,578,287 | 5,261,433 | 44 |
| Total comprehensive income / (expense) attributable to: | | | | | | | | | | | | |
| Equity holders of the Bank | 14,683,831 | (8,534,111) | 272 | 6,647,837 | 5,406,240 | 23 | 15,867,701 | (7,682,323) | 307 | 7,533,582 | 5,217,456 | 44 |
| Non-controlling interests | - | - | - | - | - | - | 129,915 | 113,798 | 14 | 44,706 | 43,977 | 2 |
| Total comprehensive income / (expense) for the period | 14,683,831 | (8,534,111) | 272 | 6,647,837 | 5,406,240 | 23 | 15,997,616 | (7,568,525) | 311 | 7,578,288 | 5,261,433 | 44 |

DFCC Bank PLC
Statement of Financial Position

| As at | Notes | Bank | | | Group | | |
|---|-------|--------------------|-------------------------|-----------|--------------------|-------------------------|-----------|
| | | 30.09.2023 | 31.12.2022 (Audited) | Change | 30.09.2023 | 31.12.2022 (Audited) | Change |
| | | LKR 000 | LKR 000 | % | LKR 000 | LKR 000 | % |
| Assets | | | | | | | |
| Cash and cash equivalents | | 13,226,607 | 16,122,565 | (18) | 13,239,026 | 16,126,635 | (18) |
| Balances with Central Bank of Sri Lanka | | 1,882,368 | 9,030,868 | (79) | 1,882,368 | 9,030,868 | (79) |
| Placements with banks | | 23,361,007 | 15,224,692 | 53 | 23,369,127 | 15,242,493 | 53 |
| Derivative financial assets | | 15,880,204 | 20,473,544 | (22) | 15,880,204 | 20,473,544 | (22) |
| Financial assets measured at fair value through profit or loss | | 1,477,401 | 1,429,149 | 3 | 1,477,401 | 1,429,149 | 3 |
| Financial assets at amortised cost - Loans to and receivables from banks | | 3,003,956 | - | 100 | 3,003,956 | - | 100 |
| Financial assets at amortised cost - Loans to and receivables from other customers. | 8 | 334,931,494 | 369,072,030 | (9) | 334,931,494 | 369,072,030 | (9) |
| Financial assets at amortised cost - Debt and other instruments | | 51,318,825 | 50,947,926 | 1 | 51,318,825 | 50,947,926 | 1 |
| Financial assets measured at fair value through other comprehensive income | | 126,383,439 | 63,319,060 | 100 | 126,383,439 | 63,319,060 | 100 |
| Investments in subsidiaries | | 237,035 | 237,035 | 0 | - | - | - |
| Investments in associate | | 33,169 | 33,169 | (0) | 36,203 | 35,394 | 2 |
| Investments in joint venture | | 755,000 | 755,000 | - | 4,584,245 | 3,577,701 | 28 |
| Investment property | | 9,879 | 9,879 | - | 472,562 | 439,973 | 7 |
| Property, plant and equipment | | 3,251,166 | 3,198,553 | 2 | 3,436,742 | 3,389,441 | 1 |
| Intangible assets and goodwill | | 1,833,798 | 2,198,042 | (17) | 2,004,239 | 2,375,055 | (16) |
| Deferred tax asset | | 4,691,059 | 4,137,828 | 13 | 4,696,765 | 4,143,535 | 13 |
| Other assets | | 12,334,890 | 9,737,079 | 27 | 12,574,272 | 9,920,180 | 27 |
| Total assets | | 594,611,297 | 565,926,419 | 5 | 599,290,868 | 569,522,984 | 5 |
| Liabilities | | | | | | | |
| Due to banks | | 18,313,888 | 15,857,994 | 15 | 18,313,888 | 15,857,994 | 15 |
| Derivative financial liabilities | | 192,589 | 84,670 | 127 | 192,589 | 84,670 | 127 |
| Financial liabilities at amortised cost - Due to depositors | 10 | 391,617,050 | 370,314,026 | 6 | 390,797,201 | 369,746,855 | 6 |
| Financial liabilities at amortised cost - Due to other borrowers | | 72,002,002 | 81,145,692 | (11) | 72,002,002 | 81,145,692 | (11) |
| Debt securities in issue | | 15,819,356 | 16,304,115 | (3) | 15,819,356 | 16,304,115 | (3) |
| Retirement benefit obligation | | 627,746 | 591,550 | 6 | 650,708 | 615,849 | 6 |
| Current tax liabilities | | 3,678,395 | 2,479,562 | 48 | 3,686,459 | 2,575,008 | 43 |
| Deferred tax liability | | - | - | - | 121,461 | 149,608 | (19) |
| Other liabilities | | 11,108,161 | 10,027,872 | 11 | 11,539,948 | 10,322,400 | 12 |
| Subordinated term debt | | 15,968,132 | 18,399,991 | (13) | 15,968,132 | 18,399,991 | (13) |
| Total liabilities | | 529,327,319 | 515,205,472 | 3 | 529,091,744 | 515,202,182 | 3 |
| 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 | | 27,313,904 | 22,600,898 | 21 | 32,881,870 | 26,731,857 | 23 |
| Other reserves | | 21,228,549 | 12,063,056 | 76 | 20,139,664 | 11,225,802 | 79 |
| Total equity attributable to equity holders of the Bank | | 65,283,978 | 50,720,947 | 29 | 69,763,059 | 54,014,652 | 29 |
| Non-controlling interests | | - | - | - | 436,065 | 306,150 | 42 |
| Total equity | | 65,283,978 | 50,720,947 | 29 | 70,199,124 | 54,320,802 | 29 |
| Total equity and liabilities | | 594,611,297 | 565,926,419 | 5 | 599,290,868 | 569,522,984 | 5 |
| Contingent liabilities and commitments | | | | | | | |
| | | 189,953,590 | 169,132,507 | 12 | 189,953,590 | 169,132,507 | 12 |
| Net assets value per share, LKR | | 154.72 | 125.96 | 23 | 165.34 | 134.14 | 23 |

| | Bank | | Group | |
|--|------------|------------|------------|------------|
| | 30.09.2023 | 31.12.2022 | 30.09.2023 | 31.12.2022 |
| Memorandum Information | | | | |
| Number of Employees | 2,052 | 1,989 | 2,168 | 2,097 |
| Number of Branches (Including Service centres) | 139 | 139 | | |

Statement of Changes in Equity

| | | Statutory reserve | Other reserves | | | | |
|---|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|--------------------|
| | Stated capital | Reserve fund | Fair value reserve | Hedging reserve | General reserves | Retained earnings | Total equity |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 | 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 |
| Adjustment on surcharge tax | - | - | - | - | - | (1,232,490) | (1,232,490) |
| Adjusted balance as at 01 January 2022 | 8,600,457 | 2,746,968 | 2,096,627 | (329,442) | 13,779,839 | 20,859,159 | 47,753,608 |
| 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) |
| Total comprehensive (expense) / income for the period | - | - | (2,938,827) | (6,638,549) | - | 1,043,265 | (8,534,111) |
| 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, recognised directly in equity | | | | | | | |
| 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) | - |
| Total contributions from and distribution to equity holders | 4,581,568 | - | - | - | - | (994,162) | 3,587,406 |
| Balance as at 30 September 2022 | 13,182,025 | 2,746,968 | (979,387) | (6,967,991) | 13,779,839 | 21,045,449 | 42,806,903 |
| Balance as at 01 January 2023 | | | | | | | |
| 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 | - | - | - | - | - | 5,498,207 | 5,498,207 |
| Other comprehensive income net of tax | - | - | 8,814,582 | 371,042 | - | - | 9,185,624 |
| Total comprehensive income/ (expense) for the period | - | - | 8,814,582 | 371,042 | - | 5,498,207 | 14,683,831 |
| Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings | - | - | (20,131) | - | - | 20,131 | - |
| Transactions with equity holders of the Bank, recognised directly in equity | | | | | | | |
| 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 30 September 2023 | 13,866,557 | 2,874,968 | 6,962,261 | 486,449 | 13,779,839 | 27,313,904 | 65,283,978 |

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 |
| 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 |
| 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 | - | - | - | - | - | - | 6,933,641 | 6,933,641 | 129,915 | 7,063,556 |
| Other comprehensive income / (expense) , net of tax | - | - | 8,832,175 | (269,224) | 371,042 | - | 67 | 8,934,060 | - | 8,934,060 |
| Total comprehensive income / (expense) for the period | - | - | 8,832,175 | (269,224) | 371,042 | - | 6,933,708 | 15,867,701 | 129,915 | 15,997,616 |
| Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings | - | - | (20,131) | - | - | - | 20,131 | - | - | - |
| Transactions with equity holders of the Bank, recognized directly in equity | | | | | | | | | | |
| Change in holding through joint venture | - | - | - | - | - | - | 1,506 | 1,506 | - | 1,506 |
| Final dividend for 2022 – Scrip | 684,532 | - | - | - | - | - | (805,332) | (120,800) | - | (120,800) |
| Total contributions from and distribution to equity holders | 684,532 | - | - | - | - | - | (803,826) | (119,294) | - | (119,294) |
| Balance as at 30 September 2023 | 13,866,557 | 2,874,968 | 5,538,482 | 334,894 | 486,449 | 13,779,839 | 32,881,870 | 69,763,059 | 436,065 | 70,199,124 |

Statement of Cash Flows

| | BANK | | GROUP | |
|---|---------------------|--------------------|---------------------|--------------------|
| For the period ended 30th September | 2023 | 2022 | 2023 | 2022 |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Cash flows from operating activities | | | | |
| Interest receipts | 48,439,338 | 35,449,315 | 48,432,664 | 35,455,024 |
| Interest payments | (45,011,162) | (23,375,025) | (44,959,689) | (23,332,102) |
| Net commission receipts | 3,671,268 | 2,542,275 | 3,671,268 | 2,542,275 |
| Net trading income | 26,840 | 25,824 | 26,840 | 25,824 |
| Recoveries from loans previously written off | 11,767 | 130,521 | 11,767 | 130,521 |
| Receipts from other operating activities | 112,945 | 174,028 | 525,519 | 698,026 |
| Payments on other operating activities | (4,809,949) | (4,155,617) | (4,573,902) | (4,154,248) |
| Cash payments to employees | (3,352,173) | (3,750,215) | (3,910,756) | (4,208,372) |
| Taxes on financial services | (2,598,965) | (876,977) | (2,598,965) | (876,977) |
| Operating Cash flows before changes in operating assets and liabilities | (3,510,091) | 6,164,129 | (3,375,254) | 6,279,971 |
| (Increase)/ decrease in operating assets: | | | | |
| Balances with Central Bank / deposits held for regulatory or monetary control purposes | 7,148,500 | 2,196,073 | 7,148,500 | 2,196,073 |
| Financial assets at amortised cost - Loans to and receivables from other customers | 11,974,105 | 12,031,432 | 11,974,105 | 12,031,432 |
| Others | 876,597 | (1,574,845) | 853,366 | (1,267,987) |
| Increase /(decrease) in operating liabilities: | | | | |
| Financial liabilities at amortised cost - Due to depositors | 23,600,197 | (12,338,256) | 23,426,917 | (12,768,843) |
| Negotiable certificates of deposits | (925,169) | (259,276) | (925,169) | (259,276) |
| Others | 428,059 | (1,301,163) | 499,084 | (1,301,163) |
| Net cash flows from operating activities before income tax | 39,592,198 | 4,918,094 | 39,601,549 | 4,910,207 |
| Surcharge tax paid | - | (616,245) | - | (620,331) |
| Income tax paid | (3,312,024) | (1,221,051) | (3,407,338) | (1,301,029) |
| Net cash flows from operating activities | 36,280,174 | 3,080,798 | 36,194,211 | 2,988,847 |
| Cash flows from investing activities | | | | |
| Dividends received from investment in subsidiaries, joint venture, and associate | - | - | (89,861) | - |
| Dividend received from other investments | 71,909 | 1,087,933 | 71,909 | 1,087,933 |
| Interest received | 23,992,364 | 4,981,005 | 24,085,648 | 5,023,595 |
| Government Securities- net | (50,731,221) | (2,826,374) | (50,731,221) | (2,826,374) |
| Proceeds from sale and redemption of securities | 240,748 | 379,997 | 240,748 | 395,034 |
| Purchase of financial investments | (1,290,092) | (1,160,491) | (1,290,092) | (1,160,491) |
| Purchase of property, equipment, intangibles and investment property | (618,665) | (575,204) | (627,318) | (579,496) |
| Proceeds from sale of equipment, investment property and others | 7,013 | 9,728 | 7,013 | 9,728 |
| Net cash flows used in investing activities | (28,327,944) | 1,896,594 | (28,333,174) | 1,949,929 |
| Cash flows from financing activities | | | | |
| Redemption of debentures | (2,913,470) | - | (2,913,470) | - |
| Issue of new shares under Right Issue | - | 3,620,001 | - | 3,620,001 |
| Borrowing, medium and long - term | 1,563,912 | 4,093,432 | 1,563,912 | 4,093,432 |
| Other borrowings - net | 6,111,771 | 11,124,317 | 6,111,771 | 11,124,317 |
| Repayment of borrowing, medium and long - term | (7,353,204) | (21,967,424) | (7,353,204) | (21,967,424) |
| Dividends paid | (120,882) | 180 | (31,021) | 180 |
| Net Cash flows used in financing activities | (2,711,873) | (3,129,494) | (2,622,012) | (3,129,494) |
| Net increase /(decrease) in cash and cash equivalents | 5,240,357 | 1,847,898 | 5,239,025 | 1,809,282 |
| Cash and cash equivalents at the beginning of the period | 31,347,257 | 16,976,261 | 31,369,128 | 17,023,406 |
| Cash and cash equivalents at the end of the period | 36,587,614 | 18,824,159 | 36,608,153 | 18,832,688 |
| Reconciliation of cash and cash equivalents with items reported in the statement of financial position | | | | |
| Cash and cash equivalents | 13,226,607 | 13,147,640 | 13,239,026 | 13,156,169 |
| Placements with banks | 23,361,007 | 5,676,519 | 23,369,127 | 5,676,519 |
| | 36,587,614 | 18,824,159 | 36,608,153 | 18,832,688 |

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 30 September 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 45% on above investments.

Note 5. Net profit / (loss) from trading

| | Bank | | Group | |
|---|------------------|-----------|------------------|-----------|
| For the period ended 30 September | 2023 | 2022 | 2023 | 2022 |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Foreign exchange from banks other customers | 1,723,041 | (360,399) | 1,723,041 | (360,399) |
| Government securities | | | | |
| - Net marked to market (loss)/ gain | (9,873) | 9 | (9,873) | 9 |
| - Net capital gain | 10,348 | 9,146 | 10,348 | 9,146 |
| Equity securities | | | | |
| - Net marked to market loss | (100,642) | (58,430) | (100,642) | (58,430) |
| - Net capital gain | 16,492 | 16,669 | 16,492 | 16,669 |
| - Dividend income | 35,694 | 8,675 | 35,694 | 8,675 |
| | 1,675,060 | (384,330) | 1,675,060 | (384,330) |

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

| | Bank | | Group | |
|---|------------------|----------|------------------|----------|
| For the period ended 30 September | 2023 | 2022 | 2023 | 2022 |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Forward exchange fair value changes | | | | |
| Contracts with commercial banks | (293,760) | 135,842 | (293,760) | 135,842 |
| Contracts with CBSL | (13,839) | (16,171) | (13,839) | (16,171) |
| Gain / (Loss) on financial assets fair value through profit or loss - equity securities | 6,093 | (2,636) | 6,093 | (2,636) |
| | (301,506) | 117,035 | (301,506) | 117,035 |

Note 7. Net Other Operating Income

| | Bank | | Group | |
|--|-----------------|-----------|------------------|-----------|
| For the period ended 30 September | 2023 | 2022 | 2023 | 2022 |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Dividend income | 588,047 | 1,079,258 | 588,047 | 1,079,258 |
| Premises rental income | - | - | 319,353 | - |
| Gain on sale of property, plant and equipment | 9,785 | - | 9,785 | - |
| Foreign exchange (loss) / gain | (18,702) | (161,665) | (24,104) | (161,665) |
| Recovery of loans written-off | 11,757 | - | 11,757 | - |
| Others | 91,114 | 188,548 | 247,052 | 637,334 |
| | 682,001 | 1,106,141 | 1,151,890 | 1,554,927 |

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

| As at | Bank | | Group | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30.09.2023 | 31.12.2022 | 30.09.2023 | 31.12.2022 |
| | | (Audited) | | (Audited) |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Gross loans and receivables (Note 8.1) | 379,791,576 | 402,975,829 | 379,791,576 | 402,975,829 |
| Less: Allowance for impairment (Note 8.2) | (44,860,082) | (33,903,799) | (44,860,082) | (33,903,799) |
| Net loans and receivables | 334,931,494 | 369,072,030 | 334,931,494 | 369,072,030 |

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

| As at | Bank | | Group | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30.09.2023 | 31.12.2022 | 30.09.2023 | 31.12.2022 |
| | | (Audited) | | (Audited) |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| By product-Domestic Currency | | | | |
| Overdrafts | 50,784,066 | 53,985,736 | 50,784,066 | 53,985,736 |
| Trade finance | 20,455,708 | 18,965,291 | 20,455,708 | 18,965,291 |
| Credit cards | 6,260,777 | 5,552,271 | 6,260,777 | 5,552,271 |
| Pawning | 12,741,377 | 9,619,908 | 12,741,377 | 9,619,908 |
| Staff loans | 2,398,246 | 2,722,811 | 2,398,246 | 2,722,811 |
| Term loans | 219,007,353 | 221,023,597 | 219,007,353 | 221,023,597 |
| Lease rentals receivable | 14,336,514 | 17,237,903 | 14,336,514 | 17,237,903 |
| Asset back notes | - | 95,272 | - | 95,272 |
| | 325,984,041 | 329,202,789 | 325,984,041 | 329,202,789 |
| By product-Foreign Currency | | | | |
| Overdrafts | 770,540 | 852,782 | 770,540 | 852,782 |
| Trade finance | 21,107,968 | 23,244,992 | 21,107,968 | 23,244,992 |
| Term loans | 31,929,027 | 49,675,266 | 31,929,027 | 49,675,266 |
| | 53,807,535 | 73,773,040 | 53,807,535 | 73,773,040 |
| Gross loans and receivables | 379,791,576 | 402,975,829 | 379,791,576 | 402,975,829 |

Note 8.2 Movement in Impairment during the period

| | Bank | | Group | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30.09.2023 | 31.12.2022 | 30.09.2023 | 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 |
| (Reversal)/ charge to income statement | (883,717) | 2,292,619 | (883,717) | 2,292,619 |
| Write-off during the period | - | - | - | - |
| Balance at end | 3,611,570 | 4,495,287 | 3,611,570 | 4,495,287 |
| Stage 2 | | | | |
| Balance at beginning | 5,677,290 | 1,989,584 | 5,677,290 | 1,989,584 |
| Charge to income statement | 4,202,565 | 3,687,706 | 4,202,565 | 3,687,706 |
| Write-off during the period | - | - | - | - |
| Balance at end | 9,879,855 | 5,677,290 | 9,879,855 | 5,677,290 |
| Stage 3 | | | | |
| Balance at beginning | 23,731,222 | 14,865,798 | 23,731,222 | 14,865,798 |
| Charge to income statement | 8,206,428 | 7,947,831 | 8,206,428 | 7,947,831 |
| Other movements | (568,993) | 917,593 | (568,993) | 917,593 |
| Balance at end | 31,368,657 | 23,731,222 | 31,368,657 | 23,731,222 |
| Total Impairment | 44,860,082 | 33,903,799 | 44,860,082 | 33,903,799 |

Note 9 . Analysis of Commitments and Contingencies and Impairment

| | As at | Bank | | Group | |
|-----|---|--------------------|-------------------------|--------------------|-------------------------|
| | | 30.09.2023 | 31.12.2022 (Audited) | 30.09.2023 | 31.12.2022 (Audited) |
| | | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| 9.1 | Gross commitment and contingencies | 189,953,590 | 169,132,507 | 189,953,590 | 169,132,507 |
| | Accumulated impairment under stage 1 | 571,986 | 519,425 | 571,986 | 519,425 |
| | Accumulated impairment under stage 2 | 62,457 | 97,300 | 62,457 | 97,300 |
| | Accumulated impairment under stage 3 | - | - | - | - |
| | Net commitments and contingencies | 189,319,147 | 168,515,782 | 189,319,147 | 168,515,782 |
| 9.2 | Product-wise commitments and contingencies | | | | |
| | Domestic currency | | | | |
| | Credit related commitments & contingencies | | | | |
| | Undrawn -Credit facilities | 77,353,623 | 72,337,584 | 77,353,623 | 72,337,584 |
| | Acceptances | 99,777 | 12,038 | 99,777 | 12,038 |
| | Documentary Letter of credit | 447,009 | 77,434 | 447,009 | 77,434 |
| | Guarantees | 21,354,434 | 24,018,867 | 21,354,434 | 24,018,867 |
| | | 99,254,843 | 96,445,923 | 99,254,843 | 96,445,923 |
| | Other commitments & contingencies | | | | |
| | Capital commitments | 148,378 | 296,559 | 148,378 | 296,559 |
| | Bid Bonds | 593,805 | 310,790 | 593,805 | 310,790 |
| | | 742,183 | 607,349 | 742,183 | 607,349 |
| | Sub total | 99,997,026 | 97,053,272 | 99,997,026 | 97,053,272 |
| | Foreign currency | | | | |
| | Credit related commitments & contingencies | | | | |
| | Undrawn - Credit facilities | 16,495,045 | 15,359,202 | 16,495,045 | 15,359,202 |
| | Acceptances | 4,875,293 | 2,813,862 | 4,875,293 | 2,813,862 |
| | Documentary Letter of credit | 9,027,626 | 2,725,835 | 9,027,626 | 2,725,835 |
| | Guarantees | 4,974,784 | 1,699,809 | 4,974,784 | - |
| | | 35,372,748 | 22,598,708 | 35,372,748 | 20,898,899 |
| | Other commitments & contingencies | | | | |
| | Forward exchange contracts | 53,886,632 | 49,480,528 | 53,886,632 | 49,480,528 |
| | Capital commitments | 697,184 | - | 697,184 | - |
| | | 54,583,816 | 49,480,528 | 54,583,816 | 49,480,528 |
| | Sub total | 89,956,564 | 72,079,236 | 89,956,564 | 70,379,427 |
| | Total gross commitments and contingencies | 189,953,590 | 169,132,508 | 189,953,591 | 167,432,699 |

| | | | | | |
|-----|--|-----------------|-----------------|-----------------|----------------|
| 9.3 | Bank | Stage 01 | Stage 02 | Stage 03 | Total |
| | | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| | Balance as at 1st January 2023 | 519,425 | 97,300 | - | 616,725 |
| | Net charge to profit or loss | 52,561 | (34,843) | - | 17,718 |
| | Write-off during the year | - | - | - | - |
| | Balance as at 30 September 2023 | 571,986 | 62,457 | - | 634,443 |

| | | | | | |
|--|--|-----------------|-----------------|-----------------|----------------|
| | Group | Stage 01 | Stage 02 | Stage 03 | Total |
| | | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| | Balance as at 1st January 2023 | 519,425 | 97,300 | - | 616,725 |
| | Net charge to profit or loss | 52,561 | (34,843) | - | 17,718 |
| | Write-off during the year | - | - | - | - |
| | Balance as at 30 September 2023 | 571,986 | 62,457 | - | 634,443 |

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

| As at | Bank | | Group | |
|-------------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | 30.09.2023 | 31.12.2022 (Audited) | 30.09.2023 | 31.12.2022 (Audited) |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| By product-Domestic Currency | | | | |
| Demand deposits (current accounts) | 10,345,327 | 8,317,768 | 10,345,262 | 8,314,555 |
| Savings deposits | 51,126,804 | 38,476,411 | 51,074,373 | 38,457,883 |
| Fixed deposits | 252,543,979 | 253,748,588 | 251,838,921 | 253,286,947 |
| Other deposits | 303,386 | 784,949 | 303,386 | 784,949 |
| Certificate of deposits | 999,647 | 1,976,859 | 999,647 | 1,976,859 |
| | 315,319,143 | 303,304,575 | 314,561,589 | 302,821,193 |
| By product- Foreign Currency | | | | |
| Demand deposits (current accounts) | 1,243,321 | 953,618 | 1,243,321 | 953,618 |
| Savings deposits | 23,914,399 | 20,183,650 | 23,892,729 | 20,143,443 |
| Fixed deposits | 51,140,187 | 45,833,914 | 51,099,562 | 45,790,333 |
| Other deposits | - | 38,269 | - | 38,268 |
| | 76,297,907 | 67,009,451 | 76,235,612 | 66,925,662 |
| Total | 391,617,050 | 370,314,026 | 390,797,201 | 369,746,855 |

Note 11. Reclassifications of Financial Instrument

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. The fair value of the debt portfolio reclassified during year 2022 and remaining as at 30 September 2023 amounted to LKR 10.5 Bn. and cumulative fair value loss thereon amounted to LKR 1.4 Bn. (net of tax LKR 1.1 Bn.).

Note 12. 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 12.1 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-viability 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 13. Disclosures under Listing Rules

13.1 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

13.2 Stated capital

| As at | Number of shares | |
|------------------------------|--------------------|--------------------|
| | 30.09.2023 | 31.12.2022 |
| Number of shares of the Bank | 421,948,655 | 402,666,056 |

13.3 Market price of a share

| | | |
|---|-------------------|-------------------|
| Information on shares of the Bank for the quarter ended | 30.09.2023 | 31.12.2022 |
| - Highest price LKR | 95.50 | 37.00 |
| - Lowest price LKR | 50.00 | 31.00 |
| - Market price LKR | 86.30 | 32.00 |

13.4 Twenty Major Shareholders as at 30.09.2023

| | 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 | People's Leasing & Finance PLC / Don And Don Holdings (Private) Limited | 9,891,470 | 2.34 |
| 11 | Renuka City Hotels PLC | 8,037,892 | 1.90 |
| 12 | Seylan Bank PLC/ ARRC Capital (Pvt) Ltd | 5,043,934 | 1.19 |
| 13 | Renuka Hotels PLC | 4,726,698 | 1.12 |
| 14 | Employees Trust Fund Board | 4,627,590 | 1.09 |
| 15 | Mr.G.B.D Tilakaratne | 3,348,737 | 0.79 |
| 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 | Peoples Leasing & Finance PLC/Mrs.M.E. Amarasinghe | 2,678,062 | 0.63 |
| 20 | Sri Lanka Insurance Corporation Ltd - General Fund | 2,499,191 | 0.59 |

13.5 Public Holdings as at 30.09.2023

| | |
|--|--------------------|
| Public holdings percentage | 67.02% |
| Number of Public shareholders | 10,100 |
| Float adjusted market capitalisation | LKR 24,404 million |
| Applicable option as per CSE Listing Rule 7.13.1 (a) | Option 1 |

13.6 Directors' Interests in Shares

| | No of Shares As at 30.09.2023 |
|-----------------------------|-------------------------------------|
| 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.Vasantha Kumar | 1,800 |
| 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 | | | | Yield | Last |
|--------------------|---------------|-----------|--------|------------------------------------|-----------------------|------------------|--------|-------------|---------------|-------------|
| | Frequency | Rate | Rate | Comparative | | Market price LKR | | | Last Traded % | Traded Date |
| | | % | % | Government Securities (Gross) p.a. | | Highest | Lowest | Last Traded | | |
| | | | | | 30.09.2023 LKR 000 | | | | | |
| Fixed Rate | | | | | | | | | | |
| 2016/2023 | Annually | 12.75 | 12.75 | 15.24 | 6,734,734 | N/T | N/T | N/T | N/A | N/A |
| 2018/2025 | Annually | 13.00 | 13.00 | 14.89 | 4,362,275 | N/T | N/T | N/T | N/A | N/A |
| 2019/2024 | Annually | 13.50 | 13.50 | 14.66 | 4,065,089 | N/T | N/T | N/T | N/A | N/A |
| 2019/2026 | Annually | 13.75 | 13.75 | 14.66 | 1,910,510 | N/T | N/T | N/T | N/A | N/A |
| 2019/2029 | Annually | 13.90 | 13.90 | 12.82 | 4,731,454 | N/T | N/T | N/T | N/A | N/A |
| 2020/2025 | Annually | 9.00 | 9.00 | 14.86 | 4,678,843 | N/T | N/T | N/T | N/A | N/A |
| 2020/2025 | Annually | 11.00 | 11.00 | 15.22 | 5,169,998 | N/T | N/T | N/T | N/A | N/A |
| 2020/2027 | Annually | 9.25 | 9.25 | 14.41 | 222,728 | N/T | N/T | N/T | N/A | N/A |

N/T -Not traded

Selected Performance Indicators

| | Bank | | Group | |
|---|--------------------|-------------------|-------------------|-------------------|
| | 30.09.2023 | 31.12.2022 | 30.09.2023 | 31.12.2022 |
| Regulatory Capital (LKR '000) | | | | |
| Common Equity Tier I | 40,604,299 | 36,818,873 | 43,182,241 | 36,381,998 |
| Tier 1 Capital | 40,604,299 | 36,818,873 | 43,182,241 | 36,381,998 |
| Total Capital | 50,239,920 | 48,004,800 | 52,825,203 | 47,574,242 |
| Regulatory Capital Ratios % | | | | |
| Common Equity Tier 1 Capital Ratio (Minimum requirement - 7%) | 11.090 | 10.085 | 11.760 | 9.937 |
| Tier 1 Capital Ratio (Minimum requirement - 8.5%) | 11.090 | 10.085 | 11.760 | 9.937 |
| Total Capital Ratio (Minimum requirement - 12.5%) | 13.722 | 13.148 | 14.386 | 12.993 |
| Leverage Ratio (Minimum requirement is 3%) | 6.26 | 5.93 | 6.62 | 5.87 |
| Regulatory Liquidity | | | | |
| Statutory liquid assets LKR 000 | | | | |
| Total bank operations | 197,356,017 | 122,283,753 | | |
| Statutory liquid assets ratio % (Minimum requirement 20%) | | | | |
| Total bank operations | 38.99 | 26.36 | | |
| Total Stock of High-Quality Liquid Assets | 162,096,477 | 101,602,039 | | |
| Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2023 - 100%, 2022 - 90%) | 446.33 | 289.85 | | |
| Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2023 - 100% , 2022 -90%) | 463.22 | 202.34 | | |
| Net Stable Funding Ratio (%) (Minimum requirement - 2023 - 100%, 2022 - 90%) | 135.63 | 126.55 | | |
| Asset Quality | | | | |
| Impaired Loans (Stage 3) Ratio (%) | 6.13 | 4.36 | | |
| Impairment (Stage 3) to Stage 3 Loans Ratio (%) | 50.09 | 51.73 | | |
| Profitability | | | | |
| Interest margin % | 5.45 | 4.96 | | |
| Return on assets (profit before tax) % | 1.76 | 0.46 | | |
| Return on equity (profit after tax) % | 11.66 | 5.04 | | |
| Other Ratios | | | | |
| Debt to equity ratio (times) | 2.11 | 2.51 | | |
| Interest cover (times) | 2.28 | 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 30 September 2023 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Financial Assets | | | | | | | | |
| Cash and cash equivalents | - | - | 13,226,607 | 13,226,607 | - | - | 13,239,026 | 13,239,026 |
| Balances with Central Bank of Sri Lanka | - | - | 1,882,368 | 1,882,368 | - | - | 1,882,368 | 1,882,368 |
| Placements with banks | - | - | 23,361,007 | 23,361,007 | - | - | 23,369,127 | 23,369,127 |
| Derivative financial assets | 15,880,204 | - | - | 15,880,204 | 15,880,204 | - | - | 15,880,204 |
| Financial assets measured at fair value through profit or loss | 1,477,401 | - | - | 1,477,401 | 1,477,401 | - | - | 1,477,401 |
| Financial assets at amortised cost - Loans to and receivables from banks | - | - | 3,003,956 | 3,003,956 | - | - | 3,003,956 | 3,003,956 |
| Financial assets at amortised cost -Loans to and receivables from other customers | - | - | 334,931,494 | 334,931,494 | - | - | 334,931,494 | 334,931,494 |
| Financial assets at amortised cost - Debt and other instruments | - | - | 51,318,825 | 51,318,825 | - | - | 51,318,825 | 51,318,825 |
| Financial assets measured at fair value through other comprehensive income | - | 126,383,439 | - | 126,383,439 | - | 126,383,439 | - | 126,383,439 |
| Other assets | - | - | 9,779,315 | 9,779,315 | - | - | 9,915,975 | 9,915,975 |
| Total financial assets | 17,357,605 | 126,383,439 | 437,503,572 | 581,244,616 | 17,357,605 | 126,383,439 | 437,660,771 | 581,401,815 |
| Financial Liabilities | | | | | | | | |
| Due to banks | - | - | 18,313,888 | 18,313,888 | - | - | 18,313,888 | 18,313,888 |
| Derivative financial liabilities | 192,589 | - | - | 192,589 | 192,589 | - | - | 192,589 |
| Financial liabilities at amortised cost -Due to depositors | - | - | 391,617,050 | 391,617,050 | - | - | 390,797,201 | 390,797,201 |
| Financial liabilities at amortised cost - Due to other borrowers | - | - | 72,002,002 | 72,002,002 | - | - | 72,002,002 | 72,002,002 |
| Debt securities issued | - | - | 15,819,356 | 15,819,356 | - | - | 15,819,356 | 15,819,356 |
| Other liabilities | - | - | 4,849,911 | 4,849,911 | - | - | 5,253,227 | 5,253,227 |
| Subordinated term debt | - | - | 15,968,132 | 15,968,132 | - | - | 15,968,132 | 15,968,132 |
| Total financial liabilities | 192,589 | - | 518,570,339 | 518,762,928 | 192,589 | - | 518,153,806 | 518,346,395 |

| | 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 30 September 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 | | 15,880,204 | | 15,880,204 |
| Financial assets measured at fair value through profit or loss | | | | |
| Government of Sri Lanka Treasury Bonds | 128,220 | | | 128,220 |
| Equity securities - quoted | 1,308,345 | | | 1,308,345 |
| Units in Unit Trusts - Quoted | 3,740 | | | 3,740 |
| Units in Unit Trusts - Unquoted | | 37,097 | | 37,097 |
| Financial assets measured at fair value through other comprehensive income | | | | - |
| Government of Sri Lanka Treasury Bills and Bonds | 110,274,017 | | | 110,274,017 |
| Sri Lanka Sovereign bonds | - | | | - |
| Equity shares- quoted | 15,888,003 | | | 15,888,003 |
| Equity shares- unquoted | | | 221,419 | 221,419 |
| | 127,602,325 | 15,917,301 | 221,419 | 143,741,045 |
| Financial Liabilities | | | | |
| Derivative financial liabilities | | | | |
| Forward foreign exchange contracts | | 192,589 | | 192,589 |
| | - | 192,589 | - | 192,589 |

| 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 30 September 2023 | | As at 31st December 2022 | |
|--|-------------------------|-------------|--------------------------|-------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | |
| Cash and cash equivalents | 13,226,607 | 13,226,607 | 16,122,564 | 16,122,564 |
| Balances with Central Bank of Sri Lanka | 1,882,368 | 1,882,368 | 9,030,868 | 9,030,868 |
| Placements with banks | 23,361,007 | 23,361,007 | 15,224,692 | 15,224,692 |
| Financial assets at amortised cost - Loans to and receivables from banks | 3,003,956 | 3,003,956 | - | - |
| Financial assets at amortised cost - Loans to and receivables from other customers | 334,931,494 | 303,846,654 | 369,072,030 | 339,333,283 |
| Financial assets at amortised cost - Debt and other instruments | 51,318,825 | 51,469,785 | 50,947,926 | 50,780,504 |
| Other assets | 9,779,315 | 9,779,315 | 7,791,474 | 7,791,474 |
| Financial Liabilities | | | | |
| Due to banks | 18,313,888 | 18,313,888 | 15,857,994 | 15,857,994 |
| Financial liabilities at amortised cost - due to depositors | 391,617,050 | 387,993,604 | 370,314,026 | 361,987,182 |
| Financial liabilities at amortised cost - due to other borrowers | 72,002,002 | 72,002,002 | 81,145,692 | 81,145,692 |
| Debt securities in issue | 15,819,356 | 14,110,808 | 16,304,115 | 11,786,904 |
| Other liabilities | 4,849,911 | 4,849,911 | 8,101,153 | 8,101,153 |
| Subordinated term debt | 15,968,132 | 13,812,886 | 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 | 221,419 | 216,602 |
| Purchased during the year | | |
| Gain included in OCI | | |
| – Net change in fair value (unrealised) | - | 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 30.09.2023 | | |
| Adjusted net assets value (5% movement) | 11,071 | (11,071) |

OPERATING SEGMENTS - GROUP

Information about reportable segments

| | 30 September 2023 | | | | | 30 September 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 | 19,375,235 | 29,452,633 | 25,595,940 | 89,980 | 74,513,788 | 14,587,833 | 23,565,633 | 5,404,036 | 52,623 | 43,610,125 |
| Net fees and commission income | 1,946,195 | 1,756,139 | (2,188) | - | 3,700,146 | 1,041,078 | 2,052,965 | (40,799) | - | 3,053,244 |
| Net gain from trading | 372,591 | 183,492 | 1,118,977 | - | 1,675,060 | - | - | (384,330) | - | (384,330) |
| Net loss from financial instruments at fair value through profit or loss | | | (301,506) | - | (301,506) | - | - | 117,035 | - | 117,035 |
| Net gain from derecognition of financial assets | | | 2,618,875 | - | 2,618,875 | - | - | 39,438 | - | 39,438 |
| Net other operating income | 7,152 | 3 | - | 706,876 | 714,031 | 83,718 | 69,644 | 582,327 | 676,454 | 1,412,143 |
| Income from external customers | 21,701,173 | 31,392,267 | 29,030,098 | 796,856 | 82,920,394 | 15,712,629 | 25,688,242 | 5,717,707 | 729,077 | 47,847,655 |
| Inter segment revenue | | | | (326,247) | (326,247) | - | - | - | (279,036) | (279,036) |
| Total segment revenue | 21,701,173 | 31,392,267 | 29,030,098 | 470,609 | 82,594,147 | 15,712,629 | 25,688,242 | 5,717,707 | 450,041 | 47,568,619 |
| Impairment for loans and other losses | - | - | - | - | 12,113,499 | - | - | - | - | 11,979,775 |
| Interest Expense | - | - | - | - | 50,975,365 | - | - | - | - | 27,326,949 |
| Net operating income | | | | | 19,505,283 | | | | | 8,261,895 |
| Segment assets | 136,058,757 | 195,903,433 | 224,931,812 | 1,084,299 | 557,978,301 | 155,616,724 | 218,691,880 | 121,237,887 | 1,049,895 | 496,596,386 |
| Segment liabilities | 58,511,940 | 332,721,769 | 122,295,967 | 576,947 | 514,106,623 | 69,090,224 | 273,092,760 | 134,053,501 | 501,272 | 476,737,757 |
| Information on cash flows | | | | | | | | | | |
| Cash flows from operating activities | - | - | - | - | 36,194,211 | - | - | - | - | 7,997,716 |
| Cash flows from investing activities | - | - | - | - | (28,333,174) | - | - | - | - | (3,058,940) |
| Cash flows from financing activities | - | - | - | - | (2,622,012) | - | - | - | - | (3,129,494) |
| Net cash flows generated during the year | - | - | - | - | 5,239,025 | - | - | - | - | 1,809,282 |
| Capital expenditure: | | | | | | | | | | |
| Property, plant and equipment | - | 73,177 | - | - | 73,177 | 367 | 41,040 | - | - | 41,407 |
| Intangible assets | - | - | - | - | - | - | 32,328 | - | - | 32,328 |

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 | 82,920,394 | 47,847,655 |
| Unallocated amounts | 1,059,213 | 2,385,822 |
| Elimination of inter-segment revenue | (326,247) | (279,036) |
| Consolidated revenue | 83,653,360 | 49,954,441 |
| Net Operating Income | | |
| Total net operating income for reportable segments | 19,505,283 | 8,261,895 |
| Unallocated amounts | 117,231 | 1,874,851 |
| Consolidated net operating income | 19,622,514 | 10,136,746 |
| Assets | | |
| Total assets for reportable segments | 557,978,301 | 496,596,386 |
| Other unallocated amounts | 41,312,567 | 32,038,010 |
| Consolidated total assets | 599,290,868 | 528,634,396 |
| Liabilities | | |
| Total liabilities for reportable segments | 514,106,623 | 476,737,757 |
| Other unallocated amounts | 14,985,121 | 5,422,625 |
| Consolidated total liabilities | 529,091,744 | 482,160,382 |