



Financial Fortitude: DFCC Bank Reports Strong Profit Growth

- Group Net Operating Income increased 48% to 9.6 Bn
- Impairment charge dropped 66% to LKR 1.6 Bn with the revival of the economic environment.
- Group Profit After Tax is up by 85% to LKR 3.8 Bn

DFCC Bank demonstrated resilience and continued its commitment to serving customers nationwide, delivering high-quality customer centric banking services amidst the ongoing revival of economic activity. Proactive policy adjustments facilitated a notable reduction in historically high-interest rates aimed at bolstering economic growth and stabilising inflation. This initiative, which started in June 2023, envisaged a substantial and widespread decrease in lending rates across markets, aligning with the overarching goal of monetary easing. Complementing this effort, DFCC Bank promptly aligned with directives, swiftly reducing lending and deposit rates to ensure the effective transmission of monetary policy benefits to businesses and individuals.

The Net Interest Income (NII) in the first quarter of 2024 was significantly impacted by the Bank's decision to lower interest rates. However, the well-executed business strategies, increased prudence, and proactive risk management measures helped manage the Bank's profitability. With the changes in interest rates, the Bank has disposed part of government securities classified as FVOCI to realize a gain of LKR 1.9 Bn and the notable reduction in impairment as a result of the positive developments in the macroeconomic environment and recovery efforts made by the Bank enabled the Bank to maintain profitability whilst providing much needed concessions to our valued customers during these challenging times.

The following commentary relates to the unaudited Financial Statements for the period ended 31 March 2024, 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 4,733 Mn and a Profit After Tax (PAT) of LKR 3,134 Mn for the period ended 31 March 2024 compared with the previous period's PBT of LKR 2,684 Mn and a PAT of LKR 1,749 Mn. The Group recorded a PBT of LKR 5,455 Mn and PAT of LKR 3,824 Mn for the period ended 31 March 2024 as compared to LKR 3,001 Mn and LKR 2,062 Mn, respectively, in 2023. The Bank's Return on Equity (ROE) improved to 10.82% during the period ended 31 March 2024 from 12.19% recorded for the year ended 31 December 2023. The Bank's Return on Assets (ROA) before tax for the period ended 31 March 2024 is 1.85% compared to 1.82% for the year ended 31 December 2023. The Bank's total tax expense, which includes Value Added

Tax (VAT) and Social Security Contribution Levy (SSCL) on financial services and Income Tax, is LKR 2,886 Mn for the period ending 31 March 2024. As a result, the Bank's tax expense as a percentage of operating profit for the period stood at 47.94%.

Net Interest Income

Along with the improvement in liquidity conditions of the domestic money market in line with the relaxed monetary policy stance of the Central Bank, both deposit and lending interest rates have continued to adjust downwards since June 2023. The Central Bank of Sri Lanka underscored the need for a swift and complete pass-through of monetary easing measures to market interest rates, particularly lending rates, by the financial institutions, thereby accelerating the normalisation of market interest rates in the period ahead. Accordingly, the Bank has recorded notable downward adjustments to lending and deposit rates to align with the monetary directions to ease monetary conditions for individuals and businesses adequately and swiftly, thereby supporting the envisaged rebound of the economy. The lower interest rates have resulted in reduced interest income and expenses compared to 1Q 2023. In addition to that, the prevailing accommodative monetary policy stance, along with the reduction of policy interest rates, is expected to induce a further reduction in market lending rates and encourage the expansion of credit to the private sector, thus supporting the ongoing revival of economic activity, in the period ahead.

The Bank's Net Interest Income (NII), which is its core business, decreased by 16% to reach LKR 7,038 Mn by the quarter end of March 2024. The interest margin decreased from 5.18% in December 2023 to 4.48% by March 2024.

Fee and Commission Income

With the tariff reduction for remittances, fee income has reduced compared to Q1 2023, even though the Bank has increased volumes. Along with the change in the business environment, the Bank increased the commission from credit card operations by increasing volumes. However, expenses related to credit card operations was also increased resulting in reduced net fee and commission income. Accordingly, net fee and commission income have decreased by 8% to LKR 975 Mn for the period ended 31 March 2024, compared to LKR 1,064 Mn for the comparative period in 2023.

Impairment Charge on Loans and Other Losses

The impaired loan (stage 3) ratio decreased from 7.03% in December 2023 to 6.97% as of 31 March 2024 with the positive developments in the macroeconomic environment coupled with the Bank's concerted efforts in 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 continuing to calibrate internal models to account for unseen risk factors in the future, 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 55% on the above investments.

Accordingly, reflecting positive macroeconomic indicators and recoveries, the impairment charges improved to LKR 1,585 Mn for the period ended 31 March 2024, compared to LKR 4,691 Mn in the comparable period.

Operating Expenses

Operating expenses for the period ended 31 March 2024 increased to LKR 3,439 Mn compared with LKR 2,837 Mn during the corresponding period in 2023, primarily due to the increase in inflation. However, the Bank has taken numerous cost control measures, resulting in operating expenses being curtailed and managed at these levels. The Bank's cost/net income ratio has increased to 38.90% as at period ended 31 March 2024 compared to 29.41% as at 31 December 2023 due to a reduction in interest margin and an increase in staff cost during the period.

Other Comprehensive Income (OCI)

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's total equity due to exchange rate fluctuation was minimised. A fair value gain of LKR 529 Mn was recorded on account of equity securities outstanding as at 31 March 2024. 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 1,473 Mn.

Business Growth

Assets

The DFCC Bank's total assets decreased by LKR 21 Bn, recording a decline of 3% from December 2023, mainly due to the strategic decision taken by the Bank to repay part of liabilities due to banks with high cost and appreciation of the Sri Lanka Rupee compared to 31 December 2023. With the revival of economic activity and reduced lending interest rates, the net loan portfolio has recorded LKR 355 Bn as at 31 March 2024, which is a 2% growth compared with the balance as at 31 December 2023.

Liabilities

The DFCC Bank's total liabilities decreased by LKR 22 Bn, recording a decline of 4% from December 2023, mainly due to the strategic decision taken by the Bank to repay some high-cost short term borrowings compared to 31 December 2023. Further, the Bank's deposit base experienced a growth of 7% during the year, recording an increase of LKR 29 Bn to LKR 436 Bn, up from LKR 407 Bn as at 31 December 2023. This resulted in recording an improved loan-to-deposit ratio of 92.22%. Further, the CASA ratio was 23.25% as at 31 March 2024. The Bank's funding costs were also contained using medium to long-term concessionary credit lines, primarily used to grow the lending portfolio and provide much needed

concessionary funding to our customers. Considering these concessionary term borrowings, the CASA ratio improved to 31.79%, and the loans-to-deposit ratio improved to 81.96% as at 31 March 2024.

Equity and Compliance with Capital Requirements

DFCC Bank's total equity increased to LKR 68.3 Bn as at 31 March 2024, 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 3.1 Bn. Accordingly, Tier 1 and Total Capital ratios were recorded at 10.391% and 14.164% by 31 March 2024, compared to 11.490% and 13.511%, respectively, as at 31 December 2023. The Bank's Net Stable Funding Ratio (NSFR) was 147.86%, and Liquidity Coverage Ratio (LCR) – all currency – was 286.63% as at 31 March 2024, compared to 124.60% and 597.47%, respectively, as at 31 December 2023. All these ratios were thus maintained well above the minimum regulatory requirement.

CEO's Statement

DFCC Bank has delivered strong financial performance, with profits surging alongside the ongoing economic revival. Our Group Net Operating Income increased by 48% to LKR 9.6 billion, while the impairment charge significantly dropped by 66% to LKR 1.6 billion, reflecting the positive changes in the economic landscape. The Group's Profit After Tax rose by 85% to LKR 3.8 billion, highlighting our resilient and strategic approach. Despite lower interest margins, our proactive measures in cost control and risk management have sustained our profitability. DFCC Bank remains committed to offering exceptional customer-centric banking services, as we strive to support and drive economic growth across the nation.

Thimal Perera

Director/Chief Executive Officer

7 May 2024

DFCC Bank PLC
Income Statement

For the three months ended 31 March

Notes	Bank			Group		
	2024 LKR 000	2023 LKR 000	Change %	2024 LKR 000	2023 LKR 000	Change %
Gross Income	25,047,833	28,880,876	(13)	25,195,509	29,028,513	(13)
Interest income	20,579,542	25,914,698	(21)	20,580,219	25,915,054	(21)
Interest expenses	13,541,975	17,569,797	(23)	13,521,752	17,541,065	(23)
Net interest income	7,037,567	8,344,901	(16)	7,058,467	8,373,989	(16)
Fee and commission income	1,437,036	1,361,784	6	1,436,895	1,361,478	6
Fee and commission expenses	461,850	297,375	55	461,850	297,375	55
Net fee and commission income	975,186	1,064,409	(8)	975,045	1,064,103	(8)
Net gains from trading	228,363	911,403	(75)	228,363	911,403	(75)
Net gains from derecognition of financial assets						
Fair value through other comprehensive income	1,880,079	132,790	1,316	1,880,079	132,790	1,316
Net other operating income	922,813	560,201	65	1,069,953	707,788	51
Total operating income	11,044,008	11,013,704	0	11,211,907	11,190,073	0
Impairment charge for loans and other losses						
Loans to and receivables from other customers	847,275	4,679,997	(82)	847,275	4,679,997	(82)
Other financial assets	737,273	10,919	6,652	737,273	10,919	6,652
Net operating income	9,459,460	6,322,788	50	9,627,359	6,499,157	48
Operating expenses						
Personnel expenses	1,606,380	1,230,096	31	1,652,746	1,293,291	28
Depreciation and amortisation	282,172	272,729	3	296,599	293,375	1
Other expenses	1,550,853	1,334,515	16	1,569,601	1,324,264	19
Total operating expenses	3,439,405	2,837,340	21	3,518,946	2,910,930	21
Operating profit before taxes on financial services	6,020,055	3,485,448	73	6,108,413	3,588,227	70
Taxes on financial services	1,287,368	801,782	61	1,287,368	801,782	61
Operating profit after taxes on financial services	4,732,687	2,683,666	76	4,821,045	2,786,445	73
Share of profits of associate and joint venture	-	-	-	633,564	214,667	195
Profit before income tax	4,732,687	2,683,666	76	5,454,609	3,001,112	82
Income tax expense	1,598,796	934,927	71	1,630,224	939,158	74
Profit for the year	3,133,891	1,748,739	79	3,824,385	2,061,954	85
Profit attributable to:						
Equity holders of the Bank	3,133,891	1,748,739	79	3,791,221	2,014,316	88
Non-controlling interests	-	-	-	33,164	47,638	(30)
Profit for the year	3,133,891	1,748,739	79	3,824,385	2,061,954	85
Basic/Diluted earnings per ordinary share (LKR)	7.39	4.31	72	8.94	4.97	80

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 / (expenses) for the period, net of tax

Items that are or may be reclassified subsequently to income statement

Movement in fair value reserve (FVOCI debt instrument):

Net change in fair value

Reclassified to income statement

Share of other comprehensive (expenses)/ 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 (expenses)/ income that are or may be reclassified subsequently to income statement

Items that will not be reclassified to income statement

Equity investments at FVOCI - net change in fair value

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

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

Total comprehensive income for the period

Total comprehensive income attributable to:

Equity holders of the Bank

Non-controlling interests

Total comprehensive income for the period

	2024 LKR 000	Bank 2023 LKR 000	Change %	2024 LKR 000	Group 2023 LKR 000	Change %
	3,133,891	1,748,739	79	3,824,385	2,061,954	85
	1,473,215	1,097,773	34	1,473,215	1,097,773	34
	(1,880,079)	(132,790)	(1,316)	(1,880,079)	(132,790)	(1,316)
	-	-	-	(88,937)	(183,404)	52
	(5,667,539)	(1,060,880)	(434)	(5,667,539)	(1,060,880)	(434)
	3,411,875	4,398,750	(22)	3,411,875	4,398,750	(22)
	797,895	(1,278,197)	162	797,895	(1,278,197)	162
	(1,864,633)	3,024,656	(162)	(1,953,570)	2,841,252	(169)
	528,986	2,034,374	(74)	528,986	2,034,374	(74)
	528,986	2,034,374	(74)	528,986	2,034,374	(74)
	(1,335,647)	5,059,030	(126)	(1,424,584)	4,875,626	(129)
	1,798,244	6,807,769	(74)	2,399,801	6,937,580	(65)
	1,798,244	6,807,769	(74)	2,366,637	6,889,942	(66)
	-	-		33,164	47,638	(30)
	1,798,244	6,807,769	(74)	2,399,801	6,937,580	(65)

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank			Group		
		31.03.2024	31.12.2023	Change	31.03.2024	31.12.2023	Change
		LKR 000	(Audited) LKR 000	%	LKR 000	(Audited) LKR 000	%
Assets							
Cash and cash equivalents		12,822,595	14,478,468	(11)	12,825,085	14,483,062	(11)
Balances with Central Bank of Sri Lanka		1,112,629	2,107,776	(47)	1,112,629	2,107,776	(47)
Placements with banks		20,012,125	29,138,098	(31)	20,012,125	29,173,988	(31)
Derivative financial assets		10,778,350	16,499,171	(35)	10,778,350	16,499,171	(35)
Financial assets measured at fair value through profit or loss		4,041,918	1,740,928	132	4,041,918	1,740,928	132
Financial assets at amortised cost - Loans to and receivables from other customers.	7	355,324,648	348,767,466	2	355,324,648	348,767,466	2
Financial assets at amortised cost - Debt and other instruments		68,645,020	68,031,313	1	68,703,266	68,094,041	1
Financial assets measured at fair value through other comprehensive income		123,326,334	134,902,765	(9)	123,326,334	134,902,765	(9)
Investments in subsidiaries		237,035	237,035	0	-	-	-
Investment in associate		33,169	33,169	(0)	36,729	36,844	(0)
Investment in joint venture		755,000	755,000	-	4,946,980	4,402,238	12
Investment property		9,879	9,879	-	465,551	468,385	(1)
Property, plant and equipment		3,438,404	3,499,737	(2)	3,653,846	3,704,411	(1)
Intangible assets and goodwill		1,837,970	1,926,287	(5)	2,011,176	2,101,256	(4)
Deferred tax assets		6,182,783	5,407,626	14	6,190,583	5,415,426	14
Other assets		10,887,616	12,963,406	(16)	11,141,741	13,170,641	(15)
Total assets		619,445,475	640,498,124	(3)	624,570,961	645,068,398	(3)
Liabilities							
Due to banks		4,815,996	52,793,464	(91)	4,815,996	52,793,464	(91)
Derivative financial liabilities		997,998	381,653	161	997,998	381,653	161
Financial liabilities at amortised cost - Due to depositors	9	435,698,341	407,225,313	7	434,929,338	406,584,864	7
Financial liabilities at amortised cost - Due to other borrowers		62,889,826	72,022,734	(13)	62,889,826	72,022,734	(13)
Debt securities in issue		11,626,590	16,311,577	(29)	11,626,590	16,311,577	(29)
Employee benefits		1,406,132	1,371,126	3	1,428,943	1,400,921	2
Current tax liabilities		5,000,551	4,426,683	13	5,120,845	4,535,557	13
Deferred tax liabilities		-	-	-	104,796	104,276	0
Other liabilities		11,203,084	9,152,343	22	11,613,309	9,485,315	22
Subordinated term debt		17,533,593	9,072,265	93	17,533,593	9,072,265	93
Total liabilities		551,172,111	572,757,158	(4)	551,061,234	572,692,626	(4)
Equity							
Stated capital		14,710,454	13,866,557	6	14,710,454	13,866,557	6
Statutory reserve		3,239,968	3,239,968	-	3,239,968	3,239,968	-
Retained earnings		29,310,722	28,250,357	4	35,363,285	33,645,590	5
Other reserves		21,012,220	22,384,084	(6)	19,770,697	21,231,498	(7)
Total equity attributable to equity holders of the Bank		68,273,364	67,740,966	1	73,084,404	71,983,613	2
Non-controlling interests		-	-	-	425,323	392,159	8
Total equity		68,273,364	67,740,966	1	73,509,727	72,375,772	2
Total equity and liabilities		619,445,475	640,498,124	(3)	624,570,961	645,068,398	(3)
Contingent liabilities and commitments							
		189,572,286	193,992,770	(2)	189,572,286	193,992,770	(2)
Net assets value per share, LKR		157.80	160.54	(2)	168.92	170.60	(1)

Memorandum Information	Bank		Group	
	31.03.2024	31.12.2023	31.03.2024	31.12.2023
Number of Employees	2,155	2,109	2,261	2,225
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 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 income, net of tax	-	-	2,722,521	2,336,509	-	-	5,059,030
Total comprehensive (expenses) / income for the period	-	-	2,722,521	2,336,509	-	1,748,738	6,807,768
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 31 March 2023	13,866,557	2,874,968	890,331	2,451,916	13,779,839	23,544,304	57,407,915
Balance as at 01 January 2024	13,866,557	3,239,968	7,250,399	1,353,846	13,779,839	28,250,357	67,740,966
Profit for the period	-	-	-	-	-	3,133,891	3,133,891
Other comprehensive income/(expenses), net of tax	-	-	243,318	(1,578,965)	-	-	(1,335,647)
Total comprehensive income for the period	-	-	243,318	(1,578,965)	-	3,133,891	1,798,244
Transfers	-	-	-	-	-	-	-
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(36,217)	-	-	36,217	-
Transactions with equity holders of the Bank, recognised directly in equity							
Final dividend for 2023 – Scrip	843,897	-	-	-	-	(843,897)	-
Final dividend for 2023 – Cash	-	-	-	-	-	(1,265,846)	(1,265,846)
Total contributions from and distribution to equity holders	843,897	-	-	-	-	(2,109,743)	(1,265,846)
Balance as at 31 March 2024	14,710,454	3,239,968	7,457,500	(225,119)	13,779,839	29,310,722	68,273,364

Statement of Changes in Equity

Group	Attributable to the equity holders of the Bank									
	Stated Capital	Statutory reserve		Other reserves			Retained earnings	Total	Non- controlling interests	Total equity
		Reserve fund	Fair value reserve	Exchange equalization reserve	Hedging reserve	General reserve				
Balance as at 01 January 2023	13,182,025	2,874,968	(3,273,562)	822,582	(103,057)	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/ (expenses) , net of tax	-	-	2,733,781	(194,663)	2,336,508	-	-	4,875,626	-	4,875,626
Total comprehensive income / (expenses) 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)	627,919	2,233,451	13,779,839	27,940,841	60,783,794	353,788	61,137,582
Balance at 01 January 2024										
Balance at 01 January 2024	13,866,557	3,239,968	5,818,791	561,071	1,071,797	13,779,839	33,645,590	71,983,613	392,159	72,375,772
Profit for the period	-	-	-	-	-	-	3,791,221	3,791,221	33,164	3,824,385
Other comprehensive income / (expenses) , net of tax	-	-	242,605	(88,224)	(1,578,965)	-	-	(1,424,584)	-	(1,424,584)
Total comprehensive income / (expenses) for the period	-	-	242,605	(88,224)	(1,578,965)	-	3,791,221	2,366,637	33,164	2,399,801
Transfers	-	-	-	-	-	-	-	-	-	-
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(36,217)	-	-	-	36,217	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Change in holding through joint venture	-	-	-	-	-	-	-	-	-	-
Final dividend for 2023 – Scrip	843,897	-	-	-	-	-	(843,897)	-	-	-
Final dividend for 2023 – Cash	-	-	-	-	-	-	(1,265,846)	(1,265,846)	-	(1,265,846)
Total contributions from and distribution to equity holders	843,897	-	-	-	-	-	(2,109,743)	(1,265,846)	-	(1,265,846)
Balance as at 31 March 2024	14,710,454	3,239,968	6,025,179	472,847	(507,168)	13,779,839	35,363,285	73,084,404	425,323	73,509,727

Statement of Cash Flows

For the three months ended 31st March

	BANK		GROUP	
	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flows from operating activities				
Interest receipts	20,846,920	23,461,790	20,845,975	23,482,247
Interest payments	(12,877,867)	(12,475,397)	(12,909,892)	(12,486,035)
Net commission receipts	1,395,693	1,282,935	1,395,693	1,282,935
Net trading income	15,261	5,135	15,261	5,135
Recoveries from loans previously written off	20,012	-	20,012	-
Receipts from other operating activities	37,872	(537,427)	228,325	(393,747)
Payments on other operating activities	(1,620,878)	(1,234,694)	(1,577,982)	(1,178,415)
Cash payments to employees	(1,660,302)	(1,366,624)	(1,821,461)	(1,546,253)
Taxes on financial services	(1,360,573)	(734,597)	(1,360,573)	(734,597)
Operating Cash flows before changes in operating assets and liabilities	4,796,138	8,401,121	4,835,358	8,431,270
(Increase)/ decrease in operating assets:				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	995,147	1,590,279	995,147	1,590,279
Financial assets at amortised cost - Loans to and receivables from other customers	(13,124,354)	1,011,717	(13,124,354)	1,011,717
Others	(5,628,881)	(2,261,301)	(5,639,715)	(2,285,012)
Increase /(decrease) in operating liabilities:				
Financial liabilities at amortised cost - Due to depositors	34,089,042	9,068,404	33,794,548	8,435,909
Negotiable certificates of deposits	5,570	(34,131)	5,570	(34,131)
Others	553,533	969,992	585,491	1,048,912
Net cash flows from operating activities before income tax	21,686,195	18,746,081	21,452,045	18,198,944
Income tax paid	(1,002,189)	(869,718)	(1,021,511)	(873,802)
Net cash flows from operating activities	20,684,006	17,876,363	20,430,534	17,325,142
Cash flows from investing activities				
Dividend received from other investments	880,479	572,860	895,092	482,999
Government Securities- net	21,332,442	(28,489,749)	21,332,442	(28,489,749)
Proceeds from sale and redemption of securities	168,117	43,964	168,117	43,964
Purchase of financial investments	(2,516,687)	(358,963)	(2,399,021)	(358,963)
Purchase of property , equipment ,intangibles and investment property	(219,657)	(146,081)	(221,451)	(153,118)
Proceeds from sale of equipment, investment property and others	-	-	-	-
Net cash flows from / (used in) investing activities	19,644,694	(28,377,969)	19,775,179	(28,474,867)
Cash flows from financing activities				
Redemption of debentures	(3,804,760)	(2,913,470)	(3,812,220)	(2,913,470)
Issue of debentures	8,000,000	-	8,000,000	-
Borrowing , medium and long - term	314,926	767,521	314,926	767,521
Other borrowings - net	(50,789,029)	6,308,547	(50,789,029)	6,308,480
Repayment of borrowing ,medium and long - term	(3,505,827)	(2,898,855)	(3,505,827)	(2,898,855)
Dividends paid	(1,265,846)	(78)	(1,265,846)	89,783
Net Cash flows (used in) / from financing activities	(51,050,536)	1,263,665	(51,057,996)	1,353,459
Net decrease in cash and cash equivalents	(10,721,836)	(9,237,941)	(10,852,283)	(9,796,266)
Cash and cash equivalents at the beginning of the period	43,556,556	32,492,431	43,689,493	33,075,920
Cash and cash equivalents at the end of the period	32,834,720	23,254,490	32,837,210	23,279,654
Reconciliation of cash and cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	12,822,595	16,868,813	12,825,085	16,886,517
Placements with banks	20,012,125	6,385,677	20,012,125	6,393,137
	32,834,720	23,254,490	32,837,210	23,279,654

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 2024 by introducing changes to internal models to cover unseen risk factors 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 investment securities issued by Government of Sri Lanka. Accordingly, an impairment charge has been recognized to maintain a minimum provision cover of 55% on above investments.

Note 5. Net gains from trading

For the period ended 31 March

Derivative Financial Instruments

Forward exchange fair value changes from banks and other customers

Gains on financial assets fair value through profit or loss - equity securities

Foreign exchange from Banks and Other Customers**Financial assets recognized through profit or loss - measured at fair value***Government securities*

- Net marked to market gains / (losses)

- Net capital gains

Equities

- Net marked to market gains / (losses)

- Net capital gains

- Dividend income

	Bank		Group	
	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000
Forward exchange fair value changes from banks and other customers	(429,185)	(477,930)	(429,185)	(477,930)
Gains on financial assets fair value through profit or loss - equity securities	21,889	788	21,889	788
Foreign exchange from Banks and Other Customers	471,891	1,452,304	471,891	1,452,304
Financial assets recognized through profit or loss - measured at fair value				
<i>Government securities</i>				
- Net marked to market gains / (losses)	1,511	(9,974)	1,511	(9,974)
- Net capital gains	2,897	4,132	2,897	4,132
<i>Equities</i>				
- Net marked to market gains / (losses)	139,830	(78,845)	139,830	(78,845)
- Net capital gains	10,853	984	10,853	984
- Dividend income	8,677	19,944	8,677	19,944
	228,363	911,403	228,363	911,403

Note 6. Net Other Operating Income

For the period ended 31 March

Financial assets measured at fair value through other comprehensive income

Dividend income

Premises rental income

Net gains on sale of property, plant and equipment

Foreign exchange gains/ (losses)

Recovery of loans written-off

Others

	Bank		Group	
	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000
Dividend income	871,802	552,916	871,802	552,916
Premises rental income	-	-	112,989	104,223
Net gains on sale of property, plant and equipment	5,054	74	5,054	74
Foreign exchange gains/ (losses)	9,961	(23,110)	(1,926)	(27,906)
Recovery of loans written-off	20,012	-	20,012	-
Others	15,984	30,321	62,022	78,481
	922,813	560,201	1,069,953	707,788

Note 7. Financial Assets at Amortized Cost - Loans to and Receivables from Other Customers

As at	Bank		Group	
	31.03.2024	31.12.2023 (Audited)	31.03.2024	31.12.2023 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 7.1)	401,816,893	394,684,722	401,816,893	394,684,722
Less: Allowance for impairment (Note 7.2)	(46,492,245)	(45,917,256)	(46,492,245)	(45,917,256)
Net loans and receivables	355,324,648	348,767,466	355,324,648	348,767,466

Note 7.1 Loans to and Receivables from Other Customers - By product

As at	Bank		Group	
	31.03.2024	31.12.2023 (Audited)	31.03.2024	31.12.2023 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	53,619,290	50,352,343	53,619,290	50,352,343
Trade finance	33,178,477	29,793,994	33,178,477	29,793,994
Credit cards	6,893,709	6,820,265	6,893,709	6,820,265
Pawning	13,930,875	13,258,894	13,930,875	13,258,894
Staff loans	2,457,486	2,365,949	2,457,486	2,365,949
Term loans	217,198,618	223,458,741	217,198,618	223,458,741
Lease rentals receivable	17,341,123	15,404,967	17,341,123	15,404,967
	344,619,578	341,455,153	344,619,578	341,455,153
By product-Foreign Currency				
Overdrafts	860,469	884,541	860,469	884,541
Trade finance	18,772,322	18,937,076	18,772,322	18,937,076
Term loans	37,564,524	33,407,952	37,564,524	33,407,952
	57,197,315	53,229,569	57,197,315	53,229,569
Gross loans and receivables	401,816,893	394,684,722	401,816,893	394,684,722

Note 7.2 Movement in Impairment during the period

	Bank		Group	
	31.03.2024	31.12.2023 (Audited)	31.03.2024	31.12.2023 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Stage 1				
Balance at beginning	3,500,658	4,495,287	3,500,658	4,495,287
(Reversal)/ charge to income statement	(309,179)	(994,629)	(309,179)	(994,629)
Write-off during the period	-	-	-	-
Balance at end	3,191,479	3,500,658	3,191,479	3,500,658
Stage 2				
Balance at beginning	7,235,925	5,677,290	7,235,925	5,677,290
Charge to income statement	149,536	1,558,635	149,536	1,558,635
Write-off during the period	-	-	-	-
Balance at end	7,385,461	7,235,925	7,385,461	7,235,925
Stage 3				
Balance at beginning	35,180,673	23,731,223	35,180,673	23,731,223
Charge to income statement	1,006,918	11,967,805	1,006,918	11,967,805
Other movements	(272,286)	(518,355)	(272,286)	(518,355)
Balance at end	35,915,305	35,180,673	35,915,305	35,180,673
Total Impairment	46,492,245	45,917,256	46,492,245	45,917,256

Note 8 . Analysis of Commitments and Contingencies and Impairment

	As at	Bank		Group	
		31.03.2024	31.12.2023 (Audited)	31.03.2024	31.12.2023 (Audited)
		LKR 000	LKR 000	LKR 000	LKR 000
8.1	Gross commitment and contingencies	189,572,286	193,992,770	189,572,286	193,992,770
	Accumulated impairment under stage 1	639,873	625,189	639,873	625,189
	Accumulated impairment under stage 2	36,056	81,149	36,056	81,149
	Accumulated impairment under stage 3	250,000	-	250,000	-
	Net commitments and contingencies	188,646,357	193,286,432	188,646,357	193,286,432
8.2	Product-wise commitments and contingencies				
	Domestic currency				
	Credit related commitments & contingencies				
	Undrawn -Credit facilities	78,173,614	73,687,016	78,173,614	73,687,016
	Acceptances	55,128	149,688	55,128	149,688
	Documentary Letter of credit	466,215	320,305	466,215	320,305
	Guarantees	18,244,930	19,236,076	18,244,930	19,236,076
		96,939,887	93,393,085	96,939,887	93,393,085
	Other commitments & contingencies				
	Capital commitments	889,385	889,385	889,385	889,385
	Bid Bonds	568,318	627,145	568,318	627,145
		1,457,703	1,516,530	1,457,703	1,516,530
	Sub total	98,397,590	94,909,615	98,397,590	94,909,615
	Foreign currency				
	Credit related commitments & contingencies				
	Undrawn - Credit facilities	10,922,528	15,614,619	10,922,528	15,614,619
	Acceptances	5,087,471	5,522,887	5,087,471	5,522,887
	Documentary Letter of credit	10,874,057	8,182,563	10,874,057	8,182,563
	Guarantees	4,344,855	5,828,390	4,344,855	5,828,390
		31,228,911	35,148,459	31,228,911	35,148,459
	Other commitments & contingencies				
	Forward exchange contracts	59,945,785	63,934,696	59,945,785	63,934,696
	Capital commitments	-	-	-	-
		59,945,785	63,934,696	59,945,785	63,934,696
	Sub total	91,174,696	99,083,155	91,174,696	99,083,155
	Total gross commitments and contingencies	189,572,286	193,992,770	189,572,286	193,992,770

8.3	Bank	Stage 01	Stage 02	Stage 03	Total
		LKR 000	LKR 000	LKR 000	LKR 000
	Balance as at 1st January 2024	625,189	81,149	-	706,338
	Net charge to profit or loss	14,684	(45,093)	250,000	219,591
	Write-off during the year	-	-	-	-
	Balance as at 31 March 2024	639,873	36,056	250,000	925,929

	Group	Stage 01	Stage 02	Stage 03	Total
		LKR 000	LKR 000	LKR 000	LKR 000
	Balance as at 1st January 2024	625,189	81,149	-	706,338
	Net charge to profit or loss	14,684	(45,093)	250,000	219,591
	Write-off during the year	-	-	-	-
	Balance as at 31 March 2024	639,873	36,056	250,000	925,929

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

As at	Bank		Group	
	31.03.2024	31.12.2023 (Audited)	31.03.2024	31.12.2023 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	11,293,920	11,627,793	11,291,460	11,627,528
Savings deposits	61,624,050	57,892,200	61,602,203	57,844,664
Fixed deposits	268,154,753	249,984,259	267,511,211	249,469,800
Other deposits	386,476	394,262	386,476	394,262
Certificate of deposits	388,108	375,333	388,108	375,333
	341,847,307	320,273,847	341,179,458	319,711,587
By product- Foreign Currency				
Demand deposits (current accounts)	863,481	736,100	863,481	736,100
Savings deposits	27,113,992	26,213,606	27,051,997	26,176,981
Fixed deposits	65,860,367	59,999,375	65,821,208	59,957,811
Other deposits	13,194	2,385	13,194	2,385
	93,851,034	86,951,466	93,749,880	86,873,277
Total	435,698,341	407,225,313	434,929,338	406,584,864

Note 10. 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 31 March 2024 amounted to LKR 10.1 Bn. and cumulative fair value loss thereon amounted to LKR 0.3 Bn. (net of tax LKR 0.2 Bn.).

Note 11. Events after the reporting period

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

Note 12. Disclosures under Listing Rules

12.1 Comparative figures have been re-classified where necessary, to conform to the current period presentation.

During the period, 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	
	31.03.2024	31.12.2023
Number of shares of the Bank	432,658,011	421,948,655

12.3 Market price of a share

Information on shares of the Bank for the quarter ended	31.03.2024	31.12.2023
- Highest price LKR	80.00	88.00
- Lowest price LKR	65.70	75.40
- Market price LKR	76.00	79.60

12.4 Twenty Major Shareholders as at 31.03.2024

	Name of Shareholder/Company	Shareholding	%
1	Hatton National Bank PLC A/C No 1	53,964,933	12.47
2	Bank of Ceylon-No2 A/C (BOC PTF)	45,261,691	10.46
3	Sampath Bank PLC / LOLC Investment Holdings Three (Private) Limited	42,194,864	9.75
4	Mr. M.A.Yaseen	36,425,874	8.41
5	Sri Lanka Insurance Corporation Ltd-Life Fund	32,812,546	7.58
6	Employee's Provident Fund	28,995,322	6.70
7	LOLC Finance PLC/ Don & Don Holdings (Pvt) Ltd	28,151,601	6.50
8	Melstacorp PLC	26,633,027	6.15
9	Seafeld International Limited	21,080,233	4.87
10	People's Leasing & Finance PLC / Don And Don Holdings (Private) Limited	10,142,522	2.34
11	Renuka City Hotels PLC	8,241,899	1.90
12	Renuka Hotels PLC	4,846,664	1.12
13	Employees Trust Fund Board	4,745,041	1.09
14	Seylan Bank PLC / ARRC Capital (Pvt) Ltd	3,385,839	0.78
15	Akbar Brothers Pvt Ltd A/C No 1	3,229,014	0.74
16	Anverally International (Pvt) Limited	3,112,816	0.71
17	Cargo Boat Development Company PLC	2,972,468	0.68
18	Don And Don Holdings Privat Limited	2,872,839	0.66
19	Peoples Leasing & Finance PLC/Mrs.M.E. Amarasinghe	2,746,033	0.63
20	Mr. G.B.D. Tilakaratne	2,652,910	0.61

12.5 Public Holdings as at 31.03.2024

Public holdings percentage	67.01%
Number of Public shareholders	10,312
Float adjusted market capitalisation	LKR 22,036 million
Applicable option as per CSE Listing Rule 7.13.1 (i) (a)	Option 1

12.6 Directors' Interests in Shares

	No of Shares As at 31.03.2024
W D Batagoda	Nil
J Durairatnam	Nil
Ms L K A H Fernando	Nil
W R H Fernando	Nil
Ms H M N S Gunawardana	Nil
N K G K Nemmawatta	Nil
N H T I Perera	26,469
Ms V J Senaratne	2,153
Ms A L Thambiayah	107,761
N Vasantha Kumar	1,845
H A J de Silva Wijeyeratne	13,232

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

7-May-24

Listed Debentures

Debenture Category	Interest rate Frequency	Effective Rate %	Coupon Rate %	Interest rate of Comparative Government Securities (Gross) p.a. %	Balance as at 31.03.2024 LKR 000	Market price LKR			Yield Last Traded %	Last Traded Date
						Highest	Lowest	Last Traded		
Fixed Rate										
2018/2025	Annually	13.00	13.00	10.55	4,620,208	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	10.96	1,784,642	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	12.31	4,408,004	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	9.00	9.00	10.64	4,479,207	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	9.25	9.25	11.91	212,734	N/T	N/T	N/T	N/A	N/A
2024/2029	Annually	15.25	15.25	12.29	8,165,174	N/T	N/T	N/T	N/A	N/A
2024/2031	Annually	14.75	14.75	12.62	56,270	N/T	N/T	N/T	N/A	N/A

N/T -Not traded

Disclosures regarding the utilization of funds as per the objectives stated in the Debenture Prospectus

Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from Proceeds (LKR)(A)	% of Total Proceeds	Amount utilized as at 31.03.2024 (LKR)(B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: Whether lent to related party/s etc.)
To support the bank's balance sheet growth	Initial issue of LKR 5 Bn and a maximum issue of LKR 8 Bn.	Upon the allotment of the Debentures.	LKR 8 Bn	100%	LKR 8 Bn	100%	N/A
To improve the capital adequacy ratio		Over the period of twelve (12) months from the date of Allotment.	LKR 8 Bn	100%	LKR 8 Bn	100%	N/A

Selected Performance Indicators

	Bank		Group	
	31.03.2024	31.12.2023	31.03.2024	31.12.2023
Regulatory Capital (LKR '000)				
Common Equity Tier I	41,185,802	43,632,489	45,083,357	47,491,186
Tier 1 Capital	41,185,802	43,632,489	45,083,357	47,491,186
Total Capital	56,140,490	51,304,881	60,046,323	55,171,248
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum requirement - 7%)	10.391	11.490	11.336	12.464
Tier 1 Capital Ratio (Minimum requirement - 8.5%)	10.391	11.490	11.336	12.464
Total Capital Ratio (Minimum requirement - 12.5%)	14.164	13.511	15.098	14.480
Leverage Ratio (Minimum requirement is 3%)	6.60	6.25	7.18	6.77
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Total bank operations	218,062,560	189,469,687		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Total bank operations	41.11	36.63		
Total Stock of High-Quality Liquid Assets	183,710,053	151,562,260		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2024 - 100%, 2023 - 100%)	435.91	715.50		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2024 - 100% , 2023 -100%)	286.63	597.47		
Net Stable Funding Ratio (%) (Minimum requirement - 2024 - 100%, 2023 - 100%)	147.86	124.60		
Asset Quality				
Impaired Loans (Stage 3) Ratio (%)	6.97	7.03		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	49.60	49.31		
Profitability				
Interest margin %	4.48	5.18		
Return on assets (profit before tax) %	1.85	1.82		
Return on equity (profit after tax) %	10.82	12.19		
Other Ratios				
Debt to equity ratio (times)	1.58	2.54		
Interest cover (times)	3.46	2.27		

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 2024	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	12,822,595	12,822,595	-	-	12,825,085	12,825,085
Balances with Central Bank of Sri Lanka	-	-	1,112,629	1,112,629	-	-	1,112,629	1,112,629
Placements with banks	-	-	20,012,125	20,012,125	-	-	20,012,125	20,012,125
Derivative financial assets	10,778,350	-	-	10,778,350	10,778,350	-	-	10,778,350
Financial assets measured at fair value through profit or loss	4,041,918	-	-	4,041,918	4,041,918	-	-	4,041,918
Financial assets at amortised cost - Loans to and receivables from banks	-	-	-	-	-	-	-	-
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	355,324,648	355,324,648	-	-	355,324,648	355,324,648
Financial assets at amortised cost - Debt and other	-	-	68,645,020	68,645,020	-	-	68,703,266	68,703,266
Financial assets measured at fair value through other comprehensive income	-	123,326,334	-	123,326,334	-	123,326,334	-	123,326,334
Other assets	-	-	7,929,604	7,929,604	-	-	8,031,872	8,031,872
Total financial assets	14,820,268	123,326,334	465,846,621	603,993,223	14,820,268	123,326,334	466,009,625	604,156,227
Financial Liabilities								
Due to banks	-	-	4,815,996	4,815,996	-	-	4,815,996	4,815,996
Derivative financial liabilities	997,998	-	-	997,998	997,998	-	-	997,998
Financial liabilities at amortised cost -Due to depositors	-	-	435,698,341	435,698,341	-	-	434,929,338	434,929,338
Financial liabilities at amortised cost - Due to other	-	-	62,889,826	62,889,826	-	-	62,889,826	62,889,826
Debt securities issued	-	-	11,626,590	11,626,590	-	-	11,626,590	11,626,590
Other liabilities	-	-	6,496,356	6,496,356	-	-	6,861,832	6,861,832
Subordinated term debt	-	-	17,533,593	17,533,593	-	-	17,533,593	17,533,593
Total financial liabilities	997,998	-	539,060,702	540,058,700	997,998	-	538,657,175	539,655,173

	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 December 2023	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	14,478,468	14,478,468	-	-	14,483,062	14,483,062
Balances with Central Bank of Sri Lanka	-	-	2,107,776	2,107,776	-	-	2,107,776	2,107,776
Placements with banks	-	-	29,138,098	29,138,098	-	-	29,173,988	29,173,988
Derivative financial assets	16,499,171	-	-	16,499,171	16,499,171	-	-	16,499,171
Financial assets measured at fair value through profit or loss	1,740,928	-	-	1,740,928	1,740,928	-	-	1,740,928
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	348,767,466	348,767,466	-	-	348,767,466	348,767,466
Financial assets at amortised cost - Debt and other	-	-	68,031,313	68,031,313	-	-	68,094,041	68,094,041
Financial assets measured at fair value through other comprehensive income	-	134,902,765	-	134,902,765	-	134,902,765	-	134,902,765
Other assets	-	-	10,569,550	10,569,550	-	-	10,738,637	10,738,637
Total financial assets	18,240,099	134,902,765	473,092,671	626,235,535	18,240,099	134,902,765	473,364,970	626,507,834
Financial Liabilities								
Due to banks	-	-	52,793,464	52,793,464	-	-	52,793,464	52,793,464
Derivative financial liabilities	381,653	-	-	381,653	381,653	-	-	381,653
Financial liabilities at amortised cost -Due to depositors	-	-	407,225,313	407,225,313	-	-	406,584,864	406,584,864
Financial liabilities at amortised cost - Due to other	-	-	72,022,734	72,022,734	-	-	72,022,734	72,022,734
Debt securities issued	-	-	16,311,577	16,311,577	-	-	16,311,577	16,311,577
Other liabilities	-	-	5,566,307	5,566,307	-	-	5,789,243	5,789,243
Subordinated term debt	-	-	9,072,265	9,072,265	-	-	9,072,265	9,072,265
Total financial liabilities	381,653	-	562,991,660	563,373,313	381,653	-	562,574,147	562,955,800

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 market data.

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 2024	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
Financial Assets				
Derivative financial assets				
Forward foreign exchange contracts		10,778,350		10,778,350
Financial assets measured at fair value through profit or loss				
Government of Sri Lanka Treasury Bills and Bonds	363,763			363,763
Equity securities - quoted	1,617,564			1,617,564
Units in unit trusts - Quoted	3,740			3,740
Units in unit trusts - Unquoted		2,056,850		2,056,850
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	104,493,336			104,493,336
US Treasury Bill	1,780,638			1,780,638
Sri Lanka Sovereign bonds	-			-
Equity shares- quoted	16,814,374			16,814,374
Equity shares- unquoted			237,985	237,985
	125,073,415	12,835,200	237,985	138,146,600
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts		997,998		997,998
	-	997,998	-	997,998

As at 31st December 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		16,499,171		16,499,171
Financial assets measured at fair value through profit or loss				
Government of Sri Lanka Treasury Bills and Bonds	532,932			532,932
Equity securities - quoted	1,169,294			1,169,294
Units in unit trusts - Quoted	3,740			3,740
Units in unit trusts - Unquoted		34,962		34,962
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	117,448,154			117,448,154
US Treasury Bill	949,477			949,477
Sri Lanka Sovereign bonds	-			-
Equity shares- quoted	16,267,149			16,267,149
Equity shares- unquoted			237,985	237,985
	136,370,746	16,534,133	237,985	153,142,864
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	381,653	-	381,653
	-	381,653	-	381,653

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 2024		As at 31st December 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	12,822,595	12,822,595	14,478,468	14,478,468
Balances with Central Bank of Sri Lanka	1,112,629	1,112,629	2,107,776	2,107,776
Placements with banks	20,012,125	20,012,125	29,138,098	29,138,098
Financial assets at amortised cost - Loans to and receivables from other customers	355,324,648	331,973,782	348,767,466	322,590,049
Financial assets at amortised cost - Debt and other instruments	68,645,020	68,263,607	68,031,313	73,712,323
Other assets	7,929,604	7,929,604	10,569,550	10,569,550
Financial Liabilities				
Due to banks	4,815,996	4,815,996	52,793,464	52,793,464
Financial liabilities at amortised cost - due to depositors	435,698,341	432,195,397	407,225,313	427,279,084
Financial liabilities at amortised cost - due to other borrowers	62,889,826	62,889,826	72,022,734	72,022,734
Debt securities in issue	11,626,590	11,387,535	16,311,577	15,579,739
Other liabilities	6,496,356	6,496,356	5,566,307	5,566,307
Subordinated term debt	17,533,593	10,904,678	9,072,265	8,340,427

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	
	2024	2023
	LKR 000	LKR 000
Balance at 1 January	254,551	237,985
Purchased during the year		
Gain included in OCI		
– Net change in fair value (unrealised)		16,566
Balance at end of the period	254,551	254,551

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	Decrease
	LKR 000	LKR 000
Equity securities as at 31.03.2024		
Adjusted net assets value (5% movement)	12,728	(12,728)

OPERATING SEGMENTS - GROUP

Information about reportable segments

For the period ended 31st March	Corporate Banking		Retail Banking		Treasury		Other		Unallocated		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Net interest income	716,509	1,440,110	2,818,350	2,981,375	2,524,156	4,321,515	20,899	29,089	978,553	(398,100)	7,058,467	8,373,989
Net fees and commission income	283,893	467,443	614,394	809,727	(11,360)		(141)	(306)	88,259	(212,761)	975,045	1,064,103
Net gains from trading	36,166	154,736	28,793	65,077	163,404	691,590	-	-	-	-	228,363	911,403
Net gains from derecognition of financial assets	-	-	-	-	1,880,079	132,790	-	-	-	-	1,880,079	132,790
Net other operating income	16,283	(2)	18,125	(756)	26,744	(21,483)	147,140	147,587	861,661	582,442	1,069,953	707,788
Total operating income	1,052,851	2,062,287	3,479,662	3,855,423	4,583,023	5,124,412	167,898	176,370	1,928,473	(28,419)	11,211,907	11,190,073
Impairment for loans and other losses	(268,523)	(3,054,487)	(161,944)	(1,150,296)	(737,273)	(10,919)			(416,808)	(475,214)	(1,584,548)	(4,690,916)
Net operating income/ Segment Result	784,328	(992,200)	3,317,718	2,705,127	3,845,750	5,113,493	167,898	176,370	1,511,665	(503,633)	9,627,359	6,499,157
Operating profit after taxes on financial services											4,821,045	2,786,445
Share of profits of associate and joint venture											633,564	214,667
Income tax expense											(1,630,224)	(939,158)
Non-controlling interest											33,164	47,638
Net profit for the period, attributable to equity holders of the Bank											3,791,221	2,014,316

As at 31st March	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Segment assets	142,363,157	147,107,216	205,904,454	201,917,744	239,960,084	185,223,819	1,108,709	1,007,548	35,234,559	44,172,478	624,570,962	579,428,805
Segment liabilities	73,617,048	60,584,088	361,912,254	315,596,469	97,864,003	127,786,630	656,004	576,811	17,011,925	13,747,225	551,061,234	518,291,223

For the period ended 31st March	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Information on cash flows												
Cash flows from operating activities	-	-	-	-	-	-	-	-	-	-	20,430,534	17,325,142
Cash flows from investing activities	-	-	-	-	-	-	-	-	-	-	19,775,179	(28,474,867)
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	(51,057,996)	1,353,459
Net cash flows generated during the year	-	-	-	-	-	-	-	-	-	-	(10,852,283)	(9,796,266)
Capital expenditure:												
Property, plant and equipment	-	-	-	8,983	-	-	100,451	-	-	-	100,451	8,983
Intangible assets	-	-	-	-	-	-	9,836	-	-	-	9,836	-
Total capital expenditure											110,287	8,983