



Resilience Rewarded: DFCC Bank's Strong Financial Performance amidst the ongoing revival of the economy

- Group Net Operating Income, up by 36% to LKR 17 Bn
- Impairment charge for loans and receivables, reduced by 75% to LKR 1.9 Bn with the revival of the economic environment.
- Group Profit After Tax, up by 46% to LKR 5.7 Bn
- Group Total Capital Adequacy Ratio – 16.89%

Leveraging improvements across several macroeconomic indicators, DFCC Bank has adapted to the improved operating environment, which has helped stabilise and support operational flexibility within the Bank and the wider industry. The Bank has also utilised these positive trends in the macroeconomic environment to support strong financial performance by harnessing opportunities available in the market.

During the period under review, DFCC Bank has continued to record good key performance indicators, reflecting the entity's growth and stability amidst the ongoing revival of economic activity. In line with the eased monetary policy stance of the Central Bank, market interest rates continued to adjust downwards. However, the adjustments, particularly of lending interest rates, remained weaker than the adjustments to deposit interest rates, with the expectation of credit extending to the private sector by Licensed Commercial Banks. The Bank has reduced lending and deposit rates in line with the prevailing accommodative monetary policy stance. As a result, the lending portfolio has increased by 3% as of 30 June 2024.

The Net Interest Income (NII) in the 1st half of 2024 was significantly impacted by the Bank's decision to lower interest rates, which led to an 11% reduction in NII. Nonetheless, the Bank's profitability was managed by well-executed business plans, heightened caution, and aggressive risk management techniques. With the changes in interest rates, the Bank has disposed of part of its government securities holdings classified as FVOCI to realise a gain of LKR 2.1 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 it to maintain profitability whilst providing high-quality customer centric banking services.

The following commentary relates to the unaudited Financial Statements for the period ended 30 June 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 7,237 Mn and a Profit After Tax (PAT) of LKR 4,654 Mn for the period ended 30 June 2024 compared with the previous period's PBT of LKR 5,110 Mn and a PAT of LKR 3,205 Mn. The Group recorded a PBT of LKR 8,342 Mn and PAT of LKR 5,739 Mn for the period ended 30 June 2024 as compared to LKR 5,867 Mn and LKR 3,923 Mn, respectively, in 2023. The Bank's Return on Equity (ROE) improved to 12.16% during the period ended 30 June 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 30 June 2024 is 2.11% 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 4,754 Mn for the period ending 30 June 2024. As a result, the Bank's tax expense as a percentage of operating profit for the period stood at 50.53%.

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 during the period under review and are expected to transmit the benefit of policy easing thus far by continuing the downward adjustments in lending interest rates. 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 1st half of 2023.

The Bank's Net Interest Income (NII), which is its core business, decreased by 11% to reach LKR 13,723 Mn by the period end of June 2024. The interest margin decreased from 5.18% in December 2023 to 4.31% by June 2024.

Fee and Commission Income

With the tariff reduction for remittances, fee income has reduced compared to 1st half of 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 were also increased, resulting in reduced net fee and commission income. Accordingly, net fee and commission income have decreased by 2% to LKR 1,906 Mn for the period ended 30 June 2024, compared to LKR 1,945 Mn for the comparative period in 2023.

Net Gains from De-recognition of Financial Assets

The Bank has disposed a portion of its Sri Lankan government securities classified under FVOCI, resulting in a gain of LKR 2,056 Mn, underscoring the efficacy of our strategic decisions. Conversely, the sale of a part of the Bank's International Sovereign Bond (ISB) holdings incurred a loss of LKR 2,172 Mn. However, this was offset by the reversal of an impairment provision of LKR 2,453 Mn on the disposal of ISB, which positively impacted the overall income statement for the period.

Impairment Charge on Loans and Other Losses

The impaired loan (stage 3) ratio decreased from 7.03% in December 2023 to 6.89% as of 30 June 2024 due to 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.

Accordingly, reflecting positive macroeconomic indicators and recoveries, the impairment charges for loans and advances improved to LKR 1,955 Mn for the period ended 30 June 2024, compared to LKR 7,787 Mn in the comparable period.

Operating Expenses

Operating expenses for the period ended 30 June 2024 increased to LKR 7,198 Mn compared with LKR 5,488 Mn during the corresponding period in 2023, primarily due to the increase in inflation and the adjustment to staff benefits. However, the Bank has taken numerous cost control measures, resulting in operating expenses being curtailed and managed at these levels.

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 net fair value gain of LKR 1,946 Mn was recorded on account of equity securities as at 30 June 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 bill and bond yields also resulted in a fair value gain of LKR 1,622 Mn.

Business Growth

Assets

The Bank saw a decline in total assets by LKR 4 Bn, which amounted to a decline of 1% from December 2023, mainly due to the strategic decision taken by the Bank to repay part of the liabilities due to banks which were at a higher cost by utilising short term investments and appreciation of the Sri Lanka Rupee compared to 31 December 2023. However, with the revival of economic activity and reduced lending interest rates, the net loan portfolio has reached LKR 358 Bn as at 30 June 2024, which is a 3% growth compared with the balance as at 31 December 2023.

Liabilities

The DFCC Bank's total liabilities decreased by LKR 8 Bn, recording a decline of 1% 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. However, the Bank's deposit base experienced a growth of 8% during the period, recording an increase of LKR 34 Bn to LKR 441 Bn, up from LKR 407 Bn as at 31 December 2023. This resulted in recording an improved loan-to-deposit ratio of 91.89%. Further, the CASA ratio reached 25.23% as at 30 June 2024. The Bank's funding costs also included 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 improves to 33.24%, and the loans-to-deposit ratio improves to 82.05% as at 30 June 2024.

Equity and Compliance with Capital Requirements

DFCC Bank's total equity increased to LKR 71.1 Bn as at 30 June 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 4.7 Bn. There is a realized gains of LKR 1.3 Bn from the disposal of equity securities including a part of investment in Commercial Bank of Ceylon PLC

during the period. Accordingly, Tier 1 and Total Capital ratios were recorded at 12.220% and 15.974% by 30 June 2024, compared to 11.490% and 13.511%, respectively, as at 31 December 2023. The Bank's Net Stable Funding Ratio (NSFR) was 137.36%, and Liquidity Coverage Ratio (LCR) – all currency – was 322.31% as at 30 June 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

Despite previously challenging economic conditions, which are improving, DFCC Bank has remained resilient, achieving robust financial growth. Our commitment to “profit with purpose” has driven a 46% increase in Group Profit After Tax, reaching LKR 5.7 Bn, and a 36% rise in Group Net Operating Income to LKR 17 Bn. This success reflects our strategic adaptation to an evolving economic landscape, underpinned by our rigorous risk management and digitally-driven, customer-centric approach.

Our substantial reduction in impairment charges for loans and receivables by 75% to LKR 1.9 Bn underscores our ability to capitalise on favourable macroeconomic trends. Thus, we remain dedicated to supporting economic revival and fostering sustainable growth within the organisation, industry, and broader national economy. As we move forward, we will continue to leverage opportunities to deliver value to our stakeholders, whilst retaining the loyalty of our customers, supporting our communities, and maintaining our commitment to responsible, purposeful banking.

Thimal Perera

Director/Chief Executive Officer

09 August 2024

DFCC Bank PLC
Income Statement

For the six months ended 30 June	Notes	Bank						Group					
		For the period ended			For the quarter ended			For the period ended			For the quarter ended		
		30.06.2024 LKR 000	30.06.2023 LKR 000	Change %	30.06.2024 LKR 000	30.06.2023 LKR 000	Change %	30.06.2024 LKR 000	30.06.2023 LKR 000	Change %	30.06.2024 LKR 000	30.06.2023 LKR 000	Change %
Gross Income		45,628,063	56,057,501	(19)	20,580,230	27,176,625	(24)	45,987,728	56,356,799	(18)	20,792,219	27,328,286	(24)
Interest income		39,140,615	50,736,975	(23)	18,561,073	24,822,277	(25)	39,153,154	50,738,151	(23)	18,572,935	24,823,097	(25)
Interest expenses		25,417,282	35,261,675	(28)	11,875,307	17,691,878	(33)	25,376,763	35,201,660	(28)	11,855,011	17,660,595	(33)
Net interest income		13,723,333	15,475,300	(11)	6,685,766	7,130,399	(6)	13,776,391	15,536,491	(11)	6,717,924	7,162,502	(6)
Fee and commission income		2,856,822	2,542,370	12	1,419,786	1,180,586	20	2,856,432	2,541,918	12	1,419,537	1,180,440	20
Fee and commission expenses		951,299	597,468	59	489,449	300,093	63	951,299	597,468	59	489,449	300,093	63
Net fee and commission income		1,905,523	1,944,902	(2)	930,337	880,493	6	1,905,133	1,944,450	(2)	930,088	880,347	6
Net gains from trading	5	592,306	1,392,375	(57)	363,943	480,972	(24)	592,306	1,392,375	(57)	363,943	480,972	(24)
Net (losses)/ gains from derecognition of financial assets													
At amortised cost		(2,171,610)	-	(100)	(2,171,610)	-	(100)	(2,171,610)	-	(100)	(2,171,610)	-	(100)
Fair value through other comprehensive income		2,056,544	782,104	163	176,465	649,314	(73)	2,056,544	782,104	163	176,465	649,314	(73)
Net other operating income	6	981,776	603,677	63	58,963	43,476	36	1,329,292	902,251	47	259,339	194,463	33
Total operating income		17,087,872	20,198,358	(15)	6,043,864	9,184,654	(34)	17,488,056	20,557,671	(15)	6,276,149	9,367,598	(33)
Impairment charge for loans and other losses													
Loans to and receivables from other customers		1,954,852	7,786,914	(75)	1,107,577	3,106,917	(64)	1,954,852	7,786,914	(75)	1,107,577	3,106,917	(64)
Other financial assets		(1,473,638)	309,487	(576)	(2,210,911)	298,568	(841)	(1,473,638)	309,487	(576)	(2,210,911)	298,568	(841)
Net operating income		16,606,658	12,101,957	37	7,147,198	5,779,169	24	17,006,842	12,461,270	36	7,379,483	5,962,113	24
Operating expenses													
Personnel expenses		3,475,510	2,260,322	54	1,869,130	1,030,226	81	3,586,739	2,391,534	50	1,933,993	1,098,243	76
Depreciation and amortisation		569,554	559,527	2	287,382	286,798	0	605,353	591,528	2	308,754	298,153	4
Other expenses		3,153,369	2,667,926	18	1,602,516	1,333,411	20	3,165,171	2,633,508	20	1,595,570	1,309,244	22
Total operating expenses		7,198,433	5,487,775	31	3,759,028	2,650,435	42	7,357,263	5,616,570	31	3,838,317	2,705,640	42
Operating profit before taxes on financial services		9,408,225	6,614,182	42	3,388,170	3,128,734	8	9,649,579	6,844,700	41	3,541,166	3,256,473	9
Taxes on financial services		2,171,693	1,504,450	44	884,325	702,668	26	2,171,693	1,504,450	44	884,325	702,668	26
Operating profit after taxes on financial services		7,236,532	5,109,732	42	2,503,845	2,426,066	3	7,477,886	5,340,250	40	2,656,841	2,553,805	4
Share of profits of associate and joint venture		-	-	-	-	-	-	864,447	526,340	64	230,883	311,673	(26)
Profit before income tax		7,236,532	5,109,732	42	2,503,845	2,426,066	3	8,342,333	5,866,590	42	2,887,724	2,865,478	1
Income tax expense		2,582,138	1,904,455	36	983,342	969,528	1	2,603,610	1,943,332	34	973,386	1,004,174	(3)
Profit for the period		4,654,394	3,205,277	45	1,520,503	1,456,538	4	5,738,723	3,923,258	46	1,914,338	1,861,304	3
Profit attributable to:													
Equity holders of the Bank		4,654,394	3,205,277	45	1,520,503	1,456,538	4	5,639,047	3,838,049	47	1,847,826	1,823,733	1
Non-controlling interests		-	-	-	-	-	-	99,676	85,209	17	66,512	37,571	77
Profit for the period		4,654,394	3,205,277	45	1,520,503	1,456,538	4	5,738,723	3,923,258	46	1,914,338	1,861,304	3
Basic/Diluted earnings per ordinary share (LKR)		10.87	7.74	40	3.55	3.52	1	13.17	9.27	42	4.31	4.41	(2)

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

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank			Group		
		30.06.2024	31.12.2023 (Audited)	Change	30.06.2024	31.12.2023 (Audited)	Change
		LKR 000	LKR 000	%	LKR 000	LKR 000	%
Assets							
Cash and cash equivalents		11,229,356	14,478,468	(22)	11,243,897	14,483,062	(22)
Balances with Central Bank of Sri Lanka		2,210,442	2,107,776	5	2,210,442	2,107,776	5
Placements with banks		24,699,374	29,138,098	(15)	24,699,374	29,173,988	(15)
Derivative financial assets		10,947,872	16,499,171	(34)	10,947,872	16,499,171	(34)
Financial assets measured at fair value through profit or loss		4,492,002	1,740,928	158	4,492,002	1,740,928	158
Financial assets at amortised cost - Loans to and receivables from other customers.	7	357,638,900	348,767,466	3	357,638,900	348,767,466	3
Financial assets at amortised cost - Debt and other instruments		81,038,146	68,031,313	19	81,097,795	68,094,041	19
Financial assets measured at fair value through other comprehensive income		124,419,381	134,902,765	(8)	124,419,381	134,902,765	(8)
Investments in subsidiaries		237,035	237,035	0	-	-	-
Investment in associate		33,169	33,169	(0)	37,549	36,844	2
Investment in joint venture		755,000	755,000	-	5,030,534	4,402,238	14
Investment property		9,879	9,879	-	456,577	468,385	(3)
Property, plant and equipment		3,449,931	3,499,737	(1)	3,683,314	3,704,411	(1)
Intangible assets and goodwill		1,759,937	1,926,287	(9)	1,931,380	2,101,256	(8)
Deferred tax assets		4,690,809	5,407,626	(13)	4,698,609	5,415,426	(13)
Other assets		8,567,999	12,963,406	(34)	8,869,590	13,170,641	(33)
Total assets		636,179,232	640,498,124	(1)	641,457,216	645,068,398	(1)
Liabilities							
Due to banks		3,089,072	52,793,464	(94)	3,089,072	52,793,464	(94)
Derivative financial liabilities		434,928	381,653	14	434,928	381,653	14
Financial liabilities at amortised cost - Due to depositors	9	440,891,582	407,225,313	8	440,035,947	406,584,864	8
Financial liabilities at amortised cost - Due to other borrowers		80,434,431	72,022,734	12	80,434,431	72,022,734	12
Debt securities in issue		11,421,953	16,311,577	(30)	11,421,953	16,311,577	(30)
Employee benefits		1,425,842	1,371,126	4	1,449,943	1,400,921	3
Current tax liabilities		1,448,064	4,426,683	(67)	1,532,843	4,535,557	(66)
Deferred tax liabilities		-	-	-	104,894	104,276	1
Other liabilities		8,405,639	9,152,343	(8)	8,841,796	9,485,315	(7)
Subordinated term debt		17,529,774	9,072,265	93	17,529,774	9,072,265	93
Total liabilities		565,081,285	572,757,158	(1)	564,875,581	572,692,626	(1)
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		32,052,057	28,250,357	13	38,449,464	33,645,590	14
Other reserves		21,095,468	22,384,084	(6)	19,689,914	21,231,498	(7)
Total equity attributable to equity holders of the Bank		71,097,947	67,740,966	5	76,089,800	71,983,613	6
Non-controlling interests		-	-	-	491,835	392,159	25
Total equity		71,097,947	67,740,966	5	76,581,635	72,375,772	6
Total equity and liabilities		636,179,232	640,498,124	(1)	641,457,216	645,068,398	(1)
Contingent liabilities and commitments							
		217,156,894	193,992,770	12	217,156,894	193,992,770	12
Net assets value per share, LKR		164.33	160.54	2	175.87	170.60	3

Memorandum Information	Bank		Group	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Number of Employees	2,206	2,109	2,310	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	-	-	-	-	-	3,205,277	3,205,277
Other comprehensive income, net of tax	-	-	4,482,332	348,385	-	-	4,830,717
Total comprehensive income for the period	-	-	4,482,332	348,385	-	3,205,277	8,035,994
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(10,751)	-	-	10,751	-
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 June 2023	13,866,557	2,874,968	2,639,391	463,792	13,779,839	25,011,594	58,636,141
Balance as at 01 January 2024							
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	-	-	-	-	-	4,654,394	4,654,394
Other comprehensive income/(expenses), net of tax	-	-	1,642,821	(1,674,388)	-	-	(31,567)
Total comprehensive income for the period	-	-	1,642,821	(1,674,388)	-	4,654,394	4,622,827
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(1,257,049)	-	-	1,257,049	-
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 30 June 2024	14,710,454	3,239,968	7,636,171	(320,542)	13,779,839	32,052,057	71,097,947

Statement of Changes in Equity

	Attributable to the equity holders of the Bank									
	Statutory reserve			Other reserves			Retained earnings	Total	Non- controlling interests	Total equity
	Stated Capital	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
Group										
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	-	-	-	-	-	-	3,838,049	3,838,049	85,209	3,923,258
Other comprehensive income/ (expenses) , net of tax	-	-	4,506,805	(359,119)	348,385	-	-	4,496,071	-	4,496,071
Total comprehensive income / (expenses) for the period	-	-	4,506,805	(359,119)	348,385	-	3,838,049	8,334,120	85,209	8,419,329
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(10,751)	-	-	-	10,751	-	-	-
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 30 June 2023	13,866,557	2,874,968	1,222,492	463,463	245,328	13,779,839	29,775,325	62,227,972	391,359	62,619,331
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	-	-	-	-	-	-	5,639,047	5,639,047	99,676	5,738,723
Other comprehensive income / (expenses) , net of tax	-	-	1,640,804	(115,435)	(1,809,904)	-	(175)	(284,710)	-	(284,710)
Total comprehensive income / (expenses) for the period	-	-	1,640,804	(115,435)	(1,809,904)	-	5,638,872	5,354,337	99,676	5,454,013
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(1,257,049)	-	-	-	1,257,049	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Change in holding through joint venture	-	-	-	-	-	-	17,696	17,696	-	17,696
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	-	-	-	-	-	(2,092,047)	(1,248,150)	-	(1,248,150)
Balance as at 30 June 2024	14,710,454	3,239,968	6,202,546	445,636	(738,107)	13,779,839	38,449,464	76,089,800	491,835	76,581,635

Statement of Cash Flows

For the six months ended 30th June

	BANK		GROUP	
	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000
Cash flows from operating activities				
Interest receipts	39,706,531	49,613,382	39,754,366	49,672,110
Interest payments	(28,483,805)	(30,593,464)	(28,495,541)	(30,578,334)
Net commission receipts	2,806,630	2,467,293	2,806,630	2,467,293
Net trading income	4,028	10,851	4,028	10,851
Recoveries from loans previously written off	20,012	-	20,012	-
Receipts from other operating activities	26,662	69,728	410,056	335,495
Payments on other operating activities	(4,160,337)	(3,072,532)	(4,025,520)	(2,905,042)
Cash payments to employees	(3,419,932)	(2,330,660)	(3,775,834)	(2,683,911)
Taxes on financial services	(2,454,878)	(1,467,599)	(2,454,878)	(1,467,599)
Operating Cash flows before changes in operating assets and liabilities	4,044,911	14,696,999	4,243,319	14,850,863
(Increase)/ decrease in operating assets:				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	(102,666)	5,886,596	(102,666)	5,886,596
Financial assets at amortised cost - Loans to and receivables from other customers	(16,522,960)	7,045,774	(16,522,960)	7,045,774
Others	(1,208,056)	1,559,159	(1,248,948)	1,453,241
Increase /(decrease) in operating liabilities:				
Financial liabilities at amortised cost - Due to depositors	41,276,215	17,070,920	40,966,690	17,036,426
Negotiable certificates of deposits	(253,538)	(903,095)	(253,538)	(903,095)
Others	396,276	677,177	342,125	763,851
Net cash flows from operating activities before income tax	27,630,182	46,033,530	27,424,022	46,133,656
Income tax paid	(3,995,620)	(1,624,035)	(4,024,072)	(1,680,730)
Net cash flows from operating activities	23,634,562	44,409,495	23,399,950	44,452,926
Cash flows from investing activities				
Dividend received from other investments	672,422	46,396	672,422	46,396
Government Securities- net	3,994,323	(55,578,970)	3,994,323	(55,578,970)
Proceeds from sale and redemption of securities	3,511,077	180,016	3,511,077	180,016
Purchase of financial investments	(3,169,688)	(237,068)	(3,052,023)	(237,068)
Purchase of property, equipment, intangibles and investment property	(488,930)	(540,970)	(490,724)	(549,512)
Net cash flows from / (used in) investing activities	4,519,204	(56,130,596)	4,635,075	(56,139,138)
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	1,460,714	1,328,523	1,460,714	1,328,523
Other borrowings - net	(33,105,263)	7,002,500	(33,105,263)	7,002,500
Repayment of borrowing, medium and long - term	(7,066,437)	(4,924,859)	(7,066,437)	(4,924,859)
Dividends paid	(1,265,846)	(120,878)	(1,265,846)	(120,878)
Net cash flows (used in) / from financing activities	(35,781,592)	371,816	(35,789,052)	371,816
Net decrease in cash and cash equivalents	(7,627,826)	(11,349,285)	(7,754,027)	(11,314,396)
Cash and cash equivalents at the beginning of the period	43,556,556	31,347,257	43,697,298	31,369,128
Cash and cash equivalents at the end of the period	35,928,730	19,997,972	35,943,271	20,054,732
Reconciliation of cash and cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	11,229,356	12,551,455	11,243,897	12,573,755
Placements with banks	24,699,374	7,446,517	24,699,374	7,480,977
	35,928,730	19,997,972	35,943,271	20,054,732

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 June 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

	Bank		Group	
For the period ended 30 June	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000
Derivative Financial Instruments				
Forward exchange fair value changes from banks and other customers	(47,168)	(44,746)	(47,168)	(44,746)
Gains on financial assets fair value through profit or loss - equity securities	77,989	2,534	77,989	2,534
Foreign exchange from Banks and Other Customers	212,967	1,559,666	212,967	1,559,666
Financial assets recognized through profit or loss - measured at fair value				
<i>Government securities</i>				
- Net marked to market gains / (losses)	7,346	(8,750)	7,346	(8,750)
- Net capital gains	4,856	6,685	4,856	6,685
<i>Equities</i>				
- Net marked to market gains / (losses)	328,951	(149,258)	328,951	(149,258)
- Net capital (losses) / gains	(8,174)	4,166	(8,174)	4,166
- Dividend income	15,539	22,078	15,539	22,078
	592,306	1,392,375	592,306	1,392,375

Note 6. Net Other Operating Income

	Bank		Group	
For the period ended 30 June	2024	2023	2024	2023
	LKR 000	LKR 000	LKR 000	LKR 000
Financial assets measured at fair value through other comprehensive income				
Dividend income	927,742	576,150	927,742	576,150
Premises rental income	-	-	233,296	210,549
Net gains on sale of property, plant and equipment	5,026	1,471	5,026	1,471
Foreign exchange gains/ (losses)	2,334	(27,604)	(5,549)	(35,151)
Recovery of loans written-off	20,012	-	20,272	-
Others	26,662	53,660	148,505	149,232
	981,776	603,677	1,329,292	902,251

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

As at	Bank		Group	
	30.06.2024	31.12.2023 (Audited)	30.06.2024	31.12.2023 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 7.1)	405,142,145	394,684,722	405,142,145	394,684,722
Less: Allowance for impairment (Note 7.2)	(47,503,245)	(45,917,256)	(47,503,245)	(45,917,256)
Net loans and receivables	357,638,900	348,767,466	357,638,900	348,767,466

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

As at	Bank		Group	
	30.06.2024	31.12.2023 (Audited)	30.06.2024	31.12.2023 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	51,130,068	50,352,343	51,130,068	50,352,343
Trade finance	33,289,763	29,793,994	33,289,763	29,793,994
Credit cards	7,190,191	6,820,265	7,190,191	6,820,265
Pawning	14,260,293	13,258,894	14,260,293	13,258,894
Staff loans	2,554,081	2,365,949	2,554,081	2,365,949
Term loans	217,526,523	223,458,741	217,526,523	223,458,741
Lease rentals receivable	19,750,966	15,404,967	19,750,966	15,404,967
	345,701,885	341,455,153	345,701,885	341,455,153
By product-Foreign Currency				
Overdrafts	1,094,569	884,541	1,094,569	884,541
Trade finance	19,413,954	18,937,076	19,413,954	18,937,076
Term loans	38,931,737	33,407,952	38,931,737	33,407,952
	59,440,260	53,229,569	59,440,260	53,229,569
Gross loans and receivables	405,142,145	394,684,722	405,142,145	394,684,722

Note 7.2 Movement in Impairment during the period

	Bank		Group	
	30.06.2024	31.12.2023 (Audited)	30.06.2024	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 to income statement	(348,342)	(994,629)	(348,342)	(994,629)
Balance at end	3,152,316	3,500,658	3,152,316	3,500,658
Stage 2				
Balance at beginning	7,235,925	5,677,290	7,235,925	5,677,290
(Reversal)/ charge to income statement	(200,021)	1,558,635	(200,021)	1,558,635
Balance at end	7,035,904	7,235,925	7,035,904	7,235,925
Stage 3				
Balance at beginning	35,180,673	23,731,223	35,180,673	23,731,223
Charge to income statement	2,503,233	11,967,805	2,503,233	11,967,805
Other movements	(368,881)	(518,355)	(368,881)	(518,355)
Balance at end	37,315,025	35,180,673	37,315,025	35,180,673
Total Impairment	47,503,245	45,917,256	47,503,245	45,917,256

Note 8 . Analysis of Commitments and Contingencies and Impairment

	As at	Bank		Group	
		30.06.2024	31.12.2023 (Audited)	30.06.2024	31.12.2023 (Audited)
		LKR 000	LKR 000	LKR 000	LKR 000
8.1	Gross commitment and contingencies	217,156,894	193,992,770	217,156,894	193,992,770
	Accumulated impairment under stage 1	644,526	625,189	644,526	625,189
	Accumulated impairment under stage 2	99,952	81,149	99,952	81,149
	Accumulated impairment under stage 3	363,502	-	363,502	-
	Net commitments and contingencies	216,048,914	193,286,432	216,048,914	193,286,432
8.2	Product-wise commitments and contingencies				
	Domestic currency				
	Credit related commitments and contingencies				
	Undrawn -Credit facilities	96,622,994	73,687,016	96,622,994	73,687,016
	Acceptances	77,466	149,688	77,466	149,688
	Documentary Letter of credit	522,699	320,305	522,699	320,305
	Guarantees	18,857,230	19,236,076	18,857,230	19,236,076
		116,080,389	93,393,085	116,080,389	93,393,085
	Other commitments and contingencies				
	Capital commitments	206,798	889,385	206,798	889,385
	Bid Bonds	775,428	627,145	775,428	627,145
		982,226	1,516,530	982,226	1,516,530
	Sub total	117,062,615	94,909,615	117,062,615	94,909,615
	Foreign currency				
	Credit related commitments and contingencies				
	Undrawn - Credit facilities	16,276,865	15,614,619	16,276,865	15,614,619
	Acceptances	6,224,295	5,522,887	6,224,295	5,522,887
	Documentary Letter of credit	11,155,499	8,182,563	11,155,499	8,182,563
	Guarantees	3,773,936	5,828,390	3,773,936	5,828,390
		37,430,595	35,148,459	37,430,595	35,148,459
	Other commitments and contingencies				
	Forward exchange contracts	62,381,392	63,934,696	62,381,392	63,934,696
	Capital commitments	266,986	-	266,986	-
	Bid Bonds	15,306	-	15,306	-
		62,663,684	63,934,696	62,663,684	63,934,696
	Sub total	100,094,279	99,083,155	100,094,279	99,083,155
	Total gross commitments and contingencies	217,156,894	193,992,770	217,156,894	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	19,337	18,803	363,502	401,642
	Write-off during the year	-	-	-	-
	Balance as at 30 June 2024	644,526	99,952	363,502	1,107,980

	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	19,337	18,803	363,502	401,642
	Write-off during the year	-	-	-	-
	Balance as at 30 June 2024	644,526	99,952	363,502	1,107,980

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

As at	Bank		Group	
	30.06.2024	31.12.2023 (Audited)	30.06.2024	31.12.2023 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	13,216,298	11,627,793	13,216,134	11,627,528
Savings deposits	66,827,067	57,892,200	66,736,896	57,844,664
Fixed deposits	256,922,189	249,984,259	256,252,751	249,469,800
Other deposits	2,136,757	394,262	2,136,757	394,262
Certificate of deposits	108,670	375,333	108,670	375,333
	339,210,981	320,273,847	338,451,208	319,711,587
By product- Foreign Currency				
Demand deposits (current accounts)	1,464,242	736,100	1,464,242	736,100
Savings deposits	29,093,113	26,213,606	29,037,732	26,176,981
Fixed deposits	71,123,246	59,999,375	71,082,765	59,957,811
Other deposits	-	2,385	-	2,385
	101,680,601	86,951,466	101,584,739	86,873,277
Total	440,891,582	407,225,313	440,035,947	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 30 June 2024 amounted to LKR 9.8 Bn. and cumulative fair value loss thereon amounted to LKR 0.2 Bn. (net of tax LKR 0.1 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 other than below.

11.1 Proposed Green Bond Issue

The Board of Directors of DFCC bank PLC at the meeting held on 31 July 2024 has decided to issue Senior, Listed, Rated, Unsecured, Redeemable Green Bonds with a term of 3 years to the value of Rupees Two Thousand Million (LKR 2,000,000,000) with a possible Greenshoe option to issue up to Rupees Two Thousand Five Hundred Million (LKR 2,500,000,000) at the discretion of the Bank in the event of an over subscription, subject to obtaining all necessary regulatory and other approvals. The interest rates to be decided closer to the finalization of the Trust Deed based on the market rates prevailing at that point in time.

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	
	30.06.2024	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	30.06.2024	31.12.2023
- Highest price LKR	84.00	88.00
- Lowest price LKR	76.00	75.40
- Market price LKR	77.80	79.60

12.4 Twenty Major Shareholders as at 30.06.2024

	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	Seylan Bank PLC / ARRC Capital (Pvt) Ltd	5,307,954	1.22
13	Renuka Hotels PLC	4,846,664	1.12
14	Employees Trust Fund Board	4,745,041	1.09
15	Cargo Boat Development Company PLC	3,277,180	0.75
16	Akbar Brothers Pvt Ltd A/C No 1	3,229,014	0.74
17	Don And Don Holdings Privat Limited	2,872,839	0.66
18	Peoples Leasing & Finance PLC/Mrs.M.E. Amarasinghe	2,577,938	0.59
19	Sri Lanka Insurance Corporation Ltd- General Fund	2,562,622	0.59
20	Stassen exports (Pvt) Limited	2,256,884	0.52

12.5 Public Holdings as at 30.06.2024

Public holdings percentage	67.01%
Number of Public shareholders	10,539
Float adjusted market capitalisation	LKR 22,558 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 30.06.2024
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 - (Retired on 05 July 2024)	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

8-Aug-24

Listed Debentures

Debenture Category	Interest rate Frequency	Effective Rate %	Coupon Rate %	Interest rate of Comparative Government Securities (Gross) p.a. %	Balance as at 30.06.2024 LKR 000	Market price LKR			Yield Last Traded %	Last Traded Date				
						Highest	Lowest	Last Traded						
Fixed Rate														
2018/2025	Annually	13.00	13.00	10.06	4,215,631	N/T	N/T	N/T	N/A	N/A				
2019/2026	Annually	13.75	13.75	10.31	1,843,294	N/T	N/T	N/T	N/A	N/A				
2019/2029	Annually	13.90	13.90	11.80	4,554,183	N/T	N/T	N/T	N/A	N/A				
2020/2025	Annually	9.00	9.00	10.20	4,577,494	N/T	N/T	N/T	N/A	N/A				
2020/2027	Annually	9.25	9.25	11.07	217,518	N/T	N/T	N/T	N/A	N/A				
2024/2029	Annually	15.25	15.25	11.60	8,460,844	N/T	N/T	N/T	N/A	N/A				
2024/2031	Annually	14.75	14.75	12.25	58,287	N/T	N/T	N/T	N/A	N/A				

N/T -Not traded

Selected Performance Indicators

	Bank		Group	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Regulatory Capital (LKR '000)				
Common Equity Tier I	48,595,935	43,632,489	52,475,575	47,491,186
Tier 1 Capital	48,595,935	43,632,489	52,475,575	47,491,186
Total Capital	63,524,164	51,304,881	67,412,782	55,171,248
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum requirement - 7%)	12.220	11.490	13.148	12.464
Tier 1 Capital Ratio (Minimum requirement - 8.5%)	12.220	11.490	13.148	12.464
Total Capital Ratio (Minimum requirement - 12.5%)	15.974	13.511	16.891	14.480
Leverage Ratio (Minimum requirement is 3%)	7.48	6.25	8.03	6.77
Regulatory Liquidity				
Total Stock of High-Quality Liquid Assets (LKR '000)	179,464,090	151,562,260		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2024 - 100%, 2023 - 100%)	404.30	715.50		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2024 - 100% . 2023 -100%)	322.31	597.47		
Net Stable Funding Ratio (%) (Minimum requirement - 2024 - 100%, 2023 - 100%)	137.36	124.60		
Asset Quality				
Impaired Loans (Stage 3) Ratio (%)	6.89	7.03		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	50.12	49.31		
Profitability				
Interest margin %	4.31	5.18		
Return on assets (profit before tax) %	2.11	1.82		
Return on equity (profit after tax) %	12.16	12.19		
Other Ratios				
Debt to equity ratio (times)	1.76	2.54		
Interest cover (times)	3.01	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 30 June 2024	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	11,229,356	11,229,356	-	-	11,243,897	11,243,897
Balances with Central Bank of Sri Lanka	-	-	2,210,442	2,210,442	-	-	2,210,442	2,210,442
Placements with banks	-	-	24,699,374	24,699,374	-	-	24,699,374	24,699,374
Derivative financial assets	10,947,872	-	-	10,947,872	10,947,872	-	-	10,947,872
Financial assets measured at fair value through profit or loss	4,492,002	-	-	4,492,002	4,492,002	-	-	4,492,002
Financial assets at amortised cost - Loans to and receivables from banks	-	-	-	-	-	-	-	-
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	357,638,900	357,638,900	-	-	357,638,900	357,638,900
Financial assets at amortised cost - Debt and other instruments	-	-	81,038,146	81,038,146	-	-	81,097,795	81,097,795
Financial assets measured at fair value through other comprehensive income	-	124,419,381	-	124,419,381	-	124,419,381	-	124,419,381
Other assets	-	-	5,317,300	5,317,300	-	-	5,506,557	5,506,557
Total financial assets	15,439,874	124,419,381	482,133,518	621,992,773	15,439,874	124,419,381	482,396,965	622,256,220
Financial Liabilities								
Due to banks	-	-	3,089,072	3,089,072	-	-	3,089,072	3,089,072
Derivative financial liabilities	434,928	-	-	434,928	434,928	-	-	434,928
Financial liabilities at amortised cost -Due to depositors	-	-	440,891,582	440,891,582	-	-	440,035,947	440,035,947
Financial liabilities at amortised cost - Due to other borrowers	-	-	80,434,431	80,434,431	-	-	80,434,431	80,434,431
Debt securities issued	-	-	11,421,953	11,421,953	-	-	11,421,953	11,421,953
Other liabilities	-	-	5,200,837	5,200,837	-	-	5,601,214	5,601,214
Subordinated term debt	-	-	17,529,774	17,529,774	-	-	17,529,774	17,529,774
Total financial liabilities	434,928	-	558,567,649	559,002,577	434,928	-	558,112,391	558,547,319

	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 instruments	-	-	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 borrowers	-	-	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 30 June 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		10,947,872		10,947,872
Financial assets measured at fair value through profit or loss				
Government of Sri Lanka Treasury Bills and Bonds	700,847			700,847
Equity securities - quoted	1,674,465			1,674,465
Units in unit trusts - Quoted	3,740			3,740
Units in unit trusts - Unquoted		2,112,951		2,112,951
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	106,434,040			106,434,040
US Treasury Bill	1,780,638			1,780,638
Equity shares- quoted	15,966,718			15,966,718
Equity shares- unquoted			237,985	237,985
	126,560,448	13,060,823	237,985	139,859,256
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts		434,928		434,928
	-	434,928	-	434,928

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
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 30 June 2024		As at 31st December 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	11,229,356	11,229,356	14,478,468	14,478,468
Balances with Central Bank of Sri Lanka	2,210,442	2,210,442	2,107,776	2,107,776
Placements with banks	24,699,374	24,699,374	29,138,098	29,138,098
Financial assets at amortised cost - Loans to and receivables from other customers	357,638,900	339,643,712	348,767,466	322,590,049
Financial assets at amortised cost - Debt and other instruments	81,038,146	81,224,301	68,031,313	73,712,323
Other assets	5,317,300	5,317,300	10,569,550	10,569,550
Financial Liabilities				
Due to banks	3,089,072	3,089,072	52,793,464	52,793,464
Financial liabilities at amortised cost - due to depositors	440,891,582	438,012,113	407,225,313	427,279,084
Financial liabilities at amortised cost - due to other borrowers	80,434,431	80,434,431	72,022,734	72,022,734
Debt securities in issue	11,421,953	11,320,206	16,311,577	15,579,739
Other liabilities	5,200,839	5,200,839	5,566,307	5,566,307
Subordinated term debt	17,529,774	12,808,793	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 period		
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 30.06.2024		
Adjusted net assets value (5% movement)	12,728	(12,728)

OPERATING SEGMENTS - GROUP

Information about reportable segments

For the period ended 30 June	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	1,606,156	2,446,112	5,519,140	5,322,229	4,637,930	5,468,218	53,059	61,192	1,960,106	2,238,740	13,776,391	15,536,491
Net fees and commission income	570,672	727,157	1,131,235	1,159,097	(17,708)		(389)	(452)	221,323	58,648	1,905,133	1,944,450
Net gains from trading	92,381	266,394	52,920	137,971	446,750	988,010	-	-	255	-	592,306	1,392,375
Net gains from derecognition of financial assets	-	-	-	-	(115,066)	782,104	-	-	-	-	(115,066)	782,104
Net other operating income	16,408	(2)	20,444	(2,313)			347,516	298,574	944,924	605,992	1,329,292	902,251
Total operating income	2,285,617	3,439,661	6,723,739	6,616,984	4,951,906	7,238,332	400,186	359,314	3,126,608	2,903,380	17,488,056	20,557,671
Impairment for loans and other losses	(1,629,667)	(4,685,517)	(728,917)	(2,585,149)	1,867,566	(309,487)			9,804	(516,248)	(481,214)	(8,096,401)
Net operating income/ Segment Result	655,950	(1,245,856)	5,994,822	4,031,835	6,819,472	6,928,845	400,186	359,314	3,136,412	2,387,132	17,006,842	12,461,270
Operating profit after taxes on financial services											7,477,886	5,340,250
Share of profits of associate and joint venture											864,447	526,340
Income tax expense											(2,603,610)	(1,943,332)
Non-controlling interest											99,676	85,209
Net profit for the period, attributable to equity holders of the Bank											5,639,047	3,838,049

As at 30 June	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	142,922,754	138,946,400	209,816,188	196,248,905	257,438,417	202,051,701	1,175,432	1,098,281	30,104,426	39,510,937	641,457,217	577,856,224
Segment liabilities	76,639,113	60,298,159	364,188,081	321,667,081	112,910,158	121,690,443	647,163	568,530	10,491,066	11,012,680	564,875,581	515,236,893

For the period ended 30 June	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	-	-	-	-	-	-	-	-	-	-	23,399,950	44,452,926
Cash flows from investing activities	-	-	-	-	-	-	-	-	-	-	4,635,075	(56,139,138)
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	(35,789,052)	371,816
Net cash flows generated during the year	-	-	-	-	-	-	-	-	-	-	(7,754,027)	(11,314,396)
Capital expenditure:												
Property, plant and equipment	-	-	-	31,440	-	-	247,806	-	-	-	247,806	31,440
Intangible assets	-	-	-	-	-	-	28,607	-	-	-	28,607	-
Total capital expenditure											276,414	31,440