



DFCC Bank Resilient Amidst Economic Headwinds

- Group Total operating income up by 29% to LKR 41Bn
- Group tax expense for the year was LKR 7Bn
- Impairment charge of LKR 14Bn reflective of present economic stresses
- Group Profit After Tax LKR 8.65Bn

In a demanding banking landscape, DFCC Bank demonstrated resilience amidst significant local economic disruptions. Proactive policy adjustments facilitated a notable reduction in historically high-interest rates aimed at bolstering economic growth and stabilising inflation. This initiative, initiated 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. Moreover, the Bank strategically augmented profitability by optimising its investment portfolio, notably through increased holdings in high-yield government securities. These measures 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 December 2023, presented in accordance with Sri Lanka Accounting Standard 34 (LKAS 34) on "Interim Financial Statements".

Financial Performance

Profitability

DFCC Bank PLC, the largest entity within the Group, reported a Profit Before Tax (PBT) of LKR 10,960 Mn and a Profit After Tax (PAT) of LKR 7,220 Mn for the year ended 31 December 2023 compared with the previous year's PBT of LKR 2,439 Mn and a PAT of LKR 2,513 Mn. The Group recorded a PBT of LKR 12,508 Mn and PAT of LKR 8,659 Mn for the year ended 31 December 2023 as compared to LKR 3,112 Mn and LKR 3,042 Mn, respectively, in 2022. All the member entities of the Group made positive contributions to this performance. The Bank's Return on Equity (ROE) improved to 12.19% during the year ended 31 December 2023 from 5.04% recorded for the year ended 31 December 2022. The Bank's Return on Assets (ROA) before tax for the year ended 31 December 2023 is 1.82% compared to 0.46% for the year ended 31 December 2022. 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 6,927 Mn for the year ended

31 December 2023. As a result, the Bank's tax expense as a percentage of operating profit for the year stood at 48.96%.

DFCC declared a final dividend of LKR 5.00 per share, consisting of LKR 3.00 per share in cash and LKR 2.00 per share in the form of a scrip dividend for 2023.

Net Interest Income

The tight liquidity conditions in the domestic money market have resulted in continuously rising market interest rates in early 2023. While the higher interest rates have depressed the lending portfolio, strategically, the Bank increased its investment portfolio in high yield government securities, which led to an overall improvement in Net Interest income (NII). However, with the market guidance provided by the Central Bank, along with 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. Accordingly, the Bank has reduced both 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. While lower interest rates may have resulted in reduced interest income and expenses, in nominal terms, Net Interest Income (NII) has continued to improve as a metric during the period under review as a result of the Bank's strategy of investing in high-yield government securities.

Strategically, the Bank thus increased its fixed-income investment portfolio, contributing significantly to increased interest income and The Bank's Net Interest Income (NII), which is its core business, increased by 18% to reach LKR 31 Bn by the end of 2023. The interest margin increased from 4.96% in December 2022 to 5.18% by December 2023.

Fee and Commission Income

The Bank's dynamic strategies and the efforts of its dedicated teams led to increased remittances, trade-related commissions, and other fee income lines, which contributed to the increase in non-funded business during the period. Fee income generated by credit cards also increased significantly, in line with the volume of the transactions. Accordingly, net fee and commission income have increased by 36% to LKR 3,905 Mn for the year ended 31 December 2023, compared to LKR 2,877 Mn for the comparative period in 2022.

Impairment Charge on Loans and Other Losses

The impaired loan (stage 3) ratio increased from 4.36% in December 2022 to 7.03% as of 31 December 2023, continuing the prevalent trend amidst the present economic conditions. However, the positive developments in the macroeconomic environment coupled with the Bank's concerted efforts in recoveries resulted in reducing the impairment charge for the year 2023 compared to the year 2022. 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 year 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 50% on the above investments.

Accordingly, with these provisions to address the additional risks in the economic environment, the impairment charge recorded at LKR 13,985 Mn for the year ended 31 December 2023, compared to LKR 17,041 Mn in the comparable period.

Operating Expenses

Operating expenses for the year ended 31 December 2023 increased to LKR 11,720 Mn compared with LKR 10,117 Mn during the corresponding period in 2022, primarily due to the increase in inflation. However, the Bank has taken numerous cost control measures within the Bank, resulting in operating expenses being curtailed and managed at these levels. The Bank achieved a healthy 29.41% cost/income ratio in 2023 compared to 32.79% in 2022.

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 total equity of the Bank due to exchange rate fluctuation was minimised. A fair value gain of LKR 7,016 Mn was recorded on account of equity securities outstanding as at 31 December 2023. The increase in the share price of Commercial Bank of Ceylon PLC during the period was the main contributor to the reported fair value gain in equity securities. The favourable movement in treasury bills and bond yields also resulted in a fair value gain of LKR 5,932 Mn during the year.

Business Growth

Assets

Despite the challenges faced by the economy and the banking sector, DFCC Bank's total assets increased by LKR 74.6 Bn, recording a growth of 13% from December 2022. Aligning the Bank's growth strategy to the present economic climate by increasing investment in fixed-income securities, combined with positive fair value movement in both fixed-income securities and equity securities, has contributed to a 113% increase in investment in financial assets at fair value through other comprehensive income as of 31 December 2023 compared to the balance as of 31 December 2022. With increased provision for expected credit losses, appreciation of the Sri Lanka Rupee compared to 31 December 2022 and considerable economic challenges, the net loan portfolio has recorded LKR 349 Bn as at 31 December 2023, which is 6% lower than the balance as at 31 December 2022.

Liabilities

The Bank's deposit base experienced a growth of 9.97% during the year, recording an increase of LKR 37 Bn to LKR 407 Bn, up from LKR 370 Bn as at 31 December 2022. This resulted in recording an improved loan-to-deposit ratio of 96.92%. Further, the CASA ratio was 23.79% as at 31 December 2023. 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 further improved to 33.57%, and the loans-to-deposit ratio improved to 84.47% as at 31 December 2023.

Equity and Compliance with Capital Requirements

DFCC Bank's total equity increased to LKR 68 Bn as at 31 December 2023, supported by favourable movements in the equity portfolio and fixed income security portfolio classified as fair value through other comprehensive income, and positive movements in the hedging reserve, together with the recorded profit after tax of LKR 7.2 Bn. Accordingly, Tier 1 and Total Capital ratios improved to 11.490% and 13.511%, by 31 December 2023, compared to 10.085% and 13.148%, respectively, as at 31 December 2022. The Bank's Net Stable Funding Ratio (NSFR) was 124.60%, and Liquidity Coverage Ratio (LCR) – all currency – was 597.47% as at 31 December 2023, compared to 126.55% and 202.34%, respectively, as at 31 December 2022. All these ratios were thus maintained well above the minimum regulatory requirement.

CEO's Statement

"In light of our robust financial performance in 2023, marked by substantial growth in total assets, deposit base, and profitability metrics, including a notable 187% increase in profit after tax, DFCC Bank remains steadfast in its commitment to prudent financial management and sustainable growth. Our strategic investments in high-yield government securities and focused efforts on fee income generation have bolstered our net interest income and non-funded business lines. Despite prevailing economic challenges, we have maintained resilient credit quality and fortified our capital position, as evidenced by improved equity ratios and compliance with regulatory requirements. Our dedication to innovation and customer-centric values continues to be recognised, reaffirming DFCC Bank's position as a leader in the banking sector. Looking ahead, we remain focused on driving inclusive growth, fostering sustainability, and delivering value to all stakeholders.

A significant milestone this year was our accreditation by the Green Climate Fund (GCF), making DFCC Bank the first entity in Sri Lanka to receive such recognition. We are also honoured to receive prestigious accolades such as the 'Euromoney Cash Management- Market Leader Award 2023 and the Merit Award for the 'Green Brand of the Year' at SLIM Brand Excellence.' These recognitions underscore our unwavering dedication to sustainability, innovation, and customer-centric values. As we continue to revamp our Corporate and Retail banking digital platforms and implement concessionary lending schemes to support our customers during challenging times, we remain committed to serving as the Bank for Everyone, supporting sustainable and social entrepreneurship and driving positive change in the communities we operate and serve."

Thimal Perera

Director / Chief Executive Officer

19 February 2024

DFCC Bank PLC
Income Statement

Notes	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	Change %	31.12.2023 LKR 000	31.12.2022 LKR 000	Change %	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	Change %	31.12.2023 LKR 000	31.12.2022 LKR 000	Change %
Gross Income	106,883,450	74,959,516	43	23,700,698	25,455,115	(7)	107,441,538	75,471,383	42	23,788,177	25,516,942	(7)
Interest income	96,921,523	69,863,356	39	22,202,858	23,779,514	(7)	96,924,661	69,867,327	39	22,204,448	23,783,033	(7)
Interest expenses	65,697,026	43,342,290	52	14,633,231	15,963,171	(8)	65,584,019	43,268,327	52	14,608,654	15,941,378	(8)
Net interest income	31,224,497	26,521,066	18	7,569,627	7,816,343	(3)	31,340,642	26,599,000	18	7,595,794	7,841,655	(3)
Fee and commission income	5,239,924	3,643,039	44	1,450,267	1,100,764	32	5,238,670	3,641,487	44	1,449,841	1,098,410	32
Fee and commission expenses	1,335,294	766,002	74	393,311	255,031	54	1,335,294	766,002	74	393,311	255,031	54
Net fee and commission income	3,904,630	2,877,037	36	1,056,956	845,733	25	3,903,376	2,875,485	36	1,056,530	843,379	25
Net gain/(loss) from trading	1,055,107	63,216	1,569	(318,447)	330,511	(196)	1,055,107	63,216	1,569	(318,447)	330,511	(196)
Net gains from derecognition of financial assets												
Fair value through other comprehensive income	2,838,626	99,112	2,764	219,751	59,674	268	2,838,626	99,112	2,764	219,751	59,674	268
Net other operating income	828,270	1,290,793	(36)	146,269	184,652	(21)	1,384,474	1,800,241	(23)	232,584	245,314	(5)
Total operating income	39,851,130	30,851,224	29	8,674,156	9,236,912	(6)	40,522,225	31,437,054	29	8,786,212	9,320,532	(6)
Impairment charge for loans and other losses												
Loans to and receivables from other customers	12,531,811	13,928,156	(10)	1,006,534	3,812,064	(74)	12,531,811	13,945,657	(10)	1,006,534	3,812,066	(74)
Other financial assets	1,409,246	3,078,918	(54)	821,024	1,223,757	(33)	1,409,246	3,078,918	(54)	821,024	1,223,757	(33)
Others	43,773	34,397	27	43,773	43,374	1	43,773	34,397	27	43,773	43,374	1
Net operating income	25,866,300	13,809,753	87	6,802,825	4,157,717	64	26,537,395	14,378,082	85	6,914,881	4,241,335	63
Operating expenses												
Personnel expenses	4,777,944	4,444,212	8	1,356,248	1,066,802	27	5,037,299	4,678,123	8	1,429,670	1,131,202	26
Depreciation and amortisation	1,123,853	1,124,666	(0)	309,848	285,972	8	1,190,663	1,188,433	0	328,499	305,848	7
Other expenses	5,818,220	4,548,101	28	1,684,047	1,382,115	22	5,756,308	4,478,732	29	1,672,619	1,383,108	21
Total operating expenses	11,720,017	10,116,979	16	3,350,143	2,734,890	22	11,984,270	10,345,288	16	3,430,788	2,820,158	22
Operating profit before taxes on financial services	14,146,283	3,692,774	283	3,452,682	1,422,826	143	14,553,125	4,032,794	261	3,484,093	1,421,177	145
Taxes on financial services	3,185,957	1,253,301	154	797,551	403,557	98	3,185,957	1,253,301	154	797,551	403,557	98
Operating profit after taxes on financial services	10,960,326	2,439,473	349	2,655,131	1,019,269	160	11,367,168	2,779,493	309	2,686,542	1,017,620	164
Share of profits of associate and joint venture	-	-	-	-	-	-	1,140,981	332,719	243	(116,431)	333,045	(135)
Profit before income tax	10,960,326	2,439,473	349	2,655,131	1,019,269	160	12,508,149	3,112,212	302	2,570,111	1,350,665	90
Income tax expense	3,740,624	(73,879)	5,163	933,636	(450,816)	307	3,849,610	70,301	5,376	975,128	(371,086)	363
Profit for the year	7,219,702	2,513,352	187	1,721,495	1,470,086	17	8,658,539	3,041,911	185	1,594,983	1,721,751	(7)
Profit attributable to:												
Equity holders of the Bank	7,219,702	2,513,352	187	1,721,495	1,470,086	17	8,485,146	2,932,475	189	1,551,505	1,726,113	(10)
Non-controlling interests	-	-	-	-	-	-	173,393	109,436	58	43,478	(4,362)	1,097
Profit for the year	7,219,702	2,513,352	187	1,721,495	1,470,086	17	8,658,539	3,041,911	185	1,594,983	1,721,751	(7)
Basic/Diluted earnings per ordinary share (LKR)	17.27	6.75	156	4.12	3.95	4	20.30	7.88	158	3.71	4.64	(20)

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

	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	Change %	31.12.2023 LKR 000	31.12.2022 LKR 000	Change %	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	Change %	31.12.2023 LKR 000	31.12.2022 LKR 000	Change %
Profit for the year	7,219,702	2,513,352	187	1,721,495	1,470,086	17	8,658,539	3,041,911	185	1,594,983	1,721,751	(7)
Other comprehensive income / (expense) for the year, net of tax												
Items that are or may be reclassified subsequently to income statement												
Movement in fair value reserve (FVTOCI debt instrument):												
Net change in fair value	5,931,781	901,909	558	(61,945)	131,744	(147)	5,931,781	901,909	558	(61,945)	131,744	(147)
Reclassified to income statement	(2,838,626)	(99,112)	(2,764)	(219,752)	(59,674)	(100)	(2,838,626)	(99,112)	(2,764)	(219,752)	(59,674)	(100)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	(315,332)	440,917	(172)	(63,701)	(236,076)	73
Movement in hedging reserve:												
Cash flow hedge - effective portion of changes in fair value	(3,887,927)	20,807,094	(119)	507,012	9,359,527	(95)	(3,887,927)	20,807,094	(119)	507,012	9,359,527	(95)
Cash flow hedge - reclassified to income statement	5,657,125	(20,208,750)	128	732,125	(26,250)	2,889	5,657,125	(20,208,750)	128	732,125	(26,250)	2,889
Related deferred tax	(1,458,632)	(198,904)	(633)	(307,994)	(2,286,223)	87	(1,458,632)	(198,904)	(633)	(307,994)	(2,286,223)	87
Total other comprehensive income / (expense) that are or may be reclassified subsequently to income statement	3,403,721	1,202,237	183	649,446	7,119,124	(91)	3,088,389	1,643,154	88	585,745	6,883,048	(91)
Items that will not be reclassified to income statement												
(Losses) / Gains on remeasurement of defined benefit (assets)/liability	(712,612)	325,828	(319)	(712,612)	325,828	(319)	(714,335)	332,442	(315)	(714,335)	332,442	(315)
Movement in fair value reserve (FVOCI equity instruments) :												
Equity investments at FVTOCI - net change in fair value	7,015,939	(4,505,992)	256	584,589	(845,503)	169	7,015,939	(4,494,947)	256	584,589	(845,502)	169
Share of other comprehensive expenses of equity accounted associate and joint venture	-	-	-	-	-	-	(1,168)	(1,067)	(9)	(1,235)	(1,721)	28
Related deferred tax	208,814	(155,492)	234	208,814	(155,492)	234	209,395	(157,477)	233	209,395	(157,477)	233
Total other comprehensive income / (expenses) on items that will not be reclassified to income statement	6,512,141	(4,335,656)	250	80,791	(675,167)	112	6,509,831	(4,321,049)	251	78,414	(672,258)	112
Other comprehensive income / (expenses) for the year , net of tax	9,915,862	(3,133,419)	416	730,237	6,443,957	(89)	9,598,220	(2,677,895)	458	664,159	6,210,790	(89)
Total comprehensive income / (expenses) for the year	17,135,564	(620,067)	2,864	2,451,732	7,914,043	(69)	18,256,759	364,016	4,915	2,259,142	7,932,541	(72)
Total comprehensive income / (expenses) attributable to:												
Equity holders of the Bank	17,135,564	(620,067)	2,864	2,451,732	7,914,043	(69)	18,083,000	254,238	7,013	2,215,298	7,936,561	(72)
Non-controlling interests	-	-	-	-	-	-	173,759	109,778	58	43,844	(4,020)	1,191
Total comprehensive income / (expenses) for the year	17,135,564	(620,067)	2,864	2,451,732	7,914,043	(69)	18,256,759	364,016	4,915	2,259,142	7,932,541	(72)

DFCC Bank PLC
Statement of Financial Position

		Bank			Group		
As at		31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	Change %	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	Change %
	Notes						
Assets							
Cash and cash equivalents		14,478,468	16,122,565	(10)	14,483,062	16,126,635	(10)
Balances with Central Bank of Sri Lanka		2,107,776	9,030,868	(77)	2,107,776	9,030,868	(77)
Placements with banks		29,138,098	15,224,692	91	29,173,988	15,242,493	91
Derivative financial assets		16,499,171	20,473,544	(19)	16,499,171	20,473,544	(19)
Financial assets measured at fair value through profit or loss		1,740,928	1,429,149	22	1,740,928	1,429,149	22
Financial assets at amortised cost - Loans to and receivables from other customers.	7	348,767,466	369,072,030	(6)	348,767,466	369,072,030	(6)
Financial assets at amortised cost - Debt and other instruments		68,031,313	50,947,926	34	68,094,041	50,947,926	34
Financial assets measured at fair value through other comprehensive income		134,902,765	63,319,060	113	134,902,765	63,319,060	113
Investments in subsidiaries		237,035	237,035	0	-	-	-
Investments in associate		33,169	33,169	(0)	36,844	35,394	4
Investments in joint venture		755,000	755,000	-	4,402,238	3,577,701	23
Investment property		9,879	9,879	-	468,385	439,973	6
Property, plant and equipment		3,499,737	3,198,553	9	3,704,411	3,389,441	9
Intangible assets and goodwill		1,926,287	2,198,042	(12)	2,101,256	2,375,055	(12)
Deferred tax asset		5,407,626	4,137,828	31	5,415,426	4,143,535	31
Other assets		12,963,406	9,750,568	33	13,170,641	9,933,670	33
Total assets		640,498,124	565,939,908	13	645,068,398	569,536,474	13
Liabilities							
Due to banks		52,793,464	15,857,994	233	52,793,464	15,857,994	233
Derivative financial liabilities		381,653	84,670	351	381,653	84,670	351
Financial liabilities at amortised cost - Due to depositors	9	407,225,313	370,314,026	10	406,584,864	369,746,855	10
Financial liabilities at amortised cost - Due to other borrowers		72,022,734	81,145,692	(11)	72,022,734	81,145,692	(11)
Debt securities in issue		16,311,577	16,304,115	0	16,311,577	16,304,115	0
Employee benefits		1,371,126	591,550	132	1,400,921	615,849	127
Current tax liabilities		4,426,683	2,479,562	79	4,535,557	2,575,008	76
Deferred tax liability		-	-	-	104,276	149,608	(30)
Other liabilities		9,152,343	10,041,361	(9)	9,485,315	10,335,890	(8)
Subordinated term debt		9,072,265	18,399,991	(51)	9,072,265	18,399,991	(51)
Total liabilities		572,757,158	515,218,961	11	572,692,626	515,215,672	11
Equity							
Stated capital		13,866,557	13,182,025	5	13,866,557	13,182,025	5
Statutory reserve		3,239,968	2,874,968	13	3,239,968	2,874,968	13
Retained earnings		28,250,357	22,600,898	25	33,645,590	26,731,857	26
Other reserves		22,384,084	12,063,056	86	21,231,498	11,225,802	89
Total equity attributable to equity holders of the Bank		67,740,966	50,720,947	34	71,983,613	54,014,652	33
Non-controlling interests		-	-	-	392,159	306,150	28
Total equity		67,740,966	50,720,947	34	72,375,772	54,320,802	33
Total equity and liabilities		640,498,124	565,939,908	13	645,068,398	569,536,474	13
Contingent liabilities and commitments							
		193,992,770	169,132,507	15	193,992,770	169,132,507	15
Net assets value per share, LKR							
		160.54	125.96	27	170.60	134.14	27

Memorandum Information	Bank		Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Number of Employees	2,109	1,989	2,225	2,097
Number of Branches (Including Service centres)	139	139		

Statement of Changes in Equity

		Statutory reserve	Other reserves				
	Stated capital	Reserve fund	Fair value reserve	Hedging reserve	General reserves	Retained earnings	Total equity
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Bank (Audited)							
Balance as at 01 January 2022	8,600,457	2,746,968	2,096,627	(329,442)	13,779,839	22,091,649	48,986,098
Adjustment on surcharge tax	-	-	-	-	-	(1,232,490)	(1,232,490)
Adjusted balance as at 01 January 2022	8,600,457	2,746,968	2,096,627	(329,442)	13,779,839	20,859,159	47,753,608
Profit for the year	-	-	-	-	-	2,513,352	2,513,352
Other comprehensive (expenses)/ Income net of tax	-	-	(3,748,604)	444,849	-	170,336	(3,133,419)
Total comprehensive (expense) / income for the period	-	-	(3,748,604)	444,849	-	2,683,688	(620,067)
Transfers	-	128,000	-	-	-	(128,000)	-
Transfer of gains/(losses) on disposal/writeoff of equity investments at fair value through other comprehensive income to retained earnings	-	-	(180,213)	-	-	180,213	-
Transactions with equity holders of the Bank, recognised directly in equity							
Rights issue	3,620,001	-	-	-	-	(36,089)	3,583,912
Forfeiture of unclaimed dividends	-	-	-	-	-	3,494	3,494
Final dividend for 2021 – Scrip	961,567	-	-	-	-	(961,567)	-
Total contributions from and distribution to equity holders	4,581,568	-	-	-	-	(994,162)	3,587,406
Balance as at 31 December 2022	13,182,025	2,874,968	(1,832,190)	115,407	13,779,839	22,600,898	50,720,947
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 year	-	-	-	-	-	7,219,702	7,219,702
Other comprehensive income/(expenses) net of tax	-	-	9,181,221	1,238,439	-	(503,798)	9,915,862
Total comprehensive income for the year	-	-	9,181,221	1,238,439	-	6,715,904	17,135,564
Transfers	-	365,000	-	-	-	(365,000)	-
Transfer of gains/ (losses) on disposal/writeoff of equity investments at fair value through other comprehensive income to retained earnings	-	-	(98,632)	-	-	98,632	-
Transactions with equity holders of the Bank, recognised directly in equity							
Final dividend for 2022 – Scrip	684,532	-	-	-	-	(805,332)	(120,800)
Forfeiture of unclaimed dividends	-	-	-	-	-	5,255	5,255
Total contributions from and distribution to equity holders	684,532	-	-	-	-	(800,077)	(115,545)
Balance as at 31 December 2023	13,866,557	3,239,968	7,250,399	1,353,846	13,779,839	28,250,357	67,740,966

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 (Audited)										
Balance as at 01 January 2022	8,600,457	2,746,968	655,255	163,201	(329,442)	13,779,839	25,831,589	51,447,867	317,158	51,765,025
Adjustment on surcharge tax	-	-	-	-	-	-	(1,274,906)	(1,274,906)	(34,986)	(1,309,892)
Adjusted balance as at 01 January 2022	8,600,457	2,746,968	655,255	163,201	(329,442)	13,779,839	24,556,683	50,172,961	282,172	50,455,133
Profit for the year	-	-	-	-	-	-	2,932,475	2,932,475	109,436	3,041,911
Other comprehensive (expense) / income, net of tax	-	-	(3,737,559)	659,381	226,385	-	173,556	(2,678,237)	342	(2,677,895)
Total comprehensive (expense) / income for the period	-	-	(3,737,559)	659,381	226,385	-	3,106,031	254,238	109,778	364,016
Transfers	-	128,000	-	-	-	-	(128,000)	-	-	-
Transfer of gains/ (losses) on disposal/writeoff of equity investments at fair value through other comprehensive income to	-	-	(191,258)	-	-	-	191,258	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Rights issue	3,620,001	-	-	-	-	-	(36,089)	3,583,912	-	3,583,912
Forfeiture of unclaimed dividends	-	-	-	-	-	-	3,494	3,494	-	3,494
Change in holding through joint venture	-	-	-	-	-	-	47	47	-	47
Final dividend for 2021 – Scrip	961,567	-	-	-	-	-	(961,567)	-	-	-
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	(85,800)	(85,800)
Total contributions from and distribution to equity holders	4,581,568	-	-	-	-	-	(994,115)	3,587,453	(85,800)	3,501,653
Balance as at 31 December 2022	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
Balance 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 year	-	-	-	-	-	-	8,485,146	8,485,146	173,393	8,658,539
Other comprehensive income / (expense) , net of tax	-	-	9,190,985	(261,511)	1,174,854	-	(506,474)	9,597,854	366	9,598,220
Total comprehensive income / (expense) for the year	-	-	9,190,985	(261,511)	1,174,854	-	7,978,672	18,083,000	173,759	18,256,759
Transfers	-	365,000	-	-	-	-	(365,000)	-	-	-
Transfer of gains / (losses) on disposal/ writeoff of equity investments at fair value through other comprehensive income to retained earnings	-	-	(98,632)	-	-	-	98,632	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Change in holding through joint venture	-	-	-	-	-	-	1,506	1,506	-	1,506
Final dividend for 2022 – Scrip	684,532	-	-	-	-	-	(805,332)	(120,800)	-	(120,800)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	5,255	5,255	-	5,255
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	(87,750)	(87,750)
Total contributions from and distribution to equity holders	684,532	-	-	-	-	-	(798,571)	(114,039)	(87,750)	(201,789)
Balance as at 31 December 2023	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

* In the previous year, the share of other comprehensive income attributable to equity-accounted investees, net of tax which associated with cash flow hedge activities, was recorded under the exchange equalization reserve. However, from the current year, these amounts are now specifically recorded in the cash flow hedge reserve for improved financial statement presentation.

Statement of Cash Flows

For the year ended 31st December

	BANK		GROUP	
	2023 (Audited) LKR 000	2022 (Audited) LKR 000	2023 (Audited) LKR 000	2022 (Audited) LKR 000
Cash flows from operating activities				
Interest receipts	94,707,773	61,237,255	94,801,907	61,317,563
Interest payments	(59,513,733)	(34,013,778)	(59,449,795)	(33,952,168)
Net commission receipts	5,087,447	3,683,160	5,087,447	3,683,160
Net trading income	48,469	28,469	48,469	28,469
Recoveries from loans previously written off	16,767	162,518	16,767	162,518
Receipts from other operating activities	125,212	527,653	521,132	1,077,113
Payments on other operating activities	(6,250,903)	(5,308,678)	(5,837,596)	(5,044,500)
Cash payments to employees	(4,772,478)	(4,660,084)	(5,257,537)	(5,080,846)
Taxes on financial services	(3,234,294)	(1,173,413)	(3,234,294)	(1,173,413)
Operating Cash flows before changes in operating assets and liabilities	26,214,260	20,483,102	26,696,500	21,017,896
Decrease/(Increase) in operating assets:				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	6,923,093	1,569,108	6,923,093	1,569,108
Financial assets at amortised cost - Loans to and receivables from other customers	735,466	29,673,313	735,466	29,673,313
Others	3,409,013	(6,847,527)	3,460,440	(6,880,994)
Increase /(decrease) in operating liabilities:				
Financial liabilities at amortised cost - due to depositors	37,195,041	9,689,742	37,065,783	9,214,443
Others	433,525	(991,233)	433,606	(1,058,272)
Net cash flows from operating activities before income tax	74,910,398	53,576,505	75,314,888	53,535,494
Surcharge tax paid	-	(1,232,490)	-	(1,309,892)
Income tax paid	(4,305,780)	(1,531,379)	(4,446,618)	(1,630,622)
Net cash flows from operating activities	70,604,618	50,812,636	70,868,270	50,594,980
Cash flows from investing activities				
Dividends received from investmenet in subsidiaries, joint venture, and associate	78,118	89,861	-	-
Dividend received from other investments	111,605	695,331	111,605	695,331
Government Securities- net	(82,162,743)	(30,362,319)	(82,162,743)	(30,362,319)
Proceeds from sale and redemption of securities	654,149	700,697	654,149	715,734
Purchase of financial investments	(1,535,338)	(1,342,486)	(1,509,437)	(1,359,957)
Purchase of property , equipment ,intangibles and investment property	(1,454,768)	(1,050,400)	(1,546,054)	(1,114,992)
Proceeds from sale of equipment, investment property and others	15,502	12,469	15,502	12,469
Net cash flows used in investing activities	(84,293,475)	(31,256,847)	(84,436,978)	(31,413,734)
Cash flows from financing activities				
Redemption of debentures	(8,956,610)	-	(8,956,610)	-
Issue of new shares under rights issue	-	3,620,001	-	3,620,001
Borrowing , medium and long - term	1,754,143	4,834,232	1,754,143	4,834,232
Other borrowings - net	44,673,126	12,771,705	44,673,126	12,771,705
Repayment of borrowing, medium and long - term	(11,512,493)	(26,410,731)	(11,512,493)	(26,410,731)
Dividends paid	-	-	(101,536)	(85,800)
Net Cash flows from / (used in) financing activities	25,958,166	(5,184,793)	25,856,630	(5,270,593)
Net increase in cash and cash equivalents	12,269,309	14,370,996	12,287,922	13,910,653
Cash and cash equivalents at the beginning of the year	31,347,257	16,976,261	31,369,128	17,458,475
Cash and cash equivalents at the end of the year	43,616,566	31,347,257	43,657,050	31,369,128
Reconciliation of cash and cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	14,478,468	16,122,565	14,483,062	16,126,635
Placements with banks	29,138,098	15,224,692	29,173,988	15,242,493
	43,616,566	31,347,257	43,657,050	31,369,128

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 other than below;

1. Deferred tax related to assets and liabilities arising from a single transaction
2. Material accounting policy information

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 December 2023 by introducing changes to internal models to cover unseen risk factors in the highly uncertain and highly volatile environment including additional provisions made as management overlay for the exposures to risk elevated sectors.

The main uncertainties regarding the estimations for the recoverability of the Bank's total exposure related to the debt service capacity of the Government of Sri Lanka, which, in turn, is affected by the development of the prevailing macroeconomic environment as well as by the levels of liquidity of the Government and the outcome of the Debt restructuring negotiations with the International Monetary Fund (IMF) and the resultant comprehensive debt restructuring program. Due to the uncertainties relating to the above, the Bank has used significant judgement using the information available as at reporting date to estimate the recoverable value of foreign currency denominated investment securities issued by Government of Sri Lanka. Accordingly, an impairment charge has been recognized to maintain a minimum provision cover of 50% on above investments.

Note 5. Net profit / (loss) from trading

For the year ended 31 December

	Bank		Group	
	2023	2022	2023	2022
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Derivative Financial Instruments				
Forward exchange fair value changes from banks and other customers	(384,709)	279,024	(384,709)	279,024
Gain / (Loss) on financial assets fair value through profit or loss - equity securities	3,958	(2,705)	3,958	(2,705)
Foreign exchange from banks and other customers	1,582,011	(11,024)	1,582,011	(11,024)
Financial assets recognized through profit or loss - measured at fair value				
<i>Government securities</i>				
- Net marked to market (loss)/ gain	(8,863)	9,994	(8,863)	9,994
- Net capital gain	12,056	11,800	12,056	11,800
<i>Equity securities</i>				
- Net marked to market loss	(222,643)	(249,217)	(222,643)	(249,217)
- Net capital gain	36,413	16,669	36,413	16,669
- Dividend income	36,884	8,675	36,884	8,675
	1,055,107	63,216	1,055,107	63,216

Note 6. Net Other Operating Income

For the year ended 31 December

	Bank		Group	
	2023	2022	2023	2022
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Financial assets measured at fair value through other comprehensive income				
Dividend income	626,553	1,110,577	626,553	1,110,577
Dividend income from subsidiaries, joint venture and associate	78,118	89,861	-	-
Premises rental income	-	-	426,502	383,792
Gain on sale of property, plant and equipment	18,101	13,555	18,101	13,555
Foreign exchange loss	(18,990)	(159,510)	(33,936)	(140,929)
Recovery of loans written-off	16,767	162,518	16,767	162,518
Others	107,721	73,792	330,487	270,728
	828,270	1,290,793	1,384,474	1,800,241

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

As at	Bank		Group	
	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000
Gross loans and receivables (Note 7.1)	394,684,722	402,975,829	394,684,722	402,975,829
Less: Allowance for impairment (Note 7.2)	(45,917,256)	(33,903,799)	(45,917,256)	(33,903,799)
Net loans and receivables	348,767,466	369,072,030	348,767,466	369,072,030

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

As at	Bank		Group	
	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000
By product-Domestic Currency				
Overdrafts	50,352,343	53,985,736	50,352,343	53,985,736
Trade finance	29,793,994	18,965,291	29,793,994	18,965,291
Credit cards	6,820,265	5,552,271	6,820,265	5,552,271
Pawning	13,258,894	9,619,908	13,258,894	9,619,908
Staff loans	2,365,949	2,722,811	2,365,949	2,722,811
Term loans	223,458,741	221,023,597	223,458,741	221,023,597
Lease rentals receivable	15,404,967	17,237,903	15,404,967	17,237,903
Asset back notes	-	95,272	-	95,272
	341,455,153	329,202,789	341,455,153	329,202,789
By product-Foreign Currency				
Overdrafts	884,541	852,782	884,541	852,782
Trade finance	18,937,076	23,244,992	18,937,076	23,244,992
Term loans	33,407,952	49,675,266	33,407,952	49,675,266
	53,229,569	73,773,040	53,229,569	73,773,040
Gross loans and receivables	394,684,722	402,975,829	394,684,722	402,975,829

Note 7.2 Movement in Impairment during the period

	Bank		Group	
	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000
Stage 1				
Balance at beginning	4,495,287	2,202,668	4,495,287	2,202,668
(Reversal)/ charge to income statement	(994,629)	2,292,619	(994,629)	2,292,619
Write-off during the period	-	-	-	-
Balance at end	3,500,658	4,495,287	3,500,658	4,495,287
Stage 2				
Balance at beginning	5,677,290	1,989,584	5,677,290	1,989,584
Charge to income statement	1,558,635	3,687,706	1,558,635	3,687,706
Write-off during the period	-	-	-	-
Balance at end	7,235,925	5,677,290	7,235,925	5,677,290
Stage 3				
Balance at beginning	23,731,223	14,865,798	23,731,223	14,865,798
Charge to income statement	11,967,805	7,947,831	11,967,805	7,947,831
Other movements	(518,355)	917,593	(518,355)	917,593
Balance at end	35,180,673	23,731,223	35,180,673	23,731,223
Total Impairment	45,917,256	33,903,800	45,917,256	33,903,800

Note 8 . Analysis of Commitments and Contingencies and Impairment

	As at	Bank		Group	
		31.12.2023 (Audited) Rs 000	31.12.2022 (Audited) Rs 000	31.12.2023 (Audited) Rs 000	31.12.2022 (Audited) Rs 000
8.1	Gross commitment and contingencies	193,992,770	169,132,507	193,992,770	169,132,507
	Accumulated impairment under stage 1	625,189	519,425	625,189	519,425
	Accumulated impairment under stage 2	81,149	97,300	81,149	97,300
	Accumulated impairment under stage 3	-	-	-	-
	Net commitments and contingencies	193,286,432	168,515,782	193,286,432	168,515,782
8.2	Product-wise commitments and contingencies				
	Domestic currency				
	Credit related commitments & contingencies				
	Undrawn -Credit facilities	73,687,016	72,337,584	73,687,016	72,337,584
	Acceptances	149,688	12,038	149,688	12,038
	Documentary Letter of credit	320,305	77,434	320,305	77,434
	Guarantees	19,236,076	24,018,867	19,236,076	24,018,867
		93,393,085	96,445,923	93,393,085	96,445,923
	Other commitments & contingencies				
	Capital commitments	889,385	296,559	889,385	296,559
	Bid Bonds	627,145	310,790	627,145	310,790
		1,516,530	607,349	1,516,530	607,349
	Sub total	94,909,615	97,053,272	94,909,615	97,053,272
	Foreign currency				
	Credit related commitments & contingencies				
	Undrawn - Credit facilities	15,614,619	15,359,202	15,614,619	15,359,202
	Acceptances	5,522,887	2,813,862	5,522,887	2,813,862
	Documentary Letter of credit	8,182,563	2,725,835	8,182,563	2,725,835
	Guarantees	5,828,390	1,699,809	5,828,390	1,699,809
		35,148,459	22,598,708	35,148,459	22,598,708
	Other commitments & contingencies				
	Forward exchange contracts	63,934,696	49,480,528	63,934,696	49,480,528
	Capital commitments	-	-	-	-
		63,934,696	49,480,528	63,934,696	49,480,528
	Sub total	99,083,155	72,079,236	99,083,155	72,079,236
	Total gross commitments and contingencies	193,992,770	169,132,508	193,992,770	169,132,508

8.3	Bank	Stage 01 Rs 000	Stage 02 Rs 000	Stage 03 Rs 000	Total Rs 000
	Balance as at 1st January 2023	519,425	97,300	-	616,725
	Net charge to profit or loss	105,764	(16,151)	-	89,613
	Write-off during the year	-	-	-	-
	Balance as at 30 December 2023	625,189	81,149	-	706,338

	Group	Stage 01 Rs 000	Stage 02 Rs 000	Stage 03 Rs 000	Total Rs 000
	Balance as at 1st January 2023	519,425	97,300	-	616,725
	Net charge to profit or loss	105,764	(16,151)	-	89,613
	Write-off during the year	-	-	-	-
	Balance as at 30 December 2023	625,189	81,149	-	706,338

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

As at	Bank		Group	
	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000	31.12.2023 (Audited) LKR 000	31.12.2022 (Audited) LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	11,627,793	8,317,768	11,627,528	8,314,555
Savings deposits	57,892,200	38,476,411	57,844,664	38,457,883
Fixed deposits	249,984,259	253,748,588	249,469,800	253,286,947
Other deposits	394,262	784,949	394,262	784,949
Certificate of deposits	375,333	1,976,859	375,333	1,976,859
	320,273,847	303,304,575	319,711,587	302,821,193
By product- Foreign Currency				
Demand deposits (current accounts)	736,100	953,618	736,100	953,618
Savings deposits	26,213,606	20,183,650	26,176,981	20,143,443
Fixed deposits	59,999,375	45,833,914	59,957,811	45,790,333
Other deposits	2,385	38,269	2,385	38,268
	86,951,466	67,009,451	86,873,277	66,925,662
Total	407,225,313	370,314,026	406,584,864	369,746,855

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 December 2023 amounted to LKR 10.7 Bn. and cumulative fair value loss thereon amounted to LKR 1.2 Bn. (net of tax LKR 0.96 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.

Note 11.1 Proposed Debenture Issue

The shareholders at the extra ordinary general meeting (EGM) on 30 March 2023 approved an issuance of up to eighty million (80,000,000) Basel III compliant, subordinated, listed, rated, unsecured, redeemable debentures with a non-viability conversion option, each at an issue price (par value) of LKR 100 with a term up to seven years, subject to obtaining all necessary regulatory approvals. The debentures were allotted on 16 January 2024.

Note 11.2 First and Final Dividend

The Directors have recommended to the shareholders' for approval, the payment of a first and final dividend of LKR 5.00 per share which will consist of LKR 3.00 per share in cash and LKR 2.00 in the forms of a scrip dividend, for the financial year ended 31 December 2023. The Board of Directors confirms that the Bank has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007.

Note 12. Disclosures under Listing Rules

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

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

12.2 Stated capital

As at	Number of shares	
	31.12.2023	31.12.2022
Number of shares of the Bank	421,948,655	402,666,056

12.3 Market price of a share

Information on shares of the Bank for the quarter ended	31.12.2023	31.12.2022
- Highest price LKR	88.00	37.00
- Lowest price LKR	75.40	31.00
- Market price LKR	79.60	32.00

12.4 Twenty Major Shareholders as at 31.12.2023

	Name of Shareholder/Company	Shareholding	%
1	Hatton National Bank PLC A/C No 1	52,629,168	12.47
2	Bank of Ceylon-No2 A/C (BOC PTF)	44,141,353	10.46
3	LOLC Investment Holding Three (Private) Limited	42,194,864	9.99
4	Mr. M.A.Yaseen	35,524,244	8.41
5	Sri Lanka Insurance Corporation Ltd-Life Fund	32,000,355	7.58
6	Employee's Provident Fund	28,277,617	6.70
7	LOLC Finance PLC/ Don & Don Holdings (Pvt) Ltd	27,454,780	6.50
8	Melstacorp PLC	25,973,794	6.15
9	Seafeld International Limited	20,558,446	4.87
10	People's Leasing & Finance PLC / Don And Don Holdings (Private) Limited	9,891,470	2.34
11	Renuka City Hotels PLC	8,037,892	1.90
12	Renuka Hotels PLC	4,726,698	1.12
13	Employees Trust Fund Board	4,627,590	1.09
14	Seylan Bank PLC / ARRC Capital (Pvt) Ltd	4,316,969	1.02
15	Akbar Brothers Pvt Ltd A/C No 1	3,149,088	0.74
16	Anverally International (Pvt) Limited	3,089,081	0.73
17	Cargo Boat Development Company PLC	2,898,893	0.68
18	Don And Don Holdings Privat Limited	2,801,730	0.66
19	Mr. G.B.D. Tilakaratne	2,750,000	0.65
20	Peoples Leasing & Finance PLC/Mrs.M.E. Amarasinghe	2,678,062	0.63

12.5 Public Holdings as at 31.12.2023

Public holdings percentage	67.01%
Number of Public shareholders	10,086
Float adjusted market capitalisation	LKR 22,509 million
Applicable option as per CSE Listing Rule 7.13.1 (a)	Option 1

12.6 Directors' Interests in Shares

	No of Shares As at 31.12.2023
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	25,814
Ms V J Senaratne	2,101
Ms A L Thambiayah	105,094
N Vasantha Kumar	1,800
H A J de S Wijeyeratne	12,905

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 audited financial statements of the Bank and the Group.

J. Durairatnam
Chairman

Thimal Perera
Director / Chief Executive Officer

19-Feb-24

Listed Debentures

Debenture Category	Interest rate	Effective	Coupon	Interest rate of	Balance as at				Yield	Last
	rate	Rate	Rate	Comparative						
	Frequency			Government						
		%	%	Securities						
				(Gross) p.a.	31.12.2023	Market price LKR			Last Traded %	Traded Date
					LKR 000	Highest	Lowest	Last Traded		
Fixed Rate										
2018/2025	Annually	13.00	13.00	13.38	4,481,179	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	13.50	13.66	4,190,458	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	13.61	1,966,124	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	13.59	4,861,776	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	9.00	9.00	13.45	4,383,031	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	11.00	11.00	13.47	5,293,219	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	9.25	9.25	13.56	208,055	N/T	N/T	N/T	N/A	N/A

N/T -Not traded

Selected Performance Indicators

	Bank		Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Regulatory Capital (LKR '000)				
Common Equity Tier I	43,632,489	36,818,873	47,491,186	36,381,998
Tier 1 Capital	43,632,489	36,818,873	47,491,186	36,381,998
Total Capital	51,304,881	48,004,800	55,171,248	47,574,242
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum requirement - 7%)	11.490	10.085	12.464	9.937
Tier 1 Capital Ratio (Minimum requirement - 8.5%)	11.490	10.085	12.464	9.937
Total Capital Ratio (Minimum requirement - 12.5%)	13.511	13.148	14.480	12.993
Leverage Ratio (Minimum requirement is 3%)	6.25	5.93	6.77	5.87
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Total bank operations	189,469,687	122,283,753		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Total bank operations	36.63	26.36		
Total Stock of High-Quality Liquid Assets	151,562,260	101,602,039		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2023 - 100% , 2022 - 90%)	715.50	289.85		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2023 - 100% , 2022 -90%)	597.47	202.34		
Net Stable Funding Ratio (%) (Minimum requirement - 2023 - 100%, 2022 - 90%)	124.60	126.55		
Asset Quality				
Impaired Loans (Stage 3) Ratio (%)	7.03	4.36		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	49.31	51.73		
Profitability				
Interest margin %	5.18	4.96		
Return on assets (profit before tax) %	1.82	0.46		
Return on equity (profit after tax) %	12.19	5.04		
Other Ratios				
Debt to equity ratio (times)	2.54	2.51		
Interest cover (times)	2.27	1.47		

Analysis of Financial Instruments By Measurement Basis

	Bank				Group			
	Fair value through profit or loss - mandatory	Fair value through other comprehensive income	Amortised cost	Total	Fair value through profit or loss - mandatory	Fair value through other comprehensive income	Amortised cost	Total
As at 31 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 banks	-	-	-	-	-	-	-	-
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	-	-	5,566,306	5,566,306	-	-	5,789,240	5,789,240
Subordinated term debt	-	-	9,072,265	9,072,265	-	-	9,072,265	9,072,265
Total financial liabilities	381,653	-	562,991,659	563,373,312	381,653	-	562,574,144	562,955,797

	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 2022	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	16,122,565	16,122,565	-	-	16,126,635	16,126,635
Balances with Central Bank of Sri Lanka	-	-	9,030,868	9,030,868	-	-	9,030,868	9,030,868
Placements with banks	-	-	15,224,692	15,224,692	-	-	15,242,493	15,242,493
Derivative financial assets	20,473,544	-	-	20,473,544	20,473,544	-	-	20,473,544
Financial assets measured at fair value through profit or loss	1,429,149	-	-	1,429,149	1,429,149	-	-	1,429,149
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	369,072,030	369,072,030	-	-	369,072,030	369,072,030
Financial assets at amortised cost - Debt and other	-	-	50,947,926	50,947,926	-	-	50,947,926	50,947,926
Financial assets measured at fair value through other comprehensive income	-	63,319,060	-	63,319,060	-	63,319,060	-	63,319,060
Other assets	-	-	7,804,964	7,804,964	-	-	7,971,423	7,971,423
Total financial assets	21,902,693	63,319,060	468,203,045	553,424,798	21,902,693	63,319,060	468,391,375	553,613,128
Financial Liabilities								
Due to banks	-	-	15,857,994	15,857,994	-	-	15,857,994	15,857,994
Derivative financial liabilities	84,670	-	-	84,670	84,670	-	-	84,670
Financial liabilities at amortised cost -Due to depositors	-	-	370,314,026	370,314,026	-	-	369,746,855	369,746,855
Financial liabilities at amortised cost - Due to other	-	-	81,145,692	81,145,692	-	-	81,145,692	81,145,692
Debt securities issued	-	-	16,304,115	16,304,115	-	-	16,304,115	16,304,115
Other liabilities	-	-	8,114,644	8,114,644	-	-	8,301,555	8,301,555
Subordinated term debt	-	-	18,399,991	18,399,991	-	-	18,399,991	18,399,991
Total financial liabilities	84,670	-	510,136,462	510,221,132	84,670	-	509,756,202	509,840,872

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

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 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 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	118,397,631			118,397,631
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

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

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

	As at 31st December 2023		As at 31st December 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	14,478,468	14,478,468	16,122,564	16,122,564
Balances with Central Bank of Sri Lanka	2,107,776	2,107,776	9,030,868	9,030,868
Placements with banks	29,138,098	29,138,098	15,224,692	15,224,692
Financial assets at amortised cost - Loans to and receivables from other customers	348,767,467	322,590,050	369,072,030	339,333,283
Financial assets at amortised cost - Debt and other instruments	68,031,313	67,672,869	50,947,926	50,780,504
Other assets	10,569,550	10,050,217	7,791,474	7,791,474
Financial Liabilities				
Due to banks	52,793,464	52,793,464	15,857,994	15,857,994
Financial liabilities at amortised cost - due to depositors	407,225,313	427,279,084	370,314,026	361,987,182
Financial liabilities at amortised cost - due to other borrowers	72,022,734	72,022,734	81,145,692	81,145,692
Debt securities in issue	16,311,577	15,579,739	16,304,115	11,786,904
Other liabilities	5,566,306	5,046,973	8,101,153	8,101,153
Subordinated term debt	9,072,265	8,340,427	18,399,991	15,010,515

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

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

Assets for which Fair Value Approximates Carrying Value

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

Fixed Rate Financial Instruments

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

Reconciliation of Level 3 fair values

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

	Equity Securities	
	Bank/Group	
	2023	2022
	LKR 000	LKR 000
Balance at 1 January	237,985	216,602
Purchased during the year		
Gain included in OCI		
– Net change in fair value (unrealised)	16,566	4,817
Balance at end of the period	254,551	237,985

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 31.12.2023		
Adjusted net assets value (5% movement)	12,728	(11,899)

OPERATING SEGMENTS - GROUP

Information about reportable segments

	31 December 2023					31 December 2022				
	Corporate Banking LKR.'000	Retail Banking LKR.'000	Treasury LKR.'000	Other LKR.'000	Total LKR.'000	Corporate Banking LKR.'000	Retail Banking LKR.'000	Treasury LKR.'000	Other LKR.'000	Total LKR.'000
External revenue										
Interest income	24,436,691	37,867,355	34,120,873	117,372	96,542,291	22,385,937	34,462,091	12,148,231	77,936	69,074,195
Net fees and commission income	2,675,830	2,455,326	(6,456)	-	5,124,700	1,614,151	2,661,823	133,066	-	4,409,040
Net gain from trading	419,739	213,147	422,221	-	1,055,107	-	-	63,216	-	63,216
Net gain from derecognition of financial assets			2,838,626	-	2,838,626	-	-	99,112	-	99,112
Net other operating income	6,622	(231)	95,995	919,148	1,021,534	62,043	88,181	292,246	875,019	1,317,489
Income from external customers	27,538,882	40,535,597	37,471,259	1,036,520	106,582,258	24,062,131	37,212,095	12,735,871	952,955	74,963,052
Inter segment revenue				(478,432)	(478,432)	-	-	-	(441,086)	(441,086)
Total segment revenue	27,538,882	40,535,597	37,471,259	558,088	106,103,826	24,062,131	37,212,095	12,735,871	511,869	74,521,966
Impairment for loans and other losses	-	-	-	-	13,984,830	-	-	-	-	17,058,972
Interest Expense	-	-	-	-	65,584,019	-	-	-	-	43,268,327
Net operating income					26,534,977					14,194,667
Segment assets	146,988,400	195,869,059	256,957,751	1,093,643	600,908,853	153,349,786	208,906,129	170,872,250	1,008,643	534,136,808
Segment liabilities	64,002,310	343,011,101	150,581,693	570,621	558,165,725	66,602,856	303,560,345	131,943,287	558,889	502,665,377
Information on cash flows										
Cash flows from operating activities	-	-	-	-	70,868,270	-	-	-	-	50,594,980
Cash flows from investing activities	-	-	-	-	(84,436,978)	-	-	-	-	(31,413,734)
Cash flows from financing activities	-	-	-	-	25,856,630	-	-	-	-	(5,270,593)
Net cash flows generated during the year	-	-	-	-	12,287,922	-	-	-	-	13,910,653
Capital expenditure:										
Property, plant and equipment	-	73,370	-	297,573	370,944	-	123,551	-	60,793	184,344
Intangible assets	-	-	-	30,182	30,182	-	-	-	4,076	4,076

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

	2023 LKR.'000	2022 LKR.'000
Revenue		
Total revenue for reportable segments	106,582,258	74,963,052
Unallocated amounts	1,337,712	949,417
Elimination of inter-segment revenue	(478,432)	(441,086)
Consolidated revenue	<u>107,441,538</u>	<u>75,471,383</u>
Net Operating Income		
Total net operating income for reportable segments	26,534,977	14,194,667
Unallocated amounts	2,418	183,415
Consolidated net operating income	<u>26,537,395</u>	<u>14,378,082</u>
Assets		
Total assets for reportable segments	600,908,853	534,136,808
Other unallocated amounts	44,159,545	35,399,666
Consolidated total assets	<u>645,068,398</u>	<u>569,536,474</u>
Liabilities		
Total liabilities for reportable segments	558,165,725	502,665,377
Other unallocated amounts	14,526,901	12,550,295
Consolidated total liabilities	<u>572,692,626</u>	<u>515,215,672</u>