



## **DFCC Bank forges ahead amidst a challenging environment**

### *Financial Results for the period ended 30 June 2021*

- DFCC Group recorded a PAT of LKR 2.2 Bn.
- Advances grew by LKR 30 Bn to LKR 332 Bn (10% growth).
- Deposits grew by LKR 16 Bn to LKR 326 Bn (5% growth).

Despite the unprecedented challenges faced due to the pandemic resulting in volatility and economic slowdown, DFCC Bank continued its commitment in serving its customers across the country to deliver high-quality uninterrupted banking services. This hard work is embodied in the global recognition that was received by Global Brands UK, awarding DFCC Bank as the ‘Most Trusted Retail Banking Brand and the ‘Best Customer Service Banking Brand in Sri Lanka for 2021 under the category of ‘Banking and Finance’.

The Bank was able to achieve expected growth as a result in executing a focus strategy whilst retaining the purpose unchanged. The core objective being to help people and businesses prosper embracing change through technological transformation in order to continue to seize new opportunities that were posed as a result of the pandemic.

The Bank implemented several concessionary schemes to support Covid-19 stricken customers to emerge strong through numerous moratoriums, relief measures and advisory support services in accordance with the directives issued by the Central Bank of Sri Lanka.

DFCC Bank concluded the period ended 30 June 2021 with a sound performance and growth.

The following commentary relates to the unaudited Financial Statements for the period ended 30 June 2021, presented in accordance with Sri Lanka Accounting Standard 34 (LKAS 34) on “Interim Financial Statements”.

### **Financial Performance**

#### **Profitability.**

The DFCC Group comprises of DFCC Bank PLC (DFCC), and its subsidiaries – Lanka Industrial Estates Limited (LINDEL), DFCC Consulting (Pvt) Limited (DCPL) and Synapsys Limited (SL), the joint venture company – Acuity Partners (Pvt) Limited (APL) and associate company – National Asset Management Limited (NAMAL).

DFCC Bank PLC, the largest entity within the Group, reported a profit before tax (PBT) of LKR 2,753 Mn and a profit after tax (PAT) of LKR 2,031 Mn for the period ended 30 June 2021. This compares with a PBT of LKR 2,163 Mn and a PAT of LKR 1,444 Mn in the comparative period.

The Group recorded a PBT of LKR 2,994 Mn and a PAT of LKR 2,237Mn for the period ended 30 June 2021 as compared to LKR 2,566 Mn and LKR 1,803 Mn respectively in the comparative period of year 2020. All the member entities of the Group made positive contributions to this performance.

The basic earnings per ordinary share (EPS) of the Bank improved to LKR 6.45 for the period ended 30 June 2021 from LKR 4.75 for the comparative period in year 2020 recording an increase of 36%.

The Bank's Return on Equity (ROE) improved to 5.03% during the period ended 30 June 2021 from 4.93% recorded for the year ended 31 December 2020. The Bank's Return on Assets (ROA) before tax for the period ended 30 June 2021 is 0.75% compared to 0.78% for the year ended 31 December 2020.

### **Net Interest Income**

The Bank recorded LKR 5,601 Mn in net interest income (NII) which is a 5% decrease year on year primarily due to the drop in AWPLR more than 350 bps over the past 12 months as well as due to business implications that emerged due to the pandemic. In line with this trend and due to the time taken to reprice the existing deposits to reflect market trends, the interest margin also decreased from 2.53% in December 2020 to 2.37% in June 2021. With the repricing of the deposits to reflect the current market rates, the bank will be able to improve net interest margin in the coming months.

### **Other Operating Income**

We witnessed a sizeable amount of economic activities being interrupted due to travel restrictions imposed to curb the spread of the pandemic during the current period affecting business momentum.

Due to bank staff and the branch network working continuously over the period has helped the bank to increase non-funded business. This effort was fruitful as it resulted in an increase in net fee and commission income to LKR 1,298 Mn for the period ended 30 June 2021 from LKR 905 Mn in the comparative period. Other operating income has increased mainly due to increase in dividend income and gain on the sale of fixed income securities during the period ended 30 June 2021.

### **Impairment Charge on Loans and Other Losses**

Impairment provision for the period ended 30 June 2021 was LKR 1,649 Mn compared to LKR 1,507 Mn in the comparable period. In order to address the potential future impacts of COVID-19 on the lending portfolio, the Bank has made an adequate impairment provision as at 31 December 2020 by introducing changes to internal models to cover unseen risk factors in the highly uncertain and volatile environment including additional provisions made for the exposures to risk elevated sectors. While following the same method and basis, impairment provisions was increased in response to the third wave of the pandemic and related matters. However, with the best practices that were adopted in granting new credit and by providing proactive solutions to the impacted clients, the bank was able to report a NPL ratio of 5.46% in June 2021 compared to 5.56% in December 2020. As the interruptions due to COVID-19 pandemic might continue to be felt for some time, the Bank continues to monitor its loan portfolio and provisioning levels on a more regular basis.

## **Operating Expenses**

During the period ended 30 June 2021, the Bank's operating expenses increased from LKR 3,528 million to LKR 4,095 million compared to the corresponding period in the previous year mainly due to increase in transport cost provided to its staff due to restrictions in public transport and all other expenses incurred in keeping safe and healthy environment within Bank premises to support client engagements. During the year the Bank also created multiple channels to enhance the service delivery to customers through a strong digital drive providing access to uninterrupted banking services during these trying times. This resulted the increase in IT related expenses with the infrastructure upgrades. The process automation and workflow management systems introduced during this period facilitated effective cost control measures which resulted in managing the operating expenses at these levels.

## **Other Comprehensive Income**

Investments in equity securities and treasury bills and bonds (fixed income securities) are classified as financial assets and the change in fair value is recorded through other comprehensive income. Accordingly, a fair value gain of LKR 885Mn and a net fair value loss of LKR 2,486Mn were recorded on account of equity and fixed income securities, respectively. The increase in the share price of Commercial Bank of Ceylon PLC during the period mainly contributed to the reported fair value gain in equity securities. The movement of interest rates of treasury bills and bonds unfavourably resulted in the fair value loss of LKR 425 Mn during the period. A gain of LKR 2,062 Mn was recycled through the Income statement by disposing of selected treasury bills and bonds holding originally categorized under fair value through other comprehensive income (FVOCI) with the objective of cash flow management to support the loans and advance growth in line with its projections. The action also goes in tandem with the bank's expectations on the domestic interest rate trend, going forward.

## **Business Growth**

Despite the challenging business environment, the Bank continued its growth strategy by increasing both deposit and loan portfolio as at 30 June 2021. The loan portfolio grew by LKR 29,968 Mn to record LKR 331,877 Mn compared to LKR 301,909 Mn as at 31 December 2020 recording an increase of 10%. The Bank's deposit base also experienced a growth of 5% recording an increase of LKR 16,167 Mn to LKR 326,194 Mn from LKR 310,027 Mn as at 31 December 2020. With the 5% increase in deposits and 10% increase in loans, DFCC Bank reported loan to deposit ratio of 102%. The Bank's CASA ratio, recorded an impressive improvement to 34.77% which is one of the best in the industry. Funding costs of the Bank were also contained by using medium to long-term concessionary credit lines. When these concessionary term borrowings are considered, the CASA ratio improved to 39.85% as at 30 June 2021.

DFCC Bank continued its approach to tap local and foreign currency related long to medium-term borrowing opportunities to facilitate lending to deserving segments of the market whilst maintaining a quality portfolio.

## **Equity and Compliance with Capital Requirements**

In order to support future growth as a full-service retail bank, the Bank has consistently maintained a capital ratio above the Basel III minimum capital requirements. As at 30 June 2021, the Bank has recorded Tier 1 and total capital adequacy ratios of 9.90% and 14.20%, respectively which is well above the minimum regulatory requirements of 8% and 12% including capital conservation buffer of 2%. The Bank's Net Stable Funding Ratio was 111.13%, which is well above the regulatory minimum of 90%. These strong capital adequacy and liquidity levels are a clear affirmation of the Bank's stability.

Considering all the above positive factors, Fitch Ratings Lanka Limited recently reaffirmed DFCC Bank's rating at 'A+(lka)'; Outlook Stable.

### **CEO Comment**

*“Ensuring that we run our business responsibly delivering profit with purpose DFCC Bank will always place our customers in the forefront of everything we do. As a customer centric, digitally enabled bank we will continue to be our customers source of stability and deliver value through an unmatched top-of-the-line customer experience.*

*Despite the unprecedented challenges faced due to the ongoing pandemic, staff of DFCC Bank will continue to work with commitment to combat the negative socio-economic effects that have impacted our customers and assist them to ascent through sound financial solutions. We will continue to introduce banking services that put safety and security at the forefront and ensure that our internal processes are aligned to these same principles to serve our customers better.*

*We have a strong asset base to be deployed, but none is more important than the loyalty we earn from customers, not just by keeping their money and their data safe, but by offering products and services that meet their financial needs. This loyalty generates both more predictable returns and insight, enabling us to continue to improve our service”*

### **About DFCC Bank**

DFCC Bank is a full-service Commercial Bank with a legacy of 65 years as one of Sri Lanka's foremost financial conglomerates that offer a range of commercial and development banking services. The Bank won the awards for Most Trusted Retail Banking Brand and Best Customer Service Banking Brand in Sri Lanka, 2021 from the prestigious Global Brands Magazine, UK and was ranked amongst Business Today's Top 30 Corporates in Sri Lanka. DFCC Bank is rated [SL] AA- Stable by ICRA Lanka Limited and A+ (lka) Stable by Fitch Ratings Lanka Limited

**Lakshman Silva**  
**Director/Chief Executive Officer**

**06 August 2021**

**DFCC Bank PLC**  
**Income Statement**

Notes	Bank						Group					
	For the period ended			For the quarter ended			For the period ended			For the quarter ended		
	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %
<b>Gross Income</b>	<b>21,418,037</b>	22,171,596	(3)	<b>10,328,194</b>	10,875,160	(5)	<b>21,664,330</b>	22,411,396	(3)	<b>10,427,366</b>	10,977,528	(5)
Interest income	17,701,664	20,270,990	(13)	8,730,789	10,019,945	(13)	17,701,935	20,271,405	(13)	8,719,999	10,020,025	(13)
Interest expense	12,100,554	14,352,231	(16)	5,808,377	7,085,007	(18)	12,086,848	14,333,540	(16)	5,790,550	7,075,172	(18)
<b>Net interest income</b>	<b>5,601,110</b>	5,918,759	(5)	<b>2,922,412</b>	2,934,938	(0)	<b>5,615,087</b>	5,937,865	(5)	<b>2,929,449</b>	2,944,853	(1)
Fee and commission income	1,413,553	962,237	47	698,919	376,145	86	1,413,245	961,671	47	698,738	376,004	86
Fee and commission expenses	115,138	57,617	100	51,407	19,037	170	115,138	57,617	100	51,407	19,037	170
<b>Net fee and commission income</b>	<b>1,298,415</b>	904,620	44	<b>647,512</b>	357,108	81	<b>1,298,107</b>	904,054	44	<b>647,331</b>	356,967	81
Net gain from trading	96,772	268,914	(64)	113,070	115,892	(2)	96,772	268,914	(64)	113,070	115,892	(2)
Net loss from financial instruments at fair value through profit or loss	(1,175,624)	(556,204)	111	(307,933)	(152,317)	102	(1,175,624)	(556,204)	111	(307,933)	(152,317)	102
Net gains from derecognition of financial assets												
Fair value through other comprehensive income	1,321,855	37,408	3,434	887,457	37,398	100	1,321,855	37,408	3,434	887,457	37,398	100
Net other operating income	2,059,817	1,188,251	73	205,892	478,097	(57)	2,306,147	1,428,202	61	316,035	580,526	(46)
<b>Total operating income</b>	<b>9,202,345</b>	7,761,748	19	<b>4,468,410</b>	3,771,116	18	<b>9,462,344</b>	8,020,239	18	<b>4,585,409</b>	3,883,319	18
Impairment charge for loans and other losses												
Loans to and receivables from other customers	1,573,613	1,386,185	14	1,065,355	812,638	31	1,573,613	1,386,185	14	1,065,355	812,638	31
Other financial assets	71,644	111,522	(36)	232,789	70,423	231	71,644	111,522	(36)	232,789	70,423	231
Others	3,452	9,172	(62)	(5,008)	(12,867)	(61)	3,452	9,172	(62)	(5,008)	(12,867)	(61)
<b>Net operating income</b>	<b>7,553,636</b>	6,254,869	21	<b>3,175,274</b>	2,900,922	9	<b>7,813,635</b>	6,513,360	20	<b>3,292,273</b>	3,013,125	9
Operating expenses												
Personnel expenses	1,951,367	1,700,685	15	963,187	874,938	10	2,049,555	1,799,089	14	1,017,616	928,850	10
Depreciation and amortisation	480,582	447,063	7	245,861	226,589	9	505,004	474,496	6	258,191	240,152	8
Other expenses	1,662,614	1,380,251	20	854,647	675,871	26	1,625,657	1,359,963	20	820,459	645,546	27
<b>Total operating expenses</b>	<b>4,094,563</b>	3,527,999	16	<b>2,063,695</b>	1,777,398	16	<b>4,180,216</b>	3,633,548	15	<b>2,096,266</b>	1,814,548	16
<b>Operating profit before taxes on financial services</b>	<b>3,459,073</b>	2,726,870	27	<b>1,111,579</b>	1,123,524	(1)	<b>3,633,419</b>	2,879,812	26	<b>1,196,007</b>	1,198,577	(0)
Taxes on financial services	706,351	563,631	25	274,081	254,957	8	706,351	563,631	25	274,082	254,957	8
<b>Operating profit after taxes on financial services</b>	<b>2,752,722</b>	2,163,239	27	<b>837,498</b>	868,567	(4)	<b>2,927,068</b>	2,316,181	26	<b>921,925</b>	943,620	(2)
Share of profits of associate and joint venture	-	-	-	-	-	-	66,973	250,205	(73)	36,247	214,841	(83)
<b>Profit before income tax</b>	<b>2,752,722</b>	2,163,239	27	<b>837,498</b>	868,567	(4)	<b>2,994,041</b>	2,566,386	17	<b>958,172</b>	1,158,461	(17)
Income tax expense	721,317	718,956	0	284,644	349,730	(19)	757,538	763,649	(1)	304,593	369,429	(18)
<b>Profit for the period</b>	<b>2,031,405</b>	1,444,283	41	<b>552,854</b>	518,837	7	<b>2,236,503</b>	1,802,737	24	<b>653,579</b>	789,032	(17)
<b>Profit attributable to:</b>												
Equity holders of the Bank	2,031,405	1,444,283	41	552,854	518,837	7	2,171,561	1,750,089	24	623,785	766,872	(19)
Non-controlling interests	-	-	-	-	-	-	64,942	52,648	23	29,794	22,160	34
<b>Profit for the period</b>	<b>2,031,405</b>	1,444,283	41	<b>552,854</b>	518,837	7	<b>2,236,503</b>	1,802,737	24	<b>653,579</b>	789,032	(17)
Basic/Diluted earnings per ordinary share (LKR)	6.45	4.75	36	1.75	1.71	3	6.89	5.93	16	1.98	2.59	(24)

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

	Bank						Group					
	For the period ended			For the quarter ended			For the period ended			For the quarter ended		
	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %	30.06.2021 LKR 000	30.06.2020 LKR 000	Change %
Profit for the period	2,031,405	1,444,283	41	552,854	518,837	7	2,236,503	1,802,737	24	653,579	789,032	(17)
<b>Other comprehensive (expense) / income for the period, net of tax</b>												
<b>Items that are or may be reclassified subsequently to income statement</b>												
<b>Movement in fair value reserve(fair value through other comprehensive income debt instrument):</b>												
Net change in fair value	(424,574)	4,143,517	(110)	92,273	3,576,207	(97)	(424,574)	4,143,517	(110)	92,273	3,576,207	(97)
Reclassified to income statement	(2,061,514)	1,209	(170,614)	(1,447,229)	1,209	(119,805)	(2,061,514)	1,209	(170,614)	(1,447,229)	1,209	(119,805)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	77,688	36,792	111	15,738	1,621	871
<b>Movement in hedging reserve:</b>												
Cash flow hedge - effective portion of changes in fair value	357,303	(372,683)	196	146,499	281,348	(48)	357,303	(372,683)	196	146,499	281,348	(48)
Cash flow hedge - reclassified to income statement	(128,084)	107,225	(219)	(24,610)	(355,319)	(93)	(128,084)	107,225	(219)	(24,610)	(355,319)	(93)
Related deferred tax	717,532	(1,090,223)	166	307,699	(989,787)	131	717,532	(1,090,223)	166	307,699	(989,787)	131
<b>Total other comprehensive (expense) / income that are or may be reclassified subsequently to income statement</b>	<b>(1,539,337)</b>	<b>2,789,045</b>	<b>(155)</b>	<b>(925,368)</b>	<b>2,513,658</b>	<b>(137)</b>	<b>(1,461,649)</b>	<b>2,825,837</b>	<b>(152)</b>	<b>(909,630)</b>	<b>2,515,279</b>	<b>(136)</b>
<b>Items that will not be reclassified to income statement</b>												
<b>Movement in fair value reserve (FVOCI equity instruments) :</b>												
Equity investments at fair value through other comprehensive income - net change in fair value	885,071	(2,379,286)	137	350,902	(2,379,649)	115	885,071	(2,379,286)	137	350,902	(2,379,649)	115
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	(16)	(26)	(38)	(16)	(71)	(77)
<b>Total other comprehensive income on items that will not be reclassified to income statement</b>	<b>885,071</b>	<b>(2,379,286)</b>	<b>137</b>	<b>350,902</b>	<b>(2,379,649)</b>	<b>115</b>	<b>885,055</b>	<b>(2,379,312)</b>	<b>137</b>	<b>350,886</b>	<b>(2,379,720)</b>	<b>115</b>
<b>Other comprehensive (expense) / income for the period , net of tax</b>	<b>(654,266)</b>	<b>409,759</b>	<b>(260)</b>	<b>(574,466)</b>	<b>134,009</b>	<b>(529)</b>	<b>(576,594)</b>	<b>446,525</b>	<b>(229)</b>	<b>(558,744)</b>	<b>135,559</b>	<b>(512)</b>
<b>Total comprehensive income / (expense) for the period</b>	<b>1,377,139</b>	<b>1,854,042</b>	<b>(26)</b>	<b>(21,612)</b>	<b>652,845</b>	<b>(103)</b>	<b>1,659,909</b>	<b>2,249,262</b>	<b>(26)</b>	<b>94,835</b>	<b>924,591</b>	<b>(90)</b>
<b>Total comprehensive income / (expense) attributable to:</b>												
Equity holders of the Bank	1,377,139	1,854,042	(26)	(21,612)	652,845	(103)	1,594,967	2,196,614	(27)	65,041	902,432	(93)
Non-controlling interests	-	-	-	-	-	-	64,942	52,648	23	29,794	22,159	34
<b>Total comprehensive income / (expense) for the period</b>	<b>1,377,139</b>	<b>1,854,042</b>	<b>(26)</b>	<b>(21,612)</b>	<b>652,845</b>	<b>(103)</b>	<b>1,659,909</b>	<b>2,249,262</b>	<b>(26)</b>	<b>94,835</b>	<b>924,591</b>	<b>(90)</b>

**DFCC Bank PLC**
**Statement of Financial Position**

As at	Notes	Bank			Group		
		30.06.2021 LKR 000	31.12.2020 (Audited) LKR 000	Change %	30.06.2021 LKR 000	31.12.2020 (Audited) LKR 000	Change %
<b>Assets</b>							
Cash and cash equivalents		8,335,902	7,724,364	8	8,339,860	7,728,969	8
Balances with Central Bank of Sri Lanka		5,435,796	4,901,753	11	5,435,796	4,901,753	11
Placements with banks		-	15,414,287	(100)	94,420	15,431,962	(99)
Derivative financial assets		902,347	835,464	8	902,347	835,464	8
Financial assets measured at fair value through profit or loss		3,644,673	609,717	498	3,644,673	609,717	498
Financial assets at amortised cost - Loans to and receivables from banks		-	4,152,717	(100)	-	4,152,717	(100)
Financial assets at amortised cost - Loans to and receivables from other customers	9	331,877,002	301,909,337	10	331,877,002	301,909,337	10
Financial assets at amortised cost - Debt and other instruments		27,421,465	31,604,175	(13)	27,421,465	31,604,175	(13)
Financial assets measured at fair value through other comprehensive income		101,565,855	88,718,002	14	101,569,855	88,718,002	14
Investments in subsidiaries		217,435	217,435	-	-	-	-
Investments in associate		35,270	35,270	-	33,318	31,699	5
Investments in joint venture		755,000	755,000	-	2,592,289	2,449,262	6
Investment property		9,879	9,879	-	478,799	345,857	38
Property, plant and equipment		3,261,072	3,406,600	(4)	3,391,261	3,587,019	(5)
Intangible assets and goodwill		1,915,197	1,713,052	12	2,084,094	1,884,806	11
Deferred tax asset		516,542	-	100	519,460	2,919	17,696
Other assets		3,885,839	3,070,235	27	4,057,561	3,153,277	29
Asset held for sale		-	-	-	-	19,600	(100)
<b>Total assets</b>		<b>489,779,274</b>	<b>465,077,287</b>	<b>5</b>	<b>492,442,200</b>	<b>467,366,535</b>	<b>5</b>
<b>Liabilities</b>							
Due to banks		24,027,549	14,909,937	61	24,027,549	14,909,937	61
Derivative financial liabilities		577,265	267,883	115	577,265	267,883	115
Financial liabilities at amortised cost - Due to depositors	10	326,194,017	310,026,892	5	325,728,955	309,566,423	5
Financial liabilities at amortised cost - Due to other borrowers		46,523,765	46,847,076	(1)	46,523,765	46,847,076	(1)
Debt securities in issue		15,327,579	16,291,279	(6)	15,327,579	16,291,279	(6)
Retirement benefit obligation		729,904	643,118	13	756,855	671,041	13
Current tax liabilities		1,030,392	1,012,645	2	1,058,486	1,081,864	(2)
Deferred tax liability		-	243,949	(100)	99,903	341,691	(71)
Other liabilities		5,094,527	6,119,854	(17)	5,433,204	6,323,094	(14)
Subordinated term debt		19,539,980	19,357,497	1	19,539,980	19,357,497	1
<b>Total liabilities</b>		<b>439,044,978</b>	<b>415,720,130</b>	<b>6</b>	<b>439,073,541</b>	<b>415,657,785</b>	<b>6</b>
<b>Equity</b>							
Stated capital		8,600,457	7,682,465	12	8,600,457	7,682,465	12
Statutory reserve		2,583,968	2,583,968	-	2,583,968	2,583,968	-
Retained earnings		20,964,893	19,652,169	7	24,513,948	23,061,084	6
Other reserves		18,584,978	19,438,555	(4)	17,322,755	18,098,644	(4)
<b>Total equity attributable to equity holders of the Bank</b>		<b>50,734,296</b>	<b>49,357,157</b>	<b>3</b>	<b>53,021,128</b>	<b>51,426,161</b>	<b>3</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>347,531</b>	<b>282,589</b>	<b>23</b>
<b>Total equity</b>		<b>50,734,296</b>	<b>49,357,157</b>	<b>3</b>	<b>53,368,659</b>	<b>51,708,750</b>	<b>3</b>
<b>Total equity and liabilities</b>		<b>489,779,274</b>	<b>465,077,287</b>	<b>5</b>	<b>492,442,200</b>	<b>467,366,535</b>	<b>5</b>
<b>Contingent liabilities and commitments</b>							
		<b>160,666,495</b>	<b>130,764,147</b>	<b>23</b>	<b>160,666,495</b>	<b>130,764,147</b>	<b>23</b>
<b>Net assets value per share, LKR</b>		<b>158.29</b>	<b>161.30</b>	<b>(2)</b>	<b>165.42</b>	<b>168.06</b>	<b>(2)</b>

Memorandum Information	Bank		Group	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Number of Employees	2,166	2,072	2,284	2,182
Number of Branches (Including Service centres)	139	139		

## Statement of Changes in Equity

	Stated capital LKR 000	Statutory reserve	Other reserves			Retained earnings LKR 000	Total equity LKR 000
		Reserve fund LKR 000	Fair value reserve LKR 000	Hedging reserve LKR 000	General reserves LKR 000		
<b>Bank</b>							
<b>Balance as at 01 January 2020</b>	<b>7,530,371</b>	<b>2,461,968</b>	<b>5,704,644</b>	<b>(225,389)</b>	<b>13,779,839</b>	<b>18,228,086</b>	<b>47,479,519</b>
Profit for the period	-	-	-	-	-	1,444,283	1,444,283
Other comprehensive income / (expenses) net of tax	-	-	600,889	(191,130)	-	-	409,759
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>600,889</b>	<b>(191,130)</b>	<b>-</b>	<b>1,444,283</b>	<b>1,854,042</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(3,321)	-	-	3,321	-
<b>Transactions with equity holders of the Bank, recognised directly in equity</b>							
Final dividend for 2019 - Scrip	152,094	-	-	-	-	(152,094)	-
Final dividend for 2019 - Cash	-	-	-	-	-	(760,472)	(760,472)
<b>Total contributions from and distribution to equity holders</b>	<b>152,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(912,566)</b>	<b>(760,472)</b>
<b>Balance as at 30 June 2020</b>	<b>7,682,465</b>	<b>2,461,968</b>	<b>6,302,212</b>	<b>(416,519)</b>	<b>13,779,839</b>	<b>18,763,124</b>	<b>48,573,089</b>
<b>Balance as at 01 January 2021</b>							
<b>Balance as at 01 January 2021</b>	<b>7,682,465</b>	<b>2,583,968</b>	<b>5,882,811</b>	<b>(224,095)</b>	<b>13,779,839</b>	<b>19,652,169</b>	<b>49,357,157</b>
Profit for the period	-	-	-	-	-	2,031,405	2,031,405
Other comprehensive (expenses) / income , net of tax	-	-	(816,023)	161,757	-	-	(654,266)
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>(816,023)</b>	<b>161,757</b>	<b>-</b>	<b>2,031,405</b>	<b>1,377,139</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(199,311)	-	-	199,311	-
<b>Transactions with equity holders of the Bank, recognised directly in equity</b>							
Final dividend for 2020 – Scrip	917,992	-	-	-	-	(917,992)	-
<b>Total contributions from and distribution to equity holders</b>	<b>917,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(917,992)</b>	<b>-</b>
<b>Balance as at 30 June 2021</b>	<b>8,600,457</b>	<b>2,583,968</b>	<b>4,867,477</b>	<b>(62,338)</b>	<b>13,779,839</b>	<b>20,964,893</b>	<b>50,734,296</b>



## Statement of Changes in Equity

	Attributable to the equity holders of the Bank									Total equity
	Stated Capital	Statutory reserve		Other reserves			Retained earnings	Total	Non- controlling interests	
		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	
<b>Group</b>										
<b>Balance as at 01 January 2020</b>	<b>7,530,371</b>	<b>2,461,968</b>	<b>4,260,073</b>	<b>78,377</b>	<b>(225,389)</b>	<b>13,779,839</b>	<b>21,278,288</b>	<b>49,163,527</b>	<b>262,965</b>	<b>49,426,492</b>
Profit for the Period	-	-	-	-	-	-	1,750,089	1,750,089	52,648	1,802,737
Other comprehensive Income / (expense) net of tax	-	-	616,906	20,775	(191,130)	-	(26)	446,525	-	446,525
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>616,906</b>	<b>20,775</b>	<b>(191,130)</b>	<b>-</b>	<b>1,750,063</b>	<b>2,196,614</b>	<b>52,648</b>	<b>2,249,262</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(3,321)	-	-	-	3,321	-	-	-
<b>Transactions with equity holders of the Bank, recognized directly in equity</b>										
Final dividend for 2019 - Scrip	152,094	-	-	-	-	-	(152,094)	-	-	-
Final dividend for 2019 - Cash	-	-	-	-	-	-	(760,472)	(760,472)	-	(760,472)
<b>Total contributions from and distribution to equity holders</b>	<b>152,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(912,566)</b>	<b>(760,472)</b>	<b>-</b>	<b>(760,472)</b>
<b>Balance as at 30 June 2020</b>	<b>7,682,465</b>	<b>2,461,968</b>	<b>4,873,658</b>	<b>99,152</b>	<b>(416,519)</b>	<b>13,779,839</b>	<b>22,119,106</b>	<b>50,599,669</b>	<b>315,613</b>	<b>50,915,282</b>
<b>Balance at 01 January 2021</b>	<b>7,682,465</b>	<b>2,583,968</b>	<b>4,439,846</b>	<b>103,054</b>	<b>(224,095)</b>	<b>13,779,839</b>	<b>23,061,084</b>	<b>51,426,161</b>	<b>282,589</b>	<b>51,708,750</b>
Profit for the period	-	-	-	-	-	-	2,171,561	2,171,561	64,942	2,236,503
Other comprehensive (expense) / income , net of tax	-	-	(815,575)	77,240	161,757	-	(16)	(576,594)	-	(576,594)
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>(815,575)</b>	<b>77,240</b>	<b>161,757</b>	<b>-</b>	<b>2,171,545</b>	<b>1,594,967</b>	<b>64,942</b>	<b>1,659,909</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(199,311)	-	-	-	199,311	-	-	-
<b>Transactions with equity holders of the Bank, recognized directly in equity</b>										
Final dividend for 2020 – Scrip	917,992	-	-	-	-	-	(917,992)	-	-	-
<b>Total contributions from and distribution to equity holders</b>	<b>917,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(917,992)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 30 June 2021</b>	<b>8,600,457</b>	<b>2,583,968</b>	<b>3,424,960</b>	<b>180,294</b>	<b>(62,338)</b>	<b>13,779,839</b>	<b>24,513,948</b>	<b>53,021,128</b>	<b>347,531</b>	<b>53,368,659</b>

## Statement of Cash Flows

	Bank		Group	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
<i>For the six months ended 30th June</i>				
<b>Cash flows from operating activities</b>				
Interest receipts	12,622,609	14,456,752	12,621,190	14,480,171
Interest payments	(15,494,517)	(16,916,767)	(15,482,742)	(16,899,710)
Net commission receipts	1,350,685	933,981	1,350,685	933,981
Net trading income	39,950	2,394	39,950	2,394
Recoveries from loans previously written off	9,451	15,593	9,451	15,593
Receipts from other operating activities	2,805,791	1,372,133	3,220,654	1,733,438
Payments on other operating activities	(1,733,258)	(1,670,382)	(1,933,946)	(1,829,956)
Cash payments to employees	(1,882,311)	(1,692,483)	(1,882,311)	(1,692,483)
Taxes on financial services	(820,924)	(600,767)	(820,924)	(600,767)
Operating Cash flows before changes in operating assets and liabilities	(3,102,524)	(4,099,546)	(2,877,993)	(3,857,339)
<b>(Decrease) / increase in operating assets:</b>				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	(534,043)	4,965,700	(534,043)	4,965,700
Financial assets at amortised cost - Loans to and receivables from other customers	(24,961,252)	(15,698,785)	(24,961,252)	(15,698,785)
Others	(2,622,551)	(837,148)	(2,367,574)	(575,775)
<b>Increase /(decrease) in operating liabilities:</b>				
Financial liabilities at amortised cost - Due to depositors	18,091,049	30,162,871	17,715,071	29,903,625
Negotiable certificates of deposits	(45,238)	1,139,037	(45,238)	1,139,037
Others	866,590	(820,355)	851,810	(963,393)
<b>Net cash flows (used in) / from operating activities before income tax</b>	<b>(12,307,969)</b>	<b>14,811,774</b>	<b>(12,219,219)</b>	<b>14,913,070</b>
Income tax paid	(615,476)	(233,800)	(664,954)	(258,758)
<b>Net cash flows (used in) / from operating activities</b>	<b>(12,923,445)</b>	<b>14,577,974</b>	<b>(12,884,173)</b>	<b>14,654,312</b>
<b>Cash flows from investing activities</b>				
Dividends received from investment in subsidiaries, joint venture, and associate	3,500	411,649	-	408,150
Dividend received from other investments	629,248	-	629,248	-
Interest received	5,013,751	3,573,751	5,027,085	3,592,326
Government Securities- net	(11,564,042)	(4,008,538)	(11,564,043)	(4,008,538)
Proceeds from sale and redemption of securities	3,600,372	919,233	3,615,972	939,632
Purchase of financial investments	(6,829,294)	(175,068)	(6,829,294)	(175,068)
Purchase of property, equipment, intangibles and investment property	(399,075)	(187,416)	(391,982)	(187,652)
Proceeds from sale of equipment and investment property	106	-	4,406	-
<b>Net cash flows (used in) / from investing activities</b>	<b>(9,545,434)</b>	<b>533,611</b>	<b>(9,508,608)</b>	<b>568,850</b>
<b>Cash flows from financing activities</b>				
Issue of debentures	-	5,000,000	-	5,000,000
Redemption of debentures	-	(5,000,000)	-	(5,000,000)
Borrowing, medium and long - term	4,452,514	7,177,783	4,452,514	7,177,783
Other borrowings - net	13,603,748	(3,151,733)	13,603,748	(3,151,733)
Repayment of borrowing, medium and long - term	(10,390,364)	(6,340,960)	(10,390,364)	(6,340,960)
Dividends paid	232	(760,472)	232	(763,972)
<b>Net Cash flows from / (used in) financing activities</b>	<b>7,666,130</b>	<b>(3,075,382)</b>	<b>7,666,130</b>	<b>(3,078,882)</b>
Net (decrease) / increase in cash and cash equivalents	(14,802,749)	12,036,203	(14,726,651)	12,144,280
Cash and cash equivalents at the beginning of year	23,138,651	5,615,238	23,160,931	5,659,798
<b>Cash and cash equivalents at the end of period</b>	<b>8,335,902</b>	<b>17,651,441</b>	<b>8,434,280</b>	<b>17,804,078</b>
<b>Reconciliation of cash and cash equivalents with items reported in the statement of financial position</b>				
Cash and cash equivalents	8,335,902	8,356,343	8,339,860	8,374,438
Placements with banks	-	9,295,098	94,420	9,429,640
	<b>8,335,902</b>	<b>17,651,441</b>	<b>8,434,280</b>	<b>17,804,078</b>

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. Corporate income tax rate**

Inland Revenue (Amendment) Act, No. 10 of 2021 was certified by the spokesman on 13th of May 2021 and corporate income tax rate applicable to the Banking Sector has been reduced to 24% from 28% with effective from 1st January 2020. Accordingly, a revised tax rate of 24% was considered in the computation of income tax and deferred tax as at 30 June 2021.

### **Note 4. 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 4.1 31 March Financial Year Company**

This is Lanka Industrial Estates Ltd.

### **Note 5. Expected Credit Loss calculation**

In order to address the potential future impacts of COVID-19 on the lending portfolio, the Bank has made adequate impairment provision as at 31 December 2020 by introducing changes to internal models to cover unseen risk factors in the highly uncertain and highly volatile environment including additional provisions made for the exposures to risk elevated sectors. The same methods and the processes were followed during the period ended 30 June 2021 with required update based on the conditions in the operating environment.

**Note 6. Net gain from trading**

For the period ended 30 June	Bank		Group	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Foreign exchange from banks	47,273	257,523	47,273	257,523
Government securities				
- Net marked to market gain	-	585	-	585
- Net capital (loss) / gain	(728)	2,272	(728)	2,272
Equity securities				
- Net marked to market (loss) / gain	(4,305)	8,534	(4,305)	8,534
- Net capital gain	54,232	-	54,232	-
- Dividend income	300	-	300	-
	<b>96,772</b>	<b>268,914</b>	<b>96,772</b>	<b>268,914</b>

**Note 7. Net loss from financial instruments at fair value through profit or loss**

For the period ended 30 June	Bank		Group	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	(1,201,332)	(480,303)	(1,201,332)	(480,303)
Gain / (loss) on financial assets fair value through profit or loss - equity securities	25,708	(75,901)	25,708	(75,901)
	<b>(1,175,624)</b>	<b>(556,204)</b>	<b>(1,175,624)</b>	<b>(556,204)</b>

**Note 8. Net Other Operating Income**

For the period ended 30 June	Bank		Group	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Financial assets measured at fair value through other comprehensive income				
Gain on sale of equity shares	-	894	-	894
Dividend income	897,344	682,882	897,344	682,882
Dividend income from subsidiaries, joint venture and associate	3,500	3,500	-	-
Net gain from repurchase transactions	172,368	353,901	172,368	353,901
Gains on revaluation of foreign exchange	973,265	124,096	973,265	124,096
Others	13,340	22,978	263,170	266,429
	<b>2,059,817</b>	<b>1,188,251</b>	<b>2,306,147</b>	<b>1,428,202</b>

## Note 9. Financial Assets at Amortized Cost - Loans to and Receivables from Other Customers

As at	Bank		Group	
	30.06.2021	31.12.2020 (Audited)	30.06.2021	31.12.2020 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 9.1)	348,869,834	317,232,612	348,869,834	317,232,612
Less: Allowance for impairment (Note 9.2)	(16,992,832)	(15,323,275)	(16,992,832)	(15,323,275)
<b>Net loans and receivables</b>	<b>331,877,002</b>	<b>301,909,337</b>	<b>331,877,002</b>	<b>301,909,337</b>

### Note 9.1 Loans to and Receivables from Other Customers - By product

As at	Bank		Group	
	30.06.2021	31.12.2020 (Audited)	30.06.2021	31.12.2020 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
<b>By product-Domestic Currency</b>				
Overdrafts	39,035,004	36,464,999	39,035,004	36,464,999
Trade finance	22,768,441	19,328,876	22,768,441	19,328,876
Credit cards	2,630,281	2,199,543	2,630,281	2,199,543
Pawning	5,245,334	4,565,645	5,245,334	4,565,645
Staff loans	2,568,681	2,491,323	2,568,681	2,491,323
Term loans	206,571,190	186,621,584	206,571,190	186,621,584
Lease rentals receivable	24,251,245	25,127,337	24,251,245	25,127,337
Commercial papers and asset back notes	1,382,883	2,076,591	1,382,883	2,076,591
	<b>304,453,059</b>	<b>278,875,898</b>	<b>304,453,059</b>	<b>278,875,898</b>
<b>By product-Foreign Currency</b>				
Overdrafts	515,636	347,263	515,636	347,263
Trade finance	14,475,056	11,013,285	14,475,056	11,013,285
Term loans	29,426,083	26,996,166	29,426,083	26,996,166
	<b>44,416,775</b>	<b>38,356,714</b>	<b>44,416,775</b>	<b>38,356,714</b>
Gross loans and receivables	<b>348,869,834</b>	<b>317,232,612</b>	<b>348,869,834</b>	<b>317,232,612</b>

### Note 9.2 Movement in Impairment during the period

	Bank		Group	
	30.06.2021	31.12.2020 (Audited)	30.06.2021	31.12.2020 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
<b>Stage 1</b>				
Balance at beginning	1,305,740	901,871	1,305,740	901,871
Charge to income statement	275,953	404,581	275,953	404,581
Write-off during the period	(1)	(712)	(1)	(712)
Balance at end	<b>1,581,692</b>	<b>1,305,740</b>	<b>1,581,692</b>	<b>1,305,740</b>
<b>Stage 2</b>				
Balance at beginning	1,065,570	1,563,877	1,065,570	1,563,877
Charge / (write back) to income statement	916,121	(494,452)	916,121	(494,452)
Write-off during the period	(11)	(3,855)	(11)	(3,855)
Balance at end	<b>1,981,680</b>	<b>1,065,570</b>	<b>1,981,680</b>	<b>1,065,570</b>
<b>Stage 3</b>				
Balance at beginning	12,951,965	9,940,734	12,951,965	9,940,734
Charge to income statement	381,539	3,030,682	381,539	3,030,682
Effect of foreign currency movement	114,486	44,440	114,486	44,440
Write-off during the period	(17,930)	(27,398)	(17,930)	(27,398)
Other movements	(600)	(36,493)	(600)	(36,493)
Balance at end	<b>13,429,460</b>	<b>12,951,965</b>	<b>13,429,460</b>	<b>12,951,965</b>
<b>Total Impairment</b>	<b>16,992,832</b>	<b>15,323,275</b>	<b>16,992,832</b>	<b>15,323,275</b>

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

As at	Bank		Group	
	30.06.2021	31.12.2020 (Audited)	30.06.2021	31.12.2020 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
<b>By product-Domestic Currency</b>				
Demand deposits (current accounts)	8,821,921	7,476,335	8,821,871	7,476,287
Savings deposits	80,446,865	41,091,895	80,392,339	41,048,297
Fixed deposits	187,967,760	213,659,595	187,577,085	213,260,799
Other deposits	899,713	2,093,795	899,713	2,093,795
Certificate of deposits	2,400,289	2,473,374	2,400,289	2,473,374
	<b>280,536,548</b>	266,794,994	<b>280,091,297</b>	266,352,552
<b>By product- Foreign Currency</b>				
Demand deposits (current accounts)	677,180	540,454	677,180	540,454
Savings deposits	22,707,246	23,957,027	22,705,939	23,955,827
Fixed deposits	22,226,198	18,493,843	22,207,694	18,477,016
Other deposits	46,845	240,574	46,845	240,574
	<b>45,657,469</b>	43,231,898	<b>45,637,658</b>	43,213,871
<b>Total</b>	<b>326,194,017</b>	310,026,892	<b>325,728,955</b>	309,566,423

**Note 11. Events after the reporting period**

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

**Note 12. Disclosures under Listing Rules**

**12.1** During the period, there were no material changes in the composition of assets, liabilities and contingent liabilities and use of funds raised through debentures. 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	
	30.06.2021	31.12.2020
Number of shares of the Bank	<b>320,522,436</b>	305,997,250

**12.3 Market price of a share**

Information on shares of the Bank for the quarter ended	30.06.2021	31.12.2020
- Highest price LKR	<b>65.00</b>	70.50
- Lowest price LKR	<b>56.30</b>	59.90
- Market price LKR	<b>60.10</b>	65.30

#### 12.4 Twenty Major Shareholders as at 30.06.2021

	Name of Shareholder/Company	Shareholding	%
1	Hatton National Bank PLC A/c No.1	47,789,949	14.91
2	Bank of Ceylon No.2 - A/C (BOC PTF)	40,082,584	12.51
3	Mr.M.A. Yaseen	32,052,242	10.00
4	Sri Lanka Insurance Corporation Ltd-Life Fund	29,057,943	9.07
5	Employee's Provident Fund	25,677,509	8.01
6	Melstacorp Plc	23,585,521	7.36
7	Seafeld International Limited	18,668,111	5.82
8	Mr.H.H. Abdulhusein	9,500,000	2.96
9	Renuka City Hotels Plc	7,298,813	2.28
10	People'S Leasing & Finance Plc / Don And Don Holdings (Private) Limited	6,189,485	1.93
11	Renuka Hotels PLC	4,292,082	1.34
12	Employee's Trust Fund Board	4,202,087	1.31
13	Akbar Brothers Pvt Ltd A/C No 1	2,839,399	0.89
14	Seylan Bank / Senthilverl Holdings (Pvt) Ltd	2,649,850	0.83
15	Cargo Boat Development Company PLC	2,632,342	0.82
16	Deutsche Bank AG as Trustee to Assetline Income plus Growth Fund	2,364,384	0.74
17	Anverally International ( Pvt ) Limited	2,282,161	0.71
18	Sri Lanka Insurance Corporation Ltd-General Fund	2,269,393	0.71
19	Stassen Exports (Pvt) Limited	1,998,639	0.62
20	Crescent Launderers And Dry Cleaners Pvt Limited	1,562,154	0.49

#### 12.5 Public Holdings as at 30.06.2021

Public holdings percentage	62.55%
Number of Public shareholders	11,327
Float adjusted market capitalisation	LKR 12,050 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 30.06.2021
P M B Fernando	2,106
S.R Thambiayah (Ms.)	Nil
V J Senaratne (Ms.)	1,909
L H A L Silva	26,200
L.K.A.H. Fernando ( Ms.)	Nil
N.K.G.K. Nemmawatta	Nil
J. Durairatnam	Nil
N.H.T.I.Perera	17,701
H.M.N.S Gunawardana (Ms.)	Nil
H.A.J. De Silva Wijeyeratne	8,850

#### Certification

We, the undersigned, being the Chairman, the Chief Executive Officer and the Chief Financial 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

**Lakshman Silva**  
Director & Chief Executive Officer

**Chinthika Amarasekera**  
Chief Financial Officer

## Listed Debentures

Debenture Category	Interest rate Frequency	Effective Rate	Coupon Rate	Interest rate of Comparative Government Securities (Gross) p.a.	Balance as at 30.06.2021 LKR 000	Market price LKR			Yield Last Traded %	Last Traded Date
						Highest	Lowest	Last Traded		
<b>Fixed Rate</b>										
2016/2021	Annually	12.15	12.15	5.15	1,029,502	N/T	N/T	N/T	N/A	N/A
2016/2023	Annually	12.75	12.75	6.26	6,517,879	N/T	N/T	N/T	N/A	N/A
2018/2023	Annually	12.60	12.60	5.86	2,999,002	N/T	N/T	N/T	N/A	N/A
2018/2025	Annually	13.00	13.00	7.02	4,207,010	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	13.50	6.47	3,924,150	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	7.33	1,840,261	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	8.03	4,549,921	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	9.00	9.00	7.13	4,569,335	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	9.25	9.25	7.61	217,252	N/T	N/T	N/T	N/A	N/A

N/T -Not traded



**Selected Performance Indicators**

	Bank		Group	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
<b>Regulatory Capital ( LKR '000)</b>				
Common Equity Tier I	<b>35,287,177</b>	35,041,771	<b>35,378,567</b>	35,113,117
Tier 1 Capital	<b>35,287,177</b>	35,041,771	<b>35,378,567</b>	35,113,117
Total Capital	<b>50,634,423</b>	51,055,165	<b>50,725,813</b>	51,126,511
<b>Regulatory Capital Ratios %</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5% )	<b>9.898</b>	10.820	<b>9.897</b>	10.816
Tier 1 Capital Ratio (Minimum Requirement - 8%)	<b>9.898</b>	10.820	<b>9.897</b>	10.816
Total Capital Ratio (Minimum Requirement - 12%)	<b>14.202</b>	15.764	<b>14.190</b>	15.749
<b>Leverage Ratio ( Minimum requirement is 3%).</b>	<b>6.62</b>	6.79	<b>6.64</b>	6.82
<b>Regulatory Liquidity</b>				
Statutory liquid assets LKR 000				
Domestic Banking Unit	<b>115,519,289</b>	128,834,294		
Off-Shore Banking Unit	<b>19,135,448</b>	8,402,869		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	<b>28.41</b>	33.78		
Off-Shore Banking Unit	<b>54.25</b>	35.45		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2021 - 90% , 2020 - 90%)	<b>144.38</b>	288.27		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2021 - 90 % , 2020 - 90%)	<b>126.66</b>	204.44		
Net Stable Funding Ratio (%) (Minimum requirement - 2021 - 90%, 2020 - 90%)	<b>111.13</b>	123.00		
<b>Asset Quality</b>				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	<b>5.46</b>	5.56		
Non-performing loans and advances - Net exposure % (Net of interest in suspense and provisions)	<b>2.08</b>	2.32		
<b>Profitability</b>				
Interest margin %	<b>2.37</b>	2.53		
Return on assets ( profit before tax) %	<b>0.75</b>	0.78		
Return on equity %	<b>5.03</b>	4.93		
<b>Other Ratios</b>				
Debt to equity ratio (times)	<b>1.98</b>	2.06		
Interest cover (times)	<b>1.71</b>	1.52		

## 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 2021	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
<b>Financial Assets</b>								
Cash and cash equivalents	-	-	8,335,902	8,335,902	-	-	8,339,860	8,339,860
Balances with Central Bank of Sri Lanka	-	-	5,435,796	5,435,796	-	-	5,435,796	5,435,796
Placements with banks	-	-	-	-	-	-	94,420	94,420
Derivative financial assets	902,347	-	-	902,347	902,347	-	-	902,347
Financial assets measured at fair value through profit or loss	3,644,673	-	-	3,644,673	3,644,673	-	-	3,644,673
Financial assets at amortised cost - Loans to and receivables from banks	-	-	-	-	-	-	-	-
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	331,877,002	331,877,002	-	-	331,877,002	331,877,002
Financial assets at amortised cost - Debt and other instruments	-	-	27,421,465	27,421,465	-	-	27,421,465	27,421,465
Financial assets measured at fair value through other comprehensive income	-	101,565,855	-	101,565,855	-	101,569,855	-	101,569,855
Other assets	-	-	2,723,649	2,723,649	-	-	2,890,178	2,890,178
<b>Total financial assets</b>	<b>4,547,020</b>	<b>101,565,855</b>	<b>375,793,814</b>	<b>481,906,689</b>	<b>4,547,020</b>	<b>101,569,855</b>	<b>376,058,721</b>	<b>482,175,596</b>
<b>Financial Liabilities</b>								
Due to banks	-	-	24,027,549	24,027,549	-	-	24,027,549	24,027,549
Derivative financial liabilities	577,265	-	-	577,265	577,265	-	-	577,265
Financial liabilities at amortised cost -Due to depositors	-	-	326,194,017	326,194,017	-	-	325,728,955	325,728,955
Financial liabilities at amortised cost - Due to other borrowers	-	-	46,523,765	46,523,765	-	-	46,523,765	46,523,765
Debt securities issued	-	-	15,327,579	15,327,579	-	-	15,327,579	15,327,579
Other liabilities	-	-	3,707,660	3,707,660	-	-	3,997,439	3,997,439
Subordinated term debt	-	-	19,539,980	19,539,980	-	-	19,539,980	19,539,980
<b>Total financial liabilities</b>	<b>577,265</b>	<b>-</b>	<b>435,320,550</b>	<b>435,897,815</b>	<b>577,265</b>	<b>-</b>	<b>435,145,267</b>	<b>435,722,532</b>

	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 2020	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
<b>Financial Assets</b>								
Cash and cash equivalents	-	-	7,724,364	7,724,364	-	-	7,728,969	7,728,969
Balances with Central Bank of Sri Lanka	-	-	4,901,753	4,901,753	-	-	4,901,753	4,901,753
Placements with banks	-	-	15,414,287	15,414,287	-	-	15,431,962	15,431,962
Derivative financial assets	835,464	-	-	835,464	835,464	-	-	835,464
Financial assets measured at fair value through profit or loss	609,717	-	-	609,717	609,717	-	-	609,717
Financial assets at amortised cost - Loans to and receivables from banks	-	-	4,152,717	4,152,717	-	-	4,152,717	4,152,717
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	301,909,337	301,909,337	-	-	301,909,337	301,909,337
Financial assets at amortised cost - Debt and other instruments	-	-	31,604,175	31,604,175	-	-	31,604,175	31,604,175
Financial assets measured at fair value through other comprehensive income	-	88,718,002	-	88,718,002	-	88,718,002	-	88,718,002
Other assets	-	-	1,999,405	1,999,405	-	-	2,006,621	2,006,621
<b>Total financial assets</b>	<b>1,445,181</b>	<b>88,718,002</b>	<b>367,706,038</b>	<b>457,869,221</b>	<b>1,445,181</b>	<b>88,718,002</b>	<b>367,735,534</b>	<b>457,898,717</b>
<b>Financial Liabilities</b>								
Due to banks	-	-	14,909,937	14,909,937	-	-	14,909,937	14,909,937
Derivative financial liabilities	267,883	-	-	267,883	267,883	-	-	267,883
Financial liabilities at amortised cost -Due to depositors	-	-	310,026,892	310,026,892	-	-	309,566,423	309,566,423
Financial liabilities at amortised cost - Due to other borrowers	-	-	46,847,076	46,847,076	-	-	46,847,076	46,847,076
Debt securities issued	-	-	16,291,279	16,291,279	-	-	16,291,279	16,291,279
Other liabilities	-	-	4,783,873	4,783,873	-	-	4,900,953	4,900,953
Subordinated term debt	-	-	19,357,497	19,357,497	-	-	19,357,497	19,357,497
<b>Total financial liabilities</b>	<b>267,883</b>	<b>-</b>	<b>412,216,554</b>	<b>412,484,437</b>	<b>267,883</b>	<b>-</b>	<b>411,873,165</b>	<b>412,141,048</b>

## 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

<b>As at 30 June 2021</b>	<b>Level 1 LKR 000</b>	<b>Level 2 LKR 000</b>	<b>Level 3 LKR 000</b>	<b>Total LKR 000</b>
<b>Financial Assets</b>				
Derivative financial assets				
Forward foreign exchange contracts	-	902,347	-	902,347
Financial assets measured at fair value through profit or loss				
Equity securities - quoted	40,575	-	-	40,575
Units in Unit Trusts - Quoted	3,740	-	-	3,740
Units in Unit Trusts - Unquoted	-	3,600,358	-	3,600,358
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	86,656,684	-	-	86,656,684
Sri Lanka Sovereign bonds	1,172,419	-	-	1,172,419
Quoted ordinary shares	13,522,942	-	-	13,522,942
Unquoted shares	-	-	213,810	213,810
	<b>101,396,360</b>	<b>4,502,705</b>	<b>213,810</b>	<b>106,112,875</b>
<b>Financial Liabilities</b>				
Derivative financial liabilities				
Forward foreign exchange contracts	-	577,265	-	577,265
	<b>-</b>	<b>577,265</b>	<b>-</b>	<b>577,265</b>

As at 31 December 2020	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
<b>Financial Assets</b>				
Derivative financial assets				
Forward foreign exchange contracts	-	835,464	-	835,464
Financial assets measured at fair value through profit or loss				
Equity securities - quoted	44,880	-	-	44,880
Units in Unit Trusts - Quoted	3,740	-	-	3,740
Units in Unit Trusts - Unquoted	-	561,097	-	561,097
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	75,272,434	-	-	75,272,434
Sri Lanka Sovereign bonds	931,706	-	-	931,706
Quoted ordinary shares	12,299,552	-	-	12,299,552
Unquoted shares	-	-	213,810	213,810
Preference shares	-	-	500	500
	<b>88,552,312</b>	<b>1,396,561</b>	<b>214,310</b>	<b>90,163,183</b>
<b>Financial Liabilities</b>				
Derivative financial liabilities				
Forward foreign exchange contracts	-	267,883	-	267,883
	<b>-</b>	<b>267,883</b>	<b>-</b>	<b>267,883</b>

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 2021		As at 31 Dec 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	LKR 000	LKR 000	LKR 000	LKR 000
<b>Financial Assets</b>				
Cash and cash equivalents	8,335,902	8,335,902	7,724,364	7,724,364
Balances with Central Bank of Sri Lanka	5,435,796	5,435,796	4,901,753	4,901,753
Placements with banks	-	-	15,414,289	15,414,289
Financial assets at amortised cost - Loans to and receivables from banks	-	-	4,152,717	4,152,717
Financial assets at amortised cost - Loans to and receivables from other customers	331,888,160	329,375,500	301,909,337	295,969,708
Financial assets at amortised cost - Debt and other instruments	27,421,465	28,369,219	31,604,175	31,633,380
Other assets	2,723,656	2,723,656	1,999,405	1,999,405
<b>Financial Liabilities</b>				
Due to banks	24,027,549	24,027,549	14,909,937	14,909,937
Financial liabilities at amortised cost - due to depositors	326,194,017	325,739,445	310,026,892	304,408,686
Financial liabilities at amortised cost - due to other borrowers	46,523,765	46,523,765	46,847,076	46,847,076
Debt securities issued	15,327,579	16,637,017	16,291,279	17,124,659
Other liabilities	3,707,660	3,707,660	4,783,877	4,783,877
Subordinated term debt	19,539,980	19,994,400	19,357,497	20,476,257

#### 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 Resale 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	
	2021	2020
	LKR '000'	LKR '000'
Balance at 1 January	213,810	200,357
Purchased during the year	-	-
<b>Gain included in OCI</b>		
– Net change in fair value (unrealised)	-	13,453
Balance at end of the period	213,810	213,810

**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.

Equity securities as at 30 June 2021	OCI Net of Tax	
	Increase LKR '000'	Decrease LKR '000'
Adjusted net assets value (5% movement)	10,691	(10,691)

## OPERATING SEGMENTS - GROUP

### Information about reportable segments

	Corporate Banking		Retail Banking		Central Treasury		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000
<b>External revenue</b>										
Interest income	4,299,705	6,196,990	8,435,966	10,011,464	4,137,207	3,173,495	13,978	19,173	16,886,857	19,401,121
Net fees and commission income	461,009	239,990	674,670	515,303	277,872	-	-	-	1,413,551	755,293
Net gain from trading	-	-	-	-	96,772	274,017	-	-	96,772	274,017
Net loss from financial instruments at fair value through profit or loss	-	-	-	-	(1,175,624)	(568,444)	-	-	(1,175,624)	(568,444)
Net gain from derecognition of financial assets	-	-	-	-	1,321,855	32,306	-	-	1,321,855	32,306
Other income - net	8,518	18,920	4,008	5,664	1,145,632	490,237	376,633	467,992	1,534,791	982,814
Income from external customers	4,769,232	6,455,900	9,114,644	10,532,431	5,803,714	3,401,611	390,611	487,165	<b>20,078,202</b>	<b>20,877,107</b>
Inter segment revenue	-	-	-	-	-	-	(144,318)	(126,552)	(144,318)	(126,552)
<b>Total segment revenue</b>	<b>4,769,232</b>	<b>6,455,900</b>	<b>9,114,644</b>	<b>10,532,431</b>	<b>5,803,714</b>	<b>3,401,611</b>	<b>246,293</b>	<b>360,613</b>	<b>19,933,884</b>	<b>20,750,555</b>
<b>Segment assets</b>	139,087,326	130,860,164	187,377,363	157,319,099	147,008,108	127,496,593	1,044,995	889,379	474,517,792	416,565,235
<b>Segment liabilities</b>	89,592,126	85,919,105	235,767,804	179,409,216	106,365,164	101,099,017	493,625	76,736	432,218,719	366,504,073
<b>Information on cash flows</b>										
Cash flows (used in) / from operating activities									(12,884,173)	14,654,312
Cash flows (used in) / from investing activities									(9,508,608)	568,850
Cash flows from / (used in) financing activities									7,666,130	(3,078,882)
<b>Net cash flows (used in) / generated during the year period</b>									<b>(14,726,651)</b>	<b>12,144,280</b>
<b>Capital expenditure:</b>										
Property, plant and equipment	-	148	156,713	89,331	-	3,183	43,003	20,618	199,716	113,280
Intangible assets	-	-	111,320	176	-	-	38,796	73,960	150,116	74,136

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

	2021	2020
	LKR.'000	LKR.'000
<b>i. Revenues</b>		
Total revenue for reportable segments	20,078,202	20,877,107
Unallocated amounts	1,730,446	1,660,841
Elimination of inter-segment revenue	(144,318)	(126,552)
Consolidated revenue	<u>21,664,330</u>	<u>22,411,396</u>
<b>ii. Assets</b>		
Total assets for reportable segments	474,517,792	416,565,235
Other unallocated amounts	17,924,408	21,084,938
Consolidated total assets	<u>492,442,200</u>	<u>437,650,173</u>
<b>iii. Liabilities</b>		
Total liabilities for reportable segments	432,218,719	366,504,075
Other unallocated amounts	6,854,822	20,230,816
Consolidated total liabilities	<u>439,073,541</u>	<u>386,734,891</u>

Segment performance is evaluated based on operating profits or losses which are measured differently from operating profits or losses in the consolidated financial statements. Expenses are managed on a group basis and are not allocated to operating segment.

Eliminations are the consolidation adjustments for inter company transactions.