



## **DFCC Bank remains resilient amidst a demanding environment**

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

- DFCC Group recorded a PAT of LKR 3.4 Bn.
- Advances grew by LKR 54 Bn to LKR 356 Bn (18% growth).
- Deposits grew by LKR 31 Bn to LKR 340 Bn (10% growth).

Despite the challenging operating environment in the banking industry, DFCC Bank has continued to record good key performance indicators which reflects growth and stability of the entity.

The Bank is proud to spearhead unique digital innovations that help revolutionize digital banking and provide convenience to customers. DFCC remains focused on the overall value proposition it delivers to customers – with relevance and personalization. The Bank is committed to enhancing functionalities, creating utility value to increase adoption and ensuring that the products and services are customer centric.

DFCC has had a long-term vision in becoming the most customer centric digitally enabled bank in the country. To this effort, DFCC Bank also continued to reach new heights in solidifying its status as a pioneer in the financial services industry with the Global Banking & Finance Awards 2021 recognizing the DFCC Virtual Wallet as the Best Digital Wallet in the country and DFCC iConnect as the “Most Innovative Corporate Banking App” in Sri Lanka.

The following commentary relates to the unaudited Financial Statements for the period ended 30 September 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 4,105 Mn and a profit after tax (PAT) of LKR 3,070 Mn for the period ended 30 September 2021. This compares with a PBT of LKR 2,636 Mn and a PAT of LKR 1,751 Mn in the comparative period.

The Group recorded a PBT of LKR 4,508 Mn and a PAT of LKR 3,413 Mn for the period ended 30 September 2021 as compared to LKR 3,062 Mn and LKR 2,110 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 9.74 for the period ended 30 September 2021 from LKR 5.74 for the comparative period in year 2020 recording an increase of 70%.

The Bank's Return on Equity (ROE) improved to 7.14% during the period ended 30 September 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 September 2021 is 1% compared to 0.78% for the year ended 31 December 2020.

### **Net Interest Income**

The Bank recorded LKR 8,700 Mn in net interest income (NII) which is a 2% increase year on year. However, the drop in AWPLR by 116 bps over the past 12 months and the time lag to reprice the existing deposits to match market trends, contributed to the drop in interest margin from 2.53% in December 2020 to 2.41% in September 2021. Since a large component of the portfolio which are to be repriced based on variable rates and with the expected upward revision to Average Weighted Prime Lending Rates the bank would record a positive impact to Net Interest Margins in the coming months.

### **Other Operating Income**

Due to travel restrictions imposed to curb the spread of the pandemic, the business momentum was impacted during the third quarter of 2021.

The staff at the Head office and the branch network working continuously over the period has assisted the bank to increase non-funded business and helped the priority sectors of the country to continue with their business activities uninterrupted. This effort was fruitful as it resulted in an increase in net fee and commission income to LKR 1,929 Mn for the period ended 30 September 2021 from LKR 1,436 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 September 2021.

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

Impairment provision for the period ended 30 September 2021 was LKR 2,532 Mn compared to LKR 2,661 Mn in the comparable period. The drop is primarily due to the investments matured during the 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 were 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 5.18% in September 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 September 2021, the Bank's operating expenses increased from LKR 5,476 million to LKR 6,165 million compared to the corresponding period in the previous year mainly due to providing facilities to 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 505Mn and a net fair value loss of LKR 3,828 Mn 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 unfavorable movement in the treasury bills and bonds yields resulted in the fair value loss of LKR 1,766 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 September 2021. The loan portfolio grew by LKR 54,072 Mn to record LKR 355,981 Mn compared to LKR 301,909 Mn as at 31 December 2020 recording an increase of 18%. The Bank's deposit base also experienced a growth of 10% recording an increase of LKR 30,779 Mn to LKR 340,806 Mn from LKR 310,027 Mn as at 31 December 2020. With the 10% increase in deposits and 18% increase in loans, DFCC Bank reported loan to deposit ratio of 104%. The Bank's CASA ratio, recorded an impressive improvement to 35.66% 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 40.35% as at 30 September 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 September 2021, the Bank has recorded Tier 1 and total capital adequacy ratios of 9.11% and 13.26%, 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 111.71%, which is well above the regulatory minimum of 100%. These strong capital adequacy and liquidity levels are a clear affirmation of the Bank's stability.

### **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.*

*In line with the said vision, the bank embarked on implementing a state of the art, new core banking system in June 2020. Due to the pandemic that prevailed globally and travel restrictions, the go live date of the system got delayed until October 2021. We are happy to note that the new core banking went live by 21st October 2021. Considering the magnitude of the implementation, we have to face many unforeseen challenges. We are thankful to all our clients who were patient with us during this period and can ensure a more futuristic digitally enabled system for client convenience.*

*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**

**October 29, 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		
	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %
<b>Gross Income</b>	<b>31,971,553</b>	33,016,591	(3)	<b>10,553,516</b>	10,844,995	(3)	<b>32,336,542</b>	33,284,495	(3)	<b>10,672,212</b>	10,873,099	(2)
Interest income	26,629,035	29,916,664	(11)	8,927,371	9,645,674	(7)	26,629,461	29,926,519	(11)	8,927,526	9,655,114	(8)
Interest expense	17,928,913	21,366,244	(16)	5,828,359	7,014,013	(17)	17,907,955	21,338,516	(16)	5,821,107	7,004,976	(17)
<b>Net interest income</b>	<b>8,700,122</b>	8,550,420	2	<b>3,099,012</b>	2,631,661	18	<b>8,721,506</b>	8,588,003	2	<b>3,106,419</b>	2,650,138	17
Fee and commission income	2,117,779	1,543,985	37	704,226	581,748	21	2,117,338	1,543,188	37	704,093	581,518	21
Fee and commission expenses	188,394	108,434	74	73,256	50,817	44	188,394	108,434	74	73,256	50,817	44
<b>Net fee and commission income</b>	<b>1,929,385</b>	1,435,551	34	<b>630,970</b>	530,931	19	<b>1,928,944</b>	1,434,754	34	<b>630,837</b>	530,701	19
Net gain from trading	775,323	333,605	132	678,551	64,692	949	775,323	333,605	132	678,551	64,692	949
Net (loss)/gain from financial instruments at fair value through profit or loss	(949,407)	(433,163)	119	226,217	123,041	84	(949,407)	(433,163)	119	226,217	123,041	84
Net gains from derecognition of financial assets												
Fair value through other comprehensive income	1,325,747	306,471	333	3,892	269,063	(99)	1,325,747	306,471	333	3,892	269,063	(99)
Net other operating income	2,073,076	1,349,029	54	13,259	160,778	(92)	2,438,080	1,607,875	52	131,933	179,673	(27)
<b>Total operating income</b>	<b>13,854,246</b>	11,541,913	20	<b>4,651,901</b>	3,780,168	23	<b>14,240,193</b>	11,837,545	20	<b>4,777,849</b>	3,817,308	25
Impairment charge for loans and other losses												
Loans to and receivables from other customers	2,513,331	2,441,370	3	939,718	1,055,185	(11)	2,513,331	2,441,370	3	939,718	1,055,185	(11)
Other financial assets	4,617	204,580	(98)	(67,027)	93,058	(172)	4,617	204,580	(98)	(67,027)	93,058	(172)
Others	13,907	15,154	(8)	10,455	5,982	75	13,907	15,154	(8)	10,455	5,982	75
<b>Net operating income</b>	<b>11,322,391</b>	8,880,809	27	<b>3,768,755</b>	2,625,940	44	<b>11,708,338</b>	9,176,441	28	<b>3,894,703</b>	2,663,083	46
Operating expenses												
Personnel expenses	2,921,464	2,657,154	10	970,097	956,469	1	3,065,664	2,799,106	10	1,016,109	1,000,017	2
Depreciation and amortisation	735,605	680,119	8	255,023	233,056	9	772,433	718,701	7	267,429	244,205	10
Other expenses	2,507,798	2,138,769	17	845,184	758,518	11	2,457,122	2,105,246	17	831,465	745,283	12
<b>Total operating expenses</b>	<b>6,164,867</b>	5,476,042	13	<b>2,070,304</b>	1,948,044	6	<b>6,295,219</b>	5,623,053	12	<b>2,115,003</b>	1,989,505	6
<b>Operating profit before taxes on financial services</b>	<b>5,157,524</b>	3,404,767	51	<b>1,698,451</b>	677,897	151	<b>5,413,119</b>	3,553,388	52	<b>1,779,700</b>	673,576	164
Taxes on financial services	1,052,255	768,593	37	345,904	204,962	69	1,052,255	768,593	37	345,904	204,962	69
<b>Operating profit after taxes on financial services</b>	<b>4,105,269</b>	2,636,174	56	<b>1,352,547</b>	472,935	186	<b>4,360,864</b>	2,784,795	57	<b>1,433,796</b>	468,614	206
Share of profits of associate and joint venture	-	-	-	-	-	-	147,076	277,680	(47)	80,103	27,475	192
<b>Profit before income tax</b>	<b>4,105,269</b>	2,636,174	56	<b>1,352,547</b>	472,935	186	<b>4,507,940</b>	3,062,475	47	<b>1,513,899</b>	496,089	205
Income tax expense	1,035,328	885,124	17	314,011	166,168	89	1,094,796	952,299	15	337,258	188,650	79
<b>Profit for the period</b>	<b>3,069,941</b>	1,751,050	75	<b>1,038,536</b>	306,769	239	<b>3,413,144</b>	2,110,176	62	<b>1,176,641</b>	307,439	283
<b>Profit attributable to:</b>												
Equity holders of the Bank	3,069,941	1,751,050	75	1,038,536	306,767	239	3,318,894	2,028,485	64	1,147,333	278,396	312
Non-controlling interests	-	-	-	-	-	-	94,250	81,691	15	29,308	29,043	1
<b>Profit for the period</b>	<b>3,069,941</b>	1,751,050	75	<b>1,038,536</b>	306,767	239	<b>3,413,144</b>	2,110,176	62	<b>1,176,641</b>	307,439	283
Basic/Diluted earnings per ordinary share (LKR)	9.74	5.74	70	3.30	1.71	93	10.53	6.92	52	3.64	2.59	41

**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		
	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %	30.09.2021 LKR 000	30.09.2020 LKR 000	Change %
Profit for the period	<b>3,069,941</b>	1,751,050	75	<b>1,038,536</b>	306,767	239	<b>3,413,144</b>	2,110,176	62	<b>1,176,641</b>	307,439	283
<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	<b>(1,766,142)</b>	3,430,671	(151)	<b>(1,341,568)</b>	(712,846)	88	<b>(1,766,142)</b>	3,430,671	(151)	<b>(1,341,568)</b>	(712,846)	88
Reclassified to income statement	<b>(2,062,305)</b>	30,699	(6,818)	<b>(791)</b>	29,490	(103)	<b>(2,062,305)</b>	30,699	(6,818)	<b>(791)</b>	29,490	(103)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	<b>58,013</b>	21,777	166	<b>(19,675)</b>	(15,015)	31
Movement in hedging reserve:												
Cash flow hedge - effective portion of changes in fair value	<b>1,086,952</b>	(71,849)	1,613	<b>729,649</b>	300,834	143	<b>1,086,952</b>	(71,849)	1,613	<b>729,649</b>	300,834	143
Cash flow hedge - reclassified to income statement	<b>(743,317)</b>	(17,348)	4,185	<b>(615,233)</b>	(124,573)	394	<b>(743,317)</b>	(17,348)	4,185	<b>(615,233)</b>	(124,572)	394
Related deferred tax	<b>980,474</b>	(959,528)	202	<b>262,942</b>	130,695	(101)	<b>980,474</b>	(959,528)	202	<b>262,942</b>	130,695	(101)
<b>Total other comprehensive (expense) / income that are or may be reclassified subsequently to income statement</b>	<b>(2,504,338)</b>	2,412,645	(204)	<b>(965,001)</b>	(376,399)	156	<b>(2,446,325)</b>	2,434,422	(200)	<b>(984,676)</b>	(391,414)	152
<b>Items that will not be reclassified to income statement</b>												
Movement in fair value reserve (FVOCI equity instruments) :												
Equity investments at fair value through other comprehensive income - net change in fair value	<b>504,997</b>	(1,966,752)	126	<b>(380,074)</b>	412,534	192	<b>504,997</b>	(1,966,752)	126	<b>(380,074)</b>	412,534	192
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	<b>(16)</b>	(26)	(38)	<b>(0)</b>	1	(117)
<b>Total other comprehensive income on items that will not be reclassified to income statement</b>	<b>504,997</b>	(1,966,752)	126	<b>(380,074)</b>	412,534	192	<b>504,981</b>	(1,966,778)	126	<b>(380,074)</b>	412,535	192
<b>Other comprehensive (expense) / income for the period , net of tax</b>	<b>(1,999,341)</b>	445,893	(548)	<b>(1,345,075)</b>	36,134	(3,822)	<b>(1,941,344)</b>	467,644	(515)	<b>(1,364,750)</b>	21,119	(6,562)
<b>Total comprehensive income / (expense) for the period</b>	<b>1,070,600</b>	2,196,943	(51)	<b>(306,539)</b>	342,901	(189)	<b>1,471,800</b>	2,577,820	(43)	<b>(188,109)</b>	328,558	(157)
<b>Total comprehensive income / (expense) attributable to:</b>												
Equity holders of the Bank	<b>1,070,600</b>	2,196,943	(51)	<b>(306,539)</b>	342,901	(189)	<b>1,377,550</b>	2,496,129	(45)	<b>(217,417)</b>	299,515	(173)
Non-controlling interests	-	-	-	-	-	-	<b>94,250</b>	81,691	15	<b>29,308</b>	29,043	1
<b>Total comprehensive income / (expense) for the period</b>	<b>1,070,600</b>	2,196,943	(51)	<b>(306,539)</b>	342,901	(189)	<b>1,471,800</b>	2,577,820	(43)	<b>(188,109)</b>	328,558	(157)

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

As at	Notes	Bank			Group		
		30.09.2021 LKR 000	31.12.2020 (Audited) LKR 000	Change %	30.09.2021 LKR 000	31.12.2020 (Audited) LKR 000	Change %
<b>Assets</b>							
Cash and cash equivalents		9,235,430	7,724,364	20	9,438,887	7,728,969	22
Balances with Central Bank of Sri Lanka		12,203,105	4,901,753	149	12,203,105	4,901,753	149
Placements with banks		-	15,414,287	(100)	7,518	15,431,962	(100)
Derivative financial assets		415,359	835,464	(50)	415,359	835,464	(50)
Financial assets measured at fair value through profit or loss		3,353,756	609,717	450	3,353,756	609,717	450
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	8	355,980,501	301,909,337	18	355,980,501	301,909,337	18
Financial assets at amortised cost - Debt and other instruments		25,507,332	31,604,175	(19)	25,507,332	31,604,175	(19)
Financial assets measured at fair value through other comprehensive income		81,952,766	88,718,002	(8)	81,956,766	88,718,002	(8)
Investments in subsidiaries		217,435	217,435	-	-	-	-
Investments in associate		35,270	35,270	-	34,078	31,699	8
Investments in joint venture		755,000	755,000	-	2,651,957	2,449,262	8
Investment property		9,879	9,879	-	471,579	345,857	36
Property, plant and equipment		3,258,390	3,406,600	(4)	3,389,538	3,587,019	(6)
Intangible assets and goodwill		2,141,090	1,713,052	25	2,323,825	1,884,806	23
Deferred tax asset		857,823	-	100	859,742	2,919	29,353
Other assets		3,654,141	3,070,235	19	3,771,051	3,153,277	20
Asset held for sale		-	-	-	-	19,600	(100)
<b>Total assets</b>		<b>499,577,277</b>	<b>465,077,287</b>	<b>7</b>	<b>502,364,994</b>	<b>467,366,535</b>	<b>7</b>
<b>Liabilities</b>							
Due to banks		15,517,669	14,909,937	4	15,517,669	14,909,937	4
Derivative financial liabilities		179,873	267,883	(33)	179,873	267,883	(33)
Financial liabilities at amortised cost - Due to depositors	9	340,805,548	310,026,892	10	340,400,914	309,566,423	10
Financial liabilities at amortised cost - Due to other borrowers		49,537,705	46,847,076	6	49,537,705	46,847,076	6
Debt securities in issue		15,804,295	16,291,279	(3)	15,804,295	16,291,279	(3)
Retirement benefit obligation		669,092	643,118	4	694,023	671,041	3
Current tax liabilities		964,838	1,012,645	(5)	993,090	1,081,864	(8)
Deferred tax liability		-	243,949	(100)	103,289	341,691	(70)
Other liabilities		5,567,681	6,119,854	(9)	5,850,768	6,323,094	(7)
Subordinated term debt		20,102,818	19,357,497	4	20,102,818	19,357,497	4
<b>Total liabilities</b>		<b>449,149,519</b>	<b>415,720,130</b>	<b>8</b>	<b>449,184,444</b>	<b>415,657,785</b>	<b>8</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		22,100,449	19,652,169	12	25,758,300	23,061,084	12
Other reserves		17,142,884	19,438,555	(12)	15,860,986	18,098,644	(12)
<b>Total equity attributable to equity holders of the Bank</b>		<b>50,427,758</b>	<b>49,357,157</b>	<b>2</b>	<b>52,803,711</b>	<b>51,426,161</b>	<b>3</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>376,839</b>	<b>282,589</b>	<b>33</b>
<b>Total equity</b>		<b>50,427,758</b>	<b>49,357,157</b>	<b>2</b>	<b>53,180,550</b>	<b>51,708,750</b>	<b>3</b>
<b>Total equity and liabilities</b>		<b>499,577,277</b>	<b>465,077,287</b>	<b>7</b>	<b>502,364,994</b>	<b>467,366,535</b>	<b>7</b>
<b>Contingent liabilities and commitments</b>							
		<b>148,469,227</b>	<b>130,764,147</b>	<b>14</b>	<b>148,469,227</b>	<b>130,764,147</b>	<b>14</b>
<b>Net assets value per share, LKR</b>		<b>157.33</b>	<b>161.30</b>	<b>(2)</b>	<b>164.74</b>	<b>168.06</b>	<b>(2)</b>

Memorandum Information	Bank		Group	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Number of Employees	2,184	2,072	2,300	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	-	-	-	-	-	1,751,050	1,751,050
Other comprehensive income / (expenses), net of tax	-	-	510,115	(64,222)	-	-	445,893
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>510,115</b>	<b>(64,222)</b>	<b>-</b>	<b>1,751,050</b>	<b>2,196,943</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(6,906)	-	-	6,906	-
<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 September 2020</b>	<b>7,682,465</b>	<b>2,461,968</b>	<b>6,207,853</b>	<b>(289,611)</b>	<b>13,779,839</b>	<b>19,073,476</b>	<b>48,915,990</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	-	-	-	-	-	3,069,942	3,069,942
Other comprehensive (expenses) / income , net of tax	-	-	(2,248,054)	248,713	-	-	(1,999,341)
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>(2,248,054)</b>	<b>248,713</b>	<b>-</b>	<b>3,069,942</b>	<b>1,070,601</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(296,330)	-	-	296,330	-
<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 September 2021</b>	<b>8,600,457</b>	<b>2,583,968</b>	<b>3,338,427</b>	<b>24,618</b>	<b>13,779,839</b>	<b>22,100,449</b>	<b>50,427,758</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	-	-	-	-	-	-	2,028,485	2,028,485	81,691	2,110,176
Other comprehensive Income / (expense), net of tax	-	-	517,310	14,582	(64,222)	-	(26)	467,644	-	467,644
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>517,310</b>	<b>14,582</b>	<b>(64,222)</b>	<b>-</b>	<b>2,028,459</b>	<b>2,496,129</b>	<b>81,691</b>	<b>2,577,820</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(6,906)	-	-	-	6,906	-	-	-
<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)
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	(81,900)	(81,900)
<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>(81,900)</b>	<b>(842,372)</b>
<b>Balance as at 30 September 2020</b>	<b>7,682,465</b>	<b>2,461,968</b>	<b>4,770,477</b>	<b>92,959</b>	<b>(289,611)</b>	<b>13,779,839</b>	<b>22,401,087</b>	<b>50,899,185</b>	<b>262,756</b>	<b>51,161,940</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	-	-	-	-	-	-	3,318,894	3,318,894	94,250	3,413,144
Other comprehensive (expense) / income , net of tax	-	-	(2,251,505)	61,464	248,713	-	(16)	(1,941,344)	-	(1,941,344)
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>(2,251,505)</b>	<b>61,464</b>	<b>248,713</b>	<b>-</b>	<b>3,318,878</b>	<b>1,377,550</b>	<b>94,250</b>	<b>1,471,800</b>
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(296,330)	-	-	-	296,330	-	-	-
<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 September 2021</b>	<b>8,600,457</b>	<b>2,583,968</b>	<b>1,892,011</b>	<b>164,518</b>	<b>24,618</b>	<b>13,779,839</b>	<b>25,758,300</b>	<b>52,803,711</b>	<b>376,839</b>	<b>53,180,550</b>

## Statement of Cash Flows

	Bank		Group	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
<i>For the nine months ended 30th September</i>				
<b>Cash flows from operating activities</b>				
Interest receipts	18,829,093	22,750,822	18,827,744	22,773,194
Interest payments	(19,695,134)	(22,783,521)	(19,678,386)	(22,758,346)
Net commission receipts	2,117,779	1,533,269	2,117,779	1,533,269
Net trading income	775,023	17,872	775,023	17,872
Recoveries from loans previously written off	49,198	24,317	49,198	24,317
Receipts from other operating activities	4,359,995	2,247,979	4,936,761	2,750,787
Payments on other operating activities	(3,310,876)	(2,233,601)	(3,636,035)	(2,492,494)
Cash payments to employees	(1,882,313)	(2,784,892)	(1,882,313)	(2,784,892)
Taxes on financial services	(1,052,801)	(771,665)	(1,052,801)	(771,665)
Operating Cash flows before changes in operating assets and liabilities	189,964	(1,999,420)	456,971	(1,707,958)
<b>(Increase)/decrease in operating assets:</b>				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	(7,301,352)	3,832,834	(7,301,352)	3,832,834
Financial assets at amortised cost - Loans to and receivables from other customers	(48,807,837)	(25,703,542)	(48,808,151)	(25,703,542)
Others	(2,093,357)	(2,730,223)	(1,836,907)	(2,595,830)
<b>Increase /(decrease) in operating liabilities:</b>				
Financial liabilities at amortised cost - Due to depositors	30,915,936	47,725,812	30,605,815	47,404,281
Negotiable certificates of deposits	(77,046)	1,213,792	(77,046)	1,213,792
Others	1,652,848	(2,873,404)	1,634,880	(2,873,422)
Net cash flows (used in)/ from operating activities before income tax	(25,520,843)	19,465,849	(25,325,790)	19,570,155
Income tax paid	(990,523)	(537,807)	(1,032,680)	(563,760)
<b>Net cash flows (used in)/ from operating activities</b>	<b>(26,511,366)</b>	<b>18,928,042</b>	<b>(26,358,469)</b>	<b>19,006,395</b>
<b>Cash flows from investing activities</b>				
Dividends received from investment in subsidiaries, joint venture, and associate	3,500	538,311	-	449,035
Dividend received from other investments	648,107	-	648,107	-
Interest received	6,651,729	5,777,592	6,672,409	5,812,419
Government Securities- net	6,139,397	(8,391,630)	6,139,397	(8,391,630)
Proceeds from sale and redemption of securities	4,692,607	1,103,554	4,708,207	1,123,954
Purchase of financial investments	(7,006,284)	(2,819,834)	(7,006,284)	(2,819,834)
Purchase of property, equipment, intangibles and investment property	(730,915)	(638,200)	(733,484)	(638,480)
Proceeds from sale of equipment and investment property	13,387	-	18,973	-
<b>Net cash flows from/ (used) in investing activities</b>	<b>10,411,528</b>	<b>(4,430,207)</b>	<b>10,447,325</b>	<b>(4,464,536)</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	4,605,670	13,326,363	4,605,670	13,326,363
Other borrowings - net	11,510,204	(9,192,097)	11,510,204	(9,192,097)
Repayment of borrowing, medium and long - term	(13,919,694)	(9,468,427)	(13,919,694)	(9,468,427)
Dividends paid	437	(741,588)	437	(820,141)
Net Cash flows from/(used in) financing activities	2,196,617	(6,075,749)	2,196,617	(6,154,302)
<b>Net (decrease) /increase in cash and cash equivalents</b>	<b>(13,903,221)</b>	<b>8,422,086</b>	<b>(13,714,526)</b>	<b>8,387,557</b>
Cash and cash equivalents at the beginning of year	23,138,651	5,615,239	23,160,931	5,659,800
<b>Cash and cash equivalents at the end of period</b>	<b>9,235,430</b>	<b>14,037,325</b>	<b>9,446,405</b>	<b>14,047,357</b>
<b>Reconciliation of cash and cash equivalents with items reported in the statement of financial position</b>				
Cash and cash equivalents	9,235,430	6,581,405.00	9,438,887	6,590,546.00
Placements with banks	-	7,455,920.00	7,518	7,456,811.00
	<b>9,235,430</b>	<b>14,037,325.00</b>	<b>9,446,405</b>	<b>14,047,357.00</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. 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 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 September 2021 with required update based on the conditions in the operating environment.

**Note 5. Net gain from trading**

For the period ended 30 September	Bank		Group	
	2021	2020	2021	2020
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange from banks	<b>628,197</b>	297,563	<b>628,197</b>	297,563
Government securities				
- Net capital (loss) / gain	(728)	8,303	(728)	8,303
Equity securities				
- Net marked to market gain	<b>6,610</b>	17,045	<b>6,610</b>	17,045
- Net capital gain	<b>140,944</b>	9,569	<b>140,944</b>	9,569
- Dividend income	<b>300</b>	1,125	<b>300</b>	1,125
	<b>775,323</b>	333,605	<b>775,323</b>	333,605

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

For the period ended 30 September	Bank		Group	
	2021	2020	2021	2020
	LKR 000	LKR 000	LKR 000	LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	(937,137)	(444,719)	(937,137)	(444,719)
(Loss)/gain on financial assets fair value through profit or loss - equity securities	(12,270)	11,556	(12,270)	11,556
	<b>(949,407)</b>	(433,163)	<b>(949,407)</b>	(433,163)

**Note 7. Net Other Operating Income**

For the period ended 30 September	Bank		Group	
	2021	2020	2021	2020
	LKR 000	LKR 000	LKR 000	LKR 000
Financial assets measured at fair value through other comprehensive income				
Gain on sale of equity shares	-	2,951	-	2,951
Dividend income	<b>916,203</b>	722,643	<b>916,203</b>	722,643
Dividend income from subsidiaries, joint venture and associate	<b>3,500</b>	89,277	-	-
Net gain from repurchase transactions	<b>302,591</b>	468,253	<b>302,591</b>	468,253
Gains on revaluation of foreign exchange	<b>781,679</b>	31,736	<b>781,679</b>	31,736
Others	<b>69,103</b>	34,169	<b>437,607</b>	382,292
	<b>2,073,076</b>	1,349,029	<b>2,438,080</b>	1,607,875

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

As at	Bank		Group	
	30.09.2021	31.12.2020 (Audited)	30.09.2021	31.12.2020 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 8.1)	373,751,743	317,232,612	373,751,743	317,232,612
Less: Allowance for impairment (Note 8.2)	(17,771,242)	(15,323,275)	(17,771,242)	(15,323,275)
<b>Net loans and receivables</b>	<b>355,980,501</b>	<b>301,909,337</b>	<b>355,980,501</b>	<b>301,909,337</b>

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

As at	Bank		Group	
	30.09.2021	31.12.2020 (Audited)	30.09.2021	31.12.2020 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
<b>By product-Domestic Currency</b>				
Overdrafts	43,622,804	36,464,999	43,622,804	36,464,999
Trade finance	27,000,165	19,328,876	27,000,165	19,328,876
Credit cards	3,013,568	2,199,543	3,013,568	2,199,543
Pawning	5,490,055	4,565,645	5,490,055	4,565,645
Staff loans	2,631,054	2,491,323	2,631,054	2,491,323
Term loans	222,899,547	186,621,584	222,899,547	186,621,584
Lease rentals receivable	23,392,789	25,127,337	23,392,789	25,127,337
Commercial papers and asset back notes	894,958	2,076,591	894,958	2,076,591
	<b>328,944,941</b>	<b>278,875,898</b>	<b>328,944,941</b>	<b>278,875,898</b>
<b>By product-Foreign Currency</b>				
Overdrafts	432,159	347,263	432,159	347,263
Trade finance	15,752,795	11,013,285	15,752,795	11,013,285
Term loans	28,621,848	26,996,166	28,621,848	26,996,166
	<b>44,806,802</b>	<b>38,356,714</b>	<b>44,806,802</b>	<b>38,356,714</b>
Gross loans and receivables	<b>373,751,743</b>	<b>317,232,612</b>	<b>373,751,743</b>	<b>317,232,612</b>

### Note 8.2 Movement in Impairment during the period

	Bank		Group	
	30.09.2021	31.12.2020 (Audited)	30.09.2021	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	522,655	404,581	522,655	404,581
Write-off during the period	(65)	(712)	(65)	(712)
Balance at end	<b>1,828,330</b>	<b>1,305,740</b>	<b>1,828,330</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	766,855	(494,452)	766,855	(494,452)
Write-off during the period	(200)	(3,855)	(200)	(3,855)
Balance at end	<b>1,832,225</b>	<b>1,065,570</b>	<b>1,832,225</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	1,223,821	3,030,682	1,223,821	3,030,682
Effect of foreign currency movement	91,210	44,440	91,210	44,440
Write-off during the period	(155,709)	(27,398)	(155,709)	(27,398)
Other movements	(600)	(36,493)	(600)	(36,493)
Balance at end	<b>14,110,687</b>	<b>12,951,965</b>	<b>14,110,687</b>	<b>12,951,965</b>
<b>Total Impairment</b>	<b>17,771,242</b>	<b>15,323,275</b>	<b>17,771,242</b>	<b>15,323,275</b>

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

As at	Bank		Group	
	30.09.2021	31.12.2020 (Audited)	30.09.2021	31.12.2020 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
<b>By product-Domestic Currency</b>				
Demand deposits (current accounts)	8,804,915	7,476,335	8,804,865	7,476,287
Savings deposits	84,882,029	41,091,895	84,852,069	41,048,297
Fixed deposits	186,635,004	213,659,595	186,281,168	213,260,799
Other deposits	550,919	2,093,795	550,919	2,093,795
Certificate of deposits	2,401,293	2,473,374	2,401,293	2,473,374
	<b>283,274,160</b>	266,794,994	<b>282,890,314</b>	266,352,552
<b>By product- Foreign Currency</b>				
Demand deposits (current accounts)	913,398	540,454	913,398	540,454
Savings deposits	26,315,717	23,957,027	26,313,610	23,955,827
Fixed deposits	30,198,445	18,493,843	30,179,764	18,477,016
Other deposits	103,828	240,574	103,828	240,574
	<b>57,531,388</b>	43,231,898	<b>57,510,600</b>	43,213,871
<b>Total</b>	<b>340,805,548</b>	310,026,892	<b>340,400,914</b>	309,566,423

**Note 10. 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 11. Disclosures under Listing Rules**

**11.1** 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

**11.2 Stated capital**

As at	Number of shares	
	30.09.2021	31.12.2020
Number of shares of the Bank	<b>320,522,436</b>	305,997,250

**11.3 Market price of a share**

Information on shares of the Bank for the quarter ended	30.09.2021	31.12.2020
- Highest price LKR	<b>65.90</b>	70.50
- Lowest price LKR	<b>56.60</b>	59.90
- Market price LKR	<b>60.00</b>	65.30

#### 11.4 Twenty Major Shareholders as at 30.09.2021

	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	Employees' 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	People'S Leasing & Finance PLC / Don and Don Holdings (Private) Limited	9,100,303	2.84
10	Renuka City Hotels PLC	7,298,813	2.28
11	Renuka Hotels PLC	4,292,082	1.34
12	Employees Trust Fund Board	4,202,087	1.31
13	Seylan Bank PLC/ Senthilverl Holdings (Pvt) Ltd	2,849,850	0.89
14	Akbar Brothers Pvt Ltd A/c No 1	2,839,399	0.89
15	Cargo Boat Development Company PLC	2,632,342	0.82
16	Anverally International ( Pvt ) Limited	2,282,161	0.71
17	Sri Lanka Insurance Corporation Ltd-General Fund	2,269,393	0.71
18	Stassen Exports (Pvt) Limited	1,998,639	0.62
19	Deutsche Bank AG as Trustee to Assetline Income plus Growth Fund	1,714,384	0.53
20	Crescent Launderers and Dry Cleaners Pvt Limited	1,562,154	0.49

#### 11.5 Public Holdings as at 30.09.2021

Public holdings percentage	62.55%
Number of Public shareholders	10,955
Float adjusted market capitalisation	LKR 12,030 million
Applicable option as per CSE Listing Rule 7.13.1 (a)	Option 1

#### 11.6 Directors' Interests in Shares

	No of Shares As at 30.09.2021
J. Durairatnam	Nil
L.K.A.H. Fernando ( Ms.)	Nil
P M B Fernando	2,106
H.M.N.S Gunawardana (Ms.)	Nil
N.V.Kumar (Appointed with effect from 01 September 2021)	Nil
N.K.G.K. Nemmawatta	Nil
N.H.T.I.Perera	17,701
V J Senaratne (Ms.)	1,909
L H A L Silva	26,200
H.A.J. De Silva Wijeyeratne	8,850
S.R.Thambiyah (Ms.)- (Retired with effect from 27 September 2021)	

#### 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

Interest rate Frequency	Effective Rate	Coupon Rate	Interest rate of Comparative Government Securities (Gross) p.a.	Balance as at 30.09.2021 LKR 000	Market price LKR			Yield Last Traded %	Last Traded Date	
					Highest	Lowest	Last Traded			
<b>Debenture Category</b>										
<b>Fixed Rate</b>										
2016/2021	Annually	12.15	12.15	5.85	1,059,944	N/T	N/T	N/T	N/A	N/A
2016/2023	Annually	12.75	12.75	7.83	6,719,372	N/T	N/T	N/T	N/A	N/A
2018/2023	Annually	12.60	12.60	7.21	3,090,925	N/T	N/T	N/T	N/A	N/A
2018/2025	Annually	13.00	13.00	8.85	4,339,671	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	13.50	7.96	4,052,445	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	9.26	1,901,417	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	9.94	4,702,492	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	9.00	9.00	8.99	4,670,715	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	9.25	9.25	9.67	222,191	N/T	N/T	N/T	N/A	N/A

N/T -Not traded



**Selected Performance Indicators**

	Bank		Group	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
<b>Regulatory Capital ( LKR '000)</b>				
Common Equity Tier I	<b>34,108,540</b>	35,041,771	<b>34,107,019</b>	35,113,117
Tier 1 Capital	<b>34,108,540</b>	35,041,771	<b>34,107,019</b>	35,113,117
Total Capital	<b>49,627,851</b>	51,055,165	<b>49,626,330</b>	51,126,511
<b>Regulatory Capital Ratios %</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5% )	<b>9.110</b>	10.820	<b>9.087</b>	10.816
Tier 1 Capital Ratio (Minimum Requirement - 8%)	<b>9.110</b>	10.820	<b>9.087</b>	10.816
Total Capital Ratio (Minimum Requirement - 12%)	<b>13.255</b>	15.764	<b>13.222</b>	15.749
<b>Leverage Ratio ( Minimum requirement is 3%).</b>	<b>6.41</b>	6.79	<b>6.42</b>	6.82
<b>Regulatory Liquidity</b>				
Statutory liquid assets LKR 000				
Domestic Banking Unit	<b>102,808,922</b>	128,834,294		
Off-Shore Banking Unit	<b>26,433,652</b>	8,402,869		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	<b>24.23</b>	33.78		
Off-Shore Banking Unit	<b>66.25</b>	35.45		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2021 - 100% , 2020 - 90%)	<b>135.32</b>	288.27		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2021 - 100 % , 2020 - 90%)	<b>111.15</b>	204.44		
Net Stable Funding Ratio (%) (Minimum requirement - 2021 - 100%, 2020 - 90%)	<b>111.71</b>	123.00		
<b>Asset Quality</b>				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	<b>5.18</b>	5.56		
Non-performing loans and advances - Net exposure % (Net of interest in suspense and provisions)	<b>1.80</b>	2.32		
Impaired Loans (Stage 3) Ratio (%)	<b>2.45</b>	2.80		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	<b>52.79</b>	53.16		
<b>Profitability</b>				
Interest margin %	<b>2.41</b>	2.53		
Return on assets ( profit before tax) %	<b>1.00</b>	0.78		
Return on equity %	<b>7.14</b>	4.93		
<b>Other Ratios</b>				
Debt to equity ratio (times)	<b>2.15</b>	2.06		
Interest cover (times)	<b>1.95</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 September 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	-	-	9,235,430	9,235,430	-	-	9,438,887	9,438,887
Balances with Central Bank of Sri Lanka	-	-	12,203,105	12,203,105	-	-	12,203,105	12,203,105
Placements with banks	-	-	-	-	-	-	7,518	7,518
Derivative financial assets	415,359	-	-	415,359	415,359	-	-	415,359
Financial assets measured at fair value through profit or loss	3,353,756	-	-	3,353,756	3,353,756	-	-	3,353,756
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	355,980,501	355,980,501	-	-	355,980,501	355,980,501
Financial assets at amortised cost - Debt and other instruments	-	-	25,507,332	25,507,332	-	-	25,507,332	25,507,332
Financial assets measured at fair value through other comprehensive income	-	81,952,766	-	81,952,766	-	81,956,766	-	81,956,766
Other assets	-	-	2,615,803	2,615,803	-	-	2,723,263	2,723,263
<b>Total financial assets</b>	<b>3,769,115</b>	<b>81,952,766</b>	<b>405,542,171</b>	<b>491,264,052</b>	<b>3,769,115</b>	<b>81,956,766</b>	<b>405,860,606</b>	<b>491,586,487</b>
<b>Financial Liabilities</b>								
Due to banks	-	-	15,517,669	15,517,669	-	-	15,517,669	15,517,669
Derivative financial liabilities	179,873	-	-	179,873	179,873	-	-	179,873
Financial liabilities at amortised cost -Due to depositors	-	-	340,805,548	340,805,548	-	-	340,400,914	340,400,914
Financial liabilities at amortised cost - Due to other borrowers	-	-	49,537,705	49,537,705	-	-	49,537,705	49,537,705
Debt securities issued	-	-	15,804,295	15,804,295	-	-	15,804,295	15,804,295
Other liabilities	-	-	3,962,178	3,962,178	-	-	4,181,423	4,181,423
Subordinated term debt	-	-	20,102,818	20,102,818	-	-	20,102,818	20,102,818
<b>Total financial liabilities</b>	<b>179,873</b>	<b>-</b>	<b>445,730,213</b>	<b>445,910,086</b>	<b>179,873</b>	<b>-</b>	<b>445,544,824</b>	<b>445,724,697</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

#### (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

<b>As at 30 September 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		415,359		415,359
Financial assets measured at fair value through profit or loss				
Equity securities - quoted	90,925			90,925
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		3,259,092		3,259,092
Financial assets measured at fair value through other comprehensive income				-
Government of Sri Lanka Treasury Bills and Bonds	67,674,522			67,674,522
Sri Lanka Sovereign bonds	1,056,812			1,056,812
Equity shares- quoted	13,007,622			13,007,622
Equity shares- unquoted			213,810	213,810
	<b>81,833,620</b>	<b>3,674,451</b>	<b>213,810</b>	<b>85,721,881</b>
<b>Financial Liabilities</b>				
Derivative financial liabilities				
Forward foreign exchange contracts		179,873		179,873
	<b>-</b>	<b>179,873</b>	<b>-</b>	<b>179,873</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
Equity shares- quoted	12,299,552			12,299,552
Equity shares- unquoted			213,810	213,810
Preference shares			500	500
	<b>88,552,311</b>	<b>1,396,561</b>	<b>214,310</b>	<b>90,163,182</b>
<b>Financial Liabilities</b>				
Derivative financial liabilities				
Forward foreign exchange contracts		267,883		267,883
	-	<b>267,883</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 30th September 2021		As at 31st December 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	9,235,430	9,235,430	7,724,364	7,724,364
Balances with Central Bank of Sri Lanka	12,203,105	12,203,105	4,901,753	4,901,753
Placements with banks	-	-	15,414,287	15,414,287
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	355,980,501	349,959,386	301,909,337	295,969,708
Financial assets at amortised cost - Debt and other instruments	25,507,332	26,611,463	31,604,175	31,633,380
Other assets	2,615,803	2,615,803	1,999,405	1,999,405
<b>Financial Liabilities</b>				
Due to banks	15,517,669	15,517,669	14,909,937	14,909,937
Financial liabilities at amortised cost - due to depositors	340,805,548	340,350,975	310,026,892	304,408,686
Financial liabilities at amortised cost - due to other borrowers	49,537,705	49,537,705	46,847,076	46,847,076
Debt securities in issue	15,804,295	15,593,139	16,291,279	17,124,659
Other liabilities	3,962,178	3,962,178	4,783,877	4,783,877
Subordinated term debt	20,102,818	19,097,646	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 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.

	<b>Equity Securities</b>	
	<b>Bank/Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>LKR 000</b>	<b>LKR 000</b>
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.

	<b>OCI Net of Tax</b>	
	<b>Increase</b>	<b>Decrease</b>
<b>Equity securities as at 30.09.2021</b>	<b>LKR 000</b>	<b>LKR 000</b>
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	6,577,462	8,948,935	12,999,872	14,760,725	5,834,811	5,267,521	21,386	-	25,433,531	28,977,181
Net fees and commission income	713,200	370,714	981,130	869,433	423,449	-	-	-	2,117,779	1,240,147
Net gain from trading	-	-	-	-	775,323	333,605	-	-	775,323	333,605
Net loss from financial instruments at fair value through profit or loss	-	-	-	-	(949,407)	(433,163)	-	-	(949,407)	(433,163)
Net gain from derecognition of financial assets	-	-	-	-	1,325,747	306,471	-	-	1,325,747	306,471
Other income - net	32,522	148,423	8,577	14,960	1,084,269	499,988	547,319	500,647	1,672,687	1,164,018
Income from external customers	7,323,184	9,468,072	13,989,579	15,645,118	8,494,192	5,974,422	568,705	500,647	<b>30,375,660</b>	<b>31,588,259</b>
Inter segment revenue	-	-	-	-	-	-	(203,716)	(270,678)	(203,716)	(270,678)
<b>Total segment revenue</b>	<b>7,323,184</b>	<b>9,468,072</b>	<b>13,989,579</b>	<b>15,645,118</b>	<b>8,494,192</b>	<b>5,974,422</b>	<b>364,989</b>	<b>229,969</b>	<b>30,171,944</b>	<b>31,317,581</b>
<b>Segment assets</b>	149,630,894	130,648,106	200,536,708	163,580,912	131,935,253	137,087,597	1,105,387	738,328	483,208,242	432,054,943
<b>Segment liabilities</b>	97,686,713	81,675,199	242,284,442	199,695,269	101,572,121	100,290,979	439,560	30,880	441,982,835	381,692,326
<b>Information on cash flows</b>										
Cash flows (used in) / from operating activities									(26,358,469)	19,006,395
Cash flows from/(used in) investing activities									10,447,325	(4,464,536)
Cash flows from / (used in) financing activities									2,196,617	(6,154,302)
<b>Net cash flows (used in) / generated during the period</b>									<b>(13,714,526)</b>	<b>8,387,557</b>
<b>Capital expenditure:</b>										
Property, plant and equipment	105	148	258,650	134,666	-	3,183	43,003	53,575	301,758	191,572
Intangible assets	-	-	290,737	198	-	-	38,796	126,395	329,533	126,593

**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	30,375,660	31,588,259
Unallocated amounts	2,164,598	1,966,914
Elimination of inter-segment revenue	(203,716)	(270,678)
Consolidated revenue	<u>32,336,542</u>	<u>33,284,495</u>
<b>ii. Assets</b>		
Total assets for reportable segments	483,208,242	432,054,943
Other unallocated amounts	19,156,752	21,097,645
Consolidated total assets	<u>502,364,994</u>	<u>453,152,588</u>
<b>iii. Liabilities</b>		
Total liabilities for reportable segments	441,982,835	381,692,328
Other unallocated amounts	7,201,609	20,298,320
Consolidated total liabilities	<u>449,184,444</u>	<u>401,990,648</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.