



DFCC Bank forges ahead amidst a challenging environment

Financial Results for the year ended 31 December 2021

- DFCC Group recorded a PAT of LKR 3.7 Bn.
- Advances grew by LKR 64 Bn to LKR 366 Bn (21% growth).
- Deposits grew by LKR 10 Bn to LKR 320 Bn (3% growth).

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

With the objective of becoming one of Sri Lanka's most customer-centric digitally enabled banks by 2025, and in line with the Bank's corporate strategy, the T24 Temenos Core Banking System was implemented on 21 October 2021, along with a functionally rich online banking platform. The transition to the new core banking system will offer customers a digitally enabled, best in class banking service that is flexible and agile.

The Bank was able to achieve expected growth as a result of executing a focussed strategy, driven by its purpose. The core objective being to help people and businesses prosper by embracing change through technological transformation, in order to continue to seize new opportunities resulting from the challenges of the pandemic.

The Bank implemented several concessionary schemes to support customers affected by the pandemic, helping them to emerge stronger, through numerous moratoriums, relief measures and advisory support and services, in accordance with the directives issued by the Central Bank of Sri Lanka.

As a result of this focussed approach and agile manoeuvring, DFCC Bank was able to successfully conclude the year ended 31 December 2021, having delivered robust performance and growth, amidst a challenging economic environment. Thus, the following commentary relates to the audited Financial Statements for the year ended 31 December 2021, and is 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 4,326

Mn and a profit after tax (PAT) of LKR 3,222 Mn for the year ended 31 December 2021. This compares with a PBT of LKR 3,398 Mn and a PAT of LKR 2,388 Mn in the year prior.

The Group recorded a PBT of LKR 4,859 Mn and a PAT of LKR 3,665 Mn for the year ended 31 December 2021, compared with LKR 3,944 Mn and LKR 2,847 Mn, respectively, in 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 10.14 for the year ended 31 December 2021 from LKR 7.83 for the comparative year 2020, recording an increase of 29%.

The Bank's Return on Equity (ROE) improved to 6.55% during the year ended 31 December 2021 from 4.93% recorded for the year ended 31 December 2020. The Bank's Return on Assets (ROA) before tax for the year ended 31 December 2021 is 0.91%, against a figure of 0.78% for the year ended 31 December 2020.

Net Interest Income

The Bank recorded LKR 12,653 Mn in net interest income (NII), which is a 15% increase year on year. This contributed to an increase in interest margin from 2.53% in December 2020 to 2.66% in December 2021.

Other Operating Income

Due to travel restrictions imposed during the year to curb the spread of the pandemic, business momentum was noticeably negatively affected.

The Bank staff at Head office and across branch network working continuously over the year 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 2,596 Mn for the year ended 31 December 2021, up from LKR 2,061 Mn in the comparative year. Other operating income has increased mainly due to increases in dividend income and gains on the sale of fixed income securities during the year ended 31 December 2021.

Impairment Charge on Loans and Other Losses

Impairment provisions for the year ended 31 December 2021 was LKR 4,485 Mn compared to LKR 3,298 Mn in the year prior. The NPL ratio increased from 5.56% in December 2020 to 5.60% in December 2021. In order to address the current and potential future impacts of Covid-19 and other prevailing economic conditions on the lending portfolio, the bank has made adequate impairment provisions, as at 31 December 2021, by introducing changes to internal models to cover unseen risk factors in the present highly uncertain and volatile environment, including additional provisions made for the Bank's exposure to risk elevated sectors.

Operating Expenses

The Bank's operating expenses increased from LKR 7,387 million during the year prior to LKR 8,381 million during the year under review, primarily due to increases in transport costs, as result of special transport facilities provided to staff due to covid restrictions and non-availability of public transport, along with all other additional expenses incurred in keeping and maintaining a safe and healthy environment within the Bank's premises, to support client engagements and servicing. During the year, the Bank also created multiple channels to enhance service delivery to customers through a strong digital drive, providing access to uninterrupted banking services during difficult times. This resulted in an increase in IT related expenses in order to support the infrastructure upgrades. However, the numerous process automation and workflow management systems introduced during the year under review helped to facilitate effective cost controls, which resulted in operating expenses being curtailed and managed at these levels.

Other Comprehensive Income

Investments in equity securities and treasury bills and bonds (fixed income securities) are classified as financial assets and their change in fair value is recorded through other comprehensive income. Accordingly, a fair value loss of LKR 36Mn and a net fair value loss of LKR 2,469 Mn were recorded on account of equity and fixed income securities, outstanding as at 31 December 2021 respectively. Unfavourable movements in treasury bill and bond yields resulted in the fair value loss of LKR 4,532 Mn during the year. A gain of LKR 2,062 Mn was recycled through the Income statement by disposing of selected treasury bill and bond holdings, originally categorized under fair value through other comprehensive income (FVOCI), with the objective of cash flow management to support loans and advance growth in line with projections. The action also goes in tandem with the bank's expectations with regard to the domestic interest rate trend, going forward.

Business Growth

Despite the challenging business environment, the Bank continued its growth strategy by increasing both its deposit and loan portfolios during the year ended 31 December 2021. The loan portfolio grew by LKR 63,991 Mn to record LKR 365,901 Mn compared to LKR 301,909 Mn as at 31 December 2020, recording an increase of 21%. The Bank's deposit base also experienced a growth of 3%, recording an increase of LKR 9,834 Mn to LKR 319,861 Mn from LKR 310,027 Mn as at 31 December 2020. This resulted in recording a loan to deposit ratio of 114%. Further CASA ratio improved to 31.25% as at 31 December 2021. 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 further improved to 36.47% as at 31 December 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 high-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 31 December 2021, the Bank has recorded Tier 1 and total capital adequacy ratios of 9.31% and 13.03%, respectively which is comfortably above the minimum regulatory requirements of 8% and 12% including capital conservation buffer of 2%. The Bank's Net Stable Funding Ratio was 122.43%, which is well above the regulatory minimum of 100%.

CEO Comment

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

In line with our stated vision, the Bank embarked upon implementing a state of the art, core banking system which went live in October 2021. Considering the magnitude and complexity of the implementation, we have had to face some unforeseen challenge and I take this opportunity to express our sincere thanks and gratitude to all our clients, who have been understanding and patient with us this year, as we continuously strive to ensure a more futuristic, digitally-enabled system for our clients.

Despite the unprecedented challenges faced due to the ongoing pandemic, staff of DFCC Bank have and will continue to work with commitment to combat the negative socio-economic effects that have impacted our customers and assist them through tailor made 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 with these same principles to serve our customers better.

We have a strong asset base to be deployed, but nothing 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 and requirements. This loyalty generates both more predictable returns and keen insights, enabling us to continuously improve our services and exceed customer expectations."

About DFCC Bank

DFCC Bank is a full-service Commercial Bank with a legacy of 66 years that offers a range of commercial and development banking services. The Bank's Sustainability Strategy 2030 envisions it becoming one of the leading banks that will contribute towards greater resilience, including the creation of Resilient Businesses that contribute to sustainable economic growth by extending support to Green Financing and Sustainable and Social Entrepreneurs. The Bank has won 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 awarded 'Market leader in Cash Management 2021' by Euromoney. DFCC Bank was ranked amongst Business Today's Top 40 Corporates in Sri Lanka. DFCC Bank is rated [SL] AA- Stable by ICRA Lanka Limited and A+ (lka) Stable by Fitch Ratings Lanka Limited

Thimal Perera
Director / Chief Executive Officer

17 February 2022

DFCC Bank PLC
Income Statement

	Notes	Bank						Group					
		For the year ended			For the quarter ended			For the year ended			For the quarter ended		
		31.12.2021 LKR 000 (Audited)	31.12.2020 LKR 000 (Audited)	Change %	31.12.2021 LKR 000	31.12.2020 LKR 000	Change %	31.12.2021 LKR 000 (Audited)	31.12.2020 LKR 000 (Audited)	Change %	31.12.2021 LKR 000	31.12.2020 LKR 000	Change %
Gross Income		42,648,762	43,299,800	(2)	10,677,209	10,283,209	4	43,029,280	43,604,447	(1)	10,692,738	10,319,952	4
Interest income		36,599,000	39,089,986	(6)	9,969,965	9,173,322	9	36,599,512	39,095,445	(6)	9,970,051	9,168,926	9
Interest expense		23,946,256	28,083,159	(15)	6,017,343	6,716,915	(10)	23,918,895	28,052,259	(15)	6,010,940	6,713,743	(10)
Net interest income		12,652,744	11,006,827	15	3,952,622	2,456,407	61	12,680,617	11,043,186	15	3,959,111	2,455,183	61
Fee and commission income		2,888,346	2,193,474	32	770,567	649,489	19	2,887,711	2,192,557	32	770,373	649,370	19
Fee and commission expenses		292,468	132,157	121	104,074	23,723	339	292,468	132,157	121	104,074	23,723	339
Net fee and commission income		2,595,878	2,061,317	26	666,493	625,766	7	2,595,243	2,060,400	26	666,299	625,647	6
Net gain from trading	6	844,898	479,153	76	69,576	145,549	(52)	844,898	479,153	76	69,576	145,549	(52)
Net (loss)/gain from financial instruments at fair value through profit or loss	7	(247,268)	(497,931)	(50)	702,139	(64,768)	(1,184)	(247,268)	(497,931)	(50)	702,139	(64,768)	(1,184)
Net gains from derecognition of financial assets													
Fair value through profit or loss		-	5,102	(100)	-	5,102	(100)	-	5,102	(100)	-	5,102	(100)
Fair value through other comprehensive income		1,391,008	505,284	175	65,260	198,813	(67)	1,391,008	505,284	175	65,260	198,813	(67)
Net other operating income	8	1,172,778	1,524,732	(23)	(900,298)	175,703	(612)	1,553,419	1,824,837	(15)	(884,661)	216,962	(508)
Total operating income		18,410,038	15,084,484	22	4,555,792	3,542,574	29	18,817,917	15,420,031	22	4,577,724	3,582,488	28
Impairment charge for loans and other losses													
Loans to and receivables from other customers		3,846,100	2,940,811	31	1,332,769	499,441	167	3,846,100	2,970,811	29	1,332,769	529,441	152
Other financial assets		599,994	371,671	61	595,378	167,091	256	599,994	371,671	61	595,378	167,091	256
Others		39,194	(14,590)	369	25,286	(29,744)	185	39,194	(14,590)	369	25,286	(29,744)	185
Net operating income		13,924,750	11,786,592	18	2,602,359	2,905,783	(10)	14,332,629	12,092,139	19	2,624,291	2,915,700	(10)
Operating expenses													
Personnel expenses		3,897,725	3,399,704	15	976,262	742,550	31	4,078,512	3,588,172	14	1,012,848	789,066	28
Depreciation and amortisation		1,023,851	919,657	11	288,247	239,538	20	1,074,173	970,958	11	301,740	252,257	20
Other expenses		3,459,642	3,067,229	13	951,844	928,460	3	3,400,862	2,995,346	14	943,739	890,100	6
Total operating expenses		8,381,218	7,386,590	13	2,216,353	1,910,549	16	8,553,547	7,554,476	13	2,258,327	1,931,423	17
Operating profit before taxes on financial services		5,543,532	4,400,002	26	386,006	995,235	(61)	5,779,082	4,537,663	27	365,964	984,275	(63)
Taxes on financial services		1,217,068	1,001,562	22	164,813	232,969	(29)	1,217,068	1,001,562	22	164,813	232,969	(29)
Operating profit after taxes on financial services		4,326,464	3,398,440	27	221,193	762,266	(71)	4,562,014	3,536,101	29	201,151	751,306	(73)
Share of profits of associate and joint venture		-	-	-	-	-	-	296,662	407,785	(27)	149,586	130,105	15
Profit before income tax		4,326,464	3,398,440	27	221,193	762,266	(71)	4,858,676	3,943,886	23	350,737	881,411	(60)
Income tax expense		1,104,601	1,010,405	9	69,273	125,281	(45)	1,193,565	1,097,101	9	98,769	144,802	(32)
Profit for the year		3,221,863	2,388,035	35	151,920	636,987	(76)	3,665,111	2,846,785	29	251,968	736,609	(66)
Profit attributable to:													
Equity holders of the Bank		3,221,863	2,388,035	35	151,920	636,985	(76)	3,548,938	2,744,961	29	230,046	716,476	(68)
Non-controlling interests		-	-	-	-	-	-	116,173	101,824	14	21,922	20,133	9
Profit for the year		3,221,863	2,388,035	35	151,920	636,985	(76)	3,665,111	2,846,785	29	251,968	736,609	(66)
Basic/Diluted earnings per ordinary share (LKR)		10.14	7.83	29	0.48	1.71	(72)	11.17	9.00	24	0.72	2.59	(72)

Statement of Profit or Loss and Other Comprehensive Income

	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2021 LKR 000 (Audited)	31.12.2020 LKR 000 (Audited)	Change %	31.12.2021 LKR 000	31.12.2020 LKR 000	Change %	31.12.2021 LKR 000 (Audited)	31.12.2020 LKR 000 (Audited)	Change %	31.12.2021 LKR 000	31.12.2020 LKR 000	Change %
Profit for the year	3,221,863	2,388,035	35	151,920	636,985	(76)	3,665,111	2,846,785	29	251,968	736,609	(66)
Other comprehensive (expense) / income for the year, net of tax												
Items that are or may be reclassified subsequently to income statement												
Movement in fair value reserve(fair value through other comprehensive income debt instrument):												
Net change in fair value	(2,469,369)	2,563,943	(196)	(703,227)	(866,728)	(19)	(2,469,384)	2,563,943	(196)	(703,242)	(866,728)	(19)
Reclassified to income statement	(2,062,305)	52,918	(3,997)	-	22,219	(100)	(2,062,305)	52,918	(3,997)	-	22,219	(100)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	61,748	26,284	135	3,735	4,507	(17)
Movement in hedging reserve:												
Cash flow hedge - effective portion of changes in fair value	673,546	(13,622)	5,045	(413,406)	58,227	(810)	673,546	(13,622)	5,045	(413,406)	58,227	(810)
Cash flow hedge - reclassified to income statement	(795,779)	15,420	(5,261)	(52,462)	32,768	(260)	(795,779)	15,420	(5,261)	(52,462)	32,769	(260)
Related deferred tax	1,142,242	(777,899)	247	161,768	181,629	11	1,142,242	(777,899)	247	161,768	181,629	11
Total other comprehensive (expense) / income that are or may be reclassified subsequently to income statement	(3,511,665)	1,840,760	(291)	(1,007,327)	(571,884)	76	(3,449,932)	1,867,044	(285)	(1,003,607)	(567,377)	77
Items that will not be reclassified to income statement												
Losses on remeasurement of defined benefit assets	(59,388)	(37,766)	(57)	(59,388)	(37,766)	(57)	(56,323)	(36,738)	(53)	(56,323)	(36,738)	(53)
Movement in fair value reserve (FVOCI equity instruments) :												
Equity investments at fair value through other comprehensive income - net change in fair value	(35,606)	(1,533,286)	98	(540,603)	433,466	(225)	(35,599)	(1,533,286)	98	(540,596)	433,466	(225)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	1,108	483	129	1,124	510	120
Related deferred tax	4,204	(26,297)	116	4,204	(26,297)	116	4,277	(26,322)	116	4,277	(26,322)	(116)
Total other comprehensive (expense) / income on items that will not be reclassified to income statement	(90,790)	(1,597,349)	94	(595,787)	369,403	(261)	(86,537)	(1,595,863)	95	(591,518)	370,916	(259)
Other comprehensive (expense) / income for the year , net of tax	(3,602,455)	243,411	(1,580)	(1,603,114)	(202,482)	692	(3,536,469)	271,181	(1,404)	(1,595,125)	(196,463)	712
Total comprehensive (expense) / income for the year	(380,592)	2,631,446	(114)	(1,451,194)	434,503	(434)	128,642	3,117,966	(96)	(1,343,157)	540,146	(349)
Total comprehensive (expense) / income attributable to:												
Equity holders of the Bank	(380,592)	2,631,446	(114)	(1,451,194)	434,503	(434)	12,173	3,016,443	(100)	(1,365,376)	520,314	(362)
Non-controlling interests	-	-	-	-	-	-	116,469	101,523	15	22,219	19,832	12
Total comprehensive (expense) / income for the year	(380,592)	2,631,446	(114)	(1,451,194)	434,503	(434)	128,642	3,117,966	(96)	(1,343,157)	540,146	(349)

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank			Group		
		31.12.2021	31.12.2020	Change	31.12.2021	31.12.2020	Change
		(Audited)	(Audited)		(Audited)	(Audited)	
		LKR 000	LKR 000	%	LKR 000	LKR 000	%
Assets							
Cash and cash equivalents		10,688,255	7,724,364	38	10,690,873	7,728,969	38
Balances with Central Bank of Sri Lanka		9,359,241	4,901,753	91	9,359,241	4,901,753	91
Placements with banks		6,288,006	15,414,287	(59)	6,332,533	15,431,962	(59)
Derivative financial assets		280,235	835,464	(66)	280,235	835,464	(66)
Financial assets measured at fair value through profit or loss		218,875	609,717	(64)	218,875	609,717	(64)
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	365,900,540	301,909,337	21	365,900,540	301,909,337	21
Financial assets at amortised cost - Debt and other instruments		26,674,962	31,604,175	(16)	26,674,962	31,604,175	(16)
Financial assets measured at fair value through other comprehensive income		54,329,436	88,718,002	(39)	54,333,429	88,718,002	(39)
Investments in subsidiaries		217,436	217,436	-	-	-	-
Investments in associate		35,270	35,270	-	35,608	31,699	12
Investments in joint venture		755,000	755,000	-	2,804,871	2,449,262	15
Investment property		9,879	9,879	-	469,841	345,857	36
Property, plant and equipment		3,237,124	3,406,600	(5)	3,389,102	3,587,019	(6)
Intangible assets and goodwill		2,227,577	1,713,052	30	2,408,816	1,884,806	28
Deferred tax asset		1,358,895	-	100	1,358,895	2,919	46,453
Other assets		3,924,505	3,070,234	28	3,998,987	3,153,277	27
Asset held for sale		-	-	-	-	19,600	(100)
Total assets		485,505,236	465,077,287	4	488,256,808	467,366,535	4
Liabilities							
Due to banks		3,349,836	14,909,937	(78)	3,349,836	14,909,937	(78)
Derivative financial liabilities		814,219	267,883	204	814,219	267,883	204
Financial liabilities at amortised cost - Due to depositors	10	319,861,013	310,026,892	3	319,362,372	309,566,423	3
Financial liabilities at amortised cost - Due to other borrowers		69,589,129	46,847,076	49	69,589,129	46,847,076	49
Debt securities in issue		16,297,256	16,291,279	0	16,297,256	16,291,279	0
Retirement benefit obligation		688,598	643,118	7	716,477	671,041	7
Current tax liabilities		951,645	1,012,645	(6)	1,031,557	1,081,864	(5)
Deferred tax liability		-	243,949	(100)	112,515	341,691	(67)
Other liabilities		6,580,166	6,119,854	8	6,831,146	6,323,094	8
Subordinated term debt		18,387,276	19,357,497	(5)	18,387,276	19,357,497	(5)
Total liabilities		436,519,138	415,720,130	5	436,491,783	415,657,785	5
Equity							
Stated capital		8,600,457	7,682,465	12	8,600,457	7,682,465	12
Statutory reserve		2,746,968	2,583,968	6	2,746,968	2,583,968	6
Retained earnings		22,091,649	19,652,169	12	25,831,589	23,061,084	12
Other reserves		15,547,024	19,438,555	(20)	14,268,853	18,098,644	(21)
Total equity attributable to equity holders of the Bank		48,986,098	49,357,157	(1)	51,447,867	51,426,161	0
Non-controlling interests		-	-	-	317,158	282,589	12
Total equity		48,986,098	49,357,157	(1)	51,765,025	51,708,750	0
Total equity and liabilities		485,505,236	465,077,287	4	488,256,808	467,366,535	4
Contingent liabilities and commitments							
		148,131,691	130,764,147	13	148,131,691	130,764,147	13
Net assets value per share, LKR							
		152.83	161.30	(5)	160.51	168.06	(4)

Memorandum Information	Bank		Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Number of Employees	2,191	2,072	2,308	2,182
Number of Branches (Including Service centres)	139	139		

Statement of Changes in Equity

		Statutory reserve	Other reserves				
	Stated capital	Reserve fund	Fair value reserve	Hedging reserve	General reserves	Retained earnings	Total equity
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Bank (Audited)							
Balance as at 01 January 2020	7,530,371	2,461,968	5,704,644	(225,389)	13,779,839	18,228,086	47,479,519
Profit for the year	-	-	-	-	-	2,388,035	2,388,035
Other comprehensive income / (expenses), net of tax	-	-	306,180	1,294	-	(64,063)	243,411
Total comprehensive income / (expense) for the year	-	-	306,180	1,294	-	2,323,972	2,631,446
Transfers	-	122,000	-	-	-	(122,000)	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(128,013)	-	-	128,013	-
Transactions with equity holders of the Bank, recognised directly in equity							
Forfeiture of unclaimed dividends	-	-	-	-	-	6,664	6,664
Final dividend for 2019 - Scrip	152,094	-	-	-	-	(152,094)	-
Final dividend for 2019 - Cash	-	-	-	-	-	(760,472)	(760,472)
Total contributions from and distribution to equity holders	152,094	-	-	-	-	(905,902)	(753,808)
Balance as at 31 December 2020	7,682,465	2,583,968	5,882,811	(224,095)	13,779,839	19,652,169	49,357,157
Balance as at 01 January 2021	7,682,465	2,583,968	5,882,811	(224,095)	13,779,839	19,652,169	49,357,157
Profit for the year	-	-	-	-	-	3,221,863	3,221,863
Other comprehensive expenses net of tax	-	-	(3,441,924)	(105,347)	-	(55,184)	(3,602,455)
Total comprehensive (expense) / income for the year	-	-	(3,441,924)	(105,347)	-	3,166,679	(380,592)
Transfers	-	163,000	-	-	-	(163,000)	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(344,260)	-	-	344,260	-
Transactions with equity holders of the Bank, recognised directly in equity							
Forfeiture of unclaimed dividends	-	-	-	-	-	9,533	9,533
Final dividend for 2020 – Scrip	917,992	-	-	-	-	(917,992)	-
Total contributions from and distribution to equity holders	917,992	-	-	-	-	(908,459)	9,533
Balance as at 31 December 2021	8,600,457	2,746,968	2,096,627	(329,442)	13,779,839	22,091,649	48,986,098

Statement of Changes in Equity

	Attributable to the equity holders of the Bank									
	Statutory reserve		Other reserves				Retained earnings	Total	Non- controlling interests	Total equity
	Stated Capital	Reserve fund	Fair value reserve	Exchange equalization reserve	Hedging reserve	General reserve				
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Group (Audited)										
Balance as at 01 January 2020	7,530,371	2,461,968	4,260,073	78,377	(225,389)	13,779,839	21,278,288	49,163,527	262,965	49,426,492
Profit for the year	-	-	-	-	-	-	2,744,961	2,744,961	101,824	2,846,785
Other comprehensive Income / (expense), net of tax	-	-	307,786	24,677	1,294	-	(62,276)	271,481	(300)	271,181
Total comprehensive income for the year	-	-	307,786	24,677	1,294	-	2,682,685	3,016,442	101,524	3,117,966
Transfers	-	122,000	-	-	-	-	(122,000)	-	-	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(128,013)	-	-	-	128,013	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Forfeiture of unclaimed dividends	-	-	-	-	-	-	6,664	6,664	-	6,664
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)
Total contributions from and distribution to equity holders	152,094	-	-	-	-	-	(905,902)	(753,808)	(81,900)	(835,708)
Balance as at 31 December 2020	7,682,465	2,583,968	4,439,846	103,054	(224,095)	13,779,839	23,061,084	51,426,161	282,589	51,708,750
Balance at 01 January 2021	7,682,465	2,583,968	4,439,846	103,054	(224,095)	13,779,839	23,061,084	51,426,161	282,589	51,708,750
Profit for the year	-	-	-	-	-	-	3,548,938	3,548,938	116,173	3,665,111
Other comprehensive (expense) / income , net of tax	-	-	(3,440,331)	60,147	(105,347)	-	(51,234)	(3,536,765)	296	(3,536,469)
Total comprehensive (expense) / income for the year	-	-	(3,440,331)	60,147	(105,347)	-	3,497,704	12,173	116,469	128,642
Transfers	-	163,000	-	-	-	-	(163,000)	-	-	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(344,260)	-	-	-	344,260	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Forfeiture of unclaimed dividends	-	-	-	-	-	-	9,533	9,533	-	9,533
Final dividend for 2020 – Scrip	917,992	-	-	-	-	-	(917,992)	-	-	-
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	(81,900)	(81,900)
Total contributions from and distribution to equity holders	917,992	163,000	-	-	-	-	(908,458)	9,533	(81,900)	(72,367)
Balance as at 31 December 2021	8,600,457	2,746,968	655,255	163,201	(329,442)	13,779,839	25,831,589	51,447,867	317,158	51,765,025

Statement of Cash Flows

	BANK		GROUP	
For the year ended 31 December	2021 (Audited) LKR 000	2020 (Audited) LKR 000	2021 (Audited) LKR 000	2020 (Audited) LKR 000
Cash flows from operating activities				
Interest receipts	29,285,859	30,020,544	29,286,576	30,016,182
Interest payments	(25,117,538)	(28,898,275)	(25,095,088)	(28,867,010)
Net commission receipts	2,498,952	2,194,100	2,498,952	2,194,100
Net trading income	159,859	33,140	159,859	33,140
Recoveries from loans previously written off	50,589	42,021	50,589	42,021
Receipts from other operating activities	3,929,255	3,220,616	4,549,985	3,942,850
Payments on other operating activities	(4,163,896)	(3,235,643)	(4,163,896)	(3,539,577)
Cash payments to employees	(3,272,132)	(3,509,801)	(3,700,194)	(3,509,801)
Taxes on financial services	(1,295,996)	(1,028,489)	(1,295,996)	(1,028,489)
Operating Cash flows before changes in operating assets and liabilities	2,074,952	(1,161,787)	2,290,787	(716,584)
(Increase) / decrease in operating assets:				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	(4,457,489)	3,764,794	(4,457,489)	3,764,794
Financial assets at amortised cost - Loans to and receivables from other customers	(59,588,973)	(31,967,075)	(59,588,973)	(31,967,075)
Others	1,059,490	910,313	1,424,356	833,751
(Increase) / decrease in operating liabilities:				
Financial liabilities at amortised cost - Due to depositors	10,863,113	60,833,677	10,497,830	60,451,771
Negotiable certificates of deposits	(148,495)	1,576,253	(148,495)	1,576,253
Others	(3,704,375)	(1,492,634)	(3,719,079)	(1,334,358)
Net cash flows (used in)/from operating activities before income tax	(53,901,777)	32,463,541	(53,701,063)	32,608,552
Income tax paid	(1,621,286)	(615,096)	(1,671,322)	(671,516)
Net cash flows (used in)/from operating activities	(55,523,063)	31,848,445	(55,372,385)	31,937,036
Cash flows from investing activities				
Dividends received from investment in subsidiaries, joint venture, and associate	89,277	139,276	-	50,000
Dividend received from other investments	685,398	419,077	688,898	419,076
Interest received	8,781,444	8,094,360	8,806,692	8,134,721
Government Securities- net	35,318,730	(16,828,764)	35,318,730	(16,828,764)
Proceeds from sale and redemption of securities	8,414,860	5,580,763	8,430,460	5,601,163
Purchase of financial investments	(7,090,723)	(3,040,582)	(7,090,723)	(3,040,582)
Purchase of property, equipment, intangibles and investment property	(4,559,444)	(1,761,511)	(4,564,021)	(1,761,967)
Proceeds from sale of equipment, investment property and others	(11,175)	-	(5,589)	-
Net cash flows from/(used in) investing activities	41,628,367	(7,397,381)	41,584,447	(7,426,353)
Cash flows from financing activities				
Issue of debentures	-	9,523,000	-	9,523,000
Redemption of debentures	(956,860)	(5,000,000)	(956,860)	(5,000,000)
Borrowing, medium and long - term	33,307,468	16,212,712	33,307,468	16,212,712
Other borrowings - net	(9,077,638)	(14,571,228)	(9,077,638)	(14,571,228)
Repayment of borrowing, medium and long - term	(15,540,186)	(12,334,236)	(15,540,186)	(12,334,236)
Dividends paid	(478)	(757,900)	(82,371)	(839,800)
Net Cash flows from/(used in) financing activities	7,732,306	(6,927,652)	7,650,413	(7,009,552)
Net (decrease) /increase in cash and cash equivalents	(6,162,390)	17,523,412	(6,137,525)	17,501,131
Cash and cash equivalents at the beginning of year	23,138,651	5,615,239	23,160,931	5,659,800
Cash and cash equivalents at the end of year	16,976,261	23,138,651	17,023,406	23,160,931
Reconciliation of cash and cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	10,688,255	7,724,364	10,690,873	7,728,969
Placements with banks	6,288,006	15,414,287	6,332,533	15,431,962
	16,976,261	23,138,651	17,023,406	23,160,931

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. Change of the Income Tax Rate from 28% to 24%

The Bank & The Group applied the revised income tax rate of 24% in line with the Inland Revenue Amendment Act No. 10 of 2021 to calculate the income tax and deferred tax assets/liabilities as at 31st December 2021. However, the revised rate of 24% was not substantially enacted when finalizing the financial statements for the period ended 31st December 2020 even though the amendments were effective from 01st January 2020. Therefore, both income tax and deferred tax assets/liabilities for the comparative period have been calculated at the rate of 28%.

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 impacts of COVID-19 and other prevailing economic conditions on the lending portfolio, the Bank has made adequate impairment provision as at 31 December 2021 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.

Note 6. Net gain from trading

For the year ended 31 December

	Bank		Group	
	2021	2020	2021	2020
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange from banks	644,719	387,112	644,719	387,112
Government securities				
- Net capital (loss) / gain	(703)	8,303	(703)	8,303
Equity securities				
- Net marked to market gain	37,946	11,069	37,946	11,069
- Net capital gain	160,561	71,153	160,561	71,153
- Dividend income	2,375	1,515	2,375	1,515
	844,898	479,153	844,898	479,153

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

For the year ended 31 December

	Bank		Group	
	2021	2020	2021	2020
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	(217,548)	(543,168)	(217,548)	(543,168)
Contracts with CBSL	(2,332)	-	(2,332)	-
(Loss)/gain on financial assets fair value through profit or loss - equity securities	(27,390)	45,238	(27,390)	45,238
	(247,268)	(497,931)	(247,268)	(497,931)

Note 8. Net Other Operating Income

For the year ended 31 December

	Bank		Group	
	2021	2020	2021	2020
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Financial assets measured at fair value through other comprehensive income				
Dividend income	951,419	742,511	951,419	742,511
Dividend income from subsidiaries, joint venture and associate	89,277	139,277	-	-
Net gain from repurchase transactions	369,894	549,618	369,894	549,618
(Loss) / Gains on revaluation of foreign exchange	(304,580)	23,292	(304,580)	23,292
Others	66,768	70,034	536,686	509,415
	1,172,778	1,524,732	1,553,419	1,824,837

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

As at	Bank		Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 9.1)	384,958,591	317,232,612	384,958,591	317,232,612
Less: Allowance for impairment (Note 9.2)	(19,058,051)	(15,323,275)	(19,058,051)	(15,323,275)
Net loans and receivables	365,900,540	301,909,337	365,900,540	301,909,337

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

As at	Bank		Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	45,718,734	36,464,999	45,718,734	36,464,999
Trade finance	23,698,670	19,328,876	23,698,670	19,328,876
Credit cards	3,669,701	2,199,543	3,669,701	2,199,543
Pawning	5,970,069	4,565,645	5,970,069	4,565,645
Staff loans	2,656,268	2,491,323	2,656,268	2,491,323
Term loans	230,954,588	186,621,584	230,954,588	186,621,584
Lease rentals receivable	23,761,600	25,127,337	23,761,600	25,127,337
Commercial papers and asset back notes	681,528	2,076,590	681,528	2,076,590
	337,111,158	278,875,897	337,111,158	278,875,897
By product-Foreign Currency				
Overdrafts	413,968	347,263	413,968	347,263
Trade finance	16,176,908	11,013,285	16,176,908	11,013,285
Term loans	31,256,557	26,996,166	31,256,557	26,996,166
	47,847,433	38,356,714	47,847,433	38,356,714
Gross loans and receivables	384,958,591	317,232,612	384,958,591	317,232,612

Note 9.2 Movement in Impairment during the year

	Bank		Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	(Audited)	(Audited)	(Audited)	(Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
Stage 1				
Balance at beginning	1,305,740	901,871	1,305,740	901,871
Charge to income statement	896,995	404,581	896,995	404,581
Write-off during the year	(65)	(712)	(65)	(712)
Balance at end	2,202,670	1,305,740	2,202,670	1,305,740
Stage 2				
Balance at beginning	1,065,570	1,563,877	1,065,570	1,563,877
Charge / (write back) to income statement	924,214	(494,452)	924,214	(494,452)
Write-off during the year	(200)	(3,855)	(200)	(3,855)
Balance at end	1,989,584	1,065,570	1,989,584	1,065,570
Stage 3				
Balance at beginning	12,951,965	9,940,734	12,951,965	9,940,734
Charge to income statement	2,024,892	3,030,682	2,024,892	3,030,682
Effect of foreign currency movement	102,856	44,440	102,856	44,440
Write-off during the year	(213,316)	(27,398)	(213,316)	(27,398)
Other movements	(600)	(36,493)	(600)	(36,493)
Balance at end	14,865,798	12,951,965	14,865,798	12,951,965
Total Impairment	19,058,051	15,323,275	19,058,051	15,323,275

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

As at	Bank		Group	
	31.12.2021 (Audited) LKR 000	31.12.2020 (Audited) LKR 000	31.12.2021 (Audited) LKR 000	31.12.2020 (Audited) LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	9,844,879	7,476,335	9,844,815	7,476,287
Savings deposits	65,299,886	41,091,895	65,263,188	41,048,297
Fixed deposits	197,597,692	213,659,595	197,173,942	213,260,799
Other deposits	1,272,521	2,093,795	1,272,521	2,093,795
Certificate of deposits	2,328,082	2,473,374	2,328,082	2,473,374
	276,343,061	266,794,994	275,882,548	266,352,552
By product- Foreign Currency				
Demand deposits (current accounts)	866,504	540,454	866,504	540,454
Savings deposits	22,494,093	23,957,027	22,474,930	23,955,827
Fixed deposits	19,934,389	18,493,843	19,915,423	18,477,016
Other deposits	222,966	240,574	222,966	240,574
	43,517,952	43,231,898	43,479,824	43,213,871
Total	319,861,013	310,026,892	319,362,372	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 other than below.

Note 11.1 First and Final Dividend

The Directors have approved the payment of a first and final dividend of LKR 3.00 per share in the form of a scrip dividend, for the financial year ended 31 December 2021. The Board of Directors confirm that the Bank has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained the certificate from the Auditor.

Note 11.2 Imposition of Surcharge tax

The Bill governing the imposition and administration of the Surcharge Tax was published in the Gazette on 07 February 2022. The Surcharge Tax was proposed in the Budget 2022, as a one-time tax. Surcharge Tax is payable by any individual, partnership, company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold as specified in the Bill. There shall be levied a Surcharge Tax any individual, partnership or company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on April 1, 2020, at the rate of 25% on the taxable income of such individual, partnership or company, for such year of assessment. The proposed surcharge tax has not been accounted for in these financial statements of the Company and the Group as at 31 December 2021 as the said Bill is not considered to be substantially enacted as per LKAS – 12 as at the Reporting date .

Note 11.3 Proposed Rights Issue

The Bank will issue 109,247,953 shares (12 shares for every 37 shares held) each at LKR 55/- per share to raise LKR 6 Billion to increase the Tier 1 capital of the Bank.

The rights issue is subject to the Colombo Stock Exchange approving in principle the issue and listing of shares and obtaining shareholders' approval at an Extraordinary General Meeting on a date to be advised in due course.

Note 12. Disclosures under Listing Rules

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

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

12.2 Stated capital

As at	Number of shares	
	31.12.2021	31.12.2020
Number of shares of the Bank	320,522,436	305,997,250

12.3 Market price of a share

Information on shares of the Bank for the quarter ended	31.12.2021	31.12.2020
- Highest price LKR	69.00	70.50
- Lowest price LKR	57.60	59.90
- Market price LKR	60.00	65.30

12.4 Twenty Major Shareholders as at 31.12.2021

	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	9,530,000	2.97
9	People'S Leasing & Finance PLC / Don and Don Holdings (Private) Limited	8,981,956	2.80
10	Renuka City Hotels PLC	7,298,813	2.28
11	Renuka Hotels PLC	4,292,082	1.34
12	Employee's Trust Fund Board	4,202,087	1.31
13	Seylan Bank PLC/ Senthilvel Holdings (Pvt) Ltd	3,320,080	1.04
14	Akbar Brothers Pvt Ltd A/c No 1	2,844,533	0.89
15	Cargo Boat Development Company PLC	2,632,342	0.82
16	Anverally International (Pvt) Limited	2,582,161	0.81
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

12.5 Public Holdings as at 31.12.2021

Public holdings percentage	62.52%
Number of Public shareholders	10,579
Float adjusted market capitalisation	LKR 12,024 million
Applicable option as per CSE Listing Rule 7.13.1 (a)	Option 1

12.6 Directors' Interests in Shares

	No of Shares As at 31.12.2021
J. Durairatnam	Nil
L.K.A.H. Fernando (Ms.)	Nil
P M B Fernando	2,106
H.M.N.S Gunawardana (Ms.)	Nil
N.K.G.K. Nemmawatta	Nil
N.H.T.I.Perera	17,701
V J Senaratne (Ms.)	1,909
L H A L Silva - (Retired on 31 December 2021)	26,200
A.L.Thambiayah (Ms) - (Appointed on 01 October 2021)	95,432
S.R.Thambiayah (Ms.) - (Retired on 27 September 2021)	-
N.V.Kumar - (Appointed on 01 September 2021)	Nil
H.A.J. de Silva Wijeyeratne	8,850

Certification

These Financial Statements have been prepared in compliance with requirements of the Companies Act No 07 of 2007.

Chinthika Amarasekera Chief Financial Officer

We, the undersigned, being the Chairman, the Chief Executive Officer of DFCC Bank PLC certify that:

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- (b) the information contained in these statements have been extracted from the audited financial statements of the Bank and the Group.

J. Durairatnam
Chairman

Thimal Perera
Director & Chief Executive Officer

Listed Debentures

Debenture Category	Interest rate Frequency	Effective Rate	Coupon Rate	Interest rate of Comparative Government Securities (Gross) p.a.	Balance as at 31.12.2021	Market price LKR			Yield	Last Traded
		%	%	%	LKR 000	Highest	Lowest	Last Traded	Last Traded %	Traded Date
Fixed Rate										
2016/2023	Annually	12.75	12.75	8.75	6,141,043	N/T	N/T	N/T	N/A	N/A
2018/2023	Annually	12.60	12.60	8.36	3,185,665	N/T	N/T	N/T	N/A	N/A
2018/2025	Annually	13.00	13.00	10.18	4,476,516	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	13.50	9.13	4,184,948	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	10.66	1,964,604	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	11.44	4,860,180	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	9.00	9.00	8.99	4,376,240	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	9.25	9.25	11.03	207,812	N/T	N/T	N/T	N/A	N/A

N/T -Not traded

Selected Performance Indicators

	Bank		Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Regulatory Capital (LKR '000)				
Common Equity Tier I	34,259,288	35,041,771	34,265,838	35,113,117
Tier 1 Capital	34,259,288	35,041,771	34,265,838	35,113,117
Total Capital	47,968,017	51,055,165	47,974,567	51,126,511
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5%)	9.305	10.820	9.283	10.816
Tier 1 Capital Ratio (Minimum Requirement - 8%)	9.305	10.820	9.283	10.816
Total Capital Ratio (Minimum Requirement - 12%)	13.029	15.764	12.997	15.749
Leverage Ratio (Minimum requirement is 3%).	6.61	6.79	6.62	6.82
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Domestic Banking Unit	93,333,115	128,834,294		
Off-Shore Banking Unit	31,186,738	8,402,869		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	21.60	33.78		
Off-Shore Banking Unit	41.79	35.45		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2021 - 100% , 2020 - 90%)	152.86	288.27		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2021 - 100 % , 2020 - 90%)	136.18	204.44		
Net Stable Funding Ratio (%) (Minimum requirement - 2021 - 100%, 2020 - 90%)	122.43	123.00		
Asset Quality				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	5.60	5.56		
Non-performing loans and advances - Net exposure % (Net of interest in suspense and provisions)	2.25	2.32		
Impaired Loans (Stage 3) Ratio (%)	3.03	2.80		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	48.76	53.16		
Profitability				
Interest margin %	2.66	2.53		
Return on assets (profit before tax) %	0.91	0.78		
Return on equity (profit after tax) %	6.55	4.93		
Other Ratios				
Debt to equity ratio (times)	2.26	2.06		
Interest cover (times)	1.85	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 31 December 2021	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	10,688,255	10,688,255	-	-	10,690,873	10,690,873
Balances with Central Bank of Sri Lanka	-	-	9,359,241	9,359,241	-	-	9,359,241	9,359,241
Placements with banks	-	-	6,288,006	6,288,006	-	-	6,332,533	6,332,533
Derivative financial assets	280,235	-	-	280,235	280,235	-	-	280,235
Financial assets measured at fair value through profit or loss	218,875	-	-	218,875	218,875	-	-	218,875
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	365,900,540	365,900,540	-	-	365,900,540	365,900,540
Financial assets at amortised cost - Debt and other instruments	-	-	26,674,962	26,674,962	-	-	26,674,962	26,674,962
Financial assets measured at fair value through other comprehensive income	-	54,329,436	-	54,329,436	-	54,333,429	-	54,333,429
Other assets	-	-	2,855,254	2,855,254	-	-	2,917,841	2,917,841
Total financial assets	499,110	54,329,436	421,766,258	476,594,804	499,110	54,333,429	421,875,990	476,708,529
Financial Liabilities								
Due to banks	-	-	3,349,836	3,349,836	-	-	3,349,836	3,349,836
Derivative financial liabilities	814,219	-	-	814,219	814,219	-	-	814,219
Financial liabilities at amortised cost -Due to depositors	-	-	319,861,013	319,861,013	-	-	319,362,372	319,362,372
Financial liabilities at amortised cost - Due to other borrowers	-	-	69,589,129	69,589,129	-	-	69,589,129	69,589,129
Debt securities issued	-	-	16,297,256	16,297,256	-	-	16,297,256	16,297,256
Other liabilities	-	-	4,470,499	4,470,499	-	-	4,601,682	4,601,682
Subordinated term debt	-	-	18,387,276	18,387,276	-	-	18,387,276	18,387,276
Total financial liabilities	814,219	-	431,955,008	432,769,227	814,219	-	431,587,551	432,401,770

	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
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
As at 31 December 2020								
Financial Assets								
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
Total financial assets	1,445,181	88,718,002	367,706,038	457,869,221	1,445,181	88,718,002	367,735,534	457,898,717
Financial Liabilities								
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
Total financial liabilities	267,883	-	412,216,554	412,484,437	267,883	-	411,873,165	412,141,048

Fair Values of Financial Instruments

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

(a) Derivatives

Derivative products valued with market-observable inputs are mainly currency swaps and forward foreign exchange contracts. Such valuations incorporate various inputs such as foreign exchange spot and forward rates.

(b) Financial Assets at Fair Value through Other Comprehensive Income

Financial Assets at Fair Value through Other Comprehensive Income are valued using valuation techniques or pricing models primarily consisted of unquoted equities.

(c) Financial Assets at Fair Value through Profit or Loss

Quoted Equities and Sri Lanka Government Securities - are included under Financial Assets at Fair Value through Profit or Loss are valued using market prices.

Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market

The following table shows an analysis of financial instruments and non financial assets and liabilities recorded at fair value by level of fair value hierarchy

As at 31 December 2021	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
Financial Assets				
Derivative financial assets				
Forward foreign exchange contracts		280,235		280,235
Financial assets measured at fair value through profit or loss				
Equity securities - quoted	181,426			181,426
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		33,708		33,708
Financial assets measured at fair value through other comprehensive income				-
Government of Sri Lanka Treasury Bills and Bonds	40,780,662			40,780,662
Sri Lanka Sovereign bonds	994,984			994,984
Equity shares- quoted	12,337,187			12,337,187
Equity shares- unquoted			216,602	216,602
	54,297,999	313,944	216,602	54,828,545
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts		814,219		814,219
	-	814,219	-	814,219

As at 31 December 2020	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
Financial Assets				
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
	88,552,311	1,396,561	214,310	90,163,182
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts		267,883		267,883
	-	267,883	-	267,883

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

	As at 31st December 2021		As at 31st December 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	10,688,255	10,688,255	7,724,364	7,724,364
Balances with Central Bank of Sri Lanka	9,359,241	9,359,241	4,901,753	4,901,753
Placements with banks	6,288,006	6,288,006	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	365,900,540	348,256,773	301,909,337	295,969,708
Financial assets at amortised cost - Debt and other instruments	26,674,962	25,662,664	31,604,175	31,633,380
Other assets	2,855,254	2,855,254	1,999,405	1,999,405
Financial Liabilities				
Due to banks	3,349,836	3,349,836	14,909,937	14,909,937
Financial liabilities at amortised cost - due to depositors	319,861,013	319,604,601	310,026,892	304,408,686
Financial liabilities at amortised cost - due to other borrowers	69,589,129	69,589,129	46,847,076	46,847,076
Debt securities in issue	16,297,256	14,932,065	16,291,279	17,124,659
Other liabilities	4,470,497	4,470,497	4,783,877	4,783,877
Subordinated term debt	18,387,276	16,580,539	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.

	Equity Securities	
	Bank/Group	
	2021 LKR 000	2020 LKR 000
Balance at 1 January	213,810	200,357
Purchased during the year	-	-
Gain included in OCI		
– Net change in fair value (unrealised)	2,792	13,453
Balance at end of the year	216,602	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.

	OCI Net of Tax	
	Increase LKR 000	Decrease LKR 000
Equity securities as at 31.12.2021		
Adjusted net assets value (5% movement)	10,830	(10,830)

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
External revenue										
Interest income	9,356,421	11,270,478	17,948,478	19,023,235	7,326,793	7,567,177	27,874	40,790	34,659,566	37,901,680
Net fees and commission income	558,472	519,265	1,283,024	1,404,887	657,456	269,321	-	-	2,498,952	2,193,473
Net gain from trading		-		-	844,898	479,153	-	-	844,898	479,153
Net loss from financial instruments at fair value through profit or loss		-		-	(247,268)	(497,931)	-	-	(247,268)	(497,931)
Net gain from derecognition of financial assets		-		-	1,391,008	510,386	-	-	1,391,008	510,386
Other income - net	(7,864)	16,532	11,187	39,907	65,316	960,023	692,814	652,979	761,452	1,669,441
Income from external customers	9,907,029	11,806,275	19,242,690	20,468,029	10,038,202	9,288,129	720,688	693,769	39,908,608	42,256,202
Inter segment revenue	-	-	-	-	-	-	(340,170)	(389,122)	(340,170)	(389,122)
Total segment revenue	9,907,029	11,806,275	19,242,690	20,468,029	10,038,202	9,288,129	380,518	304,647	39,568,438	41,867,080

Segment assets	151,763,379	126,752,290	206,758,053	170,095,200	107,370,344	153,778,921	918,772	815,960	466,810,548	451,442,371
Segment liabilities	80,363,703	83,083,022	238,542,183	214,097,277	109,392,843	110,059,796	471,289	398,124	428,770,017	407,638,219

Information on cash flows

Cash flows (used in) / from operating activities									(55,372,385)	31,937,036
Cash flows from/(used in) investing activities									41,584,447	(7,426,353)
Cash flows from / (used in) financing activities									7,650,413	(7,009,552)
Net cash flows (used in) / generated during the year									(6,137,525)	17,501,131

Capital expenditure:

Property, plant and equipment	147	-	354,348	763,977	-	133	10,433	-	364,928	764,110
Intangible assets	-	-	1,509,676	315,082	-	-	55,055	-	1,564,731	315,082

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

	2021 LKR.'000	2020 LKR.'000
i. Revenues		
Total revenue for reportable segments	39,908,608	42,256,202
Unallocated amounts	3,460,842	1,737,367
Elimination of inter-segment revenue	(340,170)	(389,122)
Consolidated revenue	<u>43,029,280</u>	<u>43,604,447</u>
ii. Assets		
Total assets for reportable segments	466,810,548	451,442,371
Other unallocated amounts	21,446,260	15,924,164
Consolidated total assets	<u>488,256,808</u>	<u>467,366,535</u>
iii. Liabilities		
Total liabilities for reportable segments	428,770,017	407,638,219
Other unallocated amounts	7,721,766	8,019,566
Consolidated total liabilities	<u>436,491,783</u>	<u>415,657,785</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.