



DFCC Bank records moderate performance amidst extremely volatile conditions
Financial Results for the Quarter ended 31 March 2022.

In the backdrop of an extremely challenging environment in the banking industry, DFCC Bank recorded a moderate performance in spite of significant disruption to the local economy, due to Sri Lanka's ongoing energy, foreign exchange and economic crises. These circumstances were exacerbated by global uncertainty and external challenges arising out of the military operations and standoffs between Russia and Ukraine, as a result of which global energy prices too have soared.

A highly inflationary environment within Sri Lanka has further compounded these issues, resulting in a relatively subdued financial performance by the Bank. Along with this, rising impairment costs and provisioning for the same resulted in a negative impact on profitability for the quarter. However, this should ease as impairment mitigation measures take effect over the upcoming quarters.

On a more positive note, during the Q1, DFCC Bank partnered with USAID to support Sri Lanka's MSME's with a focus on women-led enterprises that will enable the bank to empower identified high growth sectors.

The following commentary relates to the unaudited Financial Statements for the period ended 31 March 2022, 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).

The Group recorded a PBT of LKR 326 Mn and a PAT of LKR 527 Mn for the quarter ended 31 March 2022, compared with LKR 2,036 Mn and LKR 1,583 Mn, respectively, in 2021.

The net interest income (NII) which is the core business of the Bank recorded a healthy growth of 76% and reached LKR 4.7 Bn at the end of Q1 2022. The increase in AWPLR by 328 bps over the past 12 months and the time lag in repricing the existing deposits contributed to an increase in interest margin from 2.66 % in December 2021 to 3.80% in March 2022.

Total Operating Income

DFCC Bank posted a total operating income of LKR 5,624 Million for the quarter ended 31 March 2022 compared to LKR 4,734 million in the comparative period, which is a 19% increase. In order to proactively address the current and potential future impacts of prevailing economic conditions, the Bank has made prudential impairment provision on the lending and investment portfolio with a 682% increase compared to the comparable period. After accounting for the higher charge for impairment loss, the Bank reported a profit before tax (PBT) of LKR 143 Mn and a profit after tax (PAT) of LKR 367 Mn for the quarter ended 31 March 2022. This compares with a PBT of LKR 1,915 Mn and a PAT of LKR 1,479 Mn in the comparable period.

Other Operating Income

Due to exchange rate depreciation, import restrictions and other unfavourable economic conditions, the momentum of the business was noticeably negatively affected. However, the concerted effort made has helped the Bank to maintain the non-funds income (NFI) almost at the same level to record LKR 639 Mn for the quarter ended 31 March 2022. Other operating income has increased mainly due to increases in dividend income during the quarter ended 31 March 2022.

Impairment Charge on Loans and Other Losses

Impairment provisions for the quarter ended 31 March 2022 was LKR 2,817 Mn compared to LKR 356 Mn in the comparable period of last year. The impaired loan (stage 3) ratio increased from 3.03% in December 2021 to 3.13% in March 2022. In order to address the current and potential future impacts of prevailing economic conditions on the lending portfolio, the Bank has made adequate impairment provisions, as at 31 March 2022, 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 foreign currency denominated financial instruments issued by the Government of Sri Lanka. With these additional provisions made to cover the additional risk in the economic environment including currency depreciation, impairment charge has recorded an increased of 682% compared to the comparative period of the last year.

Operating Expenses

During the period ended 31 March 2022, the Bank's operating expenses increased from LKR 2,031 to LKR 2,420 million compared to the corresponding period in 2021 primarily due to increase in inflation. With the implementation of the core banking system during last year, the Bank created multiple channels for service delivery to customers through a strong digital drive, providing access to enhanced 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 quarter 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 2,702 Mn and a net fair value loss of LKR 1,760 Mn were recorded on account of equity and fixed income securities outstanding as at 31 March 2022, respectively. Further, the movement in hedging reserve resulted in a net loss of 5,885 million mainly due to the currency depreciation which impacted the hedged foreign currency borrowing (hedge item) and the swap arrangement (hedge instrument).

Business Growth

As a result of rising interest rates, high inflation and currency depreciation, the Bank did not pursue an aggressive growth strategy. The loan portfolio of the Bank of LKR 392,640 Mn as of 31 March 2022 recorded an increase by LKR 26,740Mn compared to 31 December 2021 mainly due to the revaluation of the foreign currency lending portfolio due to currency depreciation. Similarly, the deposit portfolio of the Bank also experienced an increase of LKR 28,674 Mn to record LKR 348,535Mn as at 31 March 2022 compared to LKR 319,861Mn as at 31 December 2021. This resulted in a loan to deposit ratio of 113% as at 31 March 2022. The CASA ratio improved to 33.59% as at 31 March 2022. Funding cost of the Bank was also contained by using medium to long-term concessionary credit lines. When these concessionary term borrowings are considered, the CASA ratio further improves to 37.73% as at 31 March 2022.

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

As at 31 March 2022, the Bank has recorded Tier 1 and total capital adequacy ratios of 8.97% and 12.25%, respectively. The Bank's Net Stable Funding Ratio (NSFR) was 121.65% and Liquidity Coverage Ratio (LCR) – all currency was 147.34% as at 31 March 2022. All these regulatory ratios were maintained above the minimum requirement.

With the objective of assisting the future asset growth of the Bank as a full service retail bank, the Bank submitted a resolution to its shareholders for a Rights Issue and received the shareholder approval at the Extraordinary General Meeting held on 30 March 2022 to issue 109,247,953 new ordinary shares by way of a Rights Issue at a consideration of LKR 55/- per each ordinary share. The ordinary shares under the proposed Rights Issue was to be issued in the proportion of 12 Ordinary Shares for every 37 shares held by the holders of the issued ordinary shares of the Bank. The successful completion of the Rights issue will greatly contribute to an increase in DFCC's Tier 1 capital.

CEO Comment

“As a result of immense domestic economic challenges, coupled with significant challenges in the external environment too, the Bank had to weather a wave of consecutive challenges during the quarter. Despite healthy growth in operating income, the bottom line has suffered significantly as a result of provisioning to cope with rising impairment. However, the financial state and stability of the enterprise remains solid and robust, while profitability has suffered as a result of higher impairment, triggered by the present economic crisis domestically, volatile economic conditions globally and various micro environmental factors.

In spite of the present challenges, we have worked hard to successfully forge ahead with establishing a landmark partnership with USAID. The funds and assistance we will obtain through this partnership will allow us to focus on lending to high-growth businesses in select sectors that have been outlined, most of which are relatively insulated from the present challenges.

While the current macroeconomic conditions remain challenging, given the significant increase in interest rates, challenges with regard to foreign exchange availability and difficulties in remitting foreign currency, DFCC Bank remains committed to supporting our customers, aiding them in navigating the current operating environment through our focus on customer centricity and digitization, while adapting to the present needs. As progress is made in terms of negotiating with financial bodies, such as the IMF, and Sri Lanka's creditors, we believe stability will be restored in the short to medium term.

Backed by our robust business strategy, which has been amended to take into account the prevailing volatile conditions, the Bank has taken steps to ensure resilient performance during the remainder of the year. We believe we will be successful in this endeavour, and we look forward to delivering sustainable growth in the future”.

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
12 May 2022

DFCC Bank PLC
Income Statement

		Bank			Group		
		2022 LKR 000	2021 LKR 000	Change %	2022 LKR 000	2021 LKR 000	Change %
For the three months ended 31 March							
	Notes						
Gross Income		12,069,603	11,089,843	9	12,236,850	11,236,964	9
Interest income		11,017,848	8,970,875	23	11,018,439	8,981,936	23
Interest expense		6,291,123	6,292,177	(0)	6,281,623	6,296,298	(0)
Net interest income		4,726,725	2,678,698	76	4,736,816	2,685,638	76
Fee and commission income		793,618	714,634	11	794,097	714,507	11
Fee and commission expenses		154,469	63,731	142	154,469	63,731	142
Net fee and commission income		639,149	650,903	(2)	639,627	650,776	(2)
Net loss from trading	5	(961,532)	(16,298)	5,800	(961,532)	(16,298)	5,800
Net loss from financial instruments at fair value through profit or loss	6	(2,272,859)	(867,691)	162	(2,272,859)	(867,691)	162
Net gains from derecognition of financial assets							
Fair value through other comprehensive income		10,236	434,398	(98)	10,236	434,398	(98)
Net other operating income	7	3,482,292	1,853,925	88	3,648,468	1,990,112	83
Total operating income		5,624,011	4,733,935	19	5,800,757	4,876,935	19
Impairment charge for loans and other losses							
Loans to and receivables from other customers		2,752,548	508,258	442	2,752,548	508,258	442
Other financial assets		64,680	(161,145)	140	64,680	(161,145)	140
Others		-	8,460	100	-	8,460	100
Net operating income		2,806,783	4,378,362	(36)	2,983,529	4,521,362	(34)
Operating expenses							
Personnel expenses		1,148,052	988,180	16	1,203,095	1,031,939	17
Depreciation and amortisation		275,155	234,721	17	290,286	246,812	18
Other expenses		996,870	807,967	23	989,881	805,198	23
Total operating expenses		2,420,077	2,030,868	19	2,483,262	2,083,949	19
Operating profit before taxes on financial services		386,706	2,347,494	(84)	500,267	2,437,413	(79)
Taxes on financial services		243,444	432,269	(44)	243,444	432,269	(44)
Operating profit after taxes on financial services		143,262	1,915,225	(93)	256,823	2,005,144	(87)
Share of profits of associate and joint venture		-	-	-	69,471	30,726	126
Profit before income tax		143,262	1,915,225	(93)	326,294	2,035,870	(84)
Income tax expense		(223,294)	436,673	(151)	(200,569)	452,945	(144)
Profit for the period		366,556	1,478,552	(75)	526,863	1,582,925	(67)
Profit attributable to:							
Equity holders of the Bank		366,556	1,478,552	(75)	486,689	1,547,777	(69)
Non-controlling interests		-	-	-	40,174	35,148	14
Profit for the period		366,556	1,478,552	(75)	526,863	1,582,925	(67)
Basic/Diluted earnings per ordinary share (LKR)		1.12	4.80	(77)	1.49	5.02	(70)

DFCC Bank PLC

Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March

	Bank			Group		
	2022	2021	Change	2022	2021	Change
	LKR 000	LKR 000	%	LKR 000	LKR 000	%
Profit for the period	366,556	1,478,552	(75)	526,863	1,582,925	(67)
Other comprehensive (expense) / income for the period, 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	(1,502,452)	(516,847)	191	(1,502,452)	(516,847)	191
Reclassified to income statement	(257,535)	(614,285)	(58)	(257,535)	(614,285)	(58)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	499,503	61,950	706
Movement in hedging reserve:						
Cash flow hedge - effective portion of changes in fair value	5,924,579	210,804	2,710	5,924,579	210,804	2,710
Cash flow hedge - reclassified to income statement	(11,809,224)	(103,474)	11,313	(11,809,224)	(103,474)	11,313
Related deferred tax	1,022,332	409,833	149	1,022,332	409,833	149
Total other comprehensive expense that are or may be reclassified subsequently to income statement	(6,622,300)	(613,969)	979	(6,122,797)	(552,019)	1,009
Items that will not be reclassified to income statement						
Losses on remeasurement of defined benefit assets	-	-	-	-	-	-
Movement in fair value reserve (FVOCI equity instruments) :						
Equity investments at fair value through other comprehensive income - net change in fair value	(2,702,394)	534,169	(606)	(2,702,394)	534,169	(606)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-
Related deferred tax	-	-	-	-	-	-
Total other comprehensive (expense) / income on items that will not be reclassified to income statement	(2,702,394)	534,169	(606)	(2,702,394)	534,169	606
Other comprehensive expense for the period , net of tax	(9,324,694)	(79,800)	11,585	(8,825,191)	(17,850)	49,341
Total comprehensive (expense) / income for the period	(8,958,138)	1,398,752	(740)	(8,298,328)	1,565,075	(630)
Total comprehensive (expense) / income attributable to:						
Equity holders of the Bank	(8,958,138)	1,398,752	(740)	(8,338,502)	1,529,927	(645)
Non-controlling interests	-	-		40,174	35,148	14
Total comprehensive (expense) / income for the period	(8,958,138)	1,398,752	(740)	(8,298,328)	1,565,075	(630)

DFCC Bank PLC
Statement of Financial Position

As at	Notes	Bank			Group		
		31.03.2022 LKR 000	31.12.2021 (Audited) LKR 000	Change %	31.03.2022 LKR 000	31.12.2021 (Audited) LKR 000	Change %
Assets							
Cash and cash equivalents		14,833,646	10,688,255	39	14,836,856	10,690,873	39
Balances with Central Bank of Sri Lanka		8,832,942	9,359,241	(6)	8,832,942	9,359,241	(6)
Placements with banks		1,203,510	6,288,006	(81)	1,273,378	6,332,533	(80)
Derivative financial assets		6,857,044	280,235	2,347	6,857,044	280,235	2,347
Financial assets measured at fair value through profit or loss		257,578	218,875	18	257,578	218,875	18
Financial assets at amortised cost - Loans to and receivables from banks		1,470,000	-	-	1,470,000	-	-
Financial assets at amortised cost - Loans to and receivables from other customers	8	392,640,465	365,900,540	7	392,640,465	365,900,540	7
Financial assets at amortised cost - Debt and other instruments		47,510,657	26,674,962	78	47,510,657	26,674,962	78
Financial assets measured at fair value through other comprehensive income		35,697,060	54,329,436	(34)	35,701,053	54,333,429	(34)
Investments in subsidiaries		217,436	217,436	-	-	-	-
Investments in associate		35,270	35,270	-	34,575	35,608	(3)
Investments in joint venture		755,000	755,000	-	3,374,878	2,804,871	20
Investment property		9,879	9,879	-	483,010	469,841	3
Property, plant and equipment		3,235,712	3,237,124	(0)	3,383,020	3,389,102	(0)
Intangible assets and goodwill		2,168,298	2,227,577	(3)	2,347,499	2,408,816	(3)
Deferred tax asset		2,946,413	1,358,895	100	2,946,413	1,358,895	117
Other assets		5,061,141	3,924,505	29	5,202,573	3,998,987	30
Total assets		523,732,051	485,505,236	8	527,151,941	488,256,808	8
Liabilities							
Due to banks		5,469,194	3,349,836	63	5,469,194	3,349,836	63
Derivative financial liabilities		1,745,930	814,219	114	1,745,930	814,219	114
Financial liabilities at amortised cost - Due to depositors	9	348,535,415	319,861,013	9	348,005,229	319,362,372	9
Financial liabilities at amortised cost - Due to other borrowers		86,291,687	69,589,129	24	86,291,687	69,589,129	24
Debt securities in issue		15,409,903	16,297,256	(5)	15,409,903	16,297,256	(5)
Retirement benefit obligation		709,017	688,598	3	736,951	716,477	3
Current tax liabilities		871,596	951,645	(8)	903,781	1,031,557	(12)
Deferred tax liability		-	-	-	98,441	112,514	(13)
Other liabilities		6,663,026	6,580,166	1	7,015,805	6,831,147	3
Subordinated term debt		18,008,323	18,387,276	(2)	18,008,323	18,387,276	(2)
Total liabilities		483,704,091	436,519,138	11	483,685,244	436,491,783	11
Equity							
Stated capital		9,562,024	8,600,457	11	9,562,024	8,600,457	11
Statutory reserve		2,746,968	2,746,968	-	2,746,968	2,746,968	-
Retained earnings		21,508,764	22,091,649	(3)	25,368,837	25,831,589	(2)
Other reserves		6,210,204	15,547,024	(60)	5,431,536	14,268,853	(62)
Total equity attributable to equity holders of the Bank		40,027,960	48,986,098	(18)	43,109,365	51,447,867	(16)
Non-controlling interests		-	-	-	357,332	317,158	13
Total equity		40,027,960	48,986,098	(18)	43,466,697	51,765,025	(16)
Total equity and liabilities		523,732,051	485,505,236	8	527,151,941	488,256,808	8
Contingent liabilities and commitments							
		144,129,594	148,131,691	(3)	144,129,594	148,131,691	(3)
Net assets value per share, LKR		118.83	152.83	(22)	127.98	160.51	(20)

Memorandum Information	Bank		Group	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Number of Employees	2,194	2,072	2,312	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		
Bank							
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 period	-	-	-	-	-	1,478,552	1,478,552
Other comprehensive (expenses) / income , net of tax	-	-	(148,921)	69,121	-	-	(79,800)
Total comprehensive (expense) / income for the period	-	-	(148,921)	69,121	-	1,478,552	1,398,752
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(100,816)	-	-	100,816	-
Transactions with equity holders of the Bank, recognised directly in equity							
Final dividend for 2020 - Scrip	917,992	-	-	-	-	(917,992)	-
Total contributions from and distribution to equity holders	917,992	-	-	-	-	(917,992)	-
Balance as at 31 March 2021	8,600,457	2,583,968	5,633,074	(154,974)	13,779,839	20,313,545	50,755,909
Balance as at 01 January 2022							
Balance as at 01 January 2022	8,600,457	2,746,968	2,096,627	(329,442)	13,779,839	22,091,649	48,986,098
Profit for the period	-	-	-	-	-	366,556	366,556
Other comprehensive expenses net of tax	-	-	(4,852,364)	(4,472,330)	-	-	(9,324,694)
Total comprehensive (expense) / income for the period	-	-	(4,852,364)	(4,472,330)	-	366,556	(8,958,138)
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(12,126)	-	-	12,126	-
Transactions with equity holders of the Bank, recognised directly in equity							
Final dividend for 2021 – Scrip	961,567	-	-	-	-	(961,567)	-
Total contributions from and distribution to equity holders	961,567	-	-	-	-	(961,567)	-
Balance as at 31 March 2022	9,562,024	2,746,968	(2,767,863)	(4,801,772)	13,779,839	21,508,764	40,027,960

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	
Group										
Balance as 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 period	-	-	-	-	-	-	1,547,777	1,547,777	35,148	1,582,925
Other comprehensive (expense) / income, net of tax	-	-	(149,009)	62,038	69,121	-	-	(17,850)	-	(17,850)
Total comprehensive (expense) / income for the period	-	-	(149,009)	62,038	69,121	-	1,547,777	1,529,927	35,148	1,565,075
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(100,816)	-	-	-	100,816	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Final dividend for 2020 - Scrip	917,992	-	-	-	-	-	(917,992)	-	-	-
Total contributions from and distribution to equity holders	917,992	-	-	-	-	-	(917,992)	-	-	-
Balance as at 31 March 2021	8,600,457	2,583,968	4,190,021	165,092	(154,974)	13,779,839	23,791,685	52,956,088	317,737	53,273,825
Balance at 01 January 2022	8,600,457	2,746,968	655,255	163,201	(329,442)	13,779,839	25,831,589	51,447,867	317,158	51,765,025
Profit for the period	-	-	-	-	-	-	486,689	486,689	40,174	526,863
Other comprehensive (expense) / income , net of tax	-	-	(4,861,733)	508,872	(4,472,330)	-	-	(8,825,191)	-	(8,825,191)
Total comprehensive (expense) / income for the period	-	-	(4,861,733)	508,872	(4,472,330)	-	486,689	(8,338,502)	40,174	(8,298,328)
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(12,126)	-	-	-	12,126	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Final dividend for 2021 – Scrip	961,567	-	-	-	-	-	(961,567)	-	-	-
Total contributions from and distribution to equity holders	961,567	-	-	-	-	-	(961,567)	-	-	-
Balance as at 31 March 2022	9,562,024	2,746,968	(4,218,604)	672,073	(4,801,772)	13,779,839	25,368,837	43,109,365	357,332	43,466,697

Statement of Cash Flows

For the three months ended 31 March	Bank		Group	
	2022 LKR 000	2021 LKR 000	2022 LKR 000	2021 LKR 000
Cash flows from operating activities				
Interest receipts	10,185,256	7,470,685	10,185,735	7,469,748
Interest payments	(6,609,193)	(8,346,290)	(6,601,255)	(8,340,378)
Net commission receipts	793,618	773,776	793,618	773,776
Net trading income	850,623	728	850,623	728
Recoveries from loans previously written off	73,248	2,863	73,248	2,863
Receipts from other operating activities	(2,038,152)	1,270,249	(1,894,546)	1,506,685
Payments on other operating activities	(663,486)	(799,458)	(663,486)	(863,002)
Cash payments to employees	(1,544,072)	(985,162)	(1,717,481)	(985,162)
Taxes on financial services	(209,727)	(300,048)	(209,727)	(300,048)
Operating Cash flows before changes in operating assets and liabilities	838,115	(912,657)	816,729	(734,790)
(Increase) / decrease in operating assets:				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	1,767,035	(409,209)	1,767,035	(409,209)
Financial assets at amortised cost - Loans to and receivables from other customers	(31,506,785)	(12,190,991)	(31,506,785)	(12,190,991)
Others	6,732,121	(1,004,230)	7,185,478	(701,062)
Increase / (decrease) in operating liabilities:				
Financial liabilities at amortised cost - Due to depositors	28,011,378	2,402,964	27,615,108	1,895,669
Negotiable certificates of deposits	(111,383)	20,996	(111,383)	20,996
Others	1,170,033	857,672	1,169,544	857,672
Net cash flows from/(used in) operating activities before income tax	6,900,514	(11,235,455)	6,935,726	(11,261,715)
Income tax paid	(1,834,266)	(313,902)	(1,847,150)	(327,422)
Net cash flows from/(used in) operating activities	5,066,248	(11,549,357)	5,088,576	(11,589,137)
Cash flows from investing activities				
Dividends received from investment in subsidiaries, joint venture, and associate	-	3,500	-	-
Dividend received from other investments	9,450	617,154	9,450	617,154
Interest received	1,607,180	2,499,580	1,615,077	2,504,840
Government Securities- net	(7,013,040)	8,227,336	(7,013,040)	8,227,335
Proceeds from sale and redemption of securities	98,548	265,425	98,548	281,025
Purchase of financial investments	(328,448)	(3,728,370)	(328,448)	(3,728,370)
Purchase of property, equipment, intangibles and investment property	(215,578)	(80,163)	(219,870)	(73,070)
Proceeds from sale of equipment, investment property and others	21	75	21	4,375
Net cash flows (used in) /from investing activities	(5,841,867)	7,804,537	(5,838,262)	7,833,289
Cash flows from financing activities				
Borrowing, medium and long - term	1,120,493	4,095,659	1,120,465	4,095,659
Other borrowings - net	7,412,409	(5,067,474)	7,412,409	(5,067,474)
Repayment of borrowing, medium and long - term	(8,696,382)	(6,704,488)	(8,696,354)	(6,704,488)
Dividends paid	(6)	206	(6)	207
Net Cash flows used in financing activities	(163,486)	(7,676,097)	(163,486)	(7,676,096)
Net decrease in cash and cash equivalents	(939,105)	(11,420,917)	(913,172)	(11,431,944)
Cash and cash equivalents at the beginning of year	16,976,261	23,138,651	17,023,406	23,160,931
Cash and cash equivalents at the end of year	16,037,156	11,717,734	16,110,234	11,728,987
Reconciliation of cash and cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	14,833,646	7,190,172	14,836,856	7,195,318
Placements with banks	1,203,510	4,527,562	1,273,378	4,533,669
	16,037,156	11,717,734	16,110,234	11,728,987

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 2.1 Basis of preparation of financial statements

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 will be accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 10.1 on Income Taxes.

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. Rights Issue

The rights issue is approved at an Extraordinary General Meeting held on 30 March 2022. 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.

Note 5. Net loss from trading

	Bank		Group	
	2022	2021	2022	2021
For the period ended 31 March	LKR 000	LKR 000	LKR 000	LKR 000
Foreign exchange from banks	(832,217)	(41,418)	(832,217)	(41,418)
Government securities				
- Net capital gain /(loss)	490	(728)	490	(728)
Equity securities				
- Net marked to market loss	(147,923)	(347)	(147,923)	(347)
- Net capital gain	16,669	26,045	16,669	26,045
- Dividend income	1,449	150	1,449	150
	(961,532)	(16,298)	(961,532)	(16,298)

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

	Bank		Group	
	2022	2021	2022	2021
For the period ended 31 March	LKR 000	LKR 000	LKR 000	LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	(2,261,596)	(879,602)	(2,261,596)	(879,602)
Contracts with CBSL	(6,894)	-	(6,894)	-
(Loss)/gain on financial assets fair value through profit or loss - equity securities	(4,369)	11,911	(4,369)	11,911
	(2,272,859)	(867,691)	(2,272,859)	(867,691)

Note 7. Net Other Operating Income

	Bank		Group	
	2022	2021	2022	2021
For the period ended 31 March	LKR 000	LKR 000	LKR 000	LKR 000
Financial assets measured at fair value through other comprehensive income				
Dividend income	1,042,141	885,400	1,042,141	885,400
Dividend income from subsidiaries, joint venture and associate	-	3,500	-	-
Net gain from repurchase transactions	44,541	61,008	44,541	61,008
Gains on revaluation of foreign exchange	2,298,689	899,766	2,298,689	899,766
Others	96,921	4,251	263,097	143,938
	3,482,292	1,853,925	3,648,468	1,990,112

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

As at	Bank		Group	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
	LKR 000	LKR 000	LKR 000	LKR 000
Gross loans and receivables (Note 8.1)	414,832,380	384,958,591	414,832,380	317,232,612
Less: Allowance for impairment (Note 8.2)	(22,191,915)	(19,058,051)	(22,191,915)	(15,323,275)
Net loans and receivables	392,640,465	365,900,540	392,640,465	301,909,337

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

As at	Bank		Group	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Overdrafts	52,309,838	45,718,734	52,309,838	45,718,734
Trade finance	22,271,438	23,698,670	22,271,438	23,698,670
Credit cards	4,123,636	3,669,701	4,123,636	3,669,701
Pawning	6,728,478	5,970,069	6,728,478	5,970,069
Staff loans	2,742,351	2,656,268	2,742,351	2,656,268
Term loans	232,038,618	230,954,588	232,038,618	230,954,588
Lease rentals receivable	23,736,879	23,761,600	23,736,879	23,761,600
Commercial papers and asset back notes	475,606	681,528	475,606	681,528
Debenture loans	842,077	-	842,077	-
	345,268,921	337,111,158	345,268,921	278,875,897
By product-Foreign Currency				
Overdrafts	713,871	413,968	713,871	413,968
Trade finance	23,323,228	16,176,908	23,323,228	16,176,908
Term loans	45,526,360	31,256,557	45,526,360	31,256,557
	69,563,459	47,847,433	69,563,459	38,356,714
Gross loans and receivables	414,832,380	384,958,591	414,832,380	317,232,612

Note 8.2 Movement in Impairment during the period

	Bank		Group	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
	LKR 000	LKR 000	LKR 000	LKR 000
Stage 1				
Balance at beginning	2,202,670	1,305,740	2,202,670	1,305,740
Charge to income statement	140,314	896,995	140,314	896,995
Write-off during the period	-	(65)	-	(65)
Balance at end	2,342,984	2,202,670	2,342,984	2,202,670
Stage 2				
Balance at beginning	1,989,584	1,065,570	1,989,584	1,065,570
Charge to income statement	914,845	924,214	914,845	924,214
Write-off during the period	-	(200)	-	(200)
Balance at end	2,904,429	1,989,584	2,904,429	1,989,584
Stage 3				
Balance at beginning	14,865,798	12,951,965	14,865,798	12,951,965
Charge to income statement	1,697,389	2,024,892	1,697,389	2,024,892
Effect of foreign currency movement	439,684	102,856	439,684	102,856
Write-off during the period	(58,369)	(213,316)	(58,369)	(213,316)
Other movements	-	(600)	-	(600)
Balance at end	16,944,502	14,865,798	16,944,502	14,865,798
Total Impairment	22,191,915	19,058,051	22,191,915	19,058,051

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

As at	Bank		Group	
	31.03.2022	31.12.2021 (Audited)	31.03.2022	31.12.2021 (Audited)
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	10,617,797	9,844,879	10,617,542	9,844,815
Savings deposits	64,073,189	65,299,886	64,004,846	65,263,188
Fixed deposits	197,680,370	197,597,692	197,252,088	197,173,942
Other deposits	2,183,316	1,272,521	2,183,316	1,272,521
Certificate of deposits	2,241,162	2,328,082	2,241,162	2,328,082
	276,795,834	276,343,061	276,298,954	275,882,548
By product- Foreign Currency				
Demand deposits (current accounts)	1,299,066	866,504	1,299,066	866,504
Savings deposits	38,621,468	22,494,093	38,616,124	22,474,930
Fixed deposits	31,542,113	19,934,389	31,514,151	19,915,423
Other deposits	276,934	222,966	276,934	222,966
	71,739,581	43,517,952	71,706,275	43,479,824
Total	348,535,415	319,861,013	348,005,229	319,362,372

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 other than below.

Note 10.1 Imposition of Surcharge tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 th April 2022, the Bank and Group are liable for the surcharge tax of LKR. 1,232 and LKR 1,310 million respectively pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been as given below:

	Bank	Group
	LKR Mn	LKR Mn
Profit after Tax for 31/12/2020	2,388	2,847
Surcharge tax levied under Surcharge Act	(1,232)	(1,310)
Comparable Profit for the year 31/12/2020	<u>1,156</u>	<u>1,537</u>

Note 11. Disclosures under Listing Rules

11.1 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

11.2 Stated capital

As at	Number of shares	
	31.03.2022	31.12.2021
Number of shares of the Bank	336,847,857	320,522,436

11.3 Market price of a share

Information on shares of the Bank for the quarter ended	31.03.2022	31.12.2021
- Highest price LKR	65.00	69.00
- Lowest price LKR	47.50	57.60
- Market price LKR	48.00	60.00

11.4 Twenty Major Shareholders as at 31.03.2022

	Name of Shareholder/Company	Shareholding	%
1	Hatton National Bank PLC A/c No.1	50,224,072	14.91
2	Bank of Ceylon No.2 - A/C (BOC PTF)	42,124,141	12.51
3	Mr.M.A. Yaseen	33,684,783	10
4	Sri Lanka Insurance Corporation Ltd-Life Fund	30,537,974	9.07
5	Employees' Provident Fund	26,985,361	8.01
6	Melstacorp Plc	24,786,820	7.36
7	Seafeld International Limited	19,618,948	5.82
8	Mr.H.H. Abdulhusein	10,072,733	2.99
9	People'S Leasing & Finance Plc / Don And Don Holdings (Private) Limited	9,439,441	2.8
10	Renuka City Hotels Plc	7,670,569	2.28
11	Renuka Hotels PLC	4,510,693	1.34
12	Employee's Trust Fund Board	4,416,115	1.31
13	Seylan Bank PLC/ Senthilverl Holdings (Pvt) Ltd	3,547,601	1.05
14	Don and Don Holdings Private Limited	3,356,800	1
15	Akbar Brothers Pvt Ltd A/C No 1	3,005,179	0.89
16	Anverally International (Pvt) Limited	2,862,903	0.85
17	Cargo Boat Development Company PLC	2,766,417	0.82
18	Sri Lanka Insurance Corporation Ltd-General Fund	2,384,981	0.71
19	Stassen Exports (Pvt) Limited	2,100,437	0.62
20	Star Packaging (Pvt) Ltd	1,670,000	0.5

11.5 Public Holdings as at 31.03.2022

Public holdings percentage	62.53%
Number of Public shareholders	10,510
Float adjusted market capitalisation	LKR 10,110 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 31.03.2022
J. Durairatnam	Nil
L.K.A.H. Fernando (Ms.)	Nil
P M B Fernando	2,213
H.M.N.S Gunawardana (Ms.)	Nil
N.K.G.K. Nemmawatta	Nil
N.H.T.I.Perera	18,602
V J Senaratne (Ms.)	2,006
A.L.Thambiayah (Ms)	100,292
N.V.Kumar	Nil
H.A.J. de Silva Wijeyeratne	9,300

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:

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- the information contained in these statements have been extracted from the unaudited financial statements of the Bank and the Group unless indicated as audited.

J. Durairatnam
Chairman

Thimal Perera
Director & Chief Executive Officer

Listed Debentures

Interest rate Frequency	Effective Rate	Coupon Rate	Interest rate of Comparative Government Securities (Gross) p.a.	Balance as at 31.03.2022	Market price LKR			Yield Last Traded %	Last Traded Date	
					Highest	Lowest	Last Traded			
					LKR 000					
Debenture Category										
Fixed Rate										
2016/2023	Annually	12.75	12.75	12.73	6,329,980	N/T	N/T	N/T	N/A	N/A
2018/2023	Annually	12.60	12.60	12.03	2,912,107	N/T	N/T	N/T	N/A	N/A
2018/2025	Annually	13.00	13.00	14.91	4,080,320	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	13.50	13.55	3,801,168	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	14.91	1,781,007	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	15.41	4,401,195	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	9.00	9.00	14.73	4,473,377	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	9.25	9.25	15.27	212,539	N/T	N/T	N/T	N/A	N/A

N/T -Not traded

Selected Performance Indicators

	Bank		Group	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Regulatory Capital (LKR '000)				
Common Equity Tier I	35,303,307	34,259,288	34,686,114	34,265,838
Tier 1 Capital	35,303,307	34,259,288	34,686,114	34,265,838
Total Capital	48,209,772	47,968,017	47,592,579	47,974,567
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum requirement - 6.5%)	8.970	9.305	8.791	9.283
Tier 1 Capital Ratio (Minimum requirement - 8%)	8.970	9.305	8.791	9.283
Total Capital Ratio (Minimum requirement - 12%)	12.249	13.029	12.062	12.997
Leverage Ratio (Minimum requirement is 3%).	5.97	6.61	5.87	6.62
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Domestic Banking Unit	117,987,957	93,333,115		
Off-Shore Banking Unit	54,679,590	31,186,738		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	29.62	21.60		
Off-Shore Banking Unit	96.33	41.79		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2022, 2021 - 100%)	195.02	152.86		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2022, 2021 - 100%)	147.34	136.18		
Net Stable Funding Ratio (%) (Minimum requirement - 2022, 2021 - 100%)	121.65	122.43		
Asset Quality				
Impaired Loans (Stage 3) Ratio (%)	3.13	3.03		
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	51.30	48.76		
Profitability				
Interest margin %	3.80	2.66		
Return on assets (profit before tax) %	(0.34)	0.91		
Return on equity (profit after tax) %	(1.05)	6.55		
Other Ratios				
Debt to equity ratio (times)	2.63	2.26		
Interest cover (times)	1.08	1.85		

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 March 2022	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	14,833,646	14,833,646	-	-	14,836,856	14,836,856
Balances with Central Bank of Sri Lanka	-	-	8,832,942	8,832,942	-	-	8,832,942	8,832,942
Placements with banks	-	-	1,203,510	1,203,510	-	-	1,273,378	1,273,378
Derivative financial assets	6,857,044	-	-	6,857,044	6,857,044	-	-	6,857,044
Financial assets measured at fair value through profit or loss	257,578	-	-	257,578	257,578	-	-	257,578
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	392,640,465	392,640,465	-	-	392,640,465	392,640,465
Financial assets at amortised cost - Debt and other instruments	-	-	47,510,657	47,510,657	-	-	47,510,657	47,510,657
Financial assets measured at fair value through other comprehensive income	-	35,697,060	-	35,697,060	-	35,701,053	-	35,701,053
Other assets	-	-	4,083,056	4,083,056	-	-	4,214,497	4,214,497
Total financial assets	7,114,622	35,697,060	470,574,276	513,385,958	7,114,622	35,701,053	470,778,795	513,594,470
Financial Liabilities								
Due to banks	-	-	5,469,194	5,469,194	-	-	5,469,194	5,469,194
Derivative financial liabilities	1,745,930	-	-	1,745,930	1,745,930	-	-	1,745,930
Financial liabilities at amortised cost -Due to depositors	-	-	348,535,415	348,535,415	-	-	348,005,229	348,005,229
Financial liabilities at amortised cost - Due to other borrowers	-	-	86,291,687	86,291,687	-	-	86,291,687	86,291,687
Debt securities issued	-	-	15,409,903	15,409,903	-	-	15,409,903	15,409,903
Other liabilities	-	-	11,981,838	11,981,838	-	-	12,283,858	12,283,858
Subordinated term debt	-	-	18,008,323	18,008,323	-	-	18,008,323	18,008,323
Total financial liabilities	1,745,930	-	485,696,360	487,442,290	1,745,930	-	485,468,194	487,214,124

	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 2021								
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	-	-	2,916,565	2,916,565
Total financial assets	499,111	54,329,436	421,766,258	476,594,805	499,110	54,333,429	421,874,714	476,707,253
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	-	-	4,601,683	4,601,683
Subordinated term debt	-	-	18,387,276	18,387,276	-	-	18,387,276	18,387,276
Total financial liabilities	814,219	-	431,955,009	432,769,228	814,219	-	431,587,552	432,401,771

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 March 2022	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000	Total LKR 000
Financial Assets				
Derivative financial assets				
Forward foreign exchange contracts		6,857,044		6,857,044
Financial assets measured at fair value through profit or loss				
Equity securities - quoted	224,498			224,498
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		29,340		29,340
Financial assets measured at fair value through other comprehensive income				-
Government of Sri Lanka Treasury Bills and Bonds	24,934,373			24,934,373
Sri Lanka Sovereign bonds	846,385			846,385
Equity shares- quoted	9,699,699			9,699,699
Equity shares- unquoted			216,602	216,602
	35,708,695	6,886,384	216,602	42,811,681
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts		1,745,930		1,745,930
	-	1,745,930	-	1,745,930

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	181,425			181,425
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		33,710		33,710
Financial assets measured at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills and Bonds	40,780,663			40,780,663
Sri Lanka Sovereign bonds	994,984			994,984
Equity shares- quoted	12,337,187			12,337,187
Equity shares- unquoted			216,602	216,602
Preference shares			-	-
	54,297,999	313,945	216,602	54,828,546
Financial Liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts		814,219		814,219
	-	814,219	-	814,219

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 March 2022		As at 31st December 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	14,833,646	14,833,646	10,688,255	10,688,255
Balances with Central Bank of Sri Lanka	8,832,942	8,832,942	9,359,241	9,359,241
Placements with banks	1,203,510	1,203,510	6,288,006	6,288,006
Financial assets at amortised cost - Loans to and receivables from other customers	392,640,465	385,211,778	365,900,540	348,256,773
Financial assets at amortised cost - Debt and other instruments	47,510,657	46,627,436	26,674,962	26,162,922
Other assets	4,083,056	4,083,056	2,855,254	2,855,254
Financial Liabilities				
Due to banks	5,469,194	5,469,194	3,349,836	3,349,836
Financial liabilities at amortised cost - due to depositors	348,535,415	346,549,492	319,861,013	319,604,601
Financial liabilities at amortised cost - due to other borrowers	86,291,687	86,291,687	69,589,129	69,589,129
Debt securities in issue	15,409,903	13,240,916	16,297,256	14,932,065
Other liabilities	11,981,838	11,981,838	4,470,497	4,470,497
Subordinated term debt	18,008,323	16,202,324	18,387,276	16,580,539

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	
	2022	2021
	LKR 000	LKR 000
Balance at 1 January	216,602	213,810
Purchased during the year		
Gain included in OCI		
– Net change in fair value (unrealised)	-	2,792
Balance at end of the period	216,602	216,602

Sensitivity analysis

For the fair values of equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	OCI Net of Tax	
	Increase	Decrease
Equity securities as at 31.03.2022	LKR 000	LKR 000
Adjusted net assets value (5% movement)	10,830	(10,830)

OPERATING SEGMENTS - GROUP
Information about reportable segments

	31 March 2022					31 March 2021				
	Corporate Banking	Banking	Treasury	Other	Total	Corporate Banking	Banking	Treasury	Other	Total
	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000
External revenue										
Interest income	4,029,823	5,706,798	1,422,423	10,092	11,169,136	2,199,406	4,208,342	2,227,735	6,941	8,642,424
Net fees and commission income	167,036	333,580	138,533	-	639,149	164,859	411,761	138,015	-	714,635
Net (loss) / (gain) from trading	-	-	(961,532)	-	(961,532)	-	-	(16,297)	-	(16,297)
Net gain / (loss) from financial instruments at fair value through profit or loss	-	-	(2,272,859)	-	(2,272,859)	-	-	(867,691)	-	(867,691)
Net gain from derecognition of financial assets	-	-	10,236	-	10,236	-	-	434,398	-	434,398
Net other operating income	77,792	(1,676)	2,340,291	209,810	2,626,217	2,577	3,079	919,356	179,422	1,104,434
Income from external customers	4,274,651	6,038,702	677,092	219,902	11,210,347	2,366,842	4,623,182	2,835,516	186,363	10,011,903
Inter segment revenue	-	-	-	(52,656)	(52,656)	-	-	-	(39,242)	(39,242)
Total segment revenue	4,274,651	6,038,702	677,092	167,246	11,157,691	2,366,842	4,623,182	2,835,516	147,121	9,972,661
Other material non-cash items:										
- Impairment losses on financial assets	-	-	-	-	(2,817,227)	-	-	-	-	(355,573)
- Depreciation and amortisation	-	-	-	-	(275,155)	-	-	-	-	(290,286)
Other expenses	-	-	-	-	(8,590,514)	-	-	-	-	(8,197,166)
Segment profit before tax	-	-	-	-	(525,206)	-	-	-	-	1,129,636
Segment assets	151,602,076	233,915,764	112,360,853	1,018,115	498,896,808	126,675,191	182,677,435	136,569,335	869,309	446,791,270
Segment liabilities	81,256,428	266,843,736	127,360,287	511,339	475,971,790	85,122,172	226,100,026	90,334,348	505,205	402,061,751
Information on cash flows										
Cash flows from operating activities	-	-	-	-	5,088,576	-	-	-	-	(11,589,137)
Cash flows from investing activities	-	-	-	-	(5,838,262)	-	-	-	-	7,833,289
Cash flows from financing activities	-	-	-	-	(163,486)	-	-	-	-	(7,676,096)
Net cash flows generated during the year	-	-	-	-	(913,172)	-	-	-	-	(11,431,944)
Capital expenditure:										
Property, plant and equipment	147	354,348	-	-	354,495	-	763,977	133	-	764,110
Intangible assets	-	1,509,676	-	-	1,509,676	-	315,082	-	-	315,082

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

	2022	2021
	LKR.'000	LKR.'000
Revenues		
Total revenue for reportable segments	11,210,347	10,011,903
Unallocated amounts	1,079,159	1,264,303
Elimination of inter-segment revenue	(52,656)	(39,242)
Consolidated revenue	<u>12,236,850</u>	<u>11,236,964</u>
Net Interest Income		
Total net operating income for reportable segments	4,888,104	2,357,187
Unallocated amounts	(141,196)	335,392
Elimination of inter-segment adjustments	(10,092)	(6,941)
Consolidated net operating income	<u>4,736,816</u>	<u>2,685,638</u>
Assets		
Total assets for reportable segments	498,896,808	446,791,270
Other unallocated amounts	28,255,134	16,093,412
Consolidated total assets	<u>527,151,942</u>	<u>462,884,682</u>
Liabilities		
Total liabilities for reportable segments	475,971,790	402,061,751
Other unallocated amounts	7,713,454	7,549,106
Consolidated total liabilities	<u>483,685,244</u>	<u>409,610,857</u>