DFCC Bank continues to build scale and strengthen its core franchise in 1H 2026

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DFCC Bank entered the second half of 2026 with a larger and increasingly diversified franchise, supported by sustained growth across lending, deposits, fee income and total assets during the first six months of the year. Loan and deposit portfolios grew by nine percent and 12 percent, respectively, compared to December 31, 2025, while total assets increased by seven percent to 919 billion rupees and total liabilities grew by 8 percent to 811 billion rupees.

The first half unfolded against a challenging external environment, with heightened geopolitical tensions in the Middle East keeping commodity prices, particularly energy prices, elevated and increasing uncertainty across global markets.

In response to inflationary risks, the Central Bank of Sri Lanka increased the Overnight Policy Rate by 100 basis points to 8.75 percent in May 2026. The tightening of monetary policy and its gradual transmission to the economy are expected to moderate credit growth and demand pressures.

Against this backdrop, DFCC Bank continued to manage its funding profile, liquidity and margins with discipline. Deposit and lending rates were revised in line with prevailing market conditions, while funding optimisation and effective control of funding costs supported a six percent increase in Net Interest Income to 16.1 billion rupees.

DFCC Bank reported a Profit Before Tax (PBT) of 5.48 billion rupees and a Profit After Tax (PAT) of 3.90 billion rupees from core operations for the six months ended June 30, 2026, compared with 7.91 billion rupees and 5.56 billion rupees, respectively, in the corresponding period of 2025.

At Group level, Profit Before Tax stood at 5.80 billion rupees, while Profit After Tax amounted to 4.14 billion rupees. The Bank's Earnings Per Share from core banking operations was 8.76 rupees, while Return on Assets before tax stood at 0.99 percent and Return on Equity after tax was 6.19 percent.

Total tax expenses, including Value Added Tax on financial services, Social Security Contribution Levy and Income Tax, amounted to 3.70 billion rupees, equivalent to 49 percent of operating profit.

While profitability was lower than in the corresponding period, the Bank continued to strengthen its prudential buffers in response to geopolitical and macroeconomic risks.

Impairment charges increased to 4.63 billion rupees from 3.48 billion rupees in the corresponding period of 2025, following enhancements to internal expected credit loss models and additional management overlays for higher-risk sectors, customer segments and specific large group exposures.

Despite the higher provisioning, asset quality improved, with the net stage 3 impaired loan ratio declining to 3.61 percent as at June 30, 2026 from 4.55 percent at the end of December 2025, supported by recoveries and portfolio expansion.

The Bank maintained strong momentum in fee-based income, supported by its strategic focus on trade-related commissions and card-based services. Net fee and commission income increased by 29 percent to 4.19 billion rupees from 3.25 billion rupees in the corresponding period of 2025, with expansion of the credit card portfolio contributing to performance.

DFCC Bank also strengthened its funding profile, with the CASA portfolio increasing by 14 percent from December 2025 and the CASA ratio improving to 24.99 percent. Despite competitive market conditions, Net Interest Margin remained healthy at 3.66 percent.

Total assets increased by 62 billion rupees to 919 billion rupees, representing growth of 7 percent since December 2025. The loan portfolio expanded by 48 billion rupees, or nine percent, to 564 billion rupees, reflecting the Bank's selective and disciplined approach to lending. Over the past 12 months, the asset base expanded by 17 percent, while the loan portfolio recorded growth of 20 percent.

Total liabilities increased by 61 billion rupees, or eight percent, while deposits grew by 67 billion rupees to 632 billion rupees. The loan-to-deposit ratio stood at 97.44 percent. Factoring in medium-to long-term concessionary credit lines, the CASA ratio improved to 29.42 percent and the loan-to-deposit ratio to 91.68 percent.

Total equity stood at 109 billion rupees as at June 30, 2026. The Tier 1 Capital Ratio was maintained at 11.947 percent, while the Total Capital Ratio stood at 15.707 percent.

The Net Stable Funding Ratio was 124.43 percent and the all-currency Liquidity Coverage Ratio stood at 162.26 percent, both comfortably exceeding regulatory minimum requirements. Following shareholder approval, the Bank is also completing regulatory and administrative formalities to issue Basel III-compliant Tier

II debentures to raise up to 15 billion rupees.

Technology and digi tal transformation remained strategic priorities, with investments in IT infrastructure focused on enhancing digital capabilities, strengthening information security, improving operational efficiency and delivering a seamless multi-channel customer experience.

The Bank also increased investment in marketing and business development to strengthen brand visibility and deepen customer engagement. Together with annual salary revisions and performance-based incentives, these investments contributed to total operating expenses increasing to 10.97 billion rupees from 8.33 billion rupees in the corresponding period.

Thimal Perera, Director/Chief Executive Officer, DFCC Bank, said the Bank entered the second half of 2026 from a position of greater scale and a stronger core franchise. He noted that while reported profitability was lower, deliberate measures had been taken to protect the quality and resilience of the franchise through stronger impairment provisioning, selective lending, prudent liquidity management and cost discipline.

Looking ahead, DFCC Bank remains focused on protecting asset quality, strengthening sustainable income streams, deepening customer relationships and pursuing disciplined growth while continuing to contribute to Sri Lanka’s economic progress.