DFCC Bank: Engineering Sustainable Growth with Vision and Discipline



Thimal Perera, CEO, DFCC Bank.

As Sri Lanka’s financial sector steadily regains momentum, DFCC Bank has emerged as one of the standout performers, delivering record profitability in 2024 and sustaining strong earnings growth through the first half of 2025. In a year shaped by macroeconomic stabilization, declining interest rates, and renewed market confidence, the Bank’s performance reflects not cyclical uplift, but a carefully constructed strategy built over several years.

Under the leadership of CEO Thimal Perera, DFCC Bank has anchored its growth in disciplined credit management, diversified revenue streams, strengthened CASA

mobilization, and sustained investment in digital capability. From expanding SME and mid-market lending to deploying Green and thematic bond proceeds with execution credibility, the Bank has combined commercial ambition with developmental responsibility.

Speaking with Business Today, Thimal Perera discusses the structural drivers behind DFCC Bank's growth momentum, the impact of macroeconomic improvements on performance, the strategic rationale behind the Standard Chartered acquisition, and how the Bank is positioning itself for durable, repeatable earnings in a stabilizing rate environment.

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DFCC BANK delivered record profitability in 2024 and has continued to demonstrate strong performance during the first half of 2025. What were the key drivers behind this sustained growth momentum?

Our performance momentum is structural, not cyclical. What we are witnessing at DFCC Bank is the outcome of deliberate choices made over several years. A deeply embedded customer-centric approach has strengthened deposit mobilisation, particularly in stable and relationship-driven segments. Customers increasingly see DFCC Bank not as a transactional institution, but as a primary Banking partner.

At the same time, we maintained lending discipline in a rate-softening environment where liquidity was improving, and credit appetite was returning. We focused on risk-adjusted expansion, ensuring that every asset added strengthens the balance sheet. A conscious diversification of revenue streams also played a critical role. We have steadily increased fee-based income through cards, trade finance, transaction Banking, digital payments, and treasury services. This reduces sensitivity to interest rate movements and improves earnings resilience.

Finally, sustained investment in technology, infrastructure, and people has enhanced execution capability. Performance at DFCC Bank is not a function of sentiment. It is the result of culture, discipline and a clear long-term direction.

The key takeaway is that DFCC Bank did not simply benefit from

improving conditions;
we were positioned to benefit from them. Stabilisation provided the platform, but disciplined balance sheet management ensured we translated that environment into sustainable earnings.



How did macroeconomic improvements, interest rate movements, and market confidence influence DFCC BANK’s financial performance during the first six months of 2025?

Macroeconomic stabilisation translated directly into renewed credit confidence.

With GDP growth around 4 per cent, lower inflation, and a more stable political climate, business and consumer sentiment improved meaningfully during the first half of 2025. This resulted in stronger asset growth and improved fee income, particularly from trade-related activities such as letters of credit following the resumption of vehicle imports.

However, declining interest rates also compressed net interest margins. This was anticipated. We had prepared for a lower-rate environment by strengthening CASA balances and expanding non-funded income streams. The key takeaway is that DFCC Bank did not simply benefit from improving conditions; we were positioned to benefit from them. Stabilisation provided the platform, but disciplined balance sheet management ensured we translated that environment into sustainable earnings.

> Growth is targeted towards segments aligned with our long-term strategy. We are increasing the diversity and stability of our funding sources to reduce cost pressures while improving liability stickiness.

To what extent did treasury operations, lending portfolio expansion, and non-funded income streams contribute to DFCC BANK’s first-half 2025 earnings?

Earnings growth was broad-based – not dependent on a single engine.Lending portfolio expansion supported interest income growth, particularly in carefully selected retail, SME, and mid-market segments. We have prioritised quality asset growth, not volume-driven expansion. Treasury operations also contributed meaningfully. Prudent investment decisions made in prior years, particularly in higher-yielding instruments, continued to support revenue generation. This reflects forward planning rather than opportunistic positioning. Non-funded income has grown steadily as a proportion of total revenue. Fee-based streams from trade finance, cards, remittances, and digital services have strengthened earnings diversification. Over time, this improves stability and reduces earnings volatility.

The balance across these components reflects strategic design. We do not rely on one revenue lever. We build resilience into the structure.

The improvement in asset quality has been a key contributor to profitability. How has DFCC BANK maintained disciplined credit

management while supporting economic recovery through lending growth?

Growth without credit discipline is not growth – it is risk accumulation. At DFCC Bank, disciplined credit management begins with accurate risk assessment and pricing.

Our governance framework ensures robust KYC, due diligence, and underwriting standards across all segments. Policy adherence is non-negotiable. Supporting economic recovery does not mean lowering standards. It means structuring facilities appropriately, monitoring exposures closely, and working constructively with customers where temporary stress arises.

We have also embedded ESG considerations into credit evaluation, particularly for larger exposures. This enhances long-term portfolio sustainability and reduces hidden risks. The result is a portfolio that supports growth while steadily improving risk indicators. Asset quality improvement is not accidental; it is the outcome of structure, governance, and culture.



Have there been notable shifts in customer borrowing patterns or sectoral demand?

Consumer and business confidence has clearly returned, and we are seeing it first in housing, leasing, and tourism-linked sectors. Improved stability in inflation and political conditions has supported a stronger appetite for borrowing. Demand for personal lending products such as leasing and housing loans has strengthened meaningfully.

Tourism and hospitality-related services have also shown year-on-year improvement, driving increased credit demand. We are also observing greater mid-market and SME expansion activity, particularly in sectors aligned with exports and domestic recovery. The shift is not speculative; it is confidence-led. Customers are borrowing to expand and invest, not merely to survive. That distinction matters for

portfolio quality.

> Beyond platforms, we are embedding analytics, automation, and AI-driven insights into credit evaluation, monitoring, and customer engagement. This enhances decision-making speed while preserving governance discipline.

What strategies did DFCC BANK implement to sustain performance in the second half of the year and beyond?

The focus shifted from momentum to durability. We continued prioritising high-quality asset growth and strengthening CASA balances to manage the cost of funds effectively. At the same time, we intensified efforts to improve client experience through digital enhancements and faster turnaround times. Sustaining performance requires more than balance sheet expansion. It requires operational efficiency, margin protection, and customer retention. Our objective is simple: build earnings that are repeatable, not episodic.

How is DFCC BANK balancing growth opportunities with prudent risk management?

We are selective, and that selectivity is deliberate. Growth is targeted towards segments aligned with our long-term strategy. We are increasing the diversity and stability of our funding sources to reduce cost pressures while improving liability stickiness. Risk appetite is clearly defined, and capital planning under risk frameworks ensures growth does not outpace capacity. Stability does not eliminate risk. It demands better judgment. That is our approach.

As interest rates stabilise or decline, how is DFCC BANK preparing to maintain profitability?

Margin management in a declining rate environment requires innovation. We are introducing targeted products aimed at specific customer segments, including structured home loan offerings and fixed-rate options that balance affordability with margin stability.

At the same time, increasing the contribution of fee-based income remains a strategic priority. This improves firm-level profitability irrespective of rate cycles.

Margin strength is not preserved passively. It is engineered.

> Our development legacy provides deep sectoral expertise, particularly in SMEs, renewable energy, agriculture, and climate-resilient sectors. This foundation enables us to deploy capital into productive segments of the economy while maintaining prudent risk discipline.



How is DFCC BANK strengthening its SME and mid-market proposition?

SMEs remain central to our franchise identity. Approximately 215 billion rupees is currently deployed within the SME and MSME segments, and we intend to expand this exposure prudently. Our island-wide branch network provides proximity and relationship depth, which are critical for this segment. Beyond credit, we offer advisory support, digital tools, and sector-specific evaluation frameworks. SME growth is not only commercially relevant; it is developmentally significant. That legacy continues.

How has DFCC BANK progressed in deploying Green Bond funds?

Execution credibility is what differentiates our sustainable finance platform.

Demand for eligible green projects increased during 2025, enabling the timely deployment of proceeds. This momentum also supported subsequent issuances such as the Blue Bond and GSS+ instruments. Thematic finance at DFCC Bank is not symbolic. Capital raised is capital deployed into qualifying projects with measurable outcomes.

Has the Green Bond initiative opened international investor opportunities?

Yes — it has broadened and diversified our investor base. Impact-focused investors seek credible counterparties with governance strength. Our Green Bond initiative has showcased DFCC Bank's ESG credentials and attracted new pools of capital. This diversification enhances resilience and potentially reduces the long-term cost of capital.

What strategic value does the Standard Chartered acquisition bring?

The acquisition elevates our franchise positioning. It expands our high-net-worth and mass-affluent client base, strengthens deposit stability, enhances brand recognition, and accelerates our retail and wealth proposition. Beyond scale, it signals confidence in DFCC Bank's stability, governance, and execution capability.

What digital initiatives has DFCC BANK introduced?

Digital at DFCC Bank is not a support function; it is the operating backbone of how we serve customers and scale responsibly.

Over the past two years, we have materially strengthened both our retail and corporate digital ecosystems. DFCC ONE has evolved into a comprehensive everyday banking platform, enabling seamless onboarding, real-time payments, digital fixed deposits, loan servicing, savings goals, and end-to-end account management through a single intuitive interface. It simplifies banking for individuals while improving operational efficiency at scale.

On the corporate side, iConnect 2.0 represents a significant leap. It is a fully integrated digital transaction banking platform that brings payments, collections, trade finance, guarantees, supply chain finance, and liquidity management into a single, secure ecosystem. Businesses now have real-time visibility across accounts, with ERP integration via APIs and Host-to-Host connectivity, enabling straight-through processing and reducing manual intervention. Beyond platforms, we are

embedding analytics, automation, and AI-driven insights into credit evaluation, monitoring, and customer engagement. This enhances decision-making speed while preserving governance discipline.

Digital transformation for us is therefore not about convenience alone. It is about redesigning banking to be simpler, faster, and more transparent across every touchpoint.

How is DFCC BANK attracting investors?

Investors ultimately seek predictability, discipline, and long-term value creation.

At DFCC Bank, we have focused on strengthening the quality of earnings rather than pursuing short-term growth. Over the past three years, we have improved balance sheet resilience by reducing Stage 3 exposures, enhancing credit-underwriting discipline, and optimising capital allocation under risk frameworks. This has resulted in stronger return on equity and more consistent profitability.

We have also consciously diversified revenue streams, increasing the contribution of fee-based income to reduce sensitivity to interest rate volatility. Coupled with disciplined cost management and a balanced approach to asset growth, this has improved operating efficiency and stability. Beyond financial metrics, our leadership in sustainable finance has materially strengthened investor sentiment. The issuance of Sri Lanka’s first Green Bond, followed by the Blue Bond and GSS+ Bonds, has expanded our investor base to include sustainability-focused global funds. By aligning with ESG frameworks and international standards, we have enhanced credibility with both local and international capital providers.

Importantly, our strategy emphasises responsible, sustainable growth. We are selective in sectors and segments, with focused support for SMEs and women entrepreneurs through structured platforms such as DFCC Aloka. This reinforces our positioning as a bank that balances commercial performance with national development priorities. Predictability, governance strength, and sustainable ambition together attract long-term capital.

How does DFCC BANK maintain its development legacy while driving commercial growth?

Development and commercial banking are not opposing mandates at DFCC Bank;

they are mutually reinforcing pillars. Our development legacy provides deep sectoral expertise, particularly in SMEs, renewable energy, agriculture, and climate-resilient sectors. This foundation enables us to deploy capital into productive segments of the economy while maintaining prudent risk discipline.

At the same time, our evolution into a fully-fledged commercial bank has strengthened retail, wealth, and corporate capabilities. A strong salaried segment proposition, enhanced digital onboarding, structured lending products, and modern wealth management solutions enable us to compete effectively in commercial markets. The two verticals complement each other in several ways: First, SME and MSME engagement strengthens granular asset growth while supporting employment generation, which remains central to Sri Lanka’s economic backbone. Second, sustainable finance initiatives, including Green, Blue, and GSS+ Bonds, allow us to mobilise capital aligned with environmental and social priorities while enhancing access to international funding lines. Third, our rural and suburban footprint provides deep customer relationships and deposit mobilisation opportunities, supporting liquidity stability. Commercial growth provides scale, efficiency, and diversified funding.

Development banking provides purpose, sectoral insight, and long-term impact orientation. Together, they create a balanced business model that supports profitability while reinforcing national economic priorities. We commercialise with conscience, and we develop with discipline.



What defines DFCC BANK’s five-year strategy?

Disciplined expansion with strategic optionality. We will pursue organic and inorganic growth where it enhances customer value, as demonstrated by the Standard Chartered Bank acquisition. Investment in people, infrastructure, and technology will remain central. Growth will be balanced with margin discipline and

capital strength. Our ambition is clear: to be the best at what we do – sustainably.