



DFCC Bank Records Strong Performance Despite Economic Challenges in Q3 2023



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DFCC Bank reported an Operating Profit Before Taxes on Financial Services of 10,693 million rupees, a Profit Before Income Tax (PBT) of 8,305 million rupees, and a Profit After Tax (PAT) of 5,498 million rupees for the period ended September 30, 2023. This compares with an Operating Profit Before Taxes on Financial Services of 2,269 million rupees, PBT of 1,420 million rupees, and a PAT of 1,043 million rupees in Q3 of 2022. The Group recorded an Operating Profit Before Taxes on Financial Services of 11,069 million rupees, PBT of 9,938 million rupees, and PAT of 7,064 million rupees for the period ended September 30, 2023 compared to 2,612 million rupees, 1,762 million rupees and 1,320 million rupees, respectively, in 2022. All the member entities of the Group made positive contributions to this performance. The Bank's Return on Equity (ROE) increased to 11.66 percent during the period ended September 30, 2023, from 5.04 percent recorded for the year ended December 31, 2022.

The Bank's Return on Assets (ROA) before tax for the period ended September 30, 2023, is 1.76 percent compared to 0.46 percent for the year ended December 31, 2022. The Bank's Net Interest Income (NII) increased 26 percent over Q3 of 2022 to reach 23,655 million rupees by the end of September 2023. Both deposit and lending interest rates have continued to adjust downwards with the broader guidelines provided by the Central Bank in line with the relaxed monetary policy stance of the Central Bank. Accordingly, the Bank has reduced both lending and

deposit rates to pass on the benefits of the continued easing of monetary conditions to individuals and businesses adequately and swiftly, thereby supporting the envisaged rebound of the economy. While lower interest rates may have resulted in reduced interest income and expenses, in nominal terms, Net Interest Income (NII) has continued to improve as a metric during the period under review as a result of the Bank's strategy of investing in high-yield government securities.

Strategically, the Bank thus increased its fixed-income investment portfolio, contributing significantly to increased interest income. The interest margin increased from 4.95 percent in September 2022 to 5.45 percent by September 2023.

Operating expenses for the period ended September 30, 2023, increased to 8,370 million rupees compared with 7,382 million rupees during the corresponding period in 2022, primarily due to the increase in inflation. However, the Bank has taken numerous cost control measures within the Bank, resulting in operating expenses being curtailed and managed at these levels.

Despite the challenges faced by the economy and the banking sector, DFCC Bank's total assets increased by 28.7 billion rupees, recording a growth of 5.07 percent from December 2022. In line with the Bank's growth strategy and the present economic climate, an increase in investment in fixed-income securities, combined with positive fair value movement in both fixed-income securities and equity securities, has contributed to a 100 percent increase in investment in financial assets at fair value through other comprehensive income as of September 30, 2023, compared to the balance as of December 31, 2022. With increased provision for expected credit losses, appreciation of the Sri Lanka Rupee compared to December 31, 2022, and considerable economic challenges, the net loan portfolio was recorded at 335 billion rupees as of September 30, 2023, which is 9 percent lower than the balance as at December 31, 2022.

"DFCC Bank's strong performance in Q3 of 2023, as evidenced by a remarkable 43 percent increase in total group operating income, underscores our commitment to delivering exceptional banking services in challenging times. We're optimistic about the future, thanks to the Central Bank's supportive policies, lower interest rates, and improved economic conditions. While facing external challenges and ongoing economic stresses, our prudent strategies have led to a significant boost in profitability, growth in assets, and improved equity positions. We remain steadfast in our mission to navigate the volatile business environment and continue

supporting our valued customers and the nation’s economy,” said Thimal Perera, Director/CEO, DFCC Bank.