



Financial Results for the year ended 31 December 2019

The following commentary relates to the audited financial statements for the year ended 31 December 2019, presented in accordance with Sri Lanka Accounting Standard 34 (LKAS 34) on “Interim Financial Statements”. 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 the associate company – National Asset Management Limited (NAMAL).

DFCC Bank continues to aggressively pursue its role as a commercial bank by strengthening its core business, creating momentum in the industry with its constantly evolving best in class offerings and creating a culture of service amongst its people.

Profitability

DFCC Bank, the largest entity within the group recorded a profit after tax (PAT) of LKR 2,828 Million for the year ended 31 December 2019 excluding the fair value loss on Commercial Bank of Ceylon PLC (CBC) in comparison to profit after tax of LKR 3,646 Million recorded in the comparative year. The Bank’s profit after tax with the fair value loss on CBC shares amounted to LKR 2,074 Million for the current year against LKR 2,768 Million in the comparative year. The Group recorded a profit after tax of LKR 2,300 Million for the year ended 31 December 2019 compared to LKR 3,070 Million in the comparative year. Decline in PAT is mainly due to the increase in impairment and taxes on financial services. Taxes on financial services increased to LKR 1,548 Million due to Debt Repayment Levy introduced during last quarter of 2018.

NII and fee income

Notwithstanding the turbulent environment in the country, the Bank recorded a LKR 12,662 Million in net interest income (NII) which is a 2% growth YoY. This NII Growth was possible even after Bank meeting the conditions stipulated by Central Bank of Sri Lanka to reduce the lending rates by 250 basis points by December 2019 compared with the rates applicable in April 2019. Net fees and commission income grew by 5% to LKR 2,046 Million as a result of the concentrated effort to increase non-funded business for the year ended 31 December 2019 from LKR 1,944 Million in the comparative year.

Operating Expenses

As a part of its growth strategy, DFCC continuously invests in its organization and infrastructure. The bank increased its island wide footprint by commencing 20 full service branches in 30 Days. DFCC enhanced its delivery channels through core banking upgrades and the introduction of pioneering, digitally enabled products. The bank also continued to invest in its brand and franchise, to enhance top of mind awareness and greater customer engagement for the bank with the objective

of increasing a higher footfall. The outlay of these investments resulted an increase in operating expenses to LKR 7,573 Million from LKR 6,604 Million in the comparative year, which expects to generate positive results to the Bank in the short to medium terms.

Impairment

The overall impairment provision increased due to adverse business environment faced by most industries. As a result, the impairment provision during the year under review increased to LKR 1,669 Million, compared to LKR 1,056 Million recorded in the comparable year. The Bank's NPL ratio as at 31 December 2019 increased to 4.85% compared to 3.28% recorded at the end of previous year. NPL in the banking industry also recorded an increasing trend from 3.4% in 2018 to 4.7% as at 31 December 2019.

Other Comprehensive Income

Investments in equity securities and treasury bills and bonds (fixed income securities) are classified as financial assets and the change in fair value is recorded through other comprehensive income. Accordingly, fair value losses of LKR 1,564 Million and a net fair value gain of LKR 2,126 Million were recorded on account of equity and fixed income securities, respectively. The drop in the share price of Commercial Bank of Ceylon PLC during the period mainly contributed to the reported fair value loss in equity securities, whilst the movement of interest rates of treasury bills and bonds favourably resulted in the fair value gain that was recorded during the period.

Statement of Financial Position

Assets

Reflecting its growth Strategy, DFCC Bank's total assets increased by LKR 29,989 Million recording a growth of 8% since December 2018. This constitutes a loan portfolio growth of LKR 23,085 Million to LKR 272,818 Million compared to LKR 249,734 Million as at 31 December 2018 recording an increase of 9%. Following bank's prudent lending policies, it did not pursue aggressive growth particularly to sectors that exhibited stress.

The Bank with a view to support accelerated economic growth in the country spearheaded by the government and to address the issues faced by the stressed sectors, actively participated in offering concessionary credit and moratorium schemes to the clients as recommended by the Central Bank of Sri Lanka.

Liabilities

The Bank's deposit base as at 31 December 2019 increased to LKR 247,787 Million from LKR 242,238 Million as at 31 December 2018, which is a growth of 2%.

Accordingly, the Bank was able to report an improved loan to deposit ratio of 110% in December 2019 from 116% in September 2019. The Bank's CASA ratio, which represents the proportion of low-cost deposits stood at 22.72% by 31 December 2019. Part of the Bank's advance portfolio is funded through long term concessionary credit lines enjoyed by the bank for a long period and when consider these concessionary term borrowings, the ratio is improved to 28.96% as at 31 December 2019.

Capital Management

In order to support future growth as a full service retail bank with a development banking focus, the Bank has consistently maintained a capital ratio above the Basel III minimum capital requirements. As at 31 December 2019, the Bank recorded Tier 1 and total capital adequacy ratios of 11.34% and 15.81%, respectively, which is well above the minimum regulatory requirements of 8.5% and 12.5%, respectively.

Lakshman Silva
Director/Chief Executive Officer

20 February 2020

DFCC Bank PLC
Income Statement

Notes	Bank									Group								
	For the year ended			For the quarter ended			For the year ended			For the quarter ended								
	31.12.2019 (Audited) LKR 000	31.12.2018 (Audited) LKR 000	Change %	31.12.2019 LKR 000	31.12. 2018 (Restated) LKR 000	Change %	31.12.2019 (Audited) LKR 000	31.12.2018 (Audited) LKR 000	Change %	31.12. 2019 LKR 000	31.12. 2018 (Restated) LKR 000	Change %						
Gross Income	43,297,015	39,153,875	11	11,329,588	10,965,564	3	43,648,287	39,448,487	11	11,412,672	11,017,892	4						
Interest income	42,060,055	38,148,193	10	10,413,750	10,310,619	1	42,062,054	38,149,896	10	10,414,151	10,307,198	1						
Interest expense	29,397,598	25,733,360	14	7,269,269	6,840,954	6	29,363,105	25,691,119	14	7,264,954	6,800,399	7						
Net interest income	12,662,457	12,414,833	2	3,144,481	3,469,665	(9)	12,698,949	12,458,777	2	3,149,197	3,506,799	(10)						
Fee and commission income	2,165,314	2,012,563	8	697,693	590,843	18	2,162,006	2,012,443	7	694,622	590,810	18						
Fee and commission expenses	119,603	68,622	74	40,061	23,298	72	119,603	68,622	74	40,061	23,298	72						
Net fee and commission income	2,045,711	1,943,941	5	657,632	567,545	16	2,042,403	1,943,821	5	654,561	567,512	15						
Net (loss)/gain from trading	(87,116)	(366,657)	(76)	85,017	392,549	(78)	(87,116)	(366,657)	(76)	85,017	392,549	(78)						
Net (loss)/gain from financial instruments at fair value through profit or loss	(2,633,183)	2,650,664	199	(107,034)	470,339	123	(2,633,183)	2,650,664	199	(107,034)	470,339	123						
Net gains from derecognition of financial assets																		
Fair value through profit or loss	99,040	15,908	523	99,040	10,471	(846)	99,040	15,908	523	99,040	10,471	846						
Fair value through other comprehensive income	110,850	3,206	3,358	(4,818)	434	1,210	110,850	3,206	3,358	(4,818)	434.00	(1,210)						
Net other operating income	1,582,055	(3,310,003)	148	145,942	(809,691)	118	1,934,636	(3,016,974)	(164)	231,695	(753,909)	(131)						
Total operating income	13,779,814	13,351,892	3	4,020,260	4,101,312	(2)	14,165,579	13,688,745	3	4,107,658	4,194,195	(2)						
Impairment charge for loans and other losses																		
Loans to and receivables from other customers	1,590,393	985,928	61	793,097	308,639	157	1,610,793	985,928	63	813,497	308,639	164						
Other financial assets	20,206	28,518	(29)	71,281	101,598	(30)	20,206	28,518	(29)	71,281	101,598	(30)						
Others	58,314	41,784	40	9,192	13,261	(31)	58,314	41,784	40	9,192	13,261	(31)						
Net operating income	12,110,901	12,295,662	(2)	3,146,690	3,677,814	(14)	12,476,266	12,632,515	(1)	3,213,688	3,770,697	(15)						
Operating expenses																		
Personnel expenses	3,724,407	3,408,312	9	1,012,513	825,567	23	3,894,734	3,555,980	10	1,051,862	858,372	23						
Depreciation and amortisation	843,656	462,343	82	247,675	124,596	99	901,410	510,128	77	264,719	137,807	92						
Other expenses	3,005,111	2,733,276	10	861,661	837,134	3	3,014,501	2,738,152	10	847,801	841,515	1						
Total operating expenses	7,573,174	6,603,931	15	2,121,849	1,787,297	19	7,810,645	6,804,260	15	2,164,382	1,837,694	18						
Operating profit before taxes on financial services	4,537,727	5,691,731	(20)	1,024,841	1,890,517	(46)	4,665,621	5,828,255	(20)	1,049,306	1,933,003	(46)						
Taxes on financial services	1,548,462	1,459,070	6	391,661	559,605	(30)	1,548,462	1,459,070	6	391,661	559,605	(30)						
Operating profit after taxes on financial services	2,989,265	4,232,661	(29)	633,180	1,330,912	(52)	3,117,159	4,369,185	(29)	657,645	1,373,398	(52)						
Share of profits of associate and joint venture	-	-	-	-	-	-	191,281	307,218	(38)	48,137	157,306	(69)						
Profit before income tax	2,989,265	4,232,661	(29)	633,180	1,330,912	(52)	3,308,440	4,676,403	(29)	705,782	1,530,704	(54)						
Income tax expense	915,397	1,464,482	(37)	153,228	353,674	(57)	1,008,146	1,606,176	(37)	170,286	415,036	(59)						
Profit for the year	2,073,868	2,768,179	(25)	479,952	977,238	(51)	2,300,294	3,070,227	(25)	535,496	1,115,668	(52)						
Profit attributable to:																		
Equity holders of the Bank	2,073,868	2,768,179	(25)	479,952	977,238	(51)	2,213,529	3,011,018	(26)	516,138	1,114,133	(54)						
Non-controlling interests	-	-	-	-	-	-	86,765	59,209	47	19,357	1,534	1,162						
Profit for the year	2,073,868	2,768,179	(25)	479,952	977,238	(51)	2,300,294	3,070,227	(25)	535,496	1,115,667	(52)						
Basic/Diluted earnings per ordinary share (LKR)	7.14	10.44	(32)	1.58	3.69	(57)	7.62	11.36	(33)	1.76	4.21	(58)						

Comparison of results - Core Business

	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2019 LKR 000	31.12.2018 LKR 000	Change %	31.12.2019 LKR 000	31.12. 2018 LKR 000	Change %	31.12.2019 LKR 000	31.12.2018 LKR 000	Change %	31.12.2019 LKR 000	31.12. 2018 LKR 000	Change %
Profit for the year – reported	2,073,868	2,768,179	(25)	479,952	977,238	(51)	2,300,294	3,070,227	(25)	535,496	1,115,667	(52)
Marked-to-market loss on equity shares of Commercial Bank of Ceylon PLC, net of taxes	753,931	877,699	(14)	131,143	(54,221)	(342)	753,931	877,699	(14)	131,143	(54,221)	(342)
Profit for the year from core activities	2,827,799	3,645,878	(22)	611,095	923,017	(34)	3,054,225	3,947,926	(23)	666,638	1,061,446	(37)

DFCC Bank PLC
Statement of Comprehensive Income

	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2019 (Audited) LKR 000	31.12.2018 (Audited) LKR 000	Change %	31.12.2019 LKR 000	31.12.2018 (Restated) LKR 000	Change %	31.12.2019 (Audited) LKR 000	31.12.2018 (Audited) LKR 000	Change %	31.12.2019 LKR 000	31.12.2018 (Restated) LKR 000	Change %
Profit for the year	2,073,868	2,768,179	(25)	479,952	977,238	(51)	2,300,294	3,070,227	(25)	535,495	1,115,667	(52)
Other comprehensive income / (expenses) 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	2,259,672	(1,371,412)	265	450,810	(733,583)	(161)	2,259,672	(1,371,412)	265	474,717	(733,583)	(165)
Reclassified to income statement	(134,095)	(1,649)	(8,032)	53	52,323	(100)	(134,095)	(1,649)	(8,032)	(23,854)	52,323	(146)
Share of other comprehensive (expenses)/ income of equity accounted associate and joint venture	-	-	-	-	-	-	(2,222)	39,721	106	2,382	14,254	(83)
Movement in hedging reserve:												
Cash flow hedge - effective portion of changes in fair value	(410,906)	892,967	146	(138,635)	806,175	(117)	(410,906)	892,967	146	(138,635)	806,175	(117)
Cash flow hedge - reclassified to income statement	14,299	(809,400)	102	192,031	(809,400)	(124)	14,299	(809,400)	102	192,031	(809,400)	(124)
Related deferred tax	(480,708)	361,154	(233)	(137,165)	167,950	182	(480,708)	361,154	233	(137,165)	167,950	182
Total other comprehensive income / (expenses) that are or may be reclassified subsequently to income statement	1,248,262	(928,340)	234	367,094	(516,535)	(171)	1,246,040	(888,619)	240	369,476	(502,281)	(174)
Items that will not be reclassified to income statement												
Losses on remeasurement of defined benefit liability/(assets)	(32,672)	(11,881)	175	(32,672)	(11,881)	175	(32,017)	(11,765)	172	(31,967)	(11,646)	174
Equity investments at fair value through other comprehensive income - net change in fair value	(1,563,978)	(1,951,466)	(20)	(163,946)	253,292	(165)	(1,563,977)	(1,951,466)	(20)	(163,945)	253,292	(165)
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	972	1,189	(18)	972	1,189	(18)
Related deferred tax	23,716	9,215	157	23,716	9,215	157	23,672	9,141	159	23,658	9,141	159
Total other comprehensive expenses on items that will not be reclassified to income statement	(1,572,934)	(1,954,132)	(20)	(172,902)	250,626	(169)	(1,571,350)	(1,952,901)	(20)	(171,284)	251,976	(168)
Other comprehensive (expenses)/income for the year, net of tax	(324,672)	(2,882,472)	89	194,192	(265,909)	(173)	(325,310)	(2,841,520)	89	198,192	(250,305)	(179)
Total comprehensive income/(expenses) for the year	1,749,196	(114,293)	(1,630)	674,143	711,329	(5)	1,974,984	228,707	764	733,687	865,362	(15)
Total comprehensive income/(expenses) attributable to:												
Equity holders of the Bank	1,749,196	(114,293)	(1,630)	674,143	711,329	(5)	1,888,343	169,355	1,015	714,437	863,627	(17)
Non-controlling interests	-	-	-	-	-	-	86,641	59,352	46	19,250	1,735	1,010
Total comprehensive income/(expenses) for the year	1,749,196	(114,293)	(1,630)	674,143	711,329	(5)	1,974,984	228,707	764	733,687	865,362	(15)

DFCC Bank PLC
Statement of Financial Position

As at	Bank			Group		
	31.12.2019 (Audited) LKR 000	31.12.2018 (Audited) LKR 000	Change %	31.12.2019 (Audited) LKR 000	31.12.2018 (Audited) LKR 000	Change %
Assets						
Cash and cash equivalents	5,450,209	5,039,629	8	5,459,359	5,049,823	8
Balances with Central Bank of Sri Lanka	8,666,547	11,841,814	(27)	8,666,547	11,841,814	(27)
Placements with banks	165,030	425,087	(61)	200,441	439,727	(54)
Derivative financial assets	631,438	3,414,549	(82)	631,438	3,414,549	(82)
Financial assets measured at fair value through profit or loss	5,307,066	6,078,862	(13)	5,307,066	6,078,862	(13)
Financial assets at amortised cost - Loans to and receivables from banks	8,403,175	12,854,880	(35)	8,403,175	12,854,880	(35)
Financial assets at amortised cost -Loans to and receivables from other customers	9 272,818,311	249,733,718	9	272,818,311	249,733,718	9
Financial assets at amortised cost - Debt and other instruments	21,743,857	22,874,088	(5)	21,743,857	22,874,088	(5)
Financial assets measured at fair value through other comprehensive income	72,716,407	55,313,553	31	72,716,407	55,313,553	31
Investments in subsidiaries	187,436	167,036	12	-	-	-
Investments in associate	35,270	35,270	-	31,293	31,107	1
Investments in joint venture	755,000	755,000	-	2,065,116	1,957,455	6
Investment property	9,879	9,879	-	466,977	496,559	(6)
Property, plant and equipment	3,230,843	1,620,375	99	3,312,641	1,718,904	93
Intangible assets and goodwill	1,184,659	668,834	77	1,362,149	842,514	62
Deferred tax asset	308,853	491,523	(37)	314,029	492,678	(36)
Other assets	3,283,300	3,583,781	(8)	3,372,786	3,621,780	(7)
Asset held for Sale	-	-	-	40,000	-	100
Total assets	404,897,280	374,907,878	8	406,911,592	376,762,011	8
Liabilities						
Due to banks	24,594,828	9,446,464	160	24,594,828	9,446,464	160
Derivative financial liabilities	518,731	121,373	327	518,731	121,373	327
Financial liabilities at amortised cost - Due to depositors	10 247,786,974	242,237,596	2	247,457,696	241,914,870	2
Financial liabilities at amortised cost - Due to other borrowers	47,307,556	47,413,727	(0)	47,307,556	47,388,679	(0)
Debt securities in issue	14,148,198	8,898,441	59	14,148,198	8,898,441	59
Retirement benefit obligation	561,104	408,704	37	586,351	433,315	35
Current tax liabilities	581,269	1,221,117	(52)	648,178	1,294,540	(50)
Deferred tax liability	-	-	-	96,714	90,402	7
Other liabilities	5,059,187	4,458,721	13	5,266,934	4,662,423	13
Subordinated term debt	16,859,914	16,855,352	0	16,859,914	16,855,352	0
Total liabilities	357,417,761	331,061,495	8	357,485,100	331,105,859	8
Equity						
Stated capital	7,530,371	4,715,814	60	7,530,371	4,715,814	60
Statutory reserve	2,461,968	2,358,275	4	2,461,968	2,358,275	4
Retained earnings	18,228,086	17,187,262	6	21,278,288	20,107,150	6
Other reserves	19,259,094	19,585,032	(2)	17,892,900	18,216,689	(2)
Total equity attributable to equity holders of the Bank	47,479,519	43,846,383	8	49,163,527	45,397,928	8
Non-controlling interests	-	-	-	262,965	258,224	2
Total equity	47,479,519	43,846,383	8	49,426,492	45,656,152	8
Total equity and liabilities	404,897,280	374,907,878	8	406,911,592	376,762,011	8
Contingent liabilities and commitments	130,590,400	137,143,668	(5)	130,590,400	137,143,668	(5)
Net assets value per share, LKR	156.09	165.40	(6)	161.62	171.25	(6)

Information on shares of the Bank for the quarter ended

	31.12.2019	31.12.2018
- Highest price LKR	99.90	100.50
- Lowest price LKR	86.10	87.00
- Market price LKR	91.90	93.00

	Bank		Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Memorandum Information				
Number of Employees	2,076	1,860	2,192	1,963
Number of Branches	124	110		
Extension offices and postal units	15	28		

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 2018	4,715,814	2,224,275	13,298,686	-	13,779,839	13,858,152	47,876,766
Adjustment on initial application of SLFRS 9, net of tax	-	-	(4,551,014)	-	-	2,017,938	(2,533,076)
Restated balance as at 01 January 2018	4,715,814	2,224,275	8,747,672	-	13,779,839	15,876,090	45,343,690
Profit for the year	-	-	-	-	-	2,768,179	2,768,179
Other comprehensive (expenses) / income, net of tax	-	-	(2,939,974)	60,168	-	(2,666)	(2,882,472)
Total comprehensive (expenses) / income for the year	-	-	(2,939,974)	60,168	-	2,765,513	(114,293)
Transfers	-	134,000	-	-	-	(134,000)	-
Transfer of gains / (losses) on disposal / write off of equity investments at fair value through other comprehensive income to retained earnings	-	-	(62,673)	-	-	75	(62,598)
Transactions with equity holders of the Bank, recognised directly in equity							
Forfeiture of unclaimed dividends	-	-	-	-	-	5,073	5,073
Final dividend approved on 19 February 2018	-	-	-	-	-	(1,325,489)	(1,325,489)
Total contributions from and distribution to equity holders	-	-	-	-	-	(1,320,416)	(1,320,416)
Balance as at 31 December 2018	4,715,814	2,358,275	5,745,025	60,168	13,779,839	17,187,262	43,846,383
Balance as at 01 January 2019	4,715,814	2,358,275	5,745,025	60,168	13,779,839	17,187,262	43,846,383
Profit for the year	-	-	-	-	-	2,073,868	2,073,868
Other comprehensive expenses net of tax	-	-	(30,159)	(285,557)	-	(8,956)	(324,672)
Total comprehensive (expenses) / income for the year	-	-	(30,159)	(285,557)	-	2,064,912	1,749,196
Transfers	-	103,693	-	-	-	(103,693)	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(10,222)	-	-	10,222	-
Transactions with equity holders of the Bank, recognised directly in equity							
Rights issue	2,814,557	-	-	-	-	(9,250)	2,805,307
Forfeiture of unclaimed dividends	-	-	-	-	-	6,474	6,474
Final dividend approved on 18 February 2019	-	-	-	-	-	(927,841)	(927,841)
Total contributions from and distribution to equity holders	2,814,557	-	-	-	-	(930,617)	1,883,940
Balance as at 31 December 2019	7,530,371	2,461,968	5,704,644	(225,389)	13,779,839	18,228,086	47,479,519

Statement of Changes in Equity

	Attributable to the equity holders of the Bank									
	Stated Capital	Statutory reserve		Other reserves			Retained earnings	Total	Non- controlling interests	Total equity
		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 2018	4,715,814	2,224,275	11,032,483	13,061	-	13,779,839	17,359,513	49,124,985	276,872	49,401,857
Adjustment on initial application of SLFRS 9, net of tax	-	-	(3,707,124)	-	-	-	1,189,617	(2,517,507)	-	(2,517,507)
Restated balance at 01 January 2018	4,715,814	2,224,275	7,325,359	13,061	-	13,779,839	18,549,130	46,607,478	276,872	46,884,350
Profit for the year	-	-	-	-	-	-	3,011,018	3,011,018	59,209	3,070,227
Other comprehensive (expense) / income net of tax	-	-	(2,968,839)	69,774	60,168	-	(2,766)	(2,841,663)	143	(2,841,520)
Total comprehensive (expense) / income for the year	-	-	(2,968,839)	69,774	60,168	-	3,008,252	169,355	59,352	228,707
Transfers	-	134,000	-	-	-	-	(134,000)	-	-	-
Transfer of gains / (losses) on disposal / write off of equity investments at fair value through other comprehensive income to retained earnings	-	-	(62,673)	-	-	-	75	(62,598)	-	(62,598)
Transactions with equity holders of the Bank, recognized directly in equity										
Forfeiture of unclaimed dividends	-	-	-	-	-	-	5,073	5,073	-	5,073
Change in holding through joint venture	-	-	-	-	-	-	4,109	4,109	-	4,109
Final dividend approved on 19 February 2018	-	-	-	-	-	-	(1,325,489)	(1,325,489)	-	(1,325,489)
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	(78,000)	(78,000)
Total contributions from and distribution to equity holders	-	-	-	-	-	-	(1,316,307)	(1,316,307)	(78,000)	(1,394,307)
Balance as at 31 December 2018	4,715,814	2,358,275	4,293,847	82,835	60,168	13,779,839	20,107,150	45,397,928	258,224	45,656,152
Balance as at 01 January 2019	4,715,814	2,358,275	4,293,847	82,835	60,168	13,779,839	20,107,150	45,397,928	258,224	45,656,152
Adjustment on initial application of SLFRS 16 net of tax	-	-	-	-	-	-	(6,717)	(6,717)	-	(6,717)
Restated balance at 01 January 2019	4,715,814	2,358,275	4,293,847	82,835	60,168	13,779,839	20,100,433	45,391,211	258,224	45,649,435
Profit for the year	-	-	-	-	-	-	2,213,529	2,213,529	86,764	2,300,294
Other comprehensive expense net of tax	-	-	(27,922)	(4,458)	(285,557)	-	(7,249)	(325,186)	(123)	(325,310)
Total comprehensive (expense) / income for the year	-	-	(27,922)	(4,458)	(285,557)	-	2,206,280	1,888,343	86,641	1,974,984
Transfers	-	103,693	-	-	-	-	(103,693)	-	-	-
Transfer of gains / (losses) on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(5,852)	-	-	-	5,852	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Rights issue	2,814,557	-	-	-	-	-	(9,250)	2,805,307	-	2,805,307
Forfeiture of unclaimed dividends	-	-	-	-	-	-	6,474	6,474	-	6,474
Change in holding through joint venture	-	-	-	-	-	-	33	33	-	33
Final dividend approved on 18 February 2019	-	-	-	-	-	-	(927,841)	(927,841)	-	(927,841)
Dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	(81,900)	(81,900)
Total contributions from and distribution to equity holders	2,814,557	-	-	-	-	-	(930,584)	1,883,973	(81,900)	1,802,073
Balance as at 31 December 2019	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

Statement of Cash Flows

	Bank		Group	
	2019 LKR 000	2018 LKR 000	2019 LKR 000	2018 LKR 000
<i>For the year ended 31 December</i>				
Cash flows from operating activities				
Interest receipts	29,371,405	21,879,208	29,367,300	21,919,677
Interest payments	(29,442,467)	(23,669,321)	(29,410,377)	(23,631,703)
Net commission receipts	2,214,658	1,965,693	2,214,658	1,965,693
Net Trading Income	1,227,843	6,271,792	1,227,843	6,271,792
Recoveries from loans previously written off	7,601	10,460	7,601	10,460
Receipts from other operating activities	1,989,230	3,243,000	2,587,700	3,790,137
Payments on other operating activities	(2,987,378)	(2,878,077)	(3,343,283)	(2,878,077)
Cash payments to employees	(3,688,837)	(3,680,695)	(3,688,837)	(3,983,485)
Taxes on financial services	(1,594,710)	(1,168,279)	(1,594,710)	(1,168,279)
Operating Cash flows before changes in operating assets and liabilities	(2,902,655)	1,973,781	(2,632,105)	2,296,215
(Increase) / decrease in operating assets:				
Balances with Central Bank/deposits held for regulatory or monetary control purposes	3,175,265	(1,284,129)	3,175,265	(1,284,129)
Financial assets at amortised cost- loans to and receivables from other customers	(23,535,476)	(28,536,076)	(23,535,476)	(28,536,076)
Others	60,113	3,606,060	71,910	3,702,214
Increase /(decrease) in operating liabilities:				
Financial liabilities at amortised cost-Due to depositors	6,061,028	46,675,218	5,799,500	46,608,731
Negotiable certificates of deposit	289,308	79,186	289,308	79,186
Others	2,807,301	(2,995,967)	3,103,016	(2,995,967)
Net cash flows from/(used in) operating activities before income tax	(14,045,116)	19,518,073	(13,728,579)	19,870,174
Income tax paid	(1,691,938)	(318,441)	(1,747,401)	(346,537)
Net cash flows (used in)/from operating activities	(15,737,054)	19,199,632	(15,475,980)	19,523,637
Cash flows from investing activities				
Dividends received from investment in subsidiaries, joint venture and associate	152,376	132,017	75,500	60,256
Dividends received from other investments	550,774	483,864	550,774	483,864
Interest received	7,502,426	6,718,612	7,530,566	6,759,816
Government Securities- net	(14,116,047)	(22,736,595)	(14,116,047)	(22,736,595)
Proceeds from sale and redemption of securities	1,803,369	1,262,943	1,828,466	1,262,943
Purchase of financial investments	(338,003)	(402,563)	(338,003)	(399,563)
Purchase of property , equipment ,intangibles and investment property	(982,654)	(1,093,170)	(1,026,160)	(1,307,636)
Proceeds from sale of equipment and investment property	26,796	5,895	26,777	5,876
Net cash flows used in investing activities	(5,400,963)	(15,628,997)	(5,468,127)	(15,871,039)
Cash flows from financing activities				
Issue of new shares under Right Issue	2,814,557	-	2,814,557	-
Issue of debentures	10,000,000	7,000,000	10,000,000	7,000,000
Redemption of debentures	(5,315,450)	-	(5,315,450)	-
Borrowing , medium and long - term	8,769,273	7,385,449	8,769,273	7,385,449
Other borrowings - net	13,314,573	(33,701)	13,314,573	(33,701)
Repayment of borrowing ,medium and long - term	(7,365,360)	(21,969,027)	(7,365,360)	(21,969,027)
Dividends paid	(929,050)	(1,286,246)	(1,103,236)	(1,378,132)
Net Cash flows from/(used) financing activities	21,288,543	(8,903,525)	21,114,358	(8,995,409)
Net increase/ (decrease) in cash & cash equivalents	150,523	(5,332,890)	170,250	(5,342,811)
Cash & cash equivalents at the beginning of year	5,464,716	10,797,606	5,489,550	10,832,361
Cash & cash equivalents at the end of year	5,615,239	5,464,716	5,659,800	5,489,550
Reconciliation of cash & cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	5,450,209	5,039,629	5,459,359	5,049,823
Placements with banks	165,030	425,087	200,441	439,727
	5,615,239	5,464,716	5,659,800	5,489,550

The Cash Flow Statement 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 are no changes to the accounting policies and method of computation since the publication of the last annual financial statements except for the following.

1. SLFRS 16 - "Leases" effective from 1 January 2019 requires recognizing lease liabilities and right-of-use assets for some leases classified as operating leases under LKAS 17 "Leases". Accordingly bank has adopted modified retrospective method and therefore comparative figures are not restated.

Note 3. Taxation

Note 3.1 Impact due to corporate income tax rate change

As provided for in LKAS 12 – Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realised or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the reporting date.

As per the proposed changes by the government, the tax rate applicable for companies (including banks) has revised to 24% while all taxes related to information technology services are to be abolished. However, as these changes have not been legislated as at the reporting date, the prevailing income tax rates has been used for the deferred tax computation as at 31 December 2019.

Note 3.2 Sri Lanka Development Bonds as an exempt income for income tax calculation

As per the announcement made by the Department of Inland Revenue on 12 February 2020, interest income earned from SLDB is exempted from income tax with effect from 01 April 2018. This is a further clarification to the Inland Revenue Act No. 24 of 2017. Accordingly, the already recognised income tax liability on SLDB interest income was reversed from the Financial Statements as at 31 December 2019.

Note 4. Comparative Figures

The Bank complied with LKAS -39, Financial Instruments: Recognition and measurements in the preparation of its financial statements for period ended to 30 September 2018, according to the option given as per the "Statement of Alternative Treatment (SoAT) on the figures in the Interim Financial Statements " issued by the Institute Of Chartered Accountants of Sri Lanka. However, the Bank adopted SLFRS 9 in the preparation of its Annual Financial Statements for the year ended 31st December 2018 and recognised the total additional impact arising from the application of SLFRS 9 in its entirety in the 4th quarter of 2018.

However in order to provide comparable figures, the Bank restated quarterly results of 2018 in line with SLFRS 9 in its 2019 interim Financial Statements. Eventhough there is no impact on Annual figures of 2018, the following line items in the Statement of Profit or Loss and the Statement of Comprehensive Income for the 4th quarter 2018 were restated.

For the quarter ended 31st December 2018	Restated LKR 000	As previously Reported LKR 000
Income	10,965,564	8,651,978
Interest income	10,310,619	9,236,236
Net (loss) / gain from trading	392,549	(488,330)
Net fair value gains from financial instruments at fair value through profit or loss	470,339	378,912
Net other operating income	(809,691)	(1,076,586)
Impairment charge for loans and other losses	423,498	(841,392)
Other expenses	837,134	852,554
Taxes on financial services	559,605	849,697
Profit before tax	1,330,912	440,772
Income tax expense	353,674	202,407
Profit for the period	977,238	238,365
Other comprehensive (expenses)/income for the period, net of tax	(265,909)	910,700
Total comprehensive income for the period	711,329	1,149,065

* Group Financial Statements also have been restated accordingly.

Note 5. 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 5.1 31 March Financial Year Company

This is Lanka Industrial Estates Ltd.

Note 6. Net loss from trading

For the year ended 31 December	Bank		Group	
	2019 Audited LKR 000	2018 Audited LKR 000	2019 Audited LKR 000	2018 Audited LKR 000
Foreign exchange from banks	538,838	402,015	538,838	402,015
Government securities				
- Net marked to market loss	-	(726)	-	(726)
- Net capital gain/(loss)	21,072	(40,639)	21,072	(40,639)
Equity securities				
- Net marked to market loss	(919,614)	(1,018,554)	(919,614)	(1,018,554)
- Net capital gain	7,912	21,000	7,912	21,000
- Dividend income	264,676	270,247	264,676	270,247
	(87,116)	(366,657)	(87,116)	(366,657)

Note 7. Net (loss) / gain from financial instruments at fair value through profit or loss

For the year ended 31 December	Bank		Group	
	2019 Audited LKR 000	2018 Audited LKR 000	2019 Audited LKR 000	2018 Audited LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	(2,578,178)	2,688,007	(2,578,178)	2,688,007
Contracts with CBSL	-	58,990	-	58,990
Interest rate swap fair value changes	(6,964)	11,549	(6,964)	11,549
Loss on financial assets fair value through profit or loss - equity securities	(48,041)	(107,882)	(48,041)	(107,882)
	(2,633,183)	2,650,664	(2,633,183)	2,650,664

Note 8. Net Other Operating Income

For the year ended 31 December	Bank		Group	
	2019 Audited LKR 000	2018 Audited LKR 000	2019 Audited LKR 000	2018 Audited LKR 000
Financial assets measured at fair value through other comprehensive income				
Gain on sale of equity shares	-	-	-	-
Dividend income	526,276	527,424	526,276	527,424
Equities measured at fair value through Profit or Loss				
Dividend income	125	3,400	125	3,400
Dividend income from subsidiaries, joint venture and associate	152,375	132,017	-	-
Net gain from repurchase transactions	351,895	237,005	351,895	237,005
Gains/(Losses) on revaluation of foreign exchange	474,202	(4,255,763)	474,202	(4,255,763)
Amortization of deferred Income Government Grant - CBSL swap	-	(46,990)	-	(46,990)
Others	77,182	92,904	582,138	517,950
	1,582,055	(3,310,003)	1,934,636	(3,016,974)

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

As at	Bank		Group	
	31.12.2019 Audited LKR 000	31.12.2018 Audited LKR 000	31.12.2019 Audited LKR 000	31.12.2018 Audited LKR 000
Gross loans and receivables (Note 9.1)	285,224,793	261,299,294	285,224,793	261,299,294
Less: Allowance for impairment (Note 9.2)	(12,406,482)	(11,565,576)	(12,406,482)	(11,565,576)
Net loans and receivables	272,818,311	249,733,718	272,818,311	249,733,718

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

As at	Bank		Group	
	31.12.2019 Audited LKR 000	31.12.2018 Audited LKR 000	31.12.2019 Audited LKR 000	31.12.2018 Audited LKR 000
By product-Domestic Currency				
Overdrafts	41,339,121	40,503,314	41,339,121	40,503,314
Trade finance	26,160,309	28,411,748	26,160,309	28,411,748
Credit cards	1,448,853	504,613	1,448,853	504,613
Pawning	3,620,611	3,194,318	3,620,611	3,194,318
Staff loans	2,096,715	1,966,944	2,096,715	1,966,944
Term loans	151,565,262	133,524,069	151,565,262	133,524,069
Lease rentals receivable	22,173,952	18,312,071	22,173,952	18,312,071
Commercial papers and asset back notes	2,227,583	1,329,351	2,227,583	1,329,351
Preference shares	37,500	112,500	37,500	112,500
Securities purchased under resale agreements	-	-	-	-
	250,669,906	227,858,928	250,669,906	227,858,928
By product-Foreign Currency				
Overdrafts	352,423	282,662	352,423	282,662
Trade finance	9,477,336	11,530,783	9,477,336	11,530,783
Term loans	24,725,128	21,626,921	24,725,128	21,626,921
	34,554,887	33,440,366	34,554,887	33,440,366
Gross loans and receivables	285,224,793	261,299,294	285,224,793	261,299,294

Note 9.2 Movement in Impairment during the period

	Bank		Group	
	31.12.2019 Audited LKR 000	31.12.2018 Audited LKR 000	31.12.2019 Audited LKR 000	31.12.2018 Audited LKR 000
Stage 1				
Balance at beginning	786,161	805,471	786,161	805,471
Charge / (write back) to income statement	116,321	(12,651)	116,321	(12,651)
Write-off during the period	(611)	(6,659)	(611)	(6,659)
Balance at end	901,871	786,161	901,871	786,161
Stage 2				
Balance at beginning	2,355,958	2,347,630	2,355,958	2,347,630
(Write back) / charge to income statement	(790,380)	10,489	(790,380)	10,489
Write-off during the period	(1,701)	(2,161)	(1,701)	(2,161)
Balance at end	1,563,877	2,355,958	1,563,877	2,355,958
Stage 3				
Balance at beginning	8,423,457	7,966,994	8,423,457	7,966,994
Charge to income statement	2,264,451	988,090	2,264,451	988,090
Effect of foreign currency movement	9,475	166,694	9,475	166,694
Write-off during the period	(741,068)	(696,652)	(741,068)	(696,652)
Other movements	(15,581)	(1,669)	(15,581)	(1,669)
Balance at end	9,940,734	8,423,457	9,940,734	8,423,457
Total Impairment	12,406,482	11,565,576	12,406,482	11,565,576

Note 9.3 Circular No 6 of 2019 on the adoption of Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" issued by the Bank Supervision Department of Central Bank of Sri Lanka

The Bank has adopted the above circular from 1 January 2019 to exercise the option to rebut the 30-day rebuttable presumption on significant increase in credit risk to 60 days for the customers and facilities eligible as per the circular.

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

As at	Bank		Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Audited	Audited	Audited	Audited
	LKR 000	LKR 000	LKR 000	LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	4,661,209	4,002,920	4,661,159	4,002,630
Savings deposits	25,191,169	21,605,527	25,164,855	21,593,927
Fixed deposits	169,371,525	152,022,880	169,078,333	151,722,204
Other deposits	871,054	2,523,726	871,054	2,523,726
Certificate of deposits	838,979	553,593	838,979	553,593
	200,933,936	180,708,646	200,614,380	180,396,080
By product- Foreign Currency				
Demand deposits (current accounts)	360,700	337,898	360,700	337,898
Savings deposits	25,656,648	24,234,949	25,651,322	24,232,892
Fixed deposits	20,806,572	36,915,668	20,802,176	36,907,565
Other deposits	29,118	40,435	29,118	40,435
	46,853,038	61,528,950	46,843,316	61,518,790
Total	247,786,974	242,237,596	247,457,696	241,914,870

Note 11. Events after the reporting period**Note 11.1 First & Final Dividend**

The Directors have recommended to the shareholders' for approval, the payment of a first and final dividend of Rs. 3/- per share which will consist of Rs 2.50 per share in cash and 50 cents in the forms of a scrip dividend, for the financial year ended 31 December 2019. The Board of Directors confirms that the Bank has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007.

Note 11.2 Proposed Debenture Issue

The Board of Directors decided to issue up to Seventy Million (70,00,000) Basel III compliant, Subordinated, Listed, Rated, Unsecured, Redeemable Debentures with a Non-Viability conversion option, each at an issue price (par value) of LKR 100/- with a term of up to 7 years subject to obtaining all necessary regulatory and other approvals.

Note 12. Disclosures under Appendix 7B of the Listing Rules

12.1 During the period, there were no material changes in the composition of assets, liabilities and contingent liabilities and use of fund raised through debentures. 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	
	31.12.2019	31.12.2018
Number of shares of the Bank	304,188,756	265,097,688

12.3 Twenty Major Shareholders as at 31.12.2019

	Name of Shareholder/Company	Shareholding	%
1	Hatton National Bank PLC A/c No.1	45,354,596	14.91
2	Bank of Ceylon No.2 - A/C (BOC PTF)	38,039,994	12.51
3	Mr.M.A. Yaseen	30,418,875	10.00
4	Sri Lanka Insurance Corporation Ltd-Life Fund	26,509,832	8.71
5	Employees Provident Fund	24,368,995	8.01
6	Melstacorp PLC	22,383,614	7.36
7	Seafeld International Limited	17,716,794	5.82
8	BPSS Lux- Aberdeen standard sicav I-Asia Pacific Equity Fund	13,018,323	4.28
9	Citi Bank New York S/A Norges Bank Account 2	9,049,301	2.97
10	CB London S/A Aberdeen Asia Pacific Equity Fund	7,356,792	2.42
11	Renuka City Hotels PLC	6,926,870	2.28
12	BP2S London - Edinburgh Dragon Trust PLC	6,339,659	2.08
13	BP2S London - Aberdeen Standard Asia Focus PLC	5,214,933	1.71
14	Renuka Hotels PLC	4,073,360	1.34
15	Employees Trust Fund Board	3,987,952	1.31
16	Akbar Brothers Pvt Ltd A/C No.01	2,578,688	0.85
17	Cargo Boat Development Company PLC	2,498,200	0.82
18	BP2S London - Aberdeen New Dawn Investment Trust XCC6	1,898,290	0.62
19	Stassen Exports (Pvt) Limited	1,896,791	0.62
20	Anverally International (Pvt) Limited	1,682,148	0.55

12.4 Public Holdings as at 31.12.2019

Public holdings percentage	62.56%
Number of Public shareholders	8,996
Float adjusted market capitalisation	LKR 17,488 million
Applicable option as per CSE Listing Rule 7.13.1 (a)	Option 1

12.5 Directors' Interests in Shares

	No of Shares As at 31.12.2019
P M B Fernando	2,000
T Dharmarajah	2,700
K.P Cooray	Nil
S.R Thambiyah (Ms.)	Nil
V J Senaratne (Ms.)	1,814
L H A L Silva	24,866
L.K.A.H. Fernando (Ms.)	Nil
N.K.G.K. Nemmawatta	Nil
J. Durairatnam	Nil
N.H.T.I.Perera	16,800

Certification

We, the undersigned, being the Chairman, the Chief Executive Officer and the Chief Financial 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 audited financial statements of the Bank and the Group.

J. Durairatnam
Chairman

Lakshman Silva
Director & Chief Executive Officer

Chinthika Amarasekera
Chief Financial Officer

Listed Debentures

Debenture Category	Interest rate Frequency	Applicable Interest Rate %	Interest rate of Comparative Government Securities (Gross) p.a. %	Balance as at 31.12.2019 LKR 000	Market price LKR			Yield Last Traded %	Last Traded Date
					Highest	Lowest	Last Traded		
Fixed Rate									
2015/2020	Annually	9.40	8.00	2,102,760	N/T	N/T	N/T	N/A	N/A
2015/2020	Annually	9.10	8.00	3,149,261	N/T	N/T	N/T	N/A	N/A
2016/2021	Annually	12.15	8.60	971,190	N/T	N/T	N/T	N/A	N/A
2016/2023	Annually	12.75	9.23	6,134,277	102.00	99.80	99.80	12.75	6-Jun-19
2018/2023	Annually	12.60	9.20	3,180,325	101.58	99.73	101.58	12.00	8-Jul-19
2018/2025	Annually	13.00	9.58	4,471,362	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	9.50	4,179,217	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	9.60	1,962,734	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	9.90	4,856,986	N/T	N/T	N/T	N/A	N/A

N/T -Not traded

Other Ratios (Bank)	31.12.2019	31.12.2018
Debt to equity ratio (times)	2.03	1.83
Interest cover (times)	1.44	1.64

Disclosures regarding the utilization of funds as per the objectives stated in the Debenture Prospectus

Objective as per Prospectus	Proposed Date of allocation as per Prospectus	Amount allocated from Proceeds (LKR)(A)	% of Total Proceeds	Amount utilized as at 31.12.2019 (LKR)(B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: Whether lent to related party/s etc.)
To support the lending activities of the bank.	Over the period of twelve months from the date of allotment.	LKR 10 Billion	100%	LKR 10 Billion	100%	N/A

Disclosures regarding the utilization of funds as per the objectives stated in the Rights issue Circular

Objective as per Circular	Proposed Date of utilization as per Circular	Amount allocated from Proceeds (LKR)(A)	% of Total Proceeds	Amount utilized as at 31.12.2019 (LKR)(B)	% of utilization against allocation (B/A)	Clarification if not fully utilized
To improve the capital adequacy ratio(CAR) of the Bank in the light of regulatory requirement introduced in line with the Basel III accord.	By 31 December 2019	LKR 2.814 Billion	100%	LKR 2.814 Billion	100%	N/A
Support the Bank's asset growth.	Over the period of twelve months from the date of allotment.	LKR 2.814 Billion	100%	LKR 2.814 Billion	100%	N/A

Selected Performance Indicators

	Bank		Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Regulatory Capital (LKR '000)				
Common Equity Tier I	34,824,554	31,633,211	34,908,304	32,106,706
Tier 1 Capital	34,824,554	31,633,211	34,908,304	32,106,706
Total Capital	48,542,925	47,203,364	48,626,675	47,676,859
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum Requirement -7%)	11.342	N/A	11.327	N/A
(Minimum Requirement -6.375%)	N/A	10.766	N/A	10.888
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	11.342	N/A	11.327	N/A
(Minimum Requirement - 7.875%)	N/A	10.766	N/A	10.888
Total Capital Ratio (Minimum Requirement - 12.5%)	15.810	N/A	15.778	N/A
(Minimum Requirement - 11.875%)	N/A	16.065	N/A	16.168
Leverage Ratio (Minimum requirement is 3%)	7.56	N/A	7.60	N/A
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Domestic Banking Unit	75,974,164	65,391,771		
Off-Shore Banking Unit	14,690,750	9,267,388		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	23.55	22.24		
Off-Shore Banking Unit	53.07	44.36		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2019 - 100%, 2018 -90%)	234.22	195.71		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2019 - 100%, 2018 -90%)	140.53	113.49		
Net Stable Funding Ratio (%) (minimum requirement 100%)	113.41	N/A		
Asset Quality				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	4.85	3.28		
Non-performing loans and advances - Net exposure % (Net of interest in suspense and provisions)	2.07	1.20		
Profitability				
Interest margin %	3.2	3.5		
Return on assets (profit before tax) %	0.8	1.2		
Return on equity %	4.5	6.0		

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 2019	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	5,450,209	5,450,209	-	-	5,459,359	5,459,359
Balances with Central Bank of Sri Lanka	-	-	8,666,547	8,666,547	-	-	8,666,547	8,666,547
Placements with banks	-	-	165,030	165,030	-	-	200,441	200,441
Derivatives held for risk management purposes and hedge accounting	631,438	-	-	631,438	631,438	-	-	631,438
Financial assets measured at fair value through profit or loss	5,307,066	-	-	5,307,066	5,307,066	-	-	5,307,066
Financial assets at amortised cost - Loans to and receivables from banks	-	-	8,403,175	8,403,175	-	-	8,403,175	8,403,175
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	272,818,311	272,818,311	-	-	272,818,311	272,818,311
Financial assets at amortised cost - Debt and other instruments	-	-	21,743,857	21,743,857	-	-	21,743,857	21,743,857
Financial assets measured at fair value through other comprehensive income	-	72,716,407	-	72,716,407	-	72,716,407	-	72,716,407
Other assets	-	-	2,148,567	2,148,567	-	-	2,238,051	2,238,051
Total financial assets	5,938,504	72,716,407	319,395,696	398,050,607	5,938,504	72,716,407	319,529,741	398,184,652
Financial Liabilities								
Due to banks	-	-	24,594,828	24,594,828	-	-	24,594,828	24,594,828
Derivatives held for risk management purposes and hedge accounting	518,731	-	-	518,731	518,731	-	-	518,731
Financial liabilities at amortised cost -Due to depositors	-	-	247,786,974	247,786,974	-	-	247,457,696	247,457,696
Financial liabilities at amortised cost - Due to other borrowers	-	-	47,307,556	47,307,556	-	-	47,307,556	47,307,556
Debt securities issued	-	-	14,148,198	14,148,198	-	-	14,148,198	14,148,198
Other liabilities	-	-	3,786,445	3,786,445	-	-	3,907,977	3,907,977
Subordinated term debt	-	-	16,859,914	16,859,914	-	-	16,859,914	16,859,914
Total financial liabilities	518,731	-	354,483,915	355,002,646	518,731	-	354,276,169	354,794,900

	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 2018								
Financial Assets								
Cash and cash equivalents	-	-	5,039,629	5,039,629	-	-	5,049,823	5,049,823
Balances with Central Bank of Sri Lanka	-	-	11,841,814	11,841,814	-	-	11,841,814	11,841,814
Placements with banks	-	-	425,087	425,087	-	-	439,727	439,727
Derivative assets held- for- risk- management	3,414,549	-	-	3,414,549	3,414,549	-	-	3,414,549
Financial assets measured at fair value through profit or loss	6,078,862	-	-	6,078,862	6,078,862	-	-	6,078,862
Financial assets at amortised cost - Loans to and receivables from banks	-	-	12,854,880	12,854,880	-	-	12,854,880	12,854,880
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	249,733,718	249,733,718	-	-	249,733,718	249,733,718
Financial assets at amortised cost - Debt and other instruments	-	-	22,874,088	22,874,088	-	-	22,874,088	22,874,088
Financial assets measured at fair value through other comprehensive income	-	55,313,553	-	55,313,553	-	55,313,553	-	55,313,553
Other assets	-	-	2,309,581	2,309,581	-	-	2,347,579	2,347,579
Total financial assets	9,493,411	55,313,553	305,078,797	369,885,761	9,493,411	55,313,553	305,141,629	369,948,593
Financial Liabilities								
Due to banks	-	-	9,446,464	9,446,464	-	-	9,446,464	9,446,464
Derivative liabilities held- for- risk -management	121,373	-	-	121,373	121,373	-	-	121,373
Financial liabilities at amortised cost -Due to depositors	-	-	242,237,596	242,237,596	-	-	241,914,870	241,914,870
Financial liabilities at amortised cost - Due to other borrowers	-	-	47,413,727	47,413,727	-	-	47,388,679	47,388,679
Debt securities issued	-	-	8,898,441	8,898,441	-	-	8,898,441	8,898,441
Other liabilities	-	-	3,264,345	3,264,345	-	-	3,421,922	3,421,922
Subordinated term debt	-	-	16,855,352	16,855,352	-	-	16,855,352	16,855,352
Total financial liabilities	121,373	-	328,115,925	328,237,298	121,373	-	327,925,728	328,047,101

OPERATING SEGMENTS
Information about reportable segments

	31 December 2019					31 December 2018				
	Corporate Banking Rs.'000	Branch Banking Rs.'000	Treasury Rs.'000	Other Rs.'000	Total Rs.'000	Corporate Banking Rs.'000	Branch Banking Rs.'000	Treasury Rs.'000	Other Rs.'000	Total Rs.'000
External revenue										
Interest income	13,281,469	21,896,086	6,709,512	39,255	41,926,322	11,430,796	20,526,257	6,191,140	43,946	38,192,139
Net fees and commission income	487,259	1,459,649	-	-	1,946,909	452,289	1,419,243	-	-	1,871,533
Net loss from trading	-	-	(87,115)	-	(87,115)	-	-	(366,657)	-	(366,657)
Net (loss)/gain from financial instruments at fair value through profit or loss	-	-	(2,633,183)	-	(2,633,183)	-	-	2,650,664	-	2,650,664
Net gain from derecognition of financial assets	-	-	209,890	-	209,890	-	-	19,114	-	19,114
Net other operating income	4,927	19,291	1,508,269	665,818	2,198,305	2,817	210,253	(3,598,984)	583,892	(2,802,022)
Income from external customers	13,773,656	23,375,027	5,707,372	705,073	43,561,126	11,885,903	22,155,754	4,895,277	627,838	39,564,770
Inter segment revenue	(10,140)	(27,116)	-	(353,798)	(391,054)	(10,426)	(31,816)	-	(333,225)	(375,468)
Total segment revenue	13,763,516	23,347,911	5,707,372	351,275	43,170,073	11,875,477	22,123,937	4,895,277	294,613	39,189,302
Segment assets	120,581,116	150,810,122	116,520,149	1,946,190	389,857,577	113,769,777	135,643,532	110,716,934	1,854,134	361,984,377
Segment liabilities	69,159,387	155,296,677	103,429,227	50,803	327,936,094	60,660,651	132,297,045	82,735,357	44,365	275,737,418
Information on cash flows										
Cash flows from operating activities					(15,475,980)					19,523,637
Cash flows from investing activities					(5,468,127)					(15,871,039)
Cash flows from financing activities					21,114,357					(8,995,409)
Net cash flows generated during the year					170,250					(5,342,811)
Capital expenditure:										
Property, plant and equipment	335	332,672	2,683	9,808	345,498	2,663	398,231	183	199,007	600,085
Intangible assets		401,407		8,578	409,985		279,138	130,003	14,889	424,030

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

	2019 Rs.'000	2018 Rs.'000
i. Revenues		
Total revenue for reportable segments	43,561,126	39,564,770
Unallocated amounts	440,959	216,941
Elimination of inter-segment revenue	(353,798)	(333,225)
Consolidated revenue	43,648,287	39,448,486
iii. Assets		
Total assets for reportable segments	389,857,577	361,984,377
Other unallocated amounts	17,054,015	14,777,633
Consolidated total assets	406,911,592	376,762,011
iv. Liabilities		
Total liabilities for reportable segments	327,936,094	275,737,418
Other unallocated amounts	29,549,006	55,368,440
Consolidated total liabilities	357,485,100	331,105,859

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.