



Interim Financial Results for the Nine Months Ended 30 September 2020

- Deposits grew by LKR 48 Bn to 296Bn (19% growth)
- Advances grew by LKR 25Bn to 298Bn (9% growth)
- DFCC Group recorded a PAT of LKR 2.1 Bn for the nine months ended 30 September 2020.
- Tier I Capital ratio of the Bank is 10.87% as at 30 September 2020.
- Impairment charge of 2.7 Bn for the nine months ended 30 September 2020.

The following commentary relates to the un-audited financial statements for the period ended 30 September 2020, 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 associate company, National Asset Management Limited (NAMAL).

Since banking is an essential service, we strived to ensure that customers enjoy uninterrupted banking services supporting the efforts taken by the government to cope with the impact of the pandemic during this time.

Our priority has been to accommodate and provide timely financial solutions to customers as a full service commercial bank offering pragmatic and flexible plans so that customers could be supported as they navigated during this trying times.

Profitability

DFCC Bank, the largest entity within the group, was able to record a profit after tax (PAT) of LKR 1,751 Million for the period ended 30 September 2020 in comparison to profit after tax of LKR 1,594 Million recorded in the comparative period. However, profit recorded in the comparable period includes the fair value loss on investment in Commercial Bank’s equity securities of LKR 623 Million. With the view of concentrating on core banking profitability, the Bank has reclassified the investment made in the equity securities of Commercial Bank of Ceylon PLC from fair value through profit or loss to fair value through other comprehensive income with the option given in the “Guidance Notes on Accounting Consideration of the COVID-19 Outbreak” issued by the Institute of Chartered Accountants of Sri Lanka.

This reclassification helped the Bank to refocus its efforts to ensure core business profitability. The Group recorded a profit after tax of LKR 2,110 Million for the period ended 30 September 2020 compared to LKR 1,765 Million (after fair value loss on investment in Commercial Bank equity securities) in the comparative period.

NII and fee income

The Bank recorded a LKR 8,550 Million in net interest income (NII) which is an 10% decline year on year primarily due to a drop in AWPLR more than 360bps over the past 12 months and due to the business implications that arose after 18 March 2020. The slowdown of the economic activities due to COVID- 19 and relief measures introduced have had serious implications to the fee and commission income of the Bank. Despite the adverse impact of the COVID-19 pandemic and reduction of some fees and charges by the Bank as required by the regulator, the concentrated effort to increase non-funded business has materialized with a 5% increase to LKR 1,544 Million for the period ended 30 September 2020 from LKR 1,468 Million in the comparative period.

Operating Expenses

The Bank was able to maintain operating expenses to the same level during 9 months period ended 30 September 2020 compared to comparative period in year 2019 despite the growth strategy of expanding branch network operations adopted by the Bank. In addition, the Bank has introduced many safety measures across the branch network in order to provide a seamless service to customers and to secure and safety environment to the employees and all stakeholders.

To better aid our internal processes, the bank launched Google G-Suit enterprises that enabled a smooth transition for our staff to work from home with minimal disruption to their day to day activities with minimum impact on banking operations.

Impairment

Due to the prevailing economic conditions arising from Covid 19 Pandemic, NPL ratio has increased to 5.42% as at 30 September 2020 from 4.85% recorded as at 31 December 2019. There are some customers who are enjoying the moratorium relief schemes who had not commenced the repayments of their facilities as at 30 September 2020 including clients in the tourism sector who have requested further moratorium under the debt moratorium introduced by the Government for tourism sector and extended debt moratorium due to the second wave of COVID -19. Due to the lack of reliable information with regards to the impact of COVID-19 on its loans and advances portfolio at the reporting date and as the impact of the economic downturn cannot be reasonably estimated yet, the Bank has considered the long-term economic trend in calculating the impairment provision for the period in line with the guideline issued by the Institute of Chartered Accountants of Sri Lanka. Bank expects majority of the borrowers to service the facilities regularly after the moratorium periods. The Bank has made LKR 2,661 Million impairment charge for the 9 months ended 30 September 2020 compared to LKR 795 Million in the comparable period to reflect the impairment requirement for increased non-performing loan portfolio and for some of the possible non performing exposures.

Business Growth

Despite the challenges faced by the Economy and Banking Sector during this period, DFCC Bank's total assets increased by LKR 45,943 Million and recorded a growth of 11% from December 2019. This constitutes a loan portfolio growth of LKR 25,406 Million to LKR 298,224 Million compared to LKR 272,818 Million as at 31 December 2019 recording an increase of 9%. As part of its response to the COVID-19 pandemic, the Bank has implemented a number of relief schemes in line with Government directives to support those customers affected as a result of the pandemic. This includes over 1870 Saubagya Covid-19 working capital loans amounting LKR 10.4 Billion approved for affected customers.

The Bank's deposit base as at 30 September 2020 increased to LKR 295,752 Million from LKR 247,787 Million as at 31 December 2019, which is a growth of 19%.

Accordingly, the Bank reported a loan-to-deposit ratio of 101% in September 2020 compared to 110% in December 2019. The Bank's CASA ratio which represents the proportion of low-cost deposits increased to 24.59% by 30 September 2020 compared to 22.72% in December 2019. The Bank's advance portfolio is partly funded through long-term concessionary credit lines enjoyed over a long period of time. When these concessionary term borrowings are considered, the ratio increased to 30.57% as at 30 September 2020.

Capital Management

As per the relief measures introduced by the Central Bank of Sri Lanka, banks were permitted to release 50 basis points from the capital conservation buffers maintained to date. The bank expects the debt moratorium and concessionary working capital loans introduced by the Central Bank of Sri Lanka, to help the businesses to recommence their operations and reach to normalcy soon. However, reduction in the cash flows from moratorium and delayed payments by customers who did not enjoy moratoriums would likely to contribute a negative impact on the earnings, cash flows and liquidity position of the Bank. Based on the internal assessment undertaken by the Bank, there is no significant adverse impact to the regulatory capital ratios maintained by the Bank. In order to support future growth as a full-service retail bank, the Bank has consistently maintained a capital ratio above the Basel III minimum capital requirements. As at 30 September 2020, the Bank recorded Tier 1 and total capital adequacy ratios of 10.87% and 15.03%, respectively, which is well above the minimum regulatory requirements of 8% and 12% including Capital Conservation buffer of 2%.

Looking ahead based on the challenges faced in the market, the Bank will continue to monitor the business environment and the global trends in order to support the Government initiatives and the economic landscape amidst COVID-19 with the customers interest at heart.

Lakshman Silva
Director/Chief Executive Officer

13 November 2020

DFCC Bank PLC
Income Statement

| Notes | Bank | | | | | | Group | | | | | |
|---|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|
| | For the period ended | | | For the quarter ended | | | For the period ended | | | For the quarter ended | | |
| | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % |
| Gross Income | 33,016,591 | 31,967,427 | 3 | 10,844,995 | 11,385,994 | (5) | 33,284,495 | 32,235,615 | 3 | 10,873,099 | 11,428,040 | (5) |
| Interest income | 29,916,664 | 31,646,305 | (5) | 9,645,674 | 10,662,856 | (10) | 29,926,519 | 31,647,903 | (5) | 9,655,114 | 10,663,336 | (9) |
| Interest expense | 21,366,244 | 22,128,329 | (3) | 7,014,013 | 7,546,858 | (7) | 21,338,516 | 22,098,151 | (3) | 7,004,976 | 7,537,201 | (7) |
| Net interest income | 8,550,420 | 9,517,976 | (10) | 2,631,661 | 3,115,998 | (16) | 8,588,003 | 9,549,752 | (10) | 2,650,138 | 3,126,135 | (15) |
| Fee and commission income | 1,543,985 | 1,467,621 | 5 | 581,748 | 474,738 | 23 | 1,543,188 | 1,467,384 | 5 | 581,517 | 476,027 | 22 |
| Fee and commission expenses | 108,434 | 93,321 | 16 | 50,817 | 45,752 | 11 | 108,434 | 93,321 | 16 | 50,817 | 45,752 | 11 |
| Net fee and commission income | 1,435,551 | 1,374,300 | 4 | 530,931 | 428,986 | 24 | 1,434,754 | 1,374,063 | 4 | 530,700 | 430,275 | 23 |
| Net gain/(loss) from trading | 333,605 | (172,133) | (294) | 64,691 | 431,166 | (85) | 333,605 | (172,133) | (294) | 64,691 | 431,166 | (85) |
| Net (loss)/gain from financial instruments at fair value through profit or loss | (433,163) | (2,526,149) | 83 | 123,041 | (796,351) | 115 | (433,163) | (2,526,149) | 83 | 123,041 | (796,351) | 115 |
| Net gains from derecognition of financial assets Fair value through other comprehensive income | 306,471 | 115,668 | 165 | 269,063 | 49,232 | (447) | 306,471 | 115,668 | 165 | 269,063 | 49,232 | 447 |
| Net other operating income | 1,349,029 | 1,436,115 | (6) | 160,778 | 564,353 | 72 | 1,607,875 | 1,702,942 | (6) | 179,673 | 604,630 | (70) |
| Total operating income | 11,541,913 | 9,745,777 | 18 | 3,780,165 | 3,793,384 | (0) | 11,837,545 | 10,044,143 | 18 | 3,817,306 | 3,845,087 | (1) |
| Impairment charge for loans and other losses | | | | | | | | | | | | |
| Loans to and receivables from other customers | 2,441,370 | 797,296 | 206 | 1,055,185 | 304,794 | 246 | 2,441,370 | 797,296 | 206 | 1,055,185 | 304,794 | 246 |
| Other financial assets | 204,580 | (51,075) | (501) | 93,058 | (1,327) | (7,113) | 204,580 | (51,075) | (501) | 93,058 | (1,327) | (7,113) |
| Others | 15,154 | 49,122 | (69) | 5,982 | 15,944 | (62) | 15,154 | 49,122 | (69) | 5,982 | 15,944 | (62) |
| Net operating income | 8,880,809 | 8,950,434 | (1) | 2,625,940 | 3,473,973 | (24) | 9,176,441 | 9,248,800 | (1) | 2,663,081 | 3,525,676 | (24) |
| Operating expenses | | | | | | | | | | | | |
| Personnel expenses | 2,657,154 | 2,711,894 | (2) | 956,469 | 929,237 | 3 | 2,799,106 | 2,842,872 | (2) | 1,000,017 | 970,739 | 3 |
| Depreciation and amortisation | 680,119 | 595,981 | 14 | 233,056 | 205,139 | 14 | 718,701 | 636,691 | 13 | 244,205 | 218,356 | 12 |
| Other expenses | 2,138,769 | 2,129,671 | 0 | 758,518 | 780,385 | (3) | 2,105,246 | 2,152,921 | (2) | 745,283 | 798,086 | (7) |
| Total operating expenses | 5,476,042 | 5,437,546 | 1 | 1,948,043 | 1,914,761 | 2 | 5,623,053 | 5,632,484 | (0) | 1,989,505 | 1,987,181 | 0 |
| Operating profit before taxes on financial services | 3,404,767 | 3,512,888 | (3) | 677,897 | 1,559,212 | (57) | 3,553,388 | 3,616,316 | (2) | 673,576 | 1,538,495 | (56) |
| Taxes on financial services | 768,593 | 1,156,801 | (34) | 204,962 | 407,982 | (50) | 768,593 | 1,156,801 | (34) | 204,962 | 407,982 | (50) |
| Operating profit after taxes on financial services | 2,636,174 | 2,356,087 | 12 | 472,935 | 1,151,230 | (59) | 2,784,795 | 2,459,515 | 13 | 468,614 | 1,130,513 | (59) |
| Share of profits of associate and joint venture | - | - | - | - | - | - | 277,680 | 143,144 | 94 | 27,475 | 59,755 | (54) |
| Profit before income tax | 2,636,174 | 2,356,087 | 12 | 472,935 | 1,151,230 | (59) | 3,062,475 | 2,602,659 | 18 | 496,089 | 1,190,268 | (58) |
| Income tax expense | 885,124 | 762,169 | 16 | 166,168 | 294,732 | (44) | 952,299 | 837,860 | 14 | 188,650 | 331,752 | (43) |
| Profit for the period | 1,751,050 | 1,593,918 | 10 | 306,767 | 856,498 | (64) | 2,110,176 | 1,764,799 | 20 | 307,439 | 858,516 | (64) |
| Profit attributable to: | | | | | | | | | | | | |
| Equity holders of the Bank | 1,751,050 | 1,593,918 | 10 | 306,767 | 856,498 | (64) | 2,028,485 | 1,697,391 | 20 | 278,396 | 835,548 | (67) |
| Non-controlling interests | - | - | - | - | - | - | 81,691 | 67,408 | 21 | 29,043 | 22,968 | 26 |
| Profit for the period* | 1,751,050 | 1,593,918 | 10 | 306,767 | 856,498 | (64) | 2,110,176 | 1,764,799 | 20 | 307,439 | 858,516 | (64) |
| Basic/Diluted earnings per ordinary share (LKR) | 5.74 | 5.58 | 3 | 1.01 | 3.23 | (69) | 6.92 | 6.18 | 12 | 1.01 | 3.24 | (69) |

* Profit for the period ended 30 September 2019 (Bank and Group) include a marked-to-market loss on equity shares of Commercial Bank of Ceylon PLC (net of taxes) amounting to LKR 623 Million.

DFCC Bank PLC
Statement of Profit or Loss and Other Comprehensive Income

| | Bank | | | | | | Group | | | | | |
|--|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|-------------|
| | For the period ended | | | For the quarter ended | | | For the period ended | | | For the quarter ended | | |
| | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % | 30.09.2020 LKR 000 | 30.09.2019 LKR 000 | Change % |
| Profit for the period | 1,751,050 | 1,593,918 | 10 | 306,767 | 856,498 | (64) | 2,110,176 | 1,764,799 | 20 | 307,439 | 858,516 | (64) |
| Other comprehensive income / (expenses) 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 | 3,430,671 | 1,808,862 | 90 | (712,846) | (90,299) | 689 | 3,430,671 | 1,784,955 | 92 | (712,846) | (114,206) | 524 |
| Reclassified to income statement | 30,699 | (134,148) | (123) | 29,490 | (23,907) | (223) | 30,699 | (110,241) | (128) | 29,490 | - | 100 |
| Share of other comprehensive income/ (expense) of equity accounted associate and joint venture | - | - | - | - | - | - | 21,777 | (4,604) | (573) | (15,015) | 11,046 | (236) |
| Movement in hedging reserve: | | | | | | | | | | | | |
| Cash flow hedge - effective portion of changes in fair value | (71,849) | (272,271) | (74) | 300,834 | 104,874 | 187 | (71,849) | (272,271) | (74) | 300,834 | 104,874 | 187 |
| Cash flow hedge - reclassified to income statement | (17,348) | (177,732) | (90) | (124,573) | (372,132) | (67) | (17,348) | (177,732) | (90) | (124,573) | (372,132) | (67) |
| Related deferred tax | (959,528) | (343,543) | 179 | 130,695 | 106,167 | 23 | (959,528) | (343,543) | 179 | 130,695 | 106,167 | 23 |
| Total other comprehensive income that are or may be reclassified subsequently to income statement | 2,412,645 | 881,168 | 174 | (376,400) | (275,297) | 37 | 2,434,422 | 876,564 | 178 | (391,415) | (264,251) | 48 |
| Items that will not be reclassified to income statement | | | | | | | | | | | | |
| Losses on remeasurement of defined benefit assets | - | - | - | - | - | - | - | (49) | (100) | - | - | - |
| Equity investments at fair value through other comprehensive income - net change in fair value | (1,966,752) | (1,400,032) | 40 | 412,534 | 615,152 | (33) | (1,966,752) | (1,400,032) | 40 | 412,534 | 615,152 | (33) |
| Share of other comprehensive income of equity accounted associate and joint venture | - | - | - | - | - | - | (26) | - | (100) | - | - | - |
| Related deferred tax | - | - | - | - | - | - | - | 15 | (100) | - | - | - |
| Total other comprehensive expenses on items that will not be reclassified to income statement | (1,966,752) | (1,400,032) | 40 | 412,534 | 615,152 | (33) | (1,966,778) | (1,400,066) | 40 | 412,534 | 615,152 | (33) |
| Other comprehensive income/(expense) for the period , net of tax | 445,893 | (518,864) | (186) | 36,134 | 339,855 | (89) | 467,644 | (523,502) | (189) | 21,119 | 350,901 | (94) |
| Total comprehensive income for the period | 2,196,943 | 1,075,054 | 104 | 342,901 | 1,196,353 | (71) | 2,577,820 | 1,241,297 | 108 | 328,558 | 1,209,417 | (73) |
| Total comprehensive income attributable to: | | | | | | | | | | | | |
| Equity holders of the Bank | 2,196,943 | 1,075,054 | 104 | 342,901 | 1,196,353 | (71) | 2,496,129 | 1,173,906 | 113 | 299,515 | 1,186,449 | (75) |
| Non-controlling interests | - | - | - | - | - | - | 81,691 | 67,391 | 21 | 29,043 | 22,968 | 26 |
| Total comprehensive income for the period | 2,196,943 | 1,075,054 | 104 | 342,901 | 1,196,353 | (71) | 2,577,820 | 1,241,297 | 108 | 328,558 | 1,209,417 | (73) |

DFCC Bank PLC
Statement of Financial Position

| As at | Notes | Bank | | | Group | | |
|---|-------|-----------------------|------------------------------------|-------------|-----------------------|------------------------------------|-------------|
| | | 30.09.2020 LKR 000 | 31.12.2019 (Audited) LKR 000 | Change % | 30.09.2020 LKR 000 | 31.12.2019 (Audited) LKR 000 | Change % |
| Assets | | | | | | | |
| Cash and cash equivalents | | 6,581,405 | 5,450,209 | 21 | 6,590,546 | 5,459,359 | 21 |
| Balances with Central Bank of Sri Lanka | | 4,833,713 | 8,666,547 | (44) | 4,833,713 | 8,666,547 | (44) |
| Placements with banks | | 7,455,920 | 165,030 | 4,418 | 7,456,811 | 200,441 | 3,620 |
| Derivative financial assets | | 529,525 | 631,438 | (16) | 529,525 | 631,438 | (16) |
| Financial assets measured at fair value through profit or loss | | 3,165,215 | 5,307,066 | (40) | 3,165,215 | 5,307,066 | (40) |
| Financial assets at amortised cost - Loans to and receivables from banks | | 9,242,122 | 8,403,175 | 10 | 9,242,122 | 8,403,175 | 10 |
| Financial assets at amortised cost -Loans to and receivables from other customers | 9 | 298,224,346 | 272,818,311 | 9 | 298,224,346 | 272,818,311 | 9 |
| Financial assets at amortised cost - Debt and other instruments | | 24,866,001 | 21,743,857 | 14 | 24,866,001 | 21,743,857 | 14 |
| Financial assets measured at fair value through other comprehensive income | | 86,657,747 | 72,716,407 | 19 | 86,657,747 | 72,716,407 | 19 |
| Investments in subsidiaries | | 187,436 | 187,436 | - | - | - | - |
| Investments in associate | | 35,270 | 35,270 | - | 30,011 | 31,293 | (4) |
| Investments in joint venture | | 755,000 | 755,000 | - | 2,365,830 | 2,065,116 | 15 |
| Investment property | | 9,879 | 9,879 | - | 473,314 | 466,977 | 1 |
| Property, plant and equipment | | 3,358,742 | 3,230,843 | 4 | 3,446,981 | 3,312,641 | 4 |
| Intangible assets and goodwill | | 1,539,621 | 1,184,659 | 30 | 1,712,804 | 1,362,149 | 26 |
| Deferred tax asset | | - | 308,853 | (100) | 5,176 | 314,029 | (98) |
| Other assets | | 3,398,230 | 3,283,300 | 4 | 3,532,846 | 3,372,786 | 5 |
| Asset held for Sale | | - | - | - | 19,600 | 40,000 | (51) |
| Total assets | | 450,840,172 | 404,897,280 | 11 | 453,152,588 | 406,911,592 | 11 |
| Liabilities | | | | | | | |
| Due to banks | | 17,173,867 | 24,594,828 | (30) | 17,173,867 | 24,594,828 | (30) |
| Derivative financial liabilities | | 216,612 | 518,731 | (58) | 216,612 | 518,731 | (58) |
| Financial liabilities at amortised cost - Due to depositors | 10 | 295,752,255 | 247,786,974 | 19 | 295,362,503 | 247,457,696 | 19 |
| Financial liabilities at amortised cost - Due to other borrowers | | 50,047,108 | 47,307,556 | 6 | 50,047,108 | 47,307,556 | 6 |
| Debt securities in issue | | 15,799,374 | 14,148,198 | 12 | 15,799,374 | 14,148,198 | 12 |
| Retirement benefit obligation | | 624,672 | 561,104 | 11 | 652,042 | 586,351 | 11 |
| Current tax liabilities | | 929,140 | 581,269 | 60 | 932,888 | 648,178 | 44 |
| Deferred tax liability | | 571,131 | - | 100 | 666,480 | 96,714 | 589 |
| Other liabilities | | 5,608,076 | 5,059,187 | 11 | 5,937,827 | 5,266,934 | 13 |
| Subordinated term debt | | 15,201,947 | 16,859,914 | (10) | 15,201,947 | 16,859,914 | (10) |
| Total liabilities | | 401,924,182 | 357,417,761 | 12 | 401,990,648 | 357,485,100 | 12 |
| Equity | | | | | | | |
| Stated capital | | 7,682,465 | 7,530,371 | 2 | 7,682,465 | 7,530,371 | 2 |
| Statutory reserve | | 2,461,968 | 2,461,968 | - | 2,461,968 | 2,461,968 | - |
| Retained earnings | | 19,073,476 | 18,228,086 | 5 | 22,401,087 | 21,278,288 | 5 |
| Other reserves | | 19,698,081 | 19,259,094 | 2 | 18,353,664 | 17,892,900 | 3 |
| Total equity attributable to equity holders of the Bank | | 48,915,990 | 47,479,519 | 3 | 50,899,184 | 49,163,527 | 4 |
| Non-controlling interests | | - | - | - | 262,756 | 262,965 | (0) |
| Total equity | | 48,915,990 | 47,479,519 | 3 | 51,161,940 | 49,426,492 | 4 |
| Total equity and liabilities | | 450,840,172 | 404,897,280 | 11 | 453,152,588 | 406,911,592 | 11 |
| Contingent liabilities and commitments | | 110,865,003 | 130,590,400 | (15) | 110,865,003 | 130,590,400 | (15) |
| Net assets value per share, LKR | | 159.86 | 156.09 | 2 | 166.34 | 161.62 | 3 |

| Memorandum Information | Bank | | Group | |
|---------------------------------------|------------|------------|------------|------------|
| | 30.09.2020 | 31.12.2019 | 30.09.2020 | 31.12.2019 |
| Number of Employees | 2,082 | 2,076 | 2,194 | 2,192 |
| Number of Branches | 125 | 124 | | |
| Extension offices and Service centres | 14 | 15 | | |

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 2019 | 4,715,814 | 2,358,275 | 5,745,025 | 60,168 | 13,779,839 | 17,187,262 | 43,846,383 |
| Profit for the period | - | - | - | - | - | 1,593,918 | 1,593,918 |
| Other comprehensive expenses net of tax | - | - | (194,862) | (324,002) | - | - | (518,864) |
| Total comprehensive (expenses) / income for the period | - | - | (194,862) | (324,002) | - | 1,593,918 | 1,075,054 |
| Transfer of gains / (losses) on disposal / write off 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 | | | | | | | |
| Final dividend approved on 18 February 2019 | - | - | - | - | - | (927,841) | (927,841) |
| Rights Issue | 2,814,557 | - | - | - | - | (9,249) | 2,805,308 |
| Total contributions from and distribution to equity holders | 2,814,557 | - | - | - | - | (937,090) | 1,877,467 |
| Balance as at 30 September 2019 | 7,530,371 | 2,358,275 | 5,539,941 | (263,834) | 13,779,839 | 17,854,312 | 46,798,904 |
| Balance as at 01 January 2020 | | | | | | | |
| Balance as at 01 January 2020 | 7,530,371 | 2,461,968 | 5,704,644 | (225,389) | 13,779,839 | 18,228,086 | 47,479,519 |
| Profit for the period | - | - | - | - | - | 1,751,050 | 1,751,050 |
| Other comprehensive income/(expenses), net of tax | - | - | 510,115 | (64,222) | - | - | 445,893 |
| Total comprehensive income / (expenses) for the period | - | - | 510,115 | (64,222) | - | 1,751,050 | 2,196,943 |
| Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings | - | - | (6,906) | - | - | 6,906 | - |
| Transactions with equity holders of the Bank, recognised directly in equity | | | | | | | |
| Dividend paid | 152,094 | - | - | - | - | (912,566) | (760,472) |
| Total contributions from and distribution to equity holders | 152,094 | - | - | - | - | (912,566) | (760,472) |
| Balance as at 30 September 2020 | 7,682,465 | 2,461,968 | 6,207,853 | (289,611) | 13,779,839 | 19,073,476 | 48,915,990 |

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 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 |
| Profit for the period | - | - | - | - | - | - | 1,697,391 | 1,697,391 | 67,408 | 1,764,799 |
| Other comprehensive expense, net of tax | - | - | (191,411) | (8,053) | (324,002) | - | (19) | (523,485) | (17) | (523,502) |
| Total comprehensive (expense) / income for the period | - | - | (191,411) | (8,053) | (324,002) | - | 1,697,372 | 1,173,906 | 67,391 | 1,241,297 |
| Transfer of gains / (losses) on disposal / write off of equity investments at fair value through other comprehensive income to retained earnings | - | - | (5,921) | - | - | - | 5,921 | - | - | - |
| Transactions with equity holders of the Bank, recognized directly in equity | | | | | | | | | | |
| Change in holding through joint venture | - | - | - | - | - | - | 33 | 33 | - | 33 |
| Final dividend approved on 18 February 2019 | - | - | - | - | - | - | (927,841) | (927,841) | - | (927,841) |
| Rights issue | 2,814,557 | - | - | - | - | - | (9,249) | 2,805,308 | - | 2,805,308 |
| Dividend distributed to non-controlling interest by subsidiaries | - | - | - | - | - | - | - | - | (81,900) | (81,900) |
| Total contributions from and distribution to equity holders | 2,814,557 | - | - | - | - | - | (937,057) | 1,877,500 | (81,900) | 1,795,600 |
| Balance as at 30 September 2019 | 7,530,371 | 2,358,275 | 4,096,515 | 74,782 | (263,834) | 13,779,839 | 20,873,387 | 48,449,335 | 243,715 | 48,693,049 |
| Balance at 01 January 2020 | 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 |
| Profit for the period | - | - | - | - | - | - | 2,028,485 | 2,028,485 | 81,691 | 2,110,176 |
| Other comprehensive income/(expense), net of tax | - | - | 517,310 | 14,582 | (64,222) | - | (26) | 467,644 | - | 467,644 |
| Total comprehensive income / (expense) for the period | - | - | 517,310 | 14,582 | (64,222) | - | 2,028,460 | 2,496,129 | 81,691 | 2,577,820 |
| Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings | - | - | (6,906) | - | - | - | 6,906 | - | - | - |
| Transactions with equity holders of the Bank, recognized directly in equity | | | | | | | | | | |
| Dividend Paid | 152,094 | - | - | - | - | - | (912,566) | (760,472) | - | (760,472) |
| Dividend distributed to non-controlling interest by subsidiaries | - | - | - | - | - | - | - | - | (81,900) | (81,900) |
| Total contributions from and distribution to equity holders | 152,094 | - | - | - | - | - | (912,566) | (760,472) | (81,900) | (842,372) |
| Balance as at 30 September 2020 | 7,682,465 | 2,461,968 | 4,770,477 | 92,959 | (289,611) | 13,779,839 | 22,401,087 | 50,899,185 | 262,756 | 51,161,940 |

Statement of Cash Flows

| For the nine months ended 30 th September | Bank | | Group | |
|---|--------------------|---------------------|--------------------|---------------------|
| | 2020 LKR 000 | 2019 LKR 000 | 2020 LKR 000 | 2019 LKR 000 |
| Cash flows from operating activities | | | | |
| Interest receipts | 22,750,822 | 23,932,943 | 22,773,194 | 23,929,845 |
| Interest payments | (22,783,521) | (23,555,615) | (22,758,346) | (23,528,646) |
| Net commission receipts | 1,533,269 | 1,248,889 | 1,533,269 | 1,248,889 |
| Net trading income | 17,872 | 26,023 | 17,872 | 26,023 |
| Recoveries from loans previously written off | 24,317 | 6,386 | 24,317 | 6,386 |
| Receipts from other operating activities | 2,247,979 | 692,001 | 2,750,787 | 1,140,025 |
| Payments on other operating activities | (2,233,601) | (2,776,818) | (2,492,494) | (3,047,429) |
| Cash payments to employees | (2,784,892) | (2,368,601) | (2,784,892) | (2,368,601) |
| Taxes on financial services | (771,665) | (1,211,064) | (771,665) | (1,211,075) |
| Operating cash flows before changes in operating assets and liabilities | (1,999,420) | (4,005,856) | (1,707,958) | (3,804,583) |
| (Increase)/ decrease in operating assets: | | | | |
| Balances with Central Bank / deposits held for regulatory or monetary control purposes | 3,832,834 | 1,685,124 | 3,832,834 | 1,685,124 |
| Financial assets at amortised cost - Loans to and receivables from other customers | (25,703,542) | (20,399,975) | (25,703,542) | (20,399,975) |
| Others | (2,730,223) | 866,674 | (2,595,830) | 968,104 |
| Increase /(decrease) in operating liabilities: | | | | |
| Financial liabilities at amortised cost - Due to depositors | 47,725,812 | (7,549,109) | 47,404,281 | (7,533,569) |
| Negotiable certificates of deposits | 1,213,792 | 239,377 | 1,213,792 | 239,377 |
| Others | (2,873,404) | (423,084) | (2,873,422) | (423,859) |
| Net cash flows (used in)/from operating activities before income tax | 19,465,849 | (29,586,849) | 19,570,155 | (29,269,381) |
| Income tax paid | (537,807) | (1,337,186) | (563,760) | (1,419,161) |
| Net cash flows from/ (used in) operating activities | 18,928,042 | (30,924,035) | 19,006,395 | (30,688,542) |
| Cash flows from investing activities | | | | |
| Dividends received from investment in subsidiaries, joint venture, and associate | 538,311 | 460,141 | 449,035 | 383,265 |
| Interest received | 5,777,592 | 5,739,892 | 5,812,419 | 5,766,716 |
| Government Securities- net | (8,391,630) | (12,217,027) | (8,391,630) | (12,217,025) |
| Proceeds from sale and redemption of securities | 1,103,554 | 199,067 | 1,123,954 | 224,067 |
| Purchase of financial investments | (2,819,834) | (184,184) | (2,819,834) | (184,184) |
| Purchase of property , equipment ,intangibles and investment property | (638,200) | (229,093) | (638,480) | (268,936) |
| Proceeds from sale of equipment and investment property | - | 20,981 | - | 20,962 |
| Net cash flows used in investing activities | (4,430,207) | (6,210,223) | (4,464,536) | (6,275,135) |
| Cash flows from financing activities | | | | |
| Issue of new shares under Right Issue | - | 2,814,557 | - | 2,814,557 |
| Issue of debentures | 5,000,000 | 10,000,000 | 5,000,000 | 10,000,000 |
| Redemption of debentures | (5,000,000) | (5,315,450) | (5,000,000) | (5,315,450) |
| Borrowing , medium and long - term | 13,326,363 | 8,451,759 | 13,326,363 | 8,451,759 |
| Other borrowings - net | (9,192,097) | 26,003,552 | (9,192,097) | 26,003,552 |
| Repayment of borrowing ,medium and long - term | (9,468,427) | (4,365,423) | (9,468,427) | (4,365,423) |
| Dividends paid | (741,588) | (922,473) | (820,141) | (1,097,359) |
| Net Cash flows (used in)/from financing activities | (6,075,749) | 36,666,522 | (6,154,302) | 36,491,636 |
| Net increase/(decrease) in cash and cash equivalents | 8,422,086 | (467,736) | 8,387,557 | (472,041) |
| Cash and cash equivalents at the beginning of year | 5,615,239 | 5,464,716 | 5,659,800 | 5,489,550 |
| Cash and cash equivalents at the end of period | 14,037,325 | 4,996,980 | 14,047,357 | 5,017,509 |
| Reconciliation of cash and cash equivalents with items reported in the statement of financial position | | | | |
| Cash and cash equivalents | 6,581,405 | 4,996,980 | 6,590,546 | 5,005,501 |
| Placements with banks | 7,455,920 | - | 7,456,811 | 12,008 |
| | 14,037,325 | 4,996,980 | 14,047,357 | 5,017,509 |

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 3. Taxation

Note 3. 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 announcement made by IRD on dated 12th February 2020, income tax rate applicable for the Banking sector has been revised to 24% with effect from 01st January 2020. However, given the fact that the proposed rates are yet to be enacted, both income tax and deferred tax were calculated at the rate of 28% for the period ended 30th September 2020. If the revised rate of 24% had been used, the income tax charge recognised in the income statement would have been reduced by LKR 126 Mn. Further, deferred tax asset and deferred tax liability would have decreased by resulting in a net deferred tax charge to the income statement by LKR 100 Mn and net deferred tax reversal of LKR 181 Mn to other comprehensive income respectively.

Note 4. 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 4.1 31 March Financial Year Company

This is Lanka Industrial Estates Ltd.

Note 5. Impact due to Covid 19

The 2019 novel Coronavirus infection ('coronavirus') or 'COVID 19 outbreak continues to pose serious public health threat . It has interrupted the movement of people and goods throughout the world with many jurisdictions having imposed restrictions on individuals and businesses. Further, the quarantine measures taken by respective Governments have curtailed global supply chains and brought pressure on global trade, in turn affecting a large cross section of the Bank's clientele in various industries and sectors. The Bank expects the debt moratorium and concessionary working capital loan schemes introduced by the Central Bank of Sri Lanka to enable the businesses to address their short term liquidity crisis and recover back to normalcy over a period.

The fact that there will be minimal cash inflows during the moratorium period and delayed payments by customers who are not eligible for moratorium schemes are expected to have a negative impact on the earnings, cash flows and liquidity position of the Bank, however, based on the internal assessment undertaken by the Bank, there is no significant adverse impact to the regulatory capital ratios maintained by the Bank.

Required adjustments have been made for the potential implications on the operations of the Bank in these financial statements taking into consideration the negative economic trends based on the available information as at Reporting date. The Board will continue to monitor the implications and make adjustments , if required.

Section 1 of the financial reporting guideline - Expected Credit Loss calculation

The Bank considered the Economic Factor Adjustment (EFA) computed as at 31 December 2019, in order to estimate the Expected Credit Loss (ECL) as at 30th September 2020, due to uncertainty and lack of sufficient information to make any adjustments to capture the potential impact of COVID 19. However, the Bank increased weightage assigned for the worst case scenario by reducing the weightage assigned to base case and best case scenarios when assessing the probability weighted forward looking macro-economic indicators.

Note 6. Net gain/(loss) from trading

| For the period ended 30 September | Bank | | Group | |
|--------------------------------------|----------------|------------------|----------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Foreign exchange from banks | 297,563 | 392,955 | 297,563 | 392,955 |
| Government securities | | | | |
| - Net capital gain | 8,303 | 20,448 | 8,303 | 20,448 |
| Equity securities | | | | |
| - Net marked to market gain / (loss) | 17,045 | (793,662) | 17,045 | (793,662) |
| - Net capital gain | 9,569 | 5,576 | 9,569 | 5,576 |
| - Dividend income | 1,125 | 202,550 | 1,125 | 202,550 |
| | 333,605 | (172,133) | 333,605 | (172,133) |

Note 7. Net loss from financial instruments at fair value through profit or loss

| For the period ended 30 September | Bank | | Group | |
|--|------------------|--------------------|------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Forward exchange fair value changes | | | | |
| Contracts with commercial banks | (444,719) | (2,520,425) | (444,719) | (2,520,425) |
| Interest rate swap fair value changes | - | (6,055) | - | (6,055) |
| Gain on financial assets fair value through profit or loss - equity securities | 11,556 | 331 | 11,556 | 331 |
| | (433,163) | (2,526,149) | (433,163) | (2,526,149) |

Note 8. Net Other Operating Income

| For the period ended 30 September | Bank | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Gain on sale of equity shares | 2,951 | - | 2,951 | - |
| Dividend income | 722,643 | 412,838 | 722,643 | 412,838 |
| Equities measured at fair value through Profit or Loss | | | | |
| Dividend income | - | 125 | - | 125 |
| Dividend income from subsidiaries, joint venture and associate | 89,277 | 76,876 | - | - |
| Net gain from repurchase transactions | 468,253 | 220,208 | 468,253 | 220,208 |
| Gains on revaluation of foreign exchange | 31,736 | 663,278 | 31,736 | 663,278 |
| Others | 34,169 | 62,790 | 382,292 | 406,493 |
| | 1,349,029 | 1,436,115 | 1,607,875 | 1,702,942 |

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

| As at | Bank | | Group | |
|---|--------------------|-------------------------|--------------------|-------------------------|
| | 30.09.2020 | 31.12.2019 (Audited) | 30.09.2020 | 31.12.2019 (Audited) |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Gross loans and receivables (Note 9.1) | 313,082,127 | 285,224,793 | 313,082,127 | 285,224,793 |
| Less: Allowance for impairment (Note 9.2) | (14,857,781) | (12,406,482) | (14,857,781) | (12,406,482) |
| Net loans and receivables | 298,224,346 | 272,818,311 | 298,224,346 | 272,818,311 |

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

| As at | Bank | | Group | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | 30.09.2020 | 31.12.2019 (Audited) | 30.09.2020 | 31.12.2019 (Audited) |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| By product-Domestic Currency | | | | |
| Overdrafts | 36,804,741 | 41,339,121 | 36,804,741 | 41,339,121 |
| Trade finance | 18,839,587 | 26,160,309 | 18,839,587 | 26,160,309 |
| Credit cards | 1,952,422 | 1,448,853 | 1,952,422 | 1,448,853 |
| Pawning | 4,232,530 | 3,620,611 | 4,232,530 | 3,620,611 |
| Staff loans | 2,405,371 | 2,096,715 | 2,405,371 | 2,096,715 |
| Term loans | 182,738,378 | 151,565,262 | 182,738,378 | 151,565,262 |
| Lease rentals receivable | 25,561,518 | 22,173,952 | 25,561,518 | 22,173,952 |
| Commercial papers and asset back notes | 2,299,873 | 2,227,583 | 2,299,873 | 2,227,583 |
| Preference shares | - | 37,500 | - | 37,500 |
| | 274,834,420 | 250,669,906 | 274,834,420 | 250,669,906 |
| By product-Foreign Currency | | | | |
| Overdrafts | 287,953 | 352,423 | 287,953 | 352,423 |
| Trade finance | 11,289,846 | 9,477,336 | 11,289,846 | 9,477,336 |
| Term loans | 26,669,908 | 24,725,128 | 26,669,908 | 24,725,128 |
| | 38,247,707 | 34,554,887 | 38,247,707 | 34,554,887 |
| Gross loans and receivables | 313,082,127 | 285,224,793 | 313,082,127 | 285,224,793 |

Note 9.2 Movement in Impairment during the period

| | Bank | | Group | |
|--|-------------------|-------------------------|-------------------|-------------------------|
| | 30.09.2020 | 31.12.2019 (Audited) | 30.09.2020 | 31.12.2019 (Audited) |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Stage 1 | | | | |
| Balance at beginning | 901,871 | 786,161 | 901,871 | 786,161 |
| Charge / (write back) to income statement | 299,954 | 116,321 | 299,954 | 116,321 |
| Write-off during the period | (649) | (611) | (649) | (611) |
| Balance at end | 1,201,176 | 901,871 | 1,201,176 | 901,871 |
| Stage 2 | | | | |
| Balance at beginning | 1,563,877 | 2,355,958 | 1,563,877 | 2,355,958 |
| (Write back) / charge to income statement | 481,568 | (790,380) | 481,568 | (790,380) |
| Write-off during the period | (3,855) | (1,701) | (3,855) | (1,701) |
| Balance at end | 2,041,590 | 1,563,877 | 2,041,590 | 1,563,877 |
| Stage 3 | | | | |
| Balance at beginning | 9,940,734 | 8,423,457 | 9,940,734 | 8,423,457 |
| Charge to income statement | 1,659,849 | 2,264,451 | 1,659,849 | 2,264,451 |
| Effect of foreign currency movement | 43,208 | 9,475 | 43,208 | 9,475 |
| Write-off during the period | (19,374) | (741,068) | (19,374) | (741,068) |
| Transfers to dues on terminated leases | (9,401) | - | (9,401) | - |
| Other movements | - | (15,581) | - | (15,581) |
| Balance at end | 11,615,015 | 9,940,734 | 11,615,015 | 9,940,734 |
| Total Impairment | 14,857,781 | 12,406,482 | 14,857,781 | 12,406,482 |

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

| As at | Bank | | Group | |
|-------------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | 30.09.2020 | 31.12.2019 (Audited) | 30.09.2020 | 31.12.2019 (Audited) |
| | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| By product-Domestic Currency | | | | |
| Demand deposits (current accounts) | 6,703,778 | 4,661,209 | 6,703,763 | 4,661,159 |
| Savings deposits | 39,810,020 | 25,191,169 | 39,784,993 | 25,164,855 |
| Fixed deposits | 206,302,177 | 169,371,525 | 205,955,067 | 169,078,333 |
| Other deposits | 490,995 | 871,054 | 490,995 | 871,054 |
| Certificate of deposits | 2,111,783 | 838,979 | 2,111,783 | 838,979 |
| | 255,418,753 | 200,933,936 | 255,046,601 | 200,614,380 |
| By product- Foreign Currency | | | | |
| Demand deposits (current accounts) | 525,562 | 360,700 | 525,562 | 360,700 |
| Savings deposits | 25,173,852 | 25,656,648 | 25,172,674 | 25,651,322 |
| Fixed deposits | 14,398,908 | 20,806,572 | 14,382,486 | 20,802,176 |
| Other deposits | 235,180 | 29,118 | 235,180 | 29,118 |
| | 40,333,502 | 46,853,038 | 40,315,902 | 46,843,316 |
| Total | 295,752,255 | 247,786,974 | 295,362,503 | 247,457,696 |

Note 11. 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.

The Bank has issued 45,230,000 Basel III compliant, Subordinated, Listed, Rated, Unsecured, Redeemable 5 year and 7 year Debentures with a Non-Viability conversion option, each at an issue price (par value) of LKR 100/- to raise LKR 4,523,000,000/- (LKR Four Billion Five Hundred and Twenty Three Million.)

Note 12. Disclosures under Listing Rules

12.1 During the period, there were no material changes in the composition of assets, liabilities and contingent liabilities and use of funds 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 | |
|------------------------------|--------------------|-------------|
| | 30.09.2020 | 31.12.2019 |
| Number of shares of the Bank | 305,997,250 | 304,188,756 |

12.3 Market price of a share

| Information on shares of the Bank for the quarter ended | 30.09.2020 | 31.12.2019 |
|---|--------------|------------|
| - Highest price LKR | 75.00 | 99.90 |
| - Lowest price LKR | 57.00 | 86.10 |
| - Market price LKR | 69.90 | 91.90 |

12.4 Twenty Major Shareholders as at 30.09.2020

| | Name of Shareholder/Company | Shareholding | % |
|----|---|--------------|-------|
| 1 | Hatton National Bank PLC A/c No.1 | 45,624,242 | 14.91 |
| 2 | Bank of Ceylon No.2 - A/C (BOC PTF) | 38,266,153 | 12.51 |
| 3 | Mr.M.A. Yaseen | 30,599,724 | 10.00 |
| 4 | Sri Lanka Insurance Corporation Ltd-Life Fund | 27,741,118 | 9.07 |
| 5 | Employees Provident Fund | 24,513,876 | 8.01 |
| 6 | Melstacorp Plc | 22,516,691 | 7.36 |
| 7 | Seafeld International Limited | 17,822,125 | 5.82 |
| 8 | Mr.H.H. Abdulhusein | 8,000,000 | 2.61 |
| 9 | Renuka City Hotels Plc | 6,968,052 | 2.28 |
| 10 | People'S Leasing & Finance Plc / Don And Don Holdings (Private) Limited | 4,696,917 | 1.53 |
| 11 | Renuka City Hotels PLC | 4,097,577 | 1.34 |
| 12 | Employees Trust Fund Board | 4,011,661 | 1.31 |
| 13 | Seylan Bank Plc/Arcc Capital (Pvt) Ltd | 3,265,991 | 1.07 |
| 14 | Akbar Brothers Pvt Ltd A/C No 1 | 2,599,019 | 0.85 |
| 15 | Cargo Boat Development Company PLC | 2,513,052 | 0.82 |
| 16 | Sri Lanka Insurance Corporation Ltd-General Fund | 2,166,551 | 0.71 |
| 17 | Stassen Exports (Pvt) Limited | 1,908,067 | 0.62 |
| 18 | Anverally International (Pvt) Limited | 1,692,148 | 0.55 |
| 19 | Crescent Launderers And Dry Cleaners Pvt Limited | 1,491,362 | 0.49 |
| 20 | Mr. K.P.R.B De Silva | 1,424,516 | 0.47 |

12.5 Public Holdings as at 30.09.2020

| | |
|--|--------------------|
| Public holdings percentage | 62.56% |
| Number of Public shareholders | 11,191 |
| Float adjusted market capitalisation | LKR 13,380 million |
| Applicable option as per CSE Listing Rule 7.13.1 (a) | Option 1 |

12.6 Directors' Interests in Shares

| | No of Shares As at 30.09.2020 |
|----------------------------|-------------------------------------|
| P M B Fernando | 2,011 |
| S.R Thambiyah (Ms.) | Nil |
| V J Senaratne (Ms.) | 1,823 |
| L H A L Silva | 25,013 |
| L.K.A.H. Fernando (Ms.) | Nil |
| N.K.G.K. Nemmawatta | Nil |
| J. Durairatnam | Nil |
| N.H.T.I.Perera | 16,899 |
| H.M.N.S Gunawardana (Ms.) | Nil |
| H.A.J De Silva Wijeyeratne | 8,449 |

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 Unaudited financial statements of the Bank and the Group unless indicated as audited.

J. Durairatnam
Chairman

Lakshman Silva
Director & Chief Executive Officer

Chinthika Amarasekera
Chief Financial Officer

Listed Debentures

| Debtenture Category | Interest rate Frequency | Applicable Interest Rate % | Interest rate of Comparative Government Securities (Gross) p.a. % | Balance as at 30.09.2020 LKR 000 | Market price LKR | | | Yield Last Traded % | Last Traded Date |
|---------------------|-------------------------|----------------------------|---|----------------------------------|------------------|--------|-------------|---------------------|------------------|
| | | | | | Highest | Lowest | Last Traded | | |
| Fixed Rate | | | | | | | | | |
| 2016/2021 | Annually | 12.15 | 5.00 | 1,059,224 | N/T | N/T | N/T | N/A | N/A |
| 2016/2023 | Annually | 12.75 | 6.05 | 6,716,501 | N/T | N/T | N/T | N/A | N/A |
| 2018/2023 | Annually | 12.60 | 5.84 | 3,088,716 | N/T | N/T | N/T | N/A | N/A |
| 2018/2025 | Annually | 13.00 | 6.62 | 4,337,796 | N/T | N/T | N/T | N/A | N/A |
| 2019/2024 | Annually | 13.50 | 6.25 | 4,050,246 | N/T | N/T | N/T | N/A | N/A |
| 2019/2026 | Annually | 13.75 | 6.84 | 1,900,812 | N/T | N/T | N/T | N/A | N/A |
| 2019/2029 | Annually | 13.90 | 7.34 | 4,701,859 | N/T | N/T | N/T | N/A | N/A |

N/T -Not traded

Selected Performance Indicators

| | Bank | | Group | |
|--|--------------------|------------|-------------------|------------|
| | 30.09.2020 | 31.12.2019 | 30.09.2020 | 31.12.2019 |
| Regulatory Capital (LKR '000) | | | | |
| Common Equity Tier I | 34,681,131 | 34,824,554 | 34,459,408 | 34,908,304 |
| Tier 1 Capital | 34,681,131 | 34,824,554 | 34,459,408 | 34,908,304 |
| Total Capital | 47,954,962 | 48,542,925 | 47,733,239 | 48,626,675 |
| Regulatory Capital Ratios % | | | | |
| Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5%) | 10.869 | N/A | 10.768 | N/A |
| (Minimum Requirement - 7%) | N/A | 11.342 | N/A | 11.327 |
| Tier 1 Capital Ratio (Minimum Requirement - 8%) | 10.869 | N/A | 10.768 | N/A |
| (Minimum Requirement - 8.5%) | N/A | 11.342 | N/A | 11.327 |
| Total Capital Ratio (Minimum Requirement - 12%) | 15.029 | N/A | 14.916 | N/A |
| (Minimum Requirement - 12.5%) | N/A | 15.810 | N/A | 15.778 |
| Leverage Ratio (Minimum requirement is 3%) | 7.07 | 7.56 | 7.04 | 7.60 |
| Regulatory Liquidity | | | | |
| Statutory liquid assets LKR 000 | | | | |
| Domestic Banking Unit | 113,328,549 | 75,974,164 | | |
| Off-Shore Banking Unit | 12,744,669 | 14,690,750 | | |
| Statutory liquid assets ratio % (Minimum requirement 20%) | | | | |
| Domestic Banking Unit | 31.46 | 23.55 | | |
| Off-Shore Banking Unit | 45.76 | 53.07 | | |
| Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 90%) | 230.64 | 234.22 | | |
| Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 90%) | 175.96 | 140.53 | | |
| Net Stable Funding Ratio (%) (minimum requirement 90%) | 119.62 | 113.41 | | |
| Asset Quality | | | | |
| Non-performing loans and advances - Gross exposure % (Net of interest in suspense) | 5.42 | 4.85 | | |
| Non-performing loans and advances - Net exposure % (Net of interest in suspense and provisions) | 2.29 | 2.07 | | |
| Profitability | | | | |
| Interest margin % | 2.67 | 3.25 | | |
| Return on assets (profit before tax) % | 0.73 | 0.77 | | |
| Return on equity % | 4.23 | 4.54 | | |
| Other Ratios | | | | |
| Debt to equity ratio (times) | 1.99 | 2.03 | | |
| Interest cover (times) | 1.53 | 1.44 | | |

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 30 September 2020 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 | LKR 000 |
| Financial Assets | | | | | | | | |
| Cash and cash equivalents | - | - | 6,581,405 | 6,581,405 | - | - | 6,590,546 | 6,590,546 |
| Balances with Central Bank of Sri Lanka | - | - | 4,833,713 | 4,833,713 | - | - | 4,833,713 | 4,833,713 |
| Placements with banks | - | - | 7,455,920 | 7,455,920 | - | - | 7,456,811 | 7,456,811 |
| Derivative financial assets | 529,525 | - | - | 529,525 | 529,525 | - | - | 529,525 |
| Financial assets measured at fair value through profit or loss | 3,165,215 | - | - | 3,165,215 | 3,165,215 | - | - | 3,165,215 |
| Financial assets at amortised cost - Loans to and receivables from banks | - | - | 9,242,122 | 9,242,122 | - | - | 9,242,122 | 9,242,122 |
| Financial assets at amortised cost -Loans to and receivables from other customers | - | - | 298,224,346 | 298,224,346 | - | - | 298,224,346 | 298,224,346 |
| Financial assets at amortised cost - Debt and other instruments | - | - | 24,866,001 | 24,866,001 | - | - | 24,866,001 | 24,866,001 |
| Financial assets measured at fair value through other comprehensive income | - | 86,657,747 | - | 86,657,747 | - | 86,657,747 | - | 86,657,747 |
| Other assets | - | - | 2,182,598 | 2,182,598 | - | - | 2,296,612 | 2,296,612 |
| Total financial assets | 3,694,740 | 86,657,747 | 353,386,105 | 443,738,592 | 3,694,740 | 86,657,747 | 353,510,151 | 443,862,638 |
| Financial Liabilities | | | | | | | | |
| Due to banks | - | - | 17,173,867 | 17,173,867 | - | - | 17,173,867 | 17,173,867 |
| Derivative financial liabilities | 216,612 | - | - | 216,612 | 216,612 | - | - | 216,612 |
| Financial liabilities at amortised cost -Due to depositors | - | - | 295,752,255 | 295,752,255 | - | - | 295,362,503 | 295,362,503 |
| Financial liabilities at amortised cost - Due to other borrowers | - | - | 50,047,108 | 50,047,108 | - | - | 50,047,108 | 50,047,108 |
| Debt securities issued | - | - | 15,799,374 | 15,799,374 | - | - | 15,799,374 | 15,799,374 |
| Other liabilities | - | - | 4,324,472 | 4,324,472 | - | - | 4,600,475 | 4,600,475 |
| Subordinated term debt | - | - | 15,201,947 | 15,201,947 | - | - | 15,201,947 | 15,201,947 |
| Total financial liabilities | 216,612 | - | 398,299,023 | 398,515,635 | 216,612 | - | 398,185,274 | 398,401,886 |

| | 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 |
| Derivative financial assets | 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 |
| Derivative financial liabilities | 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 |

OPERATING SEGMENTS - GROUP

Information about reportable segments

| | Corporate Banking | | Retail Banking | | Central Treasury | | Other | | Total | |
|---|-------------------|-------------------|-------------------|-------------------|------------------|------------------|----------------|----------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | LKR.'000 | LKR.'000 | LKR.'000 | LKR.'000 | LKR.'000 | LKR.'000 | LKR.'000 | LKR.'000 | LKR.'000 | LKR.'000 |
| External revenue | | | | | | | | | | |
| Interest income | 8,948,935 | 10,090,889 | 14,760,725 | 15,316,822 | 5,267,521 | 5,462,834 | - | - | 28,977,181 | 30,870,545 |
| Net fees and commission income | 370,714 | 351,260 | 869,433 | 915,306 | - | - | - | - | 1,240,147 | 1,266,566 |
| Net (loss) / (gain) from trading | - | - | - | - | 333,605 | (172,133) | - | - | 333,605 | (172,133) |
| Net gain / (loss) from financial instruments at fair value through profit or loss | - | - | - | - | (433,163) | (2,526,149) | - | - | (433,163) | (2,526,149) |
| Net gain from derecognition of financial assets | | | | | 306,471 | 115,668 | - | - | 306,471 | 115,668 |
| Other (losses) / income - net | 148,423 | 2,333 | 14,960 | 14,722 | 499,988 | 883,487 | 500,647 | 458,159 | 1,164,018 | 1,358,701 |
| Income from external customers | 9,468,072 | 10,444,482 | 15,645,118 | 16,246,850 | 5,974,422 | 3,763,707 | 500,647 | 458,159 | 31,588,259 | 30,913,198 |
| Inter segment revenue | (6,226) | (8,266) | (21,855) | (21,912) | - | - | (242,597) | (191,570) | (270,678) | (221,748) |
| Total segment revenue | 9,461,846 | 10,436,216 | 15,623,263 | 16,224,938 | 5,974,422 | 3,763,707 | 258,050 | 266,589 | 31,317,581 | 30,691,450 |
| Segment assets | 130,648,106 | 122,690,951 | 163,580,912 | 145,599,657 | 137,087,597 | 120,008,217 | 738,328 | 1,157,932 | 432,054,943 | 389,456,757 |
| Segment liabilities | 81,675,199 | 62,728,014 | 199,695,269 | 151,879,722 | 100,290,979 | 98,740,853 | 30,880 | 421,647 | 381,692,327 | 313,770,236 |
| Information on cash flows | | | | | | | | | | |
| Cash flows from operating activities | | | | | | | | | 19,006,395 | (30,688,542) |
| Cash flows from investing activities | | | | | | | | | (4,464,536) | (6,275,135) |
| Cash flows from financing activities | | | | | | | | | (6,154,302) | 36,491,636 |
| Net cash flows generated during the year period | | | | | | | | | 8,387,557 | (472,041) |
| Capital expenditure: | | | | | | | | | | |
| Property, plant and equipment | 148 | 75 | 134,666 | 60,650 | 3,183 | 783 | 53,575 | 45,316 | 191,572 | 106,824 |
| Intangible assets | - | - | 198 | 13,854 | - | - | 126,395 | 67,091 | 126,593 | 80,945 |

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

| | 2020 | 2019 |
|---|--------------------|--------------------|
| | Rs.'000 | Rs.'000 |
| i. Revenues | | |
| Total revenue for reportable segments | 31,588,259 | 30,913,198 |
| Unallocated amounts | 1,966,914 | 1,275,977 |
| Elimination of inter-segment revenue | (270,678) | (221,748) |
| Consolidated revenue | 33,284,495 | 31,967,427 |
| ii. Assets | | |
| Total assets for reportable segments | 432,054,943 | 389,456,757 |
| Other unallocated amounts | 21,097,645 | 15,010,380 |
| Consolidated total assets | 453,152,588 | 404,467,137 |
| iii. Liabilities | | |
| Total liabilities for reportable segments | 381,692,328 | 313,770,238 |
| Other unallocated amounts | 20,298,320 | 42,003,851 |
| Consolidated total liabilities | 401,990,648 | 355,774,089 |

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.

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 include 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, interest rate 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 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. The fair value of unquoted unit trusts is determined by using the daily prices published by the unit trust managers.

(c) Financial Assets at Fair Value through Other Comprehensive Income

Treasury bills and bonds included under financial assets at fair value through other comprehensive income are valued using Central Bank published rates. Other securities which are listed in the Colombo Stock Exchange are valued by referring to the quoted prices. The fair value of unquoted equity shares is determined using the net asset value of the unquoted equity shares.

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 data.

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 30 September 2020 | Level 1 LKR 000 | Level 2 LKR 000 | Level 3 LKR 000 | Total LKR 000 |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Financial Assets | | | | |
| Derivative assets held-for-risk management | | | | |
| Forward foreign exchange contracts | | 529,525 | | 529,525 |
| Financial assets measured at fair value through profit or loss | | | | - |
| Equity securities - quoted | 134,060 | | | 134,060 |
| Units in Unit Trusts - Quoted | 515,227 | | | 515,227 |
| Units in Unit Trusts - Unquoted | | 2,515,928 | | 2,515,928 |
| Financial assets measured at fair value through other comprehensive income | | | | - |
| Government of Sri Lanka Treasury Bills and Bonds | 73,880,139 | | | 73,880,139 |
| Sri Lanka Sovereign bonds | 713,715 | | | 713,715 |
| Equity securities - Quoted | 11,863,036 | | | 11,863,036 |
| Equity securities - Unquoted | | | 200,357 | 200,357 |
| Preference shares | | | 500 | 500 |
| | 87,106,177 | 3,045,453 | 200,857 | 90,352,487 |
| Financial Liabilities | | | | |
| Derivative liabilities held-for-risk management | | | | |
| Forward foreign exchange contracts | | 216,612 | | 216,612 |
| | | 216,612 | | 216,612 |
| As at 31 December 2019 | | | | |
| | Level 1 LKR 000 | Level 2 LKR 000 | Level 3 LKR 000 | Total LKR 000 |
| Financial Assets | | | | |
| Derivative assets held-for-risk management | | | | |
| Forward foreign exchange contracts | | 631,438 | | 631,438 |
| Financial assets measured at fair value through profit or loss | | | | |
| Equity securities - quoted | 4,777,423 | | | 4,777,423 |
| Units in Unit Trusts - Quoted | 3,740 | | | 3,740 |
| Units in Unit Trusts - Unquoted | | 525,903 | | 525,903 |
| Financial assets measured at fair value through other comprehensive income | | | | - |
| Government of Sri Lanka Treasury Bills and Bonds | 61,442,296 | | | 61,442,296 |
| Sri Lanka Sovereign bonds | 2,260,552 | | | 2,260,552 |
| Equity securities - Quoted | 8,812,702 | | | 8,812,702 |
| Equity securities - Unquoted | | | 200,357 | 200,357 |
| Preference shares | | | 500 | 500 |
| | 77,296,713 | 1,157,341 | 200,857 | 78,654,911 |
| Financial Liabilities | | | | |
| Derivative liabilities held-for-risk management | | | | |
| Forward foreign exchange contracts | | 518,731 | | 518,731 |
| | | 518,731 | | 518,731 |

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 30th Sep 2020 | | As at 31st Dec 2019 | |
|--|---------------------|-------------|---------------------|-------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | |
| Cash and cash equivalents | 6,581,405 | 6,581,405 | 5,450,209 | 5,450,209 |
| Balances with Central Bank of Sri Lanka | 4,833,713 | 4,833,713 | 8,666,547 | 8,666,547 |
| Placements with banks | 7,455,920 | 7,455,920 | 165,030 | 165,030 |
| Financial assets at amortised cost - Loans to and receivables from banks | 9,242,122 | 9,242,122 | 8,403,175 | 8,403,175 |
| Financial assets at amortised cost - Loans to and receivables from other customers | 298,224,346 | 302,040,922 | 269,198,869 | 272,818,311 |
| Financial assets at amortised cost - Debt and other instruments | 24,866,001 | 24,688,852 | 22,255,897 | 21,743,857 |
| Other assets | 2,182,598 | 2,182,598 | 2,148,567 | 2,148,567 |
| Financial Liabilities | | | | |
| Due to banks | 17,173,867 | 17,173,867 | 24,594,828 | 24,594,828 |
| Financial liabilities at amortised cost - Due to depositors | 295,752,255 | 295,376,934 | 248,066,585 | 247,786,974 |
| Financial liabilities at amortised cost - Due to other borrowers | 50,047,108 | 50,047,108 | 47,307,556 | 47,307,556 |
| Debt securities issued | 15,799,374 | 13,650,159 | 14,708,677 | 14,148,198 |
| Other liabilities | 4,324,472 | 4,324,472 | 3,786,445 | 3,786,445 |
| Subordinated term debt | 15,201,947 | 13,470,549 | 17,389,799 | 16,859,914 |

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 | |
| | 30 September 2020 LKR '000' | 31 December 2019 LKR '000' |
| Balance at the beginning of the period | 200,357 | 188,789 |
| Purchased during the period | - | 1,000 |
| Gain included in OCI | | |
| - Net change in fair value (unrealised) | - | 10,568 |
| Balance at end of the period | 200,357 | 200,357 |

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 LKR '000' | Decrease LKR '000' |
| Equity securities as at 30.09.2020 | | |
| Adjusted net assets value (5% movement) | 10,018 | (10,018) |