



Financial Results for the Year ended 31 December 2020

- Deposits grew by LKR 62 Bn to 310Bn (25% growth)
- Advances grew by LKR 29 Bn to 302Bn (11% growth)
- DFCC Group recorded a PAT of LKR 2.8 Bn for the year 2020.
- Tier I Capital ratio of the Bank is 10.82% as at 31 December 2020.
- Impairment charge of 3.3 Bn for the year 2020.
- Dividend per share of LKR 3.00 for the year 2020.

Despite the adverse macro-economic challenges faced, DFCC Bank concluded the year ended 31 December 2020 with sound performance and growth. Whilst the country was in the process of recovering from the incidents of 2019, the banking industry in particular, being an essential service, was flung into unprecedented market conditions in the wake of the global COVID-19 pandemic. With the industry encountering various challenges from the first quarter, 2020 has been a year full of trials, having to work under the new normal. With many interruptions, the period between June to October before the second wave of COVID noticed a significant growth momentum and development.

DFCC Bank was equipped with a readiness to handle each market situation, putting adaptability and customer-centricity to the forefront of each business process. Every effort was made to ensure that customers experienced uninterrupted banking facilities whilst significant changes were made to working arrangements in order to deliver a seamless banking experience.

DFCC Bank adapted to the ‘new normal’, innovating wherever possible and digitizing processes in order to cater to an ever-evolving market. The Bank introduced several concessionary schemes to its clientele in accordance with the Directions/ Guidelines of Central Bank of Sri Lanka extending financial and advisory support to all segments of customers.

The following commentary relates to the Audited Financial Statements for the year ended 31 December 2020, presented in accordance with Sri Lanka Accounting Standard 34 (LKAS 34) on “Interim Financial Statements”.

Financial Performance

Gross Income

Regardless of today’s challenging environment, the Bank was able to maintain its overall income level in 2020. The Bank’s total income for the year 2020 was LKR 43,300 Mn compared to the previous period of LKR 43,297 Mn. The interest income amounts to 90% of the total income of the Bank.

Fee and Commission Income

The slowdown of the economic activities and relief measures introduced has had serious implications to the fee and commission income of the Banking industry. However, the concentrated effort to increase non-funded business has materialized with a slight increase to LKR 2,061 Mn for the year ended 31 December 2020 from LKR 2,046 Mn in the comparative period despite the adverse impact of the COVID-19 pandemic and reduction of some fees and charges by the Bank as required by the regulator.

Net Interest Income

The Bank recorded a LKR 11,007 Mn in net interest income (NII) which is a 13% decline year on year primarily due to a drop in AWPLR more than 400 bps over the past 12 months and due to the business implications that arose after 18 March 2020 resulting from the pandemic situation and various measures introduced by Central Bank of Sri Lanka including concessions granted as pandemic relief to borrowers. As a result, the interest margin decreased to 2.53% in December 2020 from 3.25% in December 2019.

Impairment Charge on Loans and Other Losses

Due to the uncertain economic outlook and the potential future impacts of COVID-19 on our lending portfolio, DFCC Bank placed additional focus on Expected Credit Loss (ECL) provision based on the internal models, management overlay computed based on stress testing the exposures to risk elevated sectors and the moratorium schemes introduced to support the recovery of the economy. The Bank also considered the long-term economic trend in calculating the impairment provision in line with the guideline issued by the Institute of Chartered Accountants of Sri Lanka as the economic downturn cannot be reasonably estimated. With the above, DFCC Bank continued to be prudent as in the past in assessing the quality of the credit portfolio and making adequate provisions. DFCC Bank's non-performing loans (NPL) ratio moved up to 5.56% in December 2020 from 4.85% in December 2019 in line with the overall banking sector growth in NPLs. Considering all these factors, Bank's total impairment charge increased by 98% from LKR 1,669 Mn to LKR 3,298 Mn for the year ended 31 December 2020. Furthermore, as the impacts of the COVID-19 pandemic will continue to be felt for some time, the Bank continues to closely monitor its loan portfolio and provisioning levels.

Operating Expenses

As a result of effective cost management procedures followed under the pandemic environment, the Bank was successful in recording a decline of 2% in total operating expenses to LKR 7,387 Mn in year 2020. This was achieved while introducing many safety measures across the branch network in order to provide a seamless service to customers and to secure a safe 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 zero impact on banking operations. During the year, the Bank created multiple channels for service delivery to access customers and provide uninterrupted services during this pandemic situation which also contributed towards an increase in revenue streams, deposits and the Bank's customer base. Careful monitoring and effective cost

control measures adopted during the year helped to reduce the operating expenses to this level and resulted in a cost to income ratio of 48.97% for 2020.

Profitability

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).

DFCC Bank PLC, the largest entity within the Group, reported a profit before tax (PBT) of LKR 3,398 Mn and a profit after tax (PAT) of LKR 2,388 Mn for the year ended 31 December 2020. This compares with a PBT of LKR 2,989 Mn and a PAT of LKR 2,074 Mn in the previous year. However, profit recorded in the comparable period includes the net fair value loss on investment in Commercial Bank's equity securities of LKR 754 Mn. 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 focus more on its efforts to ensure core business profitability.

The Group recorded a PBT of LKR 3,944 Mn and PAT of LKR 2,847 Mn for the year ended 31 December 2020 as compared to LKR 3,308 Mn and LKR 2,300 Mn respectively in 2019. All the member entities of the Group made positive contributions to this performance.

The basic earnings per ordinary share (EPS) of the Bank improved to LKR 7.83 in 2020 from LKR 7.14 in 2019 recording an increase of 9.7%. DFCC declared a final dividend of LKR 3.00 per share in the form of a scrip dividend for the year 2020. The Bank's Return on Equity (ROE) improved to 4.93% in 2020 from 4.54% in 2019. The Bank's Return on Assets (ROA) before tax was 0.78% and maintained at the same level as the previous year.

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 1,533 Mn and a net fair value gain of LKR 2,617 Mn 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.

Balance Sheet Growth and Funding

Assets

Despite the challenges faced by the Economy and Banking Sector, DFCC Bank's total assets increased by LKR 60,180 Mn recording a growth of 15% from December 2019. This constitutes a loan portfolio growth of LKR 29,091 Mn to LKR 301,909 Mn compared to LKR 272,818 Mn as at 31 December 2019 recording an increase of 11%. Following the Bank's prudent lending policies, it did not pursue aggressive growth particularly to sectors that exhibited stress. The Bank has implemented a number of relief schemes in line with the directives from the Central Bank of Sri Lanka to support those customers affected. This includes over 1,826 Saubagya Covid-19 working capital loans amounting

LKR 10 Bn approved for affected customers. The Bank's net asset value per share grew by 3% to LKR 161.30 from LKR 156.09 in 2019.

Liabilities

The liabilities increased by 16% over the previous year to LKR 415,720 Mn as at the year end with a significant growth in customer deposits by 25% amounting to LKR 62,240 Mn. Accordingly, DFCC Bank was able to record a loan to deposit ratio of 97.38%.

The Bank's CASA ratio, which represents the proportion of low cost deposits in the total deposits of the Bank, was 23.8% as at 31 December 2020. Funding costs for DFCC Bank were also contained due to access to medium to long-term concessionary credit lines. When these concessionary term borrowings are considered, the ratio improved to 30.19% as at 31 December 2020.

DFCC Bank continued its approach to tap local and foreign currency related, long to medium-term borrowing opportunities.

Equity and Compliance with Capital Requirements

DFCC Bank's total equity increased to LKR 49,357 Mn as at 31 December 2020 from LKR 47,480 Mn in December 2019. The main contributor to the increase was the growth in retained earnings by LKR 1,424 Mn.

The bank expects the debt moratorium and concessionary working capital loans introduced by the Central Bank of Sri Lanka to help businesses recommence operations and reach normalcy soon. However, reduction in the cash flows from moratoriums and delayed payments by customers who did not enjoy moratoriums would likely contribute towards 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. As a further reinforcement to Tier II Capital requirements, the Bank has issued a listed, rated, unsecured, subordinated, redeemable debenture of LKR 4.5 Bn during the 4th Quarter of year 2020. 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 31 December 2020, the Bank recorded Tier 1 and total capital adequacy ratios of 10.82% and 15.76%, respectively, which is well above the minimum regulatory requirements of 8% and 12% including Capital Conservation buffer of 2%.

As we move ahead it is to be noted that the banking sector underwent a phase of digital transformation over the recent past and this has now been accelerated with the need to be accessible during an unforeseen situation. DFCC will continue to provide solutions to customer transactions while operating remotely thus creating opportunity to convert the traditional customer to a modern and digitally enabled one. The banking sector can remodel their operations where the brick and mortar infrastructure that is already in place will concentrate more on adding value towards selling banking products and services rather than dealing with transactions thus increasing customer engagement and building and enhancing customer relationships.

Lakshman Silva
Director/Chief Executive Officer

17 February 2021

DFCC Bank PLC
Income Statement

Notes	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %
Gross Income	43,299,800	43,297,015	0	10,283,210	11,329,588	(9)	43,604,447	43,648,287	(0)	10,319,953	11,412,672	(10)
Interest income	39,089,986	42,060,055	(7)	9,173,322	10,413,750	(12)	39,095,445	42,062,054	(7)	9,168,926	10,414,151	(12)
Interest expense	28,083,159	29,397,598	(4)	6,716,915	7,269,269	(8)	28,052,259	29,363,105	(4)	6,713,743	7,264,954	(8)
Net interest income	11,006,827	12,662,457	(13)	2,456,407	3,144,481	(22)	11,043,186	12,698,949	(13)	2,455,183	3,149,197	(22)
Fee and commission income	2,193,474	2,165,314	1	649,489	697,693	(7)	2,192,557	2,162,006	1	649,369	694,622	(7)
Fee and commission expenses	132,157	119,603	10	23,723	26,282	(10)	132,157	119,603	10	23,723	26,282	(10)
Net fee and commission income	2,061,317	2,045,711	1	625,766	671,411	(7)	2,060,400	2,042,403	1	625,646	668,340	(6)
Net gain/(loss) from trading	479,153	(87,116)	650	145,548	85,017	71	479,153	(87,116)	650	145,548	85,017	71
Net loss from financial instruments at fair value through profit or loss	(497,931)	(2,633,183)	81	(64,768)	(107,034)	39	(497,931)	(2,633,183)	81	(64,768)	(107,034)	39
Net gains from derecognition of financial assets												
Fair value through profit or loss	5,102	99,040	(95)	-	94,222	(100)	5,102	99,040	(95)	-	94,222	(100)
Fair value through other comprehensive income	505,284	110,850	356	203,916	-	100	505,284	110,850	356	203,916	-	100
Net other operating income	1,524,732	1,582,055	(4)	175,703	145,940	20	1,824,837	1,934,636	(6)	216,962	231,694	(6)
Total operating income	15,084,484	13,779,814	9	3,542,572	4,034,037	(12)	15,420,031	14,165,579	9	3,582,487	4,121,436	(13)
Impairment charge for loans and other losses												
Loans to and receivables from other customers	2,940,811	1,590,393	85	499,441	793,097	(37)	2,970,811	1,610,793	84	529,441	813,497	(35)
Other financial assets	371,671	20,206	1,739	167,091	71,281	134	371,671	20,206	1,739	167,091	71,281	134
Others	(14,590)	58,314	(125)	(29,744)	9,192	(424)	(14,590)	58,314	(125)	(29,744)	9,192	(424)
Net operating income	11,786,592	12,110,901	(3)	2,905,784	3,160,467	(8)	12,092,139	12,476,266	(3)	2,915,699	3,227,466	(10)
Operating expenses												
Personnel expenses	3,399,704	3,724,407	(9)	742,550	1,012,513	(27)	3,588,172	3,894,734	(8)	789,066	1,051,862	(25)
Depreciation and amortisation	919,657	843,656	9	239,538	247,675	(3)	970,958	901,410	8	252,257	264,719	(5)
Other expenses	3,067,229	3,005,111	2	928,460	875,440	6	2,995,346	3,014,501	(1)	890,100	861,580	3
Total operating expenses	7,386,590	7,573,174	(2)	1,910,548	2,135,628	(11)	7,554,476	7,810,645	(3)	1,931,423	2,178,161	(11)
Operating profit before taxes on financial services	4,400,002	4,537,727	(3)	995,234	1,024,839	(3)	4,537,663	4,665,621	(3)	984,276	1,049,305	(6)
Taxes on financial services	1,001,562	1,548,462	(35)	232,969	391,661	(41)	1,001,562	1,548,462	(35)	232,969	391,661	(41)
Operating profit after taxes on financial services	3,398,440	2,989,265	14	762,265	633,178	20	3,536,101	3,117,159	13	751,307	657,644	14
Share of profits of associate and joint venture	-	-	-	-	-	-	407,785	191,281	113	130,105	48,137	170
Profit before income tax	3,398,440	2,989,265	14	762,265	633,178	20	3,943,886	3,308,440	19	881,412	705,781	25
Income tax expense	1,010,405	915,397	10	125,281	153,228	(18)	1,097,101	1,008,146	9	144,802	170,286	(15)
Profit for the year	2,388,035	2,073,868	15	636,984	479,950	33	2,846,785	2,300,294	24	736,610	535,495	38
Profit attributable to:												
Equity holders of the Bank	2,388,035	2,073,868	15	636,984	479,950	33	2,744,961	2,213,529	24	716,477	516,138	39
Non-controlling interests	-	-	-	-	-	-	101,824	86,765	17	20,133	19,357	4
Profit for the year	2,388,035	2,073,868	15	636,984	479,950	33	2,846,785	2,300,294	24	736,610	535,495	38
Basic/Diluted earnings per ordinary share (LKR)	7.83	7.14	10	2.08	1.81	15	9.00	7.62	18	2.34	2.02	16

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

	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %	31.12.2020 LKR 000 (Audited)	31.12.2019 LKR 000 (Audited)	Change %
Profit for the year	2,388,035	2,073,868	15	636,984	479,950	33	2,846,785	2,300,294	24	736,610	535,495	38
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	2,563,943	2,259,672	13	(866,728)	450,810	(292)	2,563,943	2,259,672	13	(866,728)	474,717	(283)
Reclassified to income statement	52,918	(134,095)	139	22,219	53	41,823	52,918	(134,095)	139	22,219	(23,854)	193
Share of other comprehensive income/ (expense) of equity accounted associate and joint venture	-	-	-	-	-	-	26,284	(2,222)	1,283	4,507	2,382	89
Movement in hedging reserve:												
Cash flow hedge - effective portion of changes in fair value	(13,622)	(410,906)	97	58,227	(138,635)	142	(13,622)	(410,906)	97	58,227	(138,635)	142
Cash flow hedge - reclassified to income statement	15,420	14,299	8	32,768	192,031	(83)	15,420	14,299	8	32,768	192,031	(83)
Related deferred tax	(777,899)	(480,708)	(62)	181,629	(137,165)	232	(777,899)	(480,708)	(62)	181,629	(137,165)	232
Total other comprehensive income that are or may be reclassified subsequently to income statement	1,840,760	1,248,262	47	(571,885)	367,094	(256)	1,867,044	1,246,040	50	(567,378)	369,476	(254)
Items that will not be reclassified to income statement												
Losses on remeasurement of defined benefit assets	(37,766)	(32,672)	(16)	(37,766)	(32,672)	(16)	(36,738)	(32,016)	(15)	(36,738)	(31,967)	(15)
Equity investments at fair value through other comprehensive income - net change in fair value	(1,533,286)	(1,563,978)	2	433,466	(163,946)	364	(1,533,286)	(1,563,978)	2	433,466	(163,946)	364
Share of other comprehensive income of equity accounted associate and joint venture	-	-	-	-	-	-	483	972	(50)	509	972	(48)
Related deferred tax	(26,297)	23,716	(211)	(26,297)	23,716	(211)	(26,322)	23,672	(211)	(26,322)	23,657	(211)
Total other comprehensive (expenses)/income on items that will not be reclassified to income statement	(1,597,349)	(1,572,934)	(2)	369,403	(172,902)	314	(1,595,863)	(1,571,350)	(2)	370,915	(171,284)	317
Other comprehensive income/(expense) for the year , net of tax	243,411	(324,672)	175	(202,482)	194,192	(204)	271,181	(325,310)	183	(196,463)	198,192	(199)
Total comprehensive income for the year	2,631,446	1,749,196	50	434,502	674,142	(36)	3,117,966	1,974,984	58	540,147	733,687	(26)
Total comprehensive income attributable to:												
Equity holders of the Bank	2,631,446	1,749,196	50	434,502	674,142	(36)	3,016,443	1,888,343	60	520,315	714,437	(27)
Non-controlling interests	-	-	-	-	-	-	101,523	86,641	17	19,832	19,250	3
Total comprehensive income for the Year	2,631,446	1,749,196	50	434,502	674,142	(36)	3,117,966	1,974,984	58	540,147	733,687	(26)

DFCC Bank PLC
Statement of Financial Position

As at	Bank			Group		
	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000	Change %	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000	Change %
Assets						
Cash and cash equivalents	7,724,364	5,450,209	42	7,728,969	5,459,359	42
Balances with Central Bank of Sri Lanka	4,901,753	8,666,547	(43)	4,901,753	8,666,547	(43)
Placements with banks	15,414,287	165,030	9,240	15,431,962	200,441	7,599
Derivative financial assets	835,464	631,438	32	835,464	631,438	32
Financial assets measured at fair value through profit or loss	609,717	5,307,066	(89)	609,717	5,307,066	(89)
Financial assets at amortised cost - Loans to and receivables from banks	4,152,717	-	100	4,152,717	-	100
Financial assets at amortised cost -Loans to and receivables from other customers	9 301,909,337	272,818,311	11	301,909,337	272,818,311	11
Financial assets at amortised cost - Debt and other instruments	31,604,175	30,147,032	5	31,604,175	30,147,032	5
Financial assets measured at fair value through other comprehensive income	88,718,002	72,716,407	22	88,718,002	72,716,407	22
Investments in subsidiaries	217,435	187,436	16	-	-	-
Investments in associate	35,270	35,270	-	31,699	31,293	1
Investments in joint venture	755,000	755,000	-	2,449,262	2,065,116	19
Investment property	9,879	9,879	-	345,857	466,977	(26)
Property, plant and equipment	3,406,600	3,230,843	5	3,587,019	3,312,641	8
Intangible assets and goodwill	1,713,052	1,184,659	45	1,884,806	1,362,149	38
Deferred tax asset	-	308,853	(100)	2,919	314,029	(99)
Other assets	3,070,235	3,283,300	(6)	3,153,277	3,372,786	(7)
Asset held for sale	-	-	-	19,600	40,000	(51)
Total assets	465,077,287	404,897,280	15	467,366,535	406,911,592	15
Liabilities						
Due to banks	14,909,937	24,594,828	(39)	14,909,937	24,594,828	(39)
Derivative financial liabilities	267,883	518,731	(48)	267,883	518,731	(48)
Financial liabilities at amortised cost - Due to depositors	10 310,026,892	247,786,974	25	309,566,423	247,457,696	25
Financial liabilities at amortised cost - Due to other borrowers	46,847,076	47,307,556	(1)	46,847,076	47,307,556	(1)
Debt securities in issue	16,291,279	14,148,198	15	16,291,279	14,148,198	15
Retirement benefit obligation	643,118	561,104	15	671,041	586,351	14
Current tax liabilities	1,012,645	581,269	74	1,081,864	648,178	67
Deferred tax liability	243,949	-	100	341,691	96,714	253
Other liabilities	6,119,854	5,059,187	21	6,323,094	5,266,934	20
Subordinated term debt	19,357,497	16,859,914	15	19,357,497	16,859,914	15
Total liabilities	415,720,130	357,417,761	16	415,657,785	357,485,100	16
Equity						
Stated capital	7,682,465	7,530,371	2	7,682,465	7,530,371	2
Statutory reserve	2,583,968	2,461,968	5	2,583,968	2,461,968	5
Retained earnings	19,652,169	18,228,086	8	23,061,084	21,278,288	8
Other reserves	19,438,555	19,259,094	1	18,098,644	17,892,900	1
Total equity attributable to equity holders of the Bank	49,357,157	47,479,519	4	51,426,161	49,163,527	5
Non-controlling interests	-	-	-	282,589	262,965	7
Total equity	49,357,157	47,479,519	4	51,708,750	49,426,492	5
Total equity and liabilities	465,077,287	404,897,280	15	467,366,535	406,911,592	15
Contingent liabilities and commitments	130,764,147	130,590,400	0	130,764,147	130,590,400	0
Net assets value per share, LKR	161.30	156.09	3	168.06	161.62	4

Memorandum Information	Bank		Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Number of Employees	2,072	2,076	2,182	2,192
Number of Branches (Including Service centres)	139	139		

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 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							
Forfeiture of unclaimed dividends	-	-	-	-	-	6,474	6,474
Final dividend for 2018 - Cash	-	-	-	-	-	(927,841)	(927,841)
Rights Issue	2,814,557	-	-	-	-	(9,250)	2,805,307
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
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 year	-	-	-	-	-	2,388,035	2,388,035
Other comprehensive income/(expenses), net of tax	-	-	306,180	1,294	-	(64,063)	243,411
Total comprehensive income for the year	-	-	306,180	1,294	-	2,323,972	2,631,446
Transfers	-	122,000	-	-	-	(122,000)	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(128,013)	-	-	128,013	-
Transactions with equity holders of the Bank, recognised directly in equity							
Forfeiture of unclaimed dividends	-	-	-	-	-	6,664	6,664
Final dividend for 2019 – Scrip	152,094	-	-	-	-	(152,094)	-
Final dividend for 2019 – Cash	-	-	-	-	-	(760,472)	(760,472)
Total contributions from and distribution to equity holders	152,094	-	-	-	-	(905,902)	(753,808)
Balance as at 31 December 2020	7,682,465	2,583,968	5,882,811	(224,095)	13,779,839	19,652,169	49,357,157

Statement of Changes in Equity

Group	Attributable to the equity holders of the Bank									Total equity
	Stated Capital	Statutory reserve		Other reserves			Retained earnings	Total	Non- controlling interests	
		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	
Balance as 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	86,765	2,300,294
Other comprehensive expense, net of tax	-	-	(27,922)	(4,458)	(285,557)	-	(7,249)	(325,186)	(123)	(325,309)
Total comprehensive (expense) / income for the year	-	-	(27,922)	(4,458)	(285,557)	-	2,206,280	1,888,343	86,642	1,974,985
Transfers	-	103,693	-	-	-	-	(103,693)	-	-	-
Transfer of gains 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										
Forfeiture of unclaimed dividends	-	-	-	-	-	-	6,474	6,474	-	6,474
Change in holding through joint venture	-	-	-	-	-	-	33	33	-	33
Final dividend for 2018 - Cash	-	-	-	-	-	-	(927,841)	(927,841)	-	(927,841)
Rights issue	2,814,557	-	-	-	-	-	(9,250)	2,805,307	-	2,805,307
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	262,966	49,426,493
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 year	-	-	-	-	-	-	2,744,961	2,744,961	101,824	2,846,785
Other comprehensive income/(expense), net of tax	-	-	307,786	24,677	1,294	-	(62,276)	271,481	(300)	271,181
Total comprehensive income for the year	-	-	307,786	24,677	1,294	-	2,682,685	3,016,442	101,524	3,117,966
Transfers	-	122,000	-	-	-	-	(122,000)	-	-	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(128,013)	-	-	-	128,013	-	-	-
Transactions with equity holders of the Bank, recognized directly in equity										
Forfeiture of unclaimed dividends	-	-	-	-	-	-	6,664	6,664	-	6,664
Final dividend for 2019 – Scrip	152,094	-	-	-	-	-	(152,094)	-	-	-
Final dividend for 2019 – Cash	-	-	-	-	-	-	(760,472)	(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	-	-	-	-	-	(905,902)	(753,808)	(81,900)	(835,708)
Balance as at 31 December 2020	7,682,465	2,583,968	4,439,846	103,054	(224,095)	13,779,839	23,061,084	51,426,161	282,589	51,708,750

Statement of Cash Flows

For the year ended 31 December	Bank		Group	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Cash flows from operating activities				
Interest receipts	30,020,544	29,371,405	30,016,182	29,367,300
Interest payments	(28,898,275)	(29,442,467)	(28,867,010)	(29,410,377)
Net commission receipts	2,194,100	2,214,658	2,194,100	2,214,658
Net trading income	33,140	1,227,843	33,140	1,227,843
Recoveries from loans previously written off	42,021	7,601	42,021	7,601
Receipts from other operating activities	3,220,616	1,989,230	3,942,850	2,587,700
Payments on other operating activities	(3,235,643)	(2,987,378)	(3,539,577)	(3,343,283)
Cash payments to employees	(3,509,801)	(3,688,837)	(3,509,801)	(3,688,837)
Taxes on financial services	(1,028,489)	(1,594,710)	(1,028,489)	(1,594,710)
Operating Cash flows before changes in operating assets and liabilities	(1,161,787)	(2,902,655)	(716,584)	(2,632,105)
(Increase)/ decrease in operating assets:				
Balances with Central Bank / deposits held for regulatory or monetary control purposes	3,764,794	3,175,265	3,764,794	3,175,265
Financial assets at amortised cost - Loans to and receivables from other customers	(31,967,075)	(23,535,476)	(31,967,075)	(23,535,476)
Others	910,313	60,113	833,751	71,913
Increase /(decrease) in operating liabilities:				
Financial liabilities at amortised cost - Due to depositors	60,833,677	6,061,028	60,451,771	5,799,500
Negotiable certificates of deposits	1,576,253	289,308	1,576,253	289,308
Others	(1,492,634)	2,807,301	(1,334,358)	3,103,016
Net cash flows (used in)/from operating activities before income tax	32,463,541	(14,045,116)	32,608,552	(13,728,579)
Income tax paid	(615,096)	(1,691,938)	(671,516)	(1,747,401)
Net cash flows (used in)/from operating activities	31,848,445	(15,737,054)	31,937,036	(15,475,980)
Cash flows from investing activities				
Dividends received from investment in subsidiaries, joint venture, and associate	139,276	152,376	50,000	75,500
Dividend received from other investments	419,077	550,774	419,076	550,774
Interest received	8,094,360	7,502,423	8,134,721	7,530,566
Government Securities- net	(16,828,764)	(14,116,047)	(16,828,764)	(14,116,047)
Proceeds from sale and redemption of securities	5,580,763	1,803,369	5,601,163	1,828,466
Purchase of financial investments	(3,040,582)	(338,003)	(3,040,582)	(338,003)
Purchase of property , equipment ,intangibles and investment property	(1,761,511)	(982,654)	(1,761,967)	(1,026,160)
Proceeds from sale of equipment and investment property	-	26,796	-	26,777
Net cash flows used in investing activities	(7,397,381)	(5,400,966)	(7,426,353)	(5,468,127)
Cash flows from financing activities				
Issue of new shares under Right Issue	-	2,814,557	-	2,814,557
Issue of debentures	9,523,000	10,000,000	9,523,000	10,000,000
Redemption of debentures	(5,000,000)	(5,315,450)	(5,000,000)	(5,315,450)
Borrowing , medium and long - term	16,212,712	8,769,273	16,212,712	8,769,273
Other borrowings - net	(14,571,228)	13,314,573	(14,571,228)	13,314,573
Repayment of borrowing ,medium and long - term	(12,334,236)	(7,365,360)	(12,334,236)	(7,365,360)
Dividends paid	(757,900)	(929,050)	(839,800)	(1,103,236)
Net Cash flows from financing activities	(6,927,652)	21,288,543	(7,009,552)	21,114,357
Net increase/(decrease) in cash and cash equivalents	17,523,412	150,523	17,501,131	170,250
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 year	23,138,651	5,615,239	23,160,931	5,659,800
Reconciliation of cash and cash equivalents with items reported in the statement of financial position				
Cash and cash equivalents	7,724,364	5,450,209	7,728,969	5,459,359
Placements with banks	15,414,287	165,030.00	15,431,962	200,441
	23,138,651	5,615,239	23,160,931	5,659,800

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 other than below.

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose dates of acquisition are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Group's financial statements because the Group has not acquired any subsidiaries during the year.

However, the Group has amended its accounting policies for acquisitions on or after 1 January 2020.

Note 3. Impact due to corporate income tax rate change

The Government has announced a reduction of the income tax rate applicable to the Banking Sector to 24% from 28% with effect from 1st January 2020. As provided 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 the said amendment to tax rates is yet to be approved by the Parliament and cannot be considered to be legislated, the proposed changes to the tax rates have not been considered to be substantially enacted as at the reporting date. Accordingly, the prevailing income tax rate of 28% has been used for current tax and deferred tax computation as at 31 December 2020.

The Bank has a cumulative net deferred tax asset of Rs 252 Mn recognized through the Statement of Profit or Loss and net deferred tax liability of Rs 804 Mn recognized through OCI.

Had the Bank applied the reduced income tax rate of 24% to calculate deferred tax assets/liabilities as at 31st December 2020, the net deferred tax liability would have been decreased by Rs 35 Mn and the resulting charge to Statement of Profit or Loss and the reversal to Other Comprehensive Income for the year would have been Rs 120 Mn and Rs 155 Mn respectively. Further the income tax charge recognised in the income statement would have been reduced by LKR 181 Mn.

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. COVID 19 Considerations

The COVID 19 pandemic 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

Expected Credit Loss calculation

During the year additional focus was made on the assessment of adequacy of provision for Expected Credit Loss (ECL) recognized in the financial statements based on the internal models, management overlay computed based on stress testing the exposures to risk elevated sectors, to address the potential implications of COVID 19 Pandemic and the moratorium schemes introduced to support the recovery of the economy.

Note 6. Net gain/(loss) from trading

For the year ended 31 December	Bank		Group	
	2020 (Audited) LKR 000	2019 (Audited) LKR 000	2020 (Audited) LKR 000	2019 (Audited) LKR 000
Foreign exchange from banks	387,112	538,838	387,112	538,838
Government securities				
- Net capital gain	8,303	21,072	8,303	21,072
Equity securities				
- Net marked to market gain / (loss) (Note 6.1)	11,069	(919,614)	11,069	(919,614)
- Net capital gain	71,153	7,912	71,153	7,912
- Dividend income	1,515	264,676	1,515	264,676
	479,153	(87,116)	479,153	(87,116)

Note 6.1

This include a marked-to-market loss on equity securities of Commercial Bank of Ceylon PLC amounting to LKR 939 Million. 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 effect from 1 January 2020, according to the 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 on 11 May 2020.

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

For the year ended 31 December	Bank		Group	
	2020 (Audited) LKR 000	2019 (Audited) LKR 000	2020 (Audited) LKR 000	2019 (Audited) LKR 000
Forward exchange fair value changes				
Contracts with commercial banks	(543,168)	(2,578,178)	(543,168)	(2,578,178)
Interest rate swap fair value changes	-	(6,964)	-	(6,964)
Gain on financial assets fair value through profit or loss - equity securities	45,238	(48,041)	45,238	(48,041)
	(497,931)	(2,633,183)	(497,931)	(2,633,183)

Note 8. Net Other Operating Income

For the year ended 31 December	Bank		Group	
	2020 (Audited) LKR 000	2019 (Audited) LKR 000	2020 (Audited) LKR 000	2019 (Audited) LKR 000
Financial assets measured at fair value through other comprehensive income				
Loss on sale of equity shares	(17)	-	(17)	-
Dividend income	742,511	526,276	742,511	526,276
Equities measured at fair value through Profit or Loss				
Dividend income	-	125	-	125
Dividend income from subsidiaries, joint venture and associate	139,277	152,375	-	-
Net gain from repurchase transactions	549,618	351,895	549,618	351,895
Gains on revaluation of foreign exchange	23,292	474,202	23,292	474,202
Others	70,051	77,182	509,432	582,138
	1,524,732	1,582,055	1,824,837	1,934,636

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

As at	Bank		Group	
	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000
Gross loans and receivables (Note 9.1)	317,232,612	285,224,793	317,232,612	285,224,793
Less: Allowance for impairment (Note 9.2)	(15,323,275)	(12,406,482)	(15,323,275)	(12,406,482)
Net loans and receivables	301,909,337	272,818,311	301,909,337	272,818,311

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

As at	Bank		Group	
	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000
By product-Domestic Currency				
Overdrafts	36,464,999	41,339,121	36,464,999	41,339,121
Trade finance	19,328,876	26,160,309	19,328,876	26,160,309
Credit cards	2,199,543	1,448,853	2,199,543	1,448,853
Pawning	4,565,645	3,620,611	4,565,645	3,620,611
Staff loans	2,491,323	2,096,715	2,491,323	2,096,715
Term loans	186,621,584	151,565,262	186,621,584	151,565,262
Lease rentals receivable	25,127,337	22,173,952	25,127,337	22,173,952
Commercial papers and asset back notes	2,076,590	2,227,583	2,076,590	2,227,583
Preference shares	-	37,500	-	37,500
	278,875,897	250,669,906	278,875,897	250,669,906
By product-Foreign Currency				
Overdrafts	347,263	352,423	347,263	352,423
Trade finance	11,013,285	9,477,336	11,013,285	9,477,336
Term loans	26,996,166	24,725,128	26,996,166	24,725,128
	38,356,714	34,554,887	38,356,714	34,554,887
Gross loans and receivables	317,232,612	285,224,793	317,232,612	285,224,793

Note 9.2 Movement in Impairment during the period

	Bank		Group	
	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000
Stage 1				
Balance at beginning	901,871	786,161	901,871	786,161
Charge / (write back) to income statement	404,581	116,321	404,581	116,321
Write-off during the period	(712)	(611)	(712)	(611)
Balance at end	1,305,740	901,871	1,305,740	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	(494,452)	(790,380)	(494,452)	(790,380)
Write-off during the period	(3,855)	(1,701)	(3,855)	(1,701)
Balance at end	1,065,570	1,563,877	1,065,570	1,563,877
Stage 3				
Balance at beginning	9,940,734	8,423,457	9,940,734	8,423,457
Charge to income statement	3,030,682	2,264,451	3,030,682	2,264,451
Effect of foreign currency movement	44,440	9,475	44,440	9,475
Write-off during the period	(27,398)	(741,068)	(27,398)	(741,068)
Transfers to dues on terminated leases	(36,493)	-	(36,493)	-
Other movements	-	(15,581)	-	(15,581)
Balance at end	12,951,965	9,940,734	12,951,965	9,940,734
Total Impairment	15,323,275	12,406,482	15,323,275	12,406,482

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

As at	Bank		Group	
	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000	31.12.2020 (Audited) LKR 000	31.12.2019 (Audited) LKR 000
By product-Domestic Currency				
Demand deposits (current accounts)	7,476,335	4,661,209	7,476,287	4,661,159
Savings deposits	41,091,895	25,191,169	41,048,297	25,164,855
Fixed deposits	213,659,595	169,371,525	213,260,799	169,078,333
Other deposits	2,093,795	871,054	2,093,795	871,054
Certificate of deposits	2,473,374	838,979	2,473,374	838,979
	266,794,994	200,933,936	266,352,552	200,614,380
By product- Foreign Currency				
Demand deposits (current accounts)	540,454	360,700	540,454	360,700
Savings deposits	23,957,027	25,656,648	23,955,827	25,651,322
Fixed deposits	18,493,843	20,806,572	18,477,016	20,802,176
Other deposits	240,574	29,118	240,574	29,118
	43,231,898	46,853,038	43,213,871	46,843,316
Total	310,026,892	247,786,974	309,566,423	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.

Note 11.1 First and Final Dividend

The Directors have approved the payment of a first and final dividend of LKR 3.00 per share in the form of a scrip dividend, for the financial year ended 31 December 2020. The Board of Directors confirm that the Bank has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained the certificate from the Auditor.

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	
	31.12.2020	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	31.12.2020	31.12.2019
- Highest price LKR	70.50	99.90
- Lowest price LKR	59.90	86.10
- Market price LKR	65.30	91.90

12.4 Twenty Major Shareholders as at 31.12.2020

	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	Employee's 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	9,000,000	2.94
9	Renuka City Hotels Plc	6,968,052	2.28
10	People'S Leasing & Finance Plc / Don And Don Holdings (Private) Limited	4,673,501	1.53
11	Renuka Hotels PLC	4,097,577	1.34
12	Employee's Trust Fund Board	4,011,661	1.31
13	Akbar Brothers Pvt Ltd A/C No 1	2,599,019	0.85
14	Cargo Boat Development Company PLC	2,513,052	0.82
15	Sri Lanka Insurance Corporation Ltd-General Fund	2,166,551	0.71
16	Anverally International (Pvt) Limited	2,056,639	0.67
17	Stassen Exports (Pvt) Limited	1,908,067	0.62
18	Mr. K.P.R.B De Silva	1,574,516	0.51
19	Crescent Launderers And Dry Cleaners Pvt Limited	1,491,362	0.49
20	Seylan Bank Plc/Senthilverl Holdings (Pvt) Ltd	1,333,476	0.44

12.5 Public Holdings as at 31.12.2020

Public holdings percentage	62.56%
Number of Public shareholders	11,511
Float adjusted market capitalisation	LKR 12,500 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 31.12.2020
P M B Fernando	2,011
S.R Thambiayah (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
T Dharmarajah (Retired with effect from 24 March 2020) ¹	
K.P Cooray(Resigned with effect from 19 August 2020) ²	

¹ T Dharmarajah hold 2,700 ordinary shares of the Bank as at 24 March 2020.

² K P Cooray did not hold any shares of the Bank as at 19 August 2020.

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

	Interest rate Frequency	Effective Rate	Coupon Rate	Interest rate of Comparative Government Securities (Gross) p.a.	Balance as at 31.12.2020 LKR 000	Market price LKR			Yield Last Traded %	Last Traded Date
						Highest	Lowest	Last Traded		
Debenture Category										
Fixed Rate										
2016/2021	Annually	12.15	12.15	5.05	976,423	N/T	N/T	N/T	N/A	N/A
2016/2023	Annually	12.75	12.75	6.03	6,138,994	N/T	N/T	N/T	N/A	N/A
2018/2023	Annually	12.60	12.60	5.82	3,183,388	N/T	N/T	N/T	N/A	N/A
2018/2025	Annually	13.00	13.00	6.55	4,474,581	N/T	N/T	N/T	N/A	N/A
2019/2024	Annually	13.50	13.50	6.22	4,182,677	N/T	N/T	N/T	N/A	N/A
2019/2026	Annually	13.75	13.75	6.73	1,963,980	N/T	N/T	N/T	N/A	N/A
2019/2029	Annually	13.90	13.90	7.26	4,859,525	N/T	N/T	N/T	N/A	N/A
2020/2025	Annually	12.60	9.00	6.64	4,376,259	N/T	N/T	N/T	N/A	N/A
2020/2027	Annually	12.60	9.25	7.02	207,851	N/T	N/T	N/T	N/A	N/A

N/T -Not traded

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

Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from Proceeds (LKR)(A)	% of Total Proceeds	Amount utilized as at 31.12.2020 (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 bank's balance sheet growth	Initial issue of LKR 5Bn and a maximum issue of LKR 7 Bn.	Upon the allotment of the Debentures.	LKR 4.523 Billion	100%	LKR 4.523 Billion	100%	N/A
To improve the capital adequacy ratio		Over the period of twelve (12) months from the date of Allotment.	LKR 4.523 Billion	100%	LKR 4.523 Billion	100%	N/A

Selected Performance Indicators

	Bank		Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Regulatory Capital (LKR '000)				
Common Equity Tier I	35,041,771	34,824,554	35,113,117	34,908,304
Tier 1 Capital	35,041,771	34,824,554	35,113,117	34,908,304
Total Capital	51,055,165	48,542,925	51,126,511	48,626,675
Regulatory Capital Ratios %				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5%)	10.820	N/A	10.816	N/A
(Minimum Requirement - 7%)	N/A	11.342	N/A	11.327
Tier 1 Capital Ratio (Minimum Requirement - 8%)	10.820	N/A	10.816	N/A
(Minimum Requirement - 8.5%)	N/A	11.342	N/A	11.327
Total Capital Ratio (Minimum Requirement - 12%)	15.764	N/A	15.749	N/A
(Minimum Requirement - 12.5%)	N/A	15.810	N/A	15.778
Leverage Ratio (Minimum requirement is 3%)	6.79	7.56	6.82	7.60
Regulatory Liquidity				
Statutory liquid assets LKR 000				
Domestic Banking Unit	128,834,294	75,974,164		
Off-Shore Banking Unit	8,402,869	14,690,750		
Statutory liquid assets ratio % (Minimum requirement 20%)				
Domestic Banking Unit	33.78	23.55		
Off-Shore Banking Unit	35.45	53.07		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2020 - 90%, 2019 - 100%)	288.27	234.22		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2020 - 90%, 2019 - 100%)	204.44	140.53		
Net Stable Funding Ratio (%) (Minimum requirement - 2020 - 90%, 2019 - 100%)	123.00	113.41		
Asset Quality				
Non-performing loans and advances - Gross exposure % (Net of interest in suspense)	5.56	4.85		
Non-performing loans and advances - Net exposure % (Net of interest in suspense and provisions)	2.32	2.07		
Profitability				
Interest margin %	2.53	3.25		
Return on assets (profit before tax) %	0.78	0.77		
Return on equity %	4.93	4.54		
Other Ratios				
Debt to equity ratio (times)	2.06	2.03		
Interest cover (times)	1.52	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 31 December 2020	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets								
Cash and cash equivalents	-	-	7,724,364	7,724,364	-	-	7,728,969	7,728,969
Balances with Central Bank of Sri Lanka	-	-	4,901,753	4,901,753	-	-	4,901,753	4,901,753
Placements with banks	-	-	15,414,287	15,414,287	-	-	15,431,962	15,431,962
Derivative financial assets	835,464	-	-	835,464	835,464	-	-	835,464
Financial assets measured at fair value through profit or loss	609,717	-	-	609,717	609,717	-	-	609,717
Financial assets at amortised cost - Loans to and receivables from banks	-	-	4,152,717	4,152,717	-	-	4,152,717	4,152,717
Financial assets at amortised cost -Loans to and receivables from other customers	-	-	301,909,337	301,909,337	-	-	301,909,337	301,909,337
Financial assets at amortised cost - Debt and other instruments	-	-	31,604,175	31,604,175	-	-	31,604,175	31,604,175
Financial assets measured at fair value through other comprehensive income	-	88,718,002	-	88,718,002	-	88,718,002	-	88,718,002
Other assets	-	-	1,999,405	1,999,405	-	-	2,066,621	2,066,621
Total financial assets	1,445,181	88,718,002	367,706,038	457,869,221	1,445,181	88,718,002	367,795,534	457,958,717
Financial Liabilities								
Due to banks	-	-	14,909,937	14,909,937	-	-	14,909,937	14,909,937
Derivative financial liabilities	267,883	-	-	267,883	267,883	-	-	267,883
Financial liabilities at amortised cost -Due to depositors	-	-	310,026,892	310,026,892	-	-	309,566,423	309,566,423
Financial liabilities at amortised cost - Due to other borrowers	-	-	46,847,076	46,847,076	-	-	46,847,076	46,847,076
Debt securities issued	-	-	16,291,279	16,291,279	-	-	16,291,279	16,291,279
Other liabilities	-	-	4,783,873	4,783,873	-	-	4,900,953	4,900,953
Subordinated term debt	-	-	19,357,497	19,357,497	-	-	19,357,497	19,357,497
Total financial liabilities	267,883	-	412,216,554	412,484,437	267,883	-	411,873,165	412,141,048

	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	-	-	-	-	-	-	-	-
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	-	-	30,147,032	30,147,032	-	-	30,147,032	30,147,032
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	398,050,606	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	11,270,478	13,281,469	19,023,235	21,896,086	7,567,177	6,709,512	40,790	39,255	37,901,680	41,926,321
Net fees and commission income	519,265	487,259	1,404,887	1,459,649	269,321	-	-	-	2,193,473	1,946,908
Net (loss) / (gain) from trading	-	-	-	-	479,153	(87,116)	-	-	479,153	(87,116)
Net gain / (loss) from financial instruments at fair value through profit or loss	-	-	-	-	(497,931)	(2,633,183)	-	-	(497,931)	(2,633,183)
Net gain from derecognition of financial assets	-	-	-	-	510,386	209,890	-	-	510,386	209,890
Other (losses) / income - net	16,532	4,927	39,907	19,291	960,023	1,508,269	652,979	665,818	1,669,441	2,198,306
Income from external customers	11,806,275	13,773,655	20,468,029	23,375,026	9,288,129	5,707,372	693,769	705,073	42,256,202	43,561,126
Inter segment revenue	-	-	-	-	-	-	(389,122)	(391,054)	(389,122)	(391,054)
Total segment revenue	11,806,275	13,773,655	20,468,029	23,375,025	9,288,129	5,707,372	304,647	314,019	41,867,080	43,170,072
Segment assets	126,752,290	120,581,116	170,095,200	150,810,122	153,778,921	116,520,149	815,960	1,946,190	451,442,371	389,857,577
Segment liabilities	83,083,022	69,159,387	214,097,277	155,296,677	110,059,796	103,429,227	398,124	50,803	407,638,219	327,936,093
Information on cash flows										
Cash flows from operating activities									31,937,036	(15,475,980)
Cash flows from investing activities									(7,426,353)	(5,468,127)
Cash flows from financing activities									(7,009,552)	21,114,357
Net cash flows generated during the year period									17,501,131	170,250
Capital expenditure:										
Property, plant and equipment	-	335	763,977	332,672	133	2,683	-	9,808	764,110	345,498
Intangible assets	-	-	315,082	401,407	-	-	-	8,578	315,082	409,985

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	42,256,202	43,561,126
Unallocated amounts	1,737,367	478,215
Elimination of inter-segment revenue	(389,122)	(391,054)
Consolidated revenue	43,604,447	43,648,287
ii. Assets		
Total assets for reportable segments	451,442,371	389,857,577
Other unallocated amounts	15,924,163	17,054,015
Consolidated total assets	467,366,534	406,911,592
iii. Liabilities		
Total liabilities for reportable segments	407,638,219	327,936,095
Other unallocated amounts	8,019,566	29,549,005
Consolidated total liabilities	415,657,785	357,485,100

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 includes 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 31 December 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		835,464		835,464
Financial assets measured at fair value through profit or loss				-
Equity securities - quoted	44,880			44,880
Units in Unit Trusts - Quoted	3,740			3,740
Units in Unit Trusts - Unquoted		561,097		561,097
Financial assets measured at fair value through other comprehensive income				-
Government of Sri Lanka Treasury Bills and Bonds	75,272,434			75,272,434
Sri Lanka Sovereign bonds	931,706			931,706
Equity securities - Quoted	12,299,552			12,299,552
Equity securities - Unquoted			213,810	213,810
Preference shares			500	500
	88,552,312	1,396,561	214,310	90,163,183
Financial Liabilities				
Derivative liabilities held-for-risk management				
Forward foreign exchange contracts		267,883		267,883
		267,883		267,883

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 31st Dec 2020		As at 31st Dec 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	7,724,364	7,724,364	5,450,209	5,450,209
Balances with Central Bank of Sri Lanka	4,901,753	4,901,753	8,666,547	8,666,547
Placements with banks	15,414,287	15,414,287	165,030	165,030
Financial assets at amortised cost - Loans to and receivables from banks	4,152,717	4,152,717	-	-
Financial assets at amortised cost - Loans to and receivables from other customers	301,909,337	295,969,708	272,818,311	269,198,869
Financial assets at amortised cost - Debt and other instruments	31,604,175	31,633,380	30,147,032	30,659,072
Other assets	1,999,405	1,999,405	2,148,567	2,148,567
Financial Liabilities				
Due to banks	14,909,937	14,909,937	24,594,828	24,594,828
Financial liabilities at amortised cost - Due to depositors	310,026,892	304,408,686	247,786,974	248,066,585
Financial liabilities at amortised cost - Due to other borrowers	46,847,076	46,847,076	47,307,556	47,307,556
Debt securities issued	16,291,279	17,124,659	14,148,198	14,708,677
Other liabilities	4,783,873	4,783,873	3,786,445	3,786,445
Subordinated term debt	19,357,497	20,476,257	16,859,914	17,389,799

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 December 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)	13,453	10,568
Balance at end of the period	213,810	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.

Equity securities as at 31.12.2020	OCI Net of Tax	
	Increase LKR '000'	Decrease LKR '000'
Adjusted net assets value (5% movement)	10,691	(10,691)