

27. Classification of financial assets and financial liabilities

The tables below provide a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Group and the Bank:

27.1 Classification of financial assets and financial liabilities – Group
27.1 (a) Group

<i>As at December 31, 2018</i>		Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total	
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	
Financial assets						
Cash and cash equivalents	29	231	–	44,355,962	–	44,355,962
Balances with central banks	30	232	–	55,406,535	–	55,406,535
Placements with banks	31	233	–	19,898,515	–	19,898,515
Securities purchased under resale agreements			–	9,513,512	–	9,513,512
Derivative financial assets	32	233	7,909,962	–	–	7,909,962
Financial assets recognised through profit or loss – Measured at fair value	33	234	5,520,167	–	–	5,520,167
Financial assets at amortised cost – Loans and advances to banks	34	238	–	763,074	–	763,074
Financial assets at amortised cost – Loans and advances to other customers	35	239	–	867,611,976	–	867,611,976
Financial assets at amortised cost – Debt and other financial instruments	36	247	–	89,274,413	–	89,274,413
Financial assets measured at fair value through other comprehensive income	37	250	–	–	176,760,611	176,760,611
Total financial assets			13,430,129	1,086,823,987	176,760,611	1,277,014,727
Financial liabilities						
Due to banks	45	278	–	52,362,052	–	52,362,052
Derivative financial liabilities	46	278	8,021,783	–	–	8,021,783
Securities sold under repurchase agreements			–	48,951,394	–	48,951,394
Financial liabilities at amortised cost – Due to depositors	47	280	–	994,370,875	–	994,370,875
Financial liabilities at amortised cost – Other borrowings	48	281	–	25,361,912	–	25,361,912
Subordinated liabilities	52	291	–	37,992,457	–	37,992,457
Total financial liabilities			8,021,783	1,159,038,690	–	1,167,060,473

27.1 (b) Group								
<i>As at December 31, 2017</i>			Held for Trading (HFT)	Held to Maturity (HTM)	Loans and receivables	Available for Sale (AFS)	Other amortised cost	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets								
Cash and cash equivalents	29	231	-	-	34,673,424	-	-	34,673,424
Balances with central banks	30	232	-	-	45,546,349	-	-	45,546,349
Placements with banks	31	233	-	-	17,633,269	-	-	17,633,269
Derivative financial assets	32	233	2,334,536	-	-	-	-	2,334,536
Other financial instruments – Held for trading	33	234	4,410,913	-	-	-	-	4,410,913
Loans and receivables to banks	34	238	-	-	640,512	-	-	640,512
Loans and receivables to other customers	35	239	-	-	742,444,130	-	-	742,444,130
Financial investments – Available for sale	37	250	-	-	-	154,913,643	-	154,913,643
Financial investments – Held to maturity	36	247	-	69,365,796	-	-	-	69,365,796
Financial investments – Loans and receivables	36	247	-	-	48,712,477	-	-	48,712,477
Total financial assets			6,745,449	69,365,796	889,650,161	154,913,643	-	1,120,675,049
Financial liabilities								
Due to banks	45	278	-	-	-	-	60,244,892	60,244,892
Derivative financial liabilities	46	278	3,678,494	-	-	-	-	3,678,494
Securities sold under repurchase agreements			-	-	-	-	49,532,385	49,532,385
Due to other customers/ deposits from customers	47	280	-	-	-	-	857,269,981	857,269,981
Other borrowings	48	281	-	-	-	-	23,786,094	23,786,094
Subordinated liabilities	52	291	-	-	-	-	25,165,924	25,165,924
Total financial liabilities			3,678,494	-	-	-	1,015,999,276	1,019,677,770

27.2 Classification of financial assets and financial liabilities – Bank**27.2 (a) Bank**

<i>As at December 31, 2018</i>				Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at Amortised Cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets							
Cash and cash equivalents	29	231	-	39,534,476	-	-	39,534,476
Balances with central banks	30	232	-	54,384,590	-	-	54,384,590
Placements with banks	31	233	-	19,898,515	-	-	19,898,515
Securities purchased under resale agreements			-	9,513,512	-	-	9,513,512
Derivative financial assets	32	233	7,909,962	-	-	-	7,909,962
Financial assets recognised through profit or loss – Measured at fair value	33	234	5,520,167	-	-	-	5,520,167
Financial assets at amortised cost – Loans and advances to banks	34	238	-	763,074	-	-	763,074
Financial assets at amortised cost – Loans and advances to other customers	35	239	-	861,100,315	-	-	861,100,315
Financial assets at amortised cost – Debt and other financial instruments	36	247	-	83,855,436	-	-	83,855,436
Financial assets measured at fair value through other comprehensive income	37	250	-	-	176,506,729	-	176,506,729
Total financial assets			13,430,129	1,069,049,918	176,506,729	1,258,986,776	
Financial liabilities							
Due to banks	45	278	-	50,101,081	-	-	50,101,081
Derivative financial liabilities	46	278	8,021,783	-	-	-	8,021,783
Securities sold under repurchase agreements			-	49,104,462	-	-	49,104,462
Financial liabilities at amortised cost – Due to depositors	47	280	-	983,037,314	-	-	983,037,314
Financial liabilities at amortised cost – Other borrowings	48	281	-	25,361,912	-	-	25,361,912
Subordinated liabilities	52	291	-	37,992,457	-	-	37,992,457
Total financial liabilities			8,021,783	1,145,597,226	-	-	1,153,619,009

27.2 (b) Bank								
<i>As at December 31, 2017</i>			Held for Trading (HFT)	Held to Maturity (HTM)	Loans and receivables	Available for Sale (AFS)	Other amortised cost	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets								
Cash and cash equivalents	29	231	-	-	33,224,619	-	-	33,224,619
Balances with central banks	30	232	-	-	44,801,446	-	-	44,801,446
Placements with banks	31	233	-	-	17,633,269	-	-	17,633,269
Derivative financial assets	32	233	2,334,536	-	-	-	-	2,334,536
Other financial instruments – Held for trading	33	234	4,410,913	-	-	-	-	4,410,913
Loans and receivables to banks	34	238	-	-	640,512	-	-	640,512
Loans and receivables to other customers	35	239	-	-	737,446,567	-	-	737,446,567
Financial investments – Available for sale	37	250	-	-	-	154,714,132	-	154,714,132
Financial investments – Held to maturity	36	247	-	63,562,752	-	-	-	63,562,752
Financial investments – Loans and receivables	36	247	-	-	48,712,477	-	-	48,712,477
Total financial assets			6,745,449	63,562,752	882,458,890	154,714,132	-	1,107,481,223
Financial liabilities								
Due to banks	45	278	-	-	-	-	57,120,991	57,120,991
Derivative financial liabilities	46	278	3,678,494	-	-	-	-	3,678,494
Securities sold under repurchase agreements			-	-	-	-	49,676,767	49,676,767
Due to other customers/ deposits from customers	47	280	-	-	-	-	850,127,511	850,127,511
Other borrowings	48	281	-	-	-	-	23,786,094	23,786,094
Subordinated liabilities	52	291	-	-	-	-	25,165,924	25,165,924
Total financial liabilities			3,678,494	-	-	-	1,005,877,287	1,009,555,781

28. Fair value measurement

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of fair value measurement of financial and non-financial assets and liabilities is provided below:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using;

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

28.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position:

As at December 31, 2018			GROUP				BANK			
	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	40	258	-	-	11,566,268	11,566,268	-	-	11,224,488	11,224,488
Total non-financial assets at fair value			-	-	11,566,268	11,566,268	-	-	11,224,488	11,224,488
Financial assets										
Derivative financial assets										
Currency swaps	32	233	-	4,534,509	-	4,534,509	-	4,534,509	-	4,534,509
Interest rate swaps			-	33,359	-	33,359	-	33,359	-	33,359
Forward contracts			-	3,340,657	-	3,340,657	-	3,340,657	-	3,340,657
Spot contracts			-	1,437	-	1,437	-	1,437	-	1,437
Financial assets recognised through profit or loss – measured at fair value										
Government Securities	33	234	4,751,360	-	-	4,751,360	4,751,360	-	-	4,751,360
Equity shares			768,807	-	-	768,807	768,807	-	-	768,807
Financial assets measured at fair value through other comprehensive income										
Government Securities	37	250	117,577,351	59,534,461	-	177,111,812	117,323,593	59,534,461	-	176,858,054
Equity securities			195,149	-	49,344	244,493	195,149	-	49,220	244,369
Total financial assets at fair value			123,292,667	67,444,423	49,344	190,786,434	123,038,909	67,444,423	49,220	190,532,552
Total assets at fair value			123,292,667	67,444,423	11,615,612	202,352,702	123,038,909	67,444,423	11,273,708	201,757,040
Financial liabilities										
Derivative financial liabilities										
Currency swaps	46	278	-	5,946,484	-	5,946,484	-	5,946,484	-	5,946,484
Interest rate swaps			-	-	-	-	-	-	-	-
Forward contracts			-	2,069,807	-	2,069,807	-	2,069,807	-	2,069,807
Spot contracts			-	5,492	-	5,492	-	5,492	-	5,492
Total liabilities at fair value			-	8,021,783	-	8,021,783	-	8,021,783	-	8,021,783

<i>As at December 31, 2017</i>		GROUP				BANK				
	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	40	258	-	-	11,559,056	11,559,056	-	-	11,218,112	11,218,112
Total non-financial assets at fair value			-	-	11,559,056	11,559,056	-	-	11,218,112	11,218,112
Financial assets										
Derivative financial assets										
Currency swaps			-	1,067,259	-	1,067,259	-	1,067,259	-	1,067,259
Interest rate swaps			-	-	-	-	-	-	-	-
Forward contracts			-	1,264,900	-	1,264,900	-	1,264,900	-	1,264,900
Spot contracts			-	2,377	-	2,377	-	2,377	-	2,377
Other financial instruments – Held for trading										
Government Securities	33	234	4,096,168	-	-	4,096,168	4,096,168	-	-	4,096,168
Equity shares			314,745	-	-	314,745	314,745	-	-	314,745
Financial investments – Available for sale										
Government Securities	37	250	154,366,556	-	-	154,366,556	154,167,169	-	-	154,167,169
Equity securities			500,278	-	46,809	547,087	500,278	-	46,685	546,963
Total financial assets at fair value			159,277,747	2,334,536	46,809	161,659,092	159,078,360	2,334,536	46,685	161,459,581
Total assets at fair value			159,277,747	2,334,536	11,605,865	173,218,148	159,078,360	2,334,536	11,264,797	172,677,693
Financial liabilities										
Derivative financial liabilities										
Currency swaps	46	278	-	2,656,376	-	2,656,376	-	2,656,376	-	2,656,376
Interest rate swaps			-	4,462	-	4,462	-	4,462	-	4,462
Forward contracts			-	1,015,648	-	1,015,648	-	1,015,648	-	1,015,648
Spot contracts			-	2,008	-	2,008	-	2,008	-	2,008
Total liabilities at fair value			-	3,678,494	-	3,678,494	-	3,678,494	-	3,678,494

28.2 | Level 3 fair value measurement**Property, Plant and Equipment (PPE)**

Reconciliation from the beginning balance to the ending balance for the land and buildings in the Level 3 of the fair value hierarchy is available in Notes 40.1 to 40.4 on pages 260 to 263.

Reconciliation of Revaluation Reserve pertaining to land and buildings categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity on pages 160 to 167.

Note 40.5 (b) on pages 265 to 269 provides information on significant unobservable inputs used as at December 31, 2017 in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 40.5 (c) on page 269 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

28.3 | Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g. fixed rate loans and receivables, due to depositors, subordinated liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The following table sets out the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy used:

As at December 31, 2018	Note	Page No.	GROUP					BANK				
			Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair values Rs. '000	Total carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair values Rs. '000	Total carrying amount Rs. '000
Financial assets												
Cash and cash equivalents	29	231	-	44,355,962	-	44,355,962	44,355,962	-	39,534,476	-	39,534,476	39,534,476
Balances with central banks	30	232	-	55,406,535	-	55,406,535	55,406,535	-	54,384,590	-	54,384,590	54,384,590
Placements with banks	31	233	-	19,898,515	-	19,898,515	19,898,515	-	19,898,515	-	19,898,515	19,898,515
Securities purchased under resale agreements			-	9,513,512	-	9,513,512	9,513,512	-	9,513,512	-	9,513,512	9,513,512
Financial assets at amortised cost – Loans and advances to banks	34	238	-	763,074	-	763,074	763,074	-	763,074	-	763,074	763,074
Financial assets at amortised cost – Loans and advances to other customers	35	239	-	-	867,999,907	867,999,907	867,611,976	-	-	861,488,246	861,488,246	861,100,315
Financial assets at amortised cost – Debt and other financial instruments	36	247	84,744,366	-	-	84,744,366	89,274,413	79,325,389	-	-	79,325,389	83,855,436
Total financial assets not at fair value			84,744,366	129,937,598	867,999,907	1,082,681,871	1,086,823,987	79,325,389	124,094,167	861,488,246	1,064,907,802	1,069,049,918
Financial liabilities												
Due to banks	45	278	-	-	52,362,052	52,362,052	52,362,052	-	-	50,101,081	50,101,081	50,101,081
Securities sold under repurchase agreements			-	48,951,394	-	48,951,394	48,951,394	-	49,104,462	-	49,104,462	49,104,462
Financial liabilities at amortised cost – due to depositors	47	280	-	-	994,649,810	994,649,810	994,370,875	-	-	983,316,249	983,316,249	983,037,314
Financial liabilities at amortised cost – other borrowings	48	281	-	-	25,361,912	25,361,912	25,361,912	-	-	25,361,912	25,361,912	25,361,912
Subordinated liabilities	52	291	-	-	38,170,028	38,170,028	37,992,457	-	-	38,170,028	38,170,028	37,992,457
Total financial liabilities not at fair value			-	48,951,394	1,110,543,802	1,159,495,196	1,159,038,690	-	49,104,462	1,096,949,270	1,146,053,732	1,145,597,226

Financial Reports © Notes to the Financial Statements

As at December 31, 2017	Note	Page No.	GROUP				BANK					
			Level 1	Level 2	Level 3	Total fair values	Total carrying amount	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets												
Cash and cash equivalents	29	231	-	34,673,424	-	34,673,424	34,673,424	-	33,224,619	-	33,224,619	33,224,619
Balances with central banks	30	232	-	45,546,349	-	45,546,349	45,546,349	-	44,801,446	-	44,801,446	44,801,446
Placements with banks	31	233	-	17,633,269	-	17,633,269	17,633,269	-	17,633,269	-	17,633,269	17,633,269
Loans and receivables to banks	34	238	-	640,512	-	640,512	640,512	-	640,512	-	640,512	640,512
Loans and receivables to other customers	35	239	-	-	741,818,598	741,818,598	742,444,130	-	-	736,821,035	736,821,035	737,446,567
Financial investments – Held to maturity	36	247	68,892,386	-	-	68,892,386	69,365,796	63,089,342	-	-	63,089,342	63,562,752
Financial investments – Loans and receivables	36	247	-	-	48,712,477	48,712,477	48,712,477	-	-	48,712,477	48,712,477	48,712,477
Total financial assets not at fair value			68,892,386	98,493,554	790,531,075	957,917,015	959,015,957	63,089,342	96,299,846	785,533,512	944,922,700	946,021,642
Financial liabilities												
Due to banks	45	278	-	-	60,244,892	60,244,892	60,244,892	-	-	57,120,991	57,120,991	57,120,991
Securities sold under repurchase agreements			-	49,532,385	-	49,532,385	49,532,385	-	49,676,767	-	49,676,767	49,676,767
Due to other customers/deposits from customers	47	280	-	-	856,454,642	856,454,642	857,269,981	-	-	849,312,172	849,312,172	850,127,511
Other borrowings	48	281	-	-	23,786,094	23,786,094	23,786,094	-	-	23,786,094	23,786,094	23,786,094
Subordinated liabilities	52	291	-	-	25,731,210	25,731,210	25,165,924	-	-	25,731,210	25,731,210	25,165,924
Total financial liabilities not at fair value			-	49,532,385	966,216,838	1,015,749,223	1,015,999,276	-	49,676,767	955,950,467	1,005,627,234	1,005,877,287

28.4 Valuation techniques and inputs in measuring fair values

The table below provides information on the valuation techniques and inputs used in measuring the fair values of derivative financial assets and liabilities in the Level 2 of the fair value hierarchy, as given in Note 28.1 on page 226.

Type of financial instruments	Fair value as at December 31, 2018 (Rs. '000)	Valuation technique	Significant valuation inputs
Derivative financial assets	7,909,962	Adjusted forward rate approach This approach considers the present value of projected forward exchange rate as at the reporting date as the fair value. The said forward rate is projected, based on the spot exchange rate and the forward premium/discount calculated using extrapolated interest rates of the currency pairs under consideration. In computing the present value, interest rate differential between two currencies under consideration is used as the discount rate.	• Spot exchange rate
Derivative financial liabilities	8,021,783		• Interest rate differentials between currencies under consideration

29. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand placements with banks and loans at call/short notice and highly liquid financial assets with original maturities within three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cash in hand			24,585,211	23,577,061	24,272,784	23,280,599
Coins and notes held in local currency			19,489,030	20,846,435	19,488,100	20,836,652
Coins and notes held in foreign currency			5,096,181	2,730,626	4,784,684	2,443,947
Balances with banks			10,892,192	6,748,718	10,392,621	6,700,666
Local banks			-	-	-	-
Foreign banks			10,892,192	6,748,718	10,392,621	6,700,666
Money at call and at short notice			8,882,972	4,347,645	4,873,484	3,243,354
Gross cash and cash equivalents (*)			44,360,375	34,673,424	39,538,889	33,224,619
Less: Provision for impairment	29.1	231	4,413	-	4,413	-
Net cash and cash equivalents			44,355,962	34,673,424	39,534,476	33,224,619

(*) Gross cash and cash equivalents are reported in the Statement of Cash Flows.

29.1 Movement in provision for impairment during the year

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Movement in Stage 1 Impairment						
Balance as at January 01,	12.1	196	5,286	-	5,286	-
Charge/(write back) to the Income Statement	19.1 & 19.2	212	(1,450)	-	(1,450)	-
Exchange rate variance on foreign currency provisions			577	-	577	-
Balance as at December 31,			4,413	-	4,413	-

The maturity analysis of cash and cash equivalents is given in Note 62 on pages 307 to 309.

30. Balances with central banks

Balances with central banks are carried at amortised cost in the Statement of Financial Position.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Statutory balances with central banks	30.1	232	55,406,535	45,546,349	54,384,590	44,801,446
Total			55,406,535	45,546,349	54,384,590	44,801,446

30.1 Statutory balances with central banks

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balances with Central Bank of Sri Lanka	39,866,912	40,199,840	39,866,912	40,199,840
Balances with Bangladesh Bank	14,517,678	4,601,606	14,517,678	4,601,606
Balances with Maldives Monetary Authority	1,021,945	744,903	-	-
Total	55,406,535	45,546,349	54,384,590	44,801,446

Balances with Central Bank of Sri Lanka

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. As at December 31, 2018, the minimum cash reserve requirement was 6.00% of the rupee deposit liabilities (7.50% in 2017). There is no reserve requirement for foreign currency deposits liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Offshore Banking Centre (OBC) in Sri Lanka.

Balances with Bangladesh Bank

The Bank's Bangladesh operation is required to maintain the statutory liquidity requirement on time and demand liabilities (both local and foreign currencies), partly in the form of a Cash Reserve Requirement and the balance by way of foreign currency and/or in the form of unencumbered securities held with the Bangladesh Bank. As per the Bangladesh Bank regulations, the Statutory Liquidity Requirement as at December 31, 2018 was 18.50% (19.50% in 2017) on time and demand liabilities (both local and foreign currencies), which includes a 5.50% (6.50% in 2017) cash reserve requirement and the balance 13.00% (13.00% in 2017) is permitted to be maintained in foreign currency and/or also in unencumbered securities held with the Bangladesh Bank.

Balances with Maldives Monetary Authority

The Maldives Banking Act No. 24 of 2010 Section 25 requires the Bank to maintain a statutory reserve on all deposits liabilities denominated in both foreign currency and local currency deposits excluding interbank deposits of other banks in Maldives and Letter of Credit margin deposits. According to the Bank regulations of Maldives Monetary Authority, the Minimum Reserve Requirement (MRR) as at December 31, 2018 was 10% (10% in 2017). The reserve requirement for local currency is to be met in the form of Rufiyaa deposits, while reserve requirement for foreign currency is to be met in the form of US dollar deposits.

The maturity analysis of balances with central banks is given in Note 62 on pages 307 to 309.

31. Placements with Banks

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Placements – Within Sri Lanka			10,727,288	–	10,727,288	–
Placements – Outside Sri Lanka			9,182,011	17,633,269	9,182,011	17,633,269
Gross placements with banks			19,909,299	17,633,269	19,909,299	17,633,269
Less: Provision for impairment	31.1	233	10,784	–	10,784	–
Net placements with banks			19,898,515	17,633,269	19,898,515	17,633,269

31.1 Movement in provision for impairment during the year

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Movement in Stage 1 Impairment						
Balance as at January 1,	12.1	196	31,533	–	31,533	–
Charge/(write back) to the Income Statement	19.1 & 19.2	212	(21,553)	–	(21,553)	–
Exchange rate variance on foreign currency provisions			804	–	804	–
Balance as at December 31,			10,784	–	10,784	–

The maturity analysis of placements with banks is given in Note 62 on pages 307 to 309.

32. Derivative financial assets

The Bank uses derivatives such as interest rate swaps, foreign currency swaps and forward foreign exchange contracts, etc. Derivative financial assets are recorded at fair value. Changes in the fair value of derivatives are included in "Net Gains/(Losses) from Trading" in the Income Statement.

Under SLFRS 9, embedded derivatives are no longer separated from a host financial asset under the scope of the standard unlike LKAS 39. Instead, financial assets are classified entirely based on the business model and their contractual terms. The accounting for non-financial host contracts has not changed.

Derivatives embedded in non-financial host contracts are treated separately and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, a separate instrument with the same terms as embedded derivative would meet the definition of derivative and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the profit or loss.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Derivative financial assets	32.1	234	7,876,603	2,334,536	7,876,603	2,334,536
Derivative financial assets – Cash flow hedges held for risk management	32.2	234	33,359	–	33,359	–
Total			7,909,962	2,334,536	7,909,962	2,334,536

32.1 Derivative financial assets – Held for trading

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Foreign currency derivatives				
Currency swaps	4,534,509	1,067,259	4,534,509	1,067,259
Forward contracts	3,340,657	1,264,900	3,340,657	1,264,900
Spot contracts	1,437	2,377	1,437	2,377
Total	7,876,603	2,334,536	7,876,603	2,334,536

32.2 Derivative financial assets – Cash flow hedges held for risk management

The Group uses interest rate swaps to hedge the interest rate risk arising from a floating rate borrowing denominated in foreign currencies.

The fair value of the derivative financial assets denominated as cash flow hedge is as follows:

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Interest rate swaps	33,359	–	33,359	–
Total	33,359	–	33,359	–

During the year, gain (net of tax) of Rs. 27.231 Mn., (2017 – Net loss of Rs. 3.212 Mn.) relating to the effective portion of cash flow hedges were recognised in OCI.

The maturity analysis of derivative financial assets is given in Note 62 on pages 307 to 309.

33. Financial assets recognised through profit or loss/held for trading – Measured at fair value

This includes financial assets that are held for trading purposes. The financial assets are classified as held for trading if:

- They are acquired principally for the purpose of selling or repurchasing in the near term; or
- They hold as part of portfolio that is managed together for short-term profit or position taking; or
- They form part of derivative financial instruments entered into by the Group that are not financial guaranteed contracts or designated as hedging instruments in effective hedging relationships. The definition for held for trading has not changed under SLFRS 9 compared to LKAS 39.

Financial assets held for trading are measured at fair value through profit or loss in the SOFP. Interest and dividend income are recorded in "Interest Income" and "Net Gains/(Losses) from Trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established.

Financial assets held for trading include instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Government Securities	33.1	235	4,751,360	4,096,168	4,751,360	4,096,168
Equity securities	33.2	235	768,807	314,745	768,807	314,745
Total			5,520,167	4,410,913	5,520,167	4,410,913

33.1 | Government Securities

As at December 31,	GROUP		BANK	
	2018 Rs. 000	2017 Rs.'000	2018 Rs:'000	2017 Rs:'000
Treasury bills	3,669,706	933,056	3,669,706	933,056
Treasury bonds	1,081,654	3,163,112	1,081,654	3,163,112
Total	4,751,360	4,096,168	4,751,360	4,096,168

The maturity analysis of financial assets recognised through profit or loss/held for trading – Measured at fair value is given in Note 62 on pages 307 to 309.

33.2 | Equity securities – Group and Bank

Sector/Name of the Company	As at December 31, 2018				As at December 31, 2017			
	No. of shares	Market price	Market value	Cost of the investment	No. of shares	Market price	Market value	Cost of the investment
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000
Bank, Finance and Insurance								
Central Finance Company PLC	197,911	88.70	17,555	18,937	196,189	92.30	18,108	18,937
Citizen Development Business Finance PLC (Non-voting)	101,965	70.00	7,138	3,398	101,965	56.00	5,710	3,398
Hatton National Bank PLC	84	214.00	18	12	84	249.00	21	12
Lanka Ventures PLC	100,000	42.10	4,210	3,033	100,000	55.00	5,500	3,033
National Development Bank PLC	214,865	106.80	22,948	34,381	207,628	136.40	28,320	34,381
People's Insurance Limited	126,500	19.10	2,416	1,898	126,500	23.00	2,910	1,898
Sampath Bank PLC	44,165	235.00	10,379	7,853	32,341	315.70	10,210	5,430
VISA Inc.(*)	19,424	US\$. 131.94	468,993	–	–	–	–	–
Subtotal			533,657	69,512			70,779	67,089
Beverage, Food and Tobacco								
Lanka Milk Foods (CWE) PLC	250,000	130.00	32,500	27,866	250,000	157.00	39,250	27,866
Melstacrop Limited	245,960	50.30	12,372	9,814	245,960	59.50	14,635	9,814
Renuka Foods (Non-voting)	1,000	10.50	11	15	1,000	13.80	14	15
Subtotal			44,883	37,695			53,899	37,695
Chemicals and Pharmaceutical								
Chemical Industries Colombo Holding PLC (Non-voting)	161,400	30.00	4,842	11,692	161,400	47.40	7,650	11,692
Haycarb PLC	107,100	130.00	13,923	15,914	107,100	147.50	15,797	15,914
Subtotal			18,765	27,606			23,447	27,606
Construction and Engineering								
Colombo Dockyard PLC	75,000	55.60	4,170	16,685	75,000	88.50	6,638	16,685
Subtotal			4,170	16,685			6,638	16,685

(*) Investment in VISA Inc has been reclassified from "financial investments – Available for sale" to "Financial assets recognised through profit or loss" w.e.f. January 1, 2018.

Financial Reports © Notes to the Financial Statements

Sector/Name of the Company	As at December 31, 2018				As at December 31, 2017			
	No. of shares	Market price	Market value	Cost of the investment	No. of shares	Market price	Market value	Cost of the investment
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000
Diversified Holdings								
Hayleys PLC	68,313	187.00	12,775	19,269	68,313	241.00	16,463	19,269
Hemas Holdings PLC	60	88.80	5	2	60	126.00	8	2
John Keells Holdings PLC	130,611	159.70	20,859	20,527	130,611	148.50	19,396	20,527
Subtotal			33,639	39,798			35,867	39,798
Healthcare								
Ceylon Hospitals PLC	121,900	71.10	8,667	12,868	121,900	83.00	10,118	12,868
Ceylon Hospitals PLC (Non-voting)	61,100	69.00	4,216	4,423	61,100	65.30	3,990	4,423
Subtotal			12,883	17,291			14,108	17,291
Hotels and Travels								
John Keells Hotels PLC	267,608	7.80	2,087	3,473	267,608	8.80	2,355	3,473
Taj Lanka Hotels PLC	212,390	13.00	2,761	6,625	212,390	15.90	3,377	6,625
Subtotal			4,848	10,098			5,732	10,098
Investment Trusts								
Renuka Holdings PLC	117,158	16.60	1,945	3,180	117,158	24.00	2,812	3,180
Renuka Holdings PLC (Non-voting)	265,368	14.70	3,901	4,958	265,368	17.00	4,511	4,958
Subtotal			5,846	8,138			7,323	8,138
Land and Property								
CT Land Development PLC	25,000	28.10	703	531	15,000	45.50	683	531
Overseas Realty Ceylon PLC	183,320	16.50	3,025	2,717	183,320	17.60	3,226	2,716
RIL Property PLC	3,333,333	6.90	23,000	26,667	2,500,000	7.20	18,000	20,000
Subtotal			26,728	29,915			21,909	23,247
Manufacturing								
ACL Cables PLC	100,000	37.00	3,700	3,676	100,000	42.40	4,240	3,676
Dipped Products PLC	200,000	85.00	17,000	24,239	200,000	85.00	17,000	24,239
Lanka Walltiles PLC	60	71.00	4	5	60	99.40	6	5
Pelwatte Sugar Industries PLC	12,300	0.10	1	351	12,300	0.10	1	351
Royal Ceramics Lanka PLC	155,927	74.60	11,632	18,057	155,927	114.50	17,854	18,057
Ceylon Grain Elevators PLC	250,000	59.50	14,875	18,156	-	-	-	-
Subtotal			47,212	64,484			39,101	46,328

Sector/Name of the Company	As at December 31, 2018				As at December 31, 2017			
	No. of shares	Market price	Market value	Cost of the investment	No. of shares	Market price	Market value	Cost of the investment
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000
Plantations								
Kotagala Plantations PLC	302,625	6.70	2,028	9,172	201,750	12.20	2,461	9,172
Subtotal			2,028	9,172			2,461	9,172
Power and Energy								
Hemas Power PLC	106,249	21.10	2,242	2,053	106,249	18.20	1,934	2,053
Lanka IOC PLC	685,984	24.60	16,875	15,013	685,984	28.00	19,208	15,013
LVL Energy Fund PLC	648,100	8.40	5,444	6,481	-	-	-	-
Subtotal			24,561	23,547			21,142	17,066
Telecommunications								
Dialog Axiata PLC	949,172	10.10	9,587	6,300	949,172	13.00	12,339	6,300
Subtotal			9,587	6,300			12,339	6,300
Total			768,807	360,241			314,745	326,513
Mark to market gains/(losses)				408,566				(11,768)
Market value of equity securities				768,807				314,745

33.3 Industry/sector composition of equity securities – Group and Bank

Industry/Sector	As at December 31, 2018			As at December 31, 2017		
	Market value	Cost of the investment	%	Market value	Cost of the investment	%
	Rs. '000	Rs. '000		Rs. '000	Rs. '000	
Bank, Finance and Insurance	533,657	69,512	69.41	70,779	67,089	22.49
Beverage, Foods and Tobacco	44,883	37,695	5.84	53,899	37,695	17.12
Chemicals and Pharmaceutical	18,765	27,606	2.44	23,447	27,606	7.45
Construction and Engineering	4,170	16,685	0.54	6,638	16,685	2.11
Diversified Holdings	33,639	39,798	4.38	35,867	39,798	11.40
Health Care	12,883	17,291	1.68	14,108	17,291	4.48
Hotels and Travels	4,848	10,098	0.63	5,732	10,098	1.82
Investment Trusts	5,846	8,138	0.76	7,323	8,138	2.33
Land and Property	26,728	29,915	3.48	21,909	23,247	6.96
Manufacturing	47,212	64,484	6.14	39,101	46,328	12.42
Plantations	2,028	9,172	0.26	2,461	9,172	0.78
Power and Energy	24,561	23,547	3.19	21,142	17,066	6.72
Telecommunications	9,587	6,300	1.25	12,339	6,300	3.92
Subtotal	768,807	360,241	100.00	314,745	326,513	100.00
Mark to market gains/(losses)	-	408,566	-	-	(11,768)	-
Market value of equity securities	768,807	768,807	100.00	314,745	314,745	100.00

34. Financial assets at amortised cost – Loans and advances to banks

“Financial assets at amortised cost – Loans and advances to banks” include amounts due from banks.

As per SLFRS 9, Loans and advances to Banks are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

As per LKAS 39 “Loans and advances to banks” comprised non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group, upon initial recognition, designates as available for sale
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration
- Finance lease receivables

Even though the classification definition varies with SLFRS 9, the measurement criteria remains the same under both standards.

After initial measurement, loans and receivables to banks are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Group designates at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in “Interest Income” while the losses arising from impairment are recognised in “Impairment charges and other losses” in the Income Statement.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Gross loans and receivables			763,110	640,512	763,110	640,512
Less: Provision for impairment	34.1	238	36	–	36	–
Net loans and receivables			763,074	640,512	763,074	640,512

34.1 Movement in provision for impairment during the year

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Movement in Stage 1 impairment						
Balance as at January 1,	12.1	196	139	–	139	–
Charge/(write back) to the income statement	19.1 & 19.2	212	(103)	–	(103)	–
Balance as at December 31,			36	–	36	–

The maturity analysis of loans and receivable to banks is given in Note 62 on pages 307 to 309.

The Bank did not make any payments to counterparty banks for the oil hedging transactions with effect from June 2, 2009 in response to a Directive received from the Exchange Controller of the Central Bank of Sri Lanka. Consequently, one of the counterparty banks appropriated USD 4.170 Mn. (Rs. 763.110 Mn.) which has been kept as a deposit with them. This action has been contested by the Bank. In view of the stance taken by the Bank in this regard, both the deposit (made by the Bank) and the amount due to the said counterparty bank, have been recorded in the Statement of Financial Position.

34.2 | By currency

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
United States Dollar	763,110	640,512	763,110	640,512
Subtotal	763,110	640,512	763,110	640,512

35. | Financial assets at amortised cost – Loans and advances to other customers

Financial assets at amortised cost – Loans and advances to other customers includes, Loans and Advances and Lease Receivables of the Group.

As per SLFRS 9, “Loans and advances to other customers” are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

As per LKAS 39, “Loans and receivables to other customers” comprised non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss
- those that the Group, upon initial recognition, designates as available for sale
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration

Even though the classification definition varies with SLFRS 9, the measurement criteria remains the same under both standards.

When the Group is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment, are classified as lease receivable and are presented within “Loans and advances to other customers” in the Statement of Financial Position.

After initial measurement, “Loans and advances to other customers” are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Group designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in “Interest Income”, while the losses arising from impairment are recognised in “Impairment charges and other losses” in the Income Statement.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Gross loans and advances			897,955,796	760,453,937	890,229,368	754,707,977
Stage 1			750,597,718	–	745,651,617	–
Stage 2			92,317,199	–	91,600,192	–
Stage 3			55,040,879	–	52,977,559	–
Less: Provision for impairment			30,343,820	18,009,807	29,129,053	17,261,410
Stage 1	35.2 (a)	242	2,814,943	–	2,659,185	–
Stage 2	35.2 (b)	242	5,984,306	–	5,873,226	–
Stage 3	35.2 (c)	243	21,544,571	–	20,596,642	–
Provision for individual impairment	35.3 (a)	243	–	7,853,654	–	7,853,654
Provision for collective impairment	35.3 (b)	244	–	10,156,153	–	9,407,756
Net loans and advances			867,611,976	742,444,130	861,100,315	737,446,567

The maturity analysis of Loans and advances to other customers is given in Note 62 on pages 307 to 309.

35.1	Analysis
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35.1 (a)	By product
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As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Loans and advances						
Overdrafts			141,993,985	118,072,316	140,966,522	117,362,030
Trade finance			77,680,497	58,291,188	77,599,050	58,275,965
Lease/hire purchase receivable	35.4	244	41,233,899	40,766,415	38,635,036	37,865,183
Credit cards			12,975,517	9,639,046	12,975,517	9,639,046
Pawning			1,577,472	1,339,259	1,577,472	1,339,259
Staff loans			9,311,033	7,980,429	9,300,749	7,973,685
Housing loans			62,534,866	53,628,645	62,388,165	53,628,645
Personal loans			36,968,592	28,401,829	34,832,746	28,272,669
Term loans						
Short term			136,652,308	88,668,616	136,353,991	87,600,808
Long term			352,283,284	336,559,097	350,881,443	335,643,590
Bills of exchange			24,744,343	17,107,097	24,718,677	17,107,097
Subtotal			897,955,796	760,453,937	890,229,368	754,707,977

35.1 (b)	By currency
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As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Sri Lankan Rupee	692,648,484	600,058,048	687,970,789	595,745,318
United States Dollar	137,588,618	113,192,698	136,516,513	112,496,635
Great Britain Pound	952,806	892,245	952,806	892,245
Euro	1,850,804	1,500,772	1,850,804	1,500,772
Australian Dollar	611,436	690,992	611,436	690,992
Japanese Yen	176,039	135,765	176,039	135,765
Singapore Dollar	-	5,504	-	5,504
Bangladesh Taka	62,142,187	43,164,009	62,142,187	43,164,009
Maldivian Rufiyaa	1,909,104	737,167	-	-
Others	76,318	76,737	8,794	76,737
Subtotal	897,955,796	760,453,937	890,229,368	754,707,977

35.1 (c-i) | By industry*

<i>As at December 31,</i>	GROUP 2018 Rs. '000	BANK 2018 Rs. '000
Agriculture and fishing	84,677,466	84,363,522
Arts, entertainment and recreation	949,302	949,302
Construction	40,689,218	39,405,660
Consumption and other	176,273,517	173,937,599
Education	2,670,021	2,670,021
Financial services	40,046,006	39,756,387
Healthcare, social services and support services	18,546,251	18,546,251
Information technology and communication services	12,835,806	13,856,776
Infrastructure development	19,215,514	19,215,514
Lending to overseas entities	85,552,523	85,552,523
Manufacturing	103,027,652	102,830,411
Professional, scientific and technical activities	23,318,540	23,318,540
Tourism	60,387,096	59,495,850
Transport and storage	11,480,382	11,315,073
Wholesale and retail trade	218,286,502	215,015,939
Subtotal	897,955,796	890,229,368

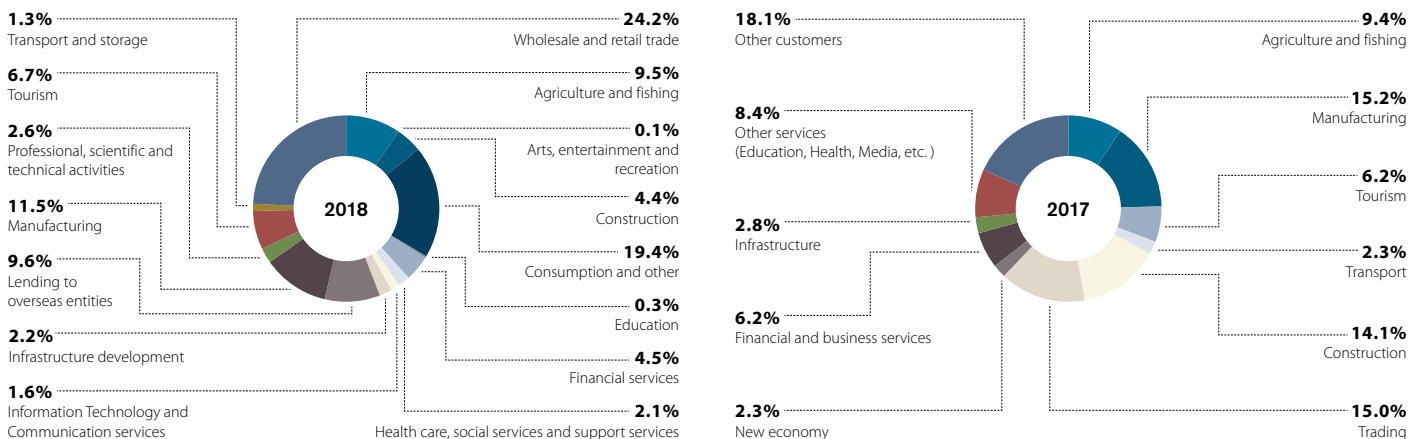
* Classification for 2018 has been changed according to the new sector-wise classification issued by Central Bank of Sri Lanka

35.1 (c-ii) | By industry

<i>As at December 31,</i>	GROUP 2017 Rs. '000	BANK 2017 Rs. '000
Agriculture and fishing	71,041,888	70,786,178
Manufacturing	115,028,848	114,980,885
Tourism	47,671,546	46,808,711
Transport	17,190,601	17,083,533
Construction	106,784,977	106,328,774
Trading	114,649,323	113,037,048
New economy (e – Commerce, IT, etc.)	17,479,610	17,479,610
Financial and business services	46,764,237	47,393,198
Infrastructure	20,886,155	20,886,155
Other services (Education, Health, Media, etc.)	64,040,605	63,062,660
Other customers	138,916,147	136,861,225
Subtotal	760,453,937	754,707,977

Sectorial classification of loans and advances – Bank

Graph – 46



35.2 Movement in provision for impairment during the year (Under SLFRS 9)

35.2 (a) Movement in Stage 1 Impairment

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			3,126,167	–	3,041,886	–
Charge/(write back) to the income statement	19.1 & 19.2	212	(324,074)	–	(393,953)	–
Net write-off/(recoveries) during the year			(800)	–	(800)	–
Exchange rate variance on foreign currency provisions			13,650	–	12,052	–
Interest accrued/(reversals) on impaired loans and advances			–	–	–	–
Other movements			–	–	–	–
Balance as at December 31,			2,814,943	–	2,659,185	–

35.2 (b) Movement in Stage 2 – Impairment

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			4,348,188	–	4,165,027	–
Charge/(write back) to the Income Statement	19.1 & 19.2	212	1,632,467	–	1,704,548	–
Net write-off/(recoveries) during the year			(819)	–	(819)	–
Exchange rate variance on foreign currency provisions			4,470	–	4,470	–
Interest accrued/(reversals) on impaired loans and advances			–	–	–	–
Other movements			–	–	–	–
Balance as at December 31,			5,984,306	–	5,873,226	–

35.2 (c) Movement in stage 3 – Impairment

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			15,136,256	–	14,211,504	–
Charge/(write back) to the income statement	19.1 & 19.2	212	7,071,147	–	6,812,653	–
Net write-off/(recoveries) during the year			(590,601)	–	(355,284)	–
Exchange rate variance on foreign currency provisions			278,179	–	278,179	–
Interest accrued/(reversals) on impaired loans and advances	14.1	203	(360,876)	–	(360,876)	–
Other movements			10,466	–	10,466	–
Balance as at December 31,			21,544,571	–	20,596,642	–

35.2 (d) Movement in total impairment

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			22,610,611	–	21,418,417	–
Charge/(write back) to the Income Statement	19.1 & 19.2	212	8,379,540	–	8,123,248	–
Net write-off/(recoveries) during the year			(592,220)	–	(356,903)	–
Exchange rate variance on foreign currency provisions			296,299	–	294,701	–
Interest accrued/(reversals) on impaired loans and advances	14.1	203	(360,876)	–	(360,876)	–
Other movements			10,466	–	10,466	–
Balance as at December 31,			30,343,820	–	29,129,053	–

35.3 Movement in provision for individual and collective impairment during the year (Under LKAS 39)**35.3 (a) Movement in provision for individual impairment**

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			–	8,453,457	–	8,453,457
Charge/(write back) to the Income Statement	19.1 & 19.2	212	–	(223,174)	–	(223,174)
Net write-off/(recoveries) during the year			–	(70,133)	–	(70,133)
Exchange rate variance on foreign currency provisions			–	30,057	–	30,057
Interest accrued/(reversals) on impaired loans and advances	14.1	203	–	(861,057)	–	(861,057)
Other movements			–	524,504	–	524,504
Balance as at December 31,			–	7,853,654	–	7,853,654

35.3 (b) Movement in provision for collective impairment				GROUP		BANK	
	Note	Page No.	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	
Balance as at January 1,			-	9,399,591	-	8,919,222	
Charge/(write back) to the income statement	19.1 & 19.2	212	-	1,211,813	-	942,624	
Net write-off/(recoveries) during the year			-	(449,059)	-	(449,059)	
Exchange rate variance on foreign currency provisions			-	(6,192)	-	(5,031)	
Balance as at December 31,			-	10,156,153	-	9,407,756	
Total of individual and collective – Impairment			-	18,009,807	-	17,261,410	

35.4 Lease/Hire purchase receivable				GROUP		BANK	
	Note	Page No.	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	
Gross lease/Hire purchase receivable	35.1 (a)	240	41,233,899	40,766,415	38,635,036	37,865,183	
Within one year	35.4 (a)	244	16,540,861	15,149,364	15,678,711	14,297,074	
From one to five years	35.4 (b)	245	24,492,495	25,307,569	22,865,357	23,564,939	
After five years	35.4 (c)	245	200,543	309,482	90,968	3,170	
Less: Provision for impairment	35.4 (d)	245	1,125,076	776,038	818,897	387,664	
Stage 1	35.4 (d) (i)	245	108,543	-	79,063	-	
Stage 2	35.4 (d) (ii)	246	191,150	-	108,098	-	
Stage 3	35.4 (d) (iii)	246	825,383	-	631,736	-	
Provision for individual impairment			-	133,536	-	133,536	
Provision for collective impairment			-	642,502	-	254,128	
Net lease receivable			40,108,823	39,990,377	37,816,139	37,477,519	

35.4 (a) Lease/Hire purchase receivable within one year				GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	
Total lease/hire purchase receivable within one year			21,381,158	19,613,099	20,175,028	18,418,203	
Less: Unearned lease/hire purchase income			4,840,297	4,463,735	4,496,317	4,121,129	
Gross lease/hire purchase receivable within one year			16,540,861	15,149,364	15,678,711	14,297,074	
Less: Provision for impairment			565,361	470,871	467,528	333,890	
Stage 1			42,240	-	32,820	-	
Stage 2			64,097	-	37,560	-	
Stage 3			459,024	-	397,148	-	
Provision for individual impairment			-	119,231	-	119,231	
Provision for collective impairment			-	351,640	-	214,659	
Subtotal			15,975,500	14,678,493	15,211,183	13,963,184	

35.4 (b) Lease/Hire purchase receivable from one to five years

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Total lease/hire purchase receivable from one to five years	28,796,807	29,262,074	26,725,184	27,056,087
Less: Unearned lease/hire purchase income	4,304,312	3,954,505	3,859,827	3,491,148
Gross lease/hire purchase receivable from one to five years	24,492,495	25,307,569	22,865,357	23,564,939
Less: Provision for impairment	546,121	251,182	350,398	53,773
Stage 1	65,008	–	46,163	–
Stage 2	122,738	–	69,647	–
Stage 3	358,375	–	234,588	–
Provision for individual impairment	–	14,305	–	14,305
Provision for collective impairment	–	236,877	–	39,468
Subtotal	23,946,374	25,056,387	22,514,959	23,511,166

35.4 (c) Lease/hire purchase receivable after five years

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Total lease/hire purchase receivable after five years	211,729	311,269	100,556	3,215
Less: Unearned lease/hire purchase income	11,186	1,787	9,588	45
Gross lease/hire purchase receivable after five years	200,543	309,482	90,968	3,170
Less: Provision for impairment	13,594	53,985	971	1
Stage 1	1,295	–	80	–
Stage 2	4,315	–	891	–
Stage 3	7,984	–	–	–
Provision for individual impairment	–	–	–	–
Provision for collective impairment	–	53,985	–	1
Subtotal	186,949	255,497	89,997	3,169

35.4 (d) Movement in provision for impairment during the year – (Under SLFRS 9)**35.4 (d) (i) Movement in Stage 1 – Impairment**

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	133,155	–	98,055	–
Charge/(write back) to the income statement	(24,612)	–	(18,992)	–
Net write-off/(recoveries) during the year	–	–	–	–
Exchange rate variance on foreign currency provisions	–	–	–	–
Interest accrued/(reversals) on impaired loans and advances	–	–	–	–
Other movements	–	–	–	–
Balance as at December 31,	108,543	–	79,063	–

35.4 (d) (ii) Movement in Stage 2 – Impairment

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	145,397	–	59,536	–
Charge/(write back) to the income statement	46,359	–	49,168	–
Net write-off/(recoveries) during the year	(606)	–	(606)	–
Exchange rate variance on foreign currency provisions	–	–	–	–
Interest accrued/(reversals) on impaired loans and advances	–	–	–	–
Other movements	–	–	–	–
Balance as at December 31,	191,150	–	108,098	–

35.4 (d) (iii) Movement in Stage 3 – Impairment

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	584,884	–	267,196	–
Charge/(write back) to the income statement	497,133	–	434,640	–
Net write-off/(recoveries) during the year	(255,622)	–	(69,088)	–
Exchange rate variance on foreign currency provisions	–	–	–	–
Interest accrued/(reversals) on impaired loans and advances	(889)	–	(889)	–
Other movements	(123)	–	(123)	–
Balance as at December 31,	825,383	–	631,736	–

35.4 (d) (iv) Movement in total impairment

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	863,436	–	424,787	–
Charge/(write back) to the income statement	518,880	–	464,816	–
Net write-off/(recoveries) during the year	(256,228)	–	(69,694)	–
Exchange rate variance on foreign currency provisions	–	–	–	–
Interest accrued/(reversals) on impaired loans and advances	(889)	–	(889)	–
Other movements	(123)	–	(123)	–
Balance as at December 31,	1,125,076	–	818,897	–

35.4 (e) | Movement in provision for impairment during the year – (Under LKAS 39)**35.4 (e) (i) Movement in provision for individual impairment**

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	–	241,185	–	241,185
Charge/(write back) to the income statement	–	11,842	–	11,842
Net write-off/(recoveries) during the year	–	(106,092)	–	(106,092)
Exchange rate variance on foreign currency provisions	–	–	–	–
Interest accrued/(reversals) on impaired loans and advances	–	(15,171)	–	(15,171)
Other movements	–	1,772	–	1,772
Balance as at December 31,	–	133,536	–	133,536

35.4 (e) (ii) Movement in provision for collective impairment

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	–	681,035	–	262,381
Charge/(write back) to the income statement	–	38,311	–	68,591
Net write-off/(recoveries) during the year	–	(76,844)	–	(76,844)
Exchange rate variance on foreign currency provisions	–	–	–	–
Balance as at December 31,	–	642,502	–	254,128
Total	–	776,038	–	387,664

36. | Financial assets at amortised cost – Debt and other financial instruments/financial investments – held to maturity and loans and receivables

As per SLFRS 9, “Financial investments” are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest Income” while the losses arising from impairment are recognised in “impairment charges for loans and other losses” in the Income Statement.

This comprises Financial Investments – Loans and receivables except SLDB Investments and Held to maturity investments that were previously classified under LKAS 39.

As per LKAS 39, this included financial investments – Held to maturity and loans and receivables

Held-to-maturity financial investments were non-derivative financial assets with fixed or determinable payments and fixed maturities, that the Group had the positive intention and ability to hold to maturity, and which are not designated at fair value through profit or loss or available for sale. After initial measurement, held-to-maturity financial investments were subsequently measured at amortised cost using the EIR, less provision for impairment. EIR is calculated by taking into account any discount or premium on acquisition and fees. The amortisation is included in “Interest Income” while the losses arising from impairment of such investments are recognised in “Impairment charges and other losses” in the Income Statement.

Financial investments classified as loans and receivables included unquoted debt instruments. After initial measurement, these are subsequently measured at gross carrying amount using the EIR, less provision for impairment. EIR was calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment charges and other losses" in the Income Statement.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Government securities – Sri Lanka			68,228,143	94,122,004	67,948,005	94,122,004
Treasury bonds			32,982,542	38,675,911	32,982,542	38,675,911
Sri Lanka sovereign bonds			35,245,601	14,879,391	34,965,463	14,879,391
Sri Lanka development bonds(*)			–	40,566,702	–	40,566,702
Government Securities – Bangladesh			9,539,364	10,007,450	9,539,364	10,007,450
Treasury bills			4,368,976	1,197,755	4,368,976	1,197,755
Treasury bonds			5,170,388	8,809,695	5,170,388	8,809,695
Government Securities – Maldives			5,140,927	5,803,044	–	–
Treasury bills			5,140,927	5,803,044	–	–
Other instruments			6,634,319	8,145,775	6,634,319	8,145,775
Debentures	36.2	249	5,952,635	8,045,593	5,952,635	8,045,593
Trust certificates	36.3	249	680,203	98,087	680,203	98,087
Corporate investments in Bangladesh	36.4	250	1,481	2,095	1,481	2,095
Less: Provision for impairment	36.1	248	268,340	–	266,252	–
Total			89,274,413	118,078,273	83,855,436	112,275,229

(*) Sri Lanka development bonds investment has been reclassified from "Financial investments – Loans and receivables" to "Financial assets measured at fair value through other comprehensive income" w.e.f. January 1, 2018.

36.1 Movement in provision for impairment during the year

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Movement in Stage 1 Impairment						
Balance as at January 1,	12.1	196	69,680	–	69,680	–
Charge/(write back) to the income statement	19.1 & 19.2	212	198,443	–	196,572	–
Exchange rate variance on foreign currency provisions			217	–	–	–
Balance as at December 31,			268,340	–	266,252	–

The maturity analysis of Financial assets at amortised cost – Debt and other financial instruments/financial investments – Held to maturity and loans and receivables is given in Note 62 on pages 307 and 309.

36.2 Debentures

As at December 31,	GROUP				BANK			
	2018		2017		2018		2017	
	No. of debentures	Carrying value Rs. '000	No. of debentures	Carrying value Rs. '000	No. of debentures	Carrying value Rs. '000	No. of debentures	Carrying value Rs. '000
Commercial Leasing and Finance PLC	10,000,000	1,097,500	10,000,000	1,097,500	10,000,000	1,097,500	10,000,000	1,097,500
Dunamis Capital PLC	500,000	50,403	500,000	50,403	500,000	50,403	500,000	50,403
Hayleys PLC	10,878,400	1,114,983	10,878,400	1,114,983	10,878,400	1,114,983	10,878,400	1,114,983
Hemas Holdings PLC	525,900	54,048	525,900	54,048	525,900	54,048	525,900	54,048
Lanka ORIX Leasing Company PLC	20,000,000	2,045,370	20,000,000	2,045,370	20,000,000	2,045,370	20,000,000	2,045,370
MTD Walkers PLC	1,528,701	156,627	3,000,000	307,373	1,528,701	156,627	3,000,000	307,373
Orient Finance PLC	1,968,800	197,173	1,968,800	197,173	1,968,800	197,173	1,968,800	197,173
Richard Pieris and Company PLC	2,111,400	217,127	5,353,500	550,326	2,111,400	217,127	5,353,500	550,326
Singer (Sri Lanka) PLC	4,672,900	482,582	9,598,100	997,423	4,672,900	482,582	9,598,100	997,423
Singer Finance (Lanka) PLC	2,902,500	319,130	4,435,230	478,005	2,902,500	319,130	4,435,230	478,005
Softlogic Finance PLC	2,123,400	217,692	3,223,400	330,465	2,123,400	217,692	3,223,400	330,465
Central Finance Company PLC	-	-	2,084,400	300,475	-	-	2,084,400	300,475
Lion Brewery (Ceylon) PLC	-	-	200,000	206,286	-	-	200,000	206,286
Mercantile Investments and Finance PLC	-	-	418,650	42,551	-	-	418,650	42,551
Nawaloka Hospitals PLC	-	-	2,290,000	237,167	-	-	2,290,000	237,167
People's Leasing & Finance PLC	-	-	328,800	36,045	-	-	328,800	36,045
Subtotal		5,952,635		8,045,593		5,952,635		8,045,593

As per SLFRS 9, the above debentures are classified as financial assets at amortised cost-debt and other financial instruments since the investments are held within a business model whose objective is to hold assets to contractual cash flows.

However, under LKAS 39, the debentures were classified under financial investments – Loans and receivables due to the absence of an active market.

36.3 Trust certificates

As at December 31,	GROUP		BANK	
	2018	2017	2018	2017
	Carrying value Rs. '000	Carrying value Rs. '000	Carrying value Rs. '000	Carrying value Rs. '000
Richard Pieris Arpico Finance Ltd.	680,203	49,976	680,203	49,976
People's Leasing Company PLC	-	48,111	-	48,111
Subtotal	680,203	98,087	680,203	98,087

36.4 Corporate investments in Bangladesh

As at December 31,	GROUP		BANK	
	2018	2017	2018	2017
	Carrying value Rs. '000	Carrying value Rs. '000	Carrying value Rs. '000	Carrying value Rs. '000
Price bonds	1,481	2,095	1,481	2,095
Subtotal	1,481	2,095	1,481	2,095

37. Financial assets measured at fair value through other comprehensive income/financial investments – Available for sale

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

These instruments comprise Government Securities that had previously been classified as available for sale and SLDB investments classified as Loans and receivables under LKAS 39.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

These instruments comprise quoted and unquoted shares that had been previously classified as Available for sale under LKAS 39.

As per LKAS 39, Available-for-sale financial investments included equity and debt securities. Equity investments classified as available for sale were those which were neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category were intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group had not designated any loans or receivables as available for sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses were recognised in Equity through OCI in the “Available-for-sale reserve”. When these financial investments were disposed, the cumulative gain or loss previously recognised in Equity was recycled to profit or loss through “Operating income”. Interest earned while holding available-for-sale financial investments was reported as “Interest income” using the EIR. Dividend earned while holding available-for-sale financial investments were recognised in the Income Statement as “Operating income” when the right to receive the payment had been established. The losses arising from impairment of such investments were recognised in the Income Statement in “Impairment charges and other losses” and removed from the “Available-for-sale reserve”.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Government Securities						
Government Securities – Sri Lanka	37.1	251	177,111,812	154,366,556	176,858,054	154,167,169
Less: Provision for impairment	37.2	251	595,694	–	595,694	–
			176,516,118	154,366,556	176,262,360	154,167,169
Equity securities			244,493	547,087	244,369	546,963
Quoted shares – (Market value)	37.3 (a) & 37.4 (a)	252 & 253	195,149	500,278	195,149	500,278
Unquoted shares	37.3 (b) & 37.4 (b)	252 & 254	49,344	46,809	49,220	46,685
Total			176,760,611	154,913,643	176,506,729	154,714,132

The maturity analysis of financial assets measured at fair value through other comprehensive income/financial Investments – Available for sale is given in Note 62 on pages 307 to 309.

37.1 Government Securities

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Treasury bills	21,770,401	15,367,792	21,516,643	15,168,405
Treasury bonds	73,941,454	136,195,443	73,941,454	136,195,443
Sri Lanka sovereign bonds	21,865,496	2,803,321	21,865,496	2,803,321
Sri Lanka development bonds (*)	59,534,461	–	59,534,461	–
Subtotal	177,111,812	154,366,556	176,858,054	154,167,169

(*) Sri Lanka development bonds investment has been reclassified from “Financial investments – Loans and receivables” to “Financial assets measured at fair value through other comprehensive income” w.e.f. January 1, 2018.

37.2 Movement in provision for impairment during the year

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Movement in Stage 1 Impairment						
Balance as at January 1,	12.2	200	194,256	–	194,256	–
Charge/(write back) to the income statement	19.1 & 19.2	212	401,438	–	401,438	–
Balance as at December 31,			595,694	–	595,694	–

37.3 Equity securities – 2018									
37.3 (a) Equity securities (quoted) – As at December 31, 2018									
Sector/type of securities	No. of shares	Market price	GROUP		No. of shares	Market price	BANK		Cost of investment
			Market value	Cost of investment			Market value	Cost of investment	
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000	Rs. '000
Quoted shares:									
Bank, Finance and Insurance									
DFCC Bank PLC	3,496	93.00	325	155	3,496	93.00	325	155	
Hatton National Bank PLC	12,202	214.00	2,611	337	12,202	214.00	2,611	337	
Nations Trust Bank PLC	1,367	89.20	122	25	1,367	89.20	122	25	
National Development Bank PLC	5,826	106.80	622	215	5,826	106.80	622	215	
Sampath Bank PLC	6,209	235.00	1,459	327	6,209	235.00	1,459	327	
Seylan Bank PLC	1,060	78.00	83	24	1,060	78.00	83	24	
Subtotal			5,222	1,083			5,222	1,083	
Land and Property									
RIL Property PLC	26,128,266	6.90	180,285	209,026	26,128,266	6.90	180,285	209,026	
Subtotal			180,285	209,026			180,285	209,026	
Manufacturing									
Alumex PLC	714,200	13.50	9,642	9,999	714,200	13.50	9,642	9,999	
Subtotal			9,642	9,999			9,642	9,999	
Total			195,149	220,108			195,149	220,108	

37.3 (b) Equity securities (unquoted) – As at December 31, 2018									
Sector/Type of securities	No. of shares	Market price	GROUP		No. of shares	Market price	BANK		Cost of investment
			Market value	Cost of investment			Market value	Cost of investment	
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000	Rs. '000
Unquoted shares:									
Bank, Finance and Insurance									
Central Depository of Bangladesh Ltd.	3,427,083	BDT 2.75	20,651	20,651	3,427,083	BDT 2.75	20,651	20,651	
Credit Information Bureau of Sri Lanka	5,637	100.00	564	564	4,400	100.00	440	440	
LankaClear (Pvt) Ltd.	1,000,000	10.00	10,000	10,000	1,000,000	10.00	10,000	10,000	
Lanka Financial Services Bureau Ltd.	225,000	10.00	2,250	2,250	225,000	10.00	2,250	2,250	
Lanka Ratings Agency Ltd.	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620	
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 841.90	7,259	7,259	47	EUR 841.90	7,259	7,259	
Total			49,344	49,344			49,220	49,220	

37.3 (c) Sector/industry composition of equity securities – As at December 31, 2018

Sector/Industry	GROUP		BANK	
	Market value Rs. '000	Cost of investment Rs. '000	Market value Rs. '000	Cost of investment Rs. '000
Bank, Finance and Insurance	54,566	50,427	54,442	50,303
Land and property	180,285	209,026	180,285	209,026
Manufacturing	9,642	9,999	9,642	9,999
Total	244,493	269,452	244,369	269,328

37.4 Equity securities – 2017**37.4 (a) Equity securities (quoted) – As at December 31, 2017**

Sector/type of securities	No. of shares	Market price Rs.	Market value Rs. '000	GROUP Cost of investment Rs. '000	No. of shares	Market price Rs.	Market value Rs. '000	BANK Cost of investment Rs. '000
Bank, Finance and Insurance								
DFCC Bank PLC	3,496	122.80	429	155	3,496	122.80	429	155
Hatton National Bank PLC	11,950	249.00	2,976	315	11,950	249.00	2,976	315
Nations Trust Bank PLC	1,333	78.00	104	22	1,333	78.00	104	22
National Development Bank PLC	5,424	136.40	740	215	5,424	136.40	740	215
Sampath Bank PLC	4,600	315.70	1,452	72	4,600	315.70	1,452	72
Seylan Bank PLC	1,015	87.20	89	24	1,015	87.20	89	24
VISA Inc. (*)	19,424	USD 114.02	340,182	-	19,424	USD 114.02	340,182	-
Subtotal			345,972	803			345,972	803
Land and Property								
RIL Property PLC	19,596,200	7.20	141,093	156,770	19,596,200	7.20	141,093	156,770
Subtotal			141,093	156,770			141,093	156,770
Manufacturing								
Alumex PLC	714,200	18.50	13,213	9,999	714,200	18.50	13,213	9,999
Subtotal			13,213	9,999			13,213	9,999
Total			500,278	167,572			500,278	167,572

* Investment in VISA Inc. has been reclassified from "financial investments – Available-for-sale" to "Financial assets recognised through profit or loss" w.e.f. January 1, 2018.

37.4 (b) Equity securities (unquoted) – As at December 31, 2017									
Sector/type of securities	GROUP				BANK				
	No. of shares	Market price	Market value	Cost of investment	No. of shares	Market price	Market value	Cost of investment	
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000	
Unquoted shares:									
Bank, Finance and Insurance									
Central Depository of Bangladesh Ltd.	3,427,083	BDT 2.75	17,491	17,491	3,427,083	BDT 2.75	17,491	17,491	
Credit Information Bureau of Sri Lanka	5,637	100.00	564	564	4,400	100.00	440	440	
Fitch Rating Lanka Ltd.	62,500	10.00	625	625	62,500	10.00	625	625	
LankaClear (Pvt) Ltd.	1,000,000	10.00	10,000	10,000	1,000,000	10.00	10,000	10,000	
Lanka Financial Services Bureau Ltd.	225,000	10.00	2,250	2,250	225,000	10.00	2,250	2,250	
Lanka Ratings Agency Ltd.	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620	
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 841.90	7,259	7,259	47	EUR 841.90	7,259	7,259	
Total			46,809	46,809			46,685	46,685	

37.4 (c) Sector/industry composition of equity securities – As at December 31, 2017				
Sector/Industry	GROUP		BANK	
	Market value	Cost of investment	Market value	Cost of investment
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank, Finance and Insurance	392,781	47,612	392,657	47,488
Land and property	141,093	156,770	141,093	156,770
Manufacturing	13,213	9,999	13,213	9,999
Total	547,087	214,381	546,963	214,257

38. Investments in subsidiaries

Subsidiaries are investees controlled by the Group. The Group “controls” an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Bank continues to recognise the investments in subsidiaries at cost.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of all subsidiaries in the Group have a common financial year which ends on December 31, except for the Serendib Finance Ltd., and CBC Myanmar Microfinance Company Limited, whose financial year ends on March 31. The Financial Statements of the Bank's subsidiaries are prepared using consistent accounting policies.

The reason for using a different reporting date by the Serendib Finance Ltd., is due to the requirement imposed by the Central Bank of Sri Lanka for licensed finance companies to publish their key financial data and key performance indicators for a 12-month period ending March 31 and 6-month period ending September 30, every year, in accordance with the format prescribed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. Similarly, the financial year of CBC Myanmar Microfinance Company Limited ends on March 31, due to requirements imposed by the Financial Regulatory Department of Myanmar.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Parent (the Bank) in the form of cash dividend or repayment of loans and advances.

All subsidiaries of the Bank have been incorporated in Sri Lanka except Commex Sri Lanka S.R.L., Commercial Bank of Maldives Private Limited and CBC Myanmar Microfinance Company Limited which were incorporated in Italy, Republic of Maldives and Myanmar respectively.

As at December 31,	Note	Page No.	Holding (****) %	GROUP				BANK				
				2018		2017		2018		2017		
				Cost Rs. '000	Market value/ Directors' valuation Rs. '000	Cost Rs. '000	Market value/ Directors' valuation Rs. '000	Cost Rs. '000	Market value/ Directors' valuation Rs. '000	Cost Rs. '000	Market value/ Directors' valuation Rs. '000	
Local subsidiaries:												
Quoted:												
Commercial Development Company PLC (*)			92.41	-	-	-	-	268,203	777,388	269,821	780,963	
(11,089,705 Ordinary shares)									(@ Rs.70.10)		(@ Rs.70.00)	
(11,156,619 Ordinary shares as at December 31, 2017)			(92.97 in 2017)									
Unquoted:												
ONEzero Company Ltd.			100	-	-	-	-	5,000	5,000	5,000	5,000	
(500,001 Ordinary shares)									(@ Rs.10.00)		(@ Rs.10.00)	
(500,001 Ordinary shares as at December 31, 2017)												
Unquoted:												
Serendib Finance Ltd.			100	-	-	-	-	2,616,046	2,616,046	1,616,046	1,616,046	
(138,978,909 Ordinary shares)												
(53,352,686 Ordinary shares as at December 31, 2017)												
Foreign subsidiaries:												
Unquoted:												
Commex – Sri Lanka S.R.L. (incorporated in Italy) (**)			100	-	-	-	-	131,725	88,948	112,400	69,622	
(300,000 Ordinary shares)												
(300,000 Ordinary shares as at December 31, 2017)												
Commercial Bank of Maldives Private Limited			55	-	-	-	-	984,707	984,707	1,040,934	1,040,934	
(104,500 Ordinary shares)												
(104,500 Ordinary shares as at December 31, 2017)												
CBC Myanmar Microfinance Co. Limited (***)			100	-	-	-	-	300,728	300,728	64,512	64,512	
(1,920,000 Ordinary shares)												
(420,000 Ordinary shares as at December 31, 2017)												
Gross Total				-	-	-	-	4,306,409	4,772,817	3,108,713	3,577,077	
Provision for impairment	38.1	256						(42,778)	-	(42,778)	-	
Net total				-	-	-	-	4,263,631	4,772,817	3,065,935	3,577,077	

(*) During 2015 the Board of Directors of the Bank resolved to reduce the shareholding of Commercial Development Company PLC, (in which the Bank originally had a stake of 94.55%) to comply with the requirements of the Listing Rule No. 7.13 of the Colombo Stock Exchange on Minimum Public Holding. Accordingly, the Bank disposed 256,000 shares since November 2015 through the Colombo Stock Exchange and reduced the shareholding in the above Company to 92.41% by December 31, 2018 and is in the process of taking steps to dispose the required number of shares to adhere to the requirements of the Listing Rules.

Consequent to the above disposal, ownership interests of the Bank has changed while retaining control. As per SLFRS 10 on "Consolidated Financial Statements", changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control are equity transactions and hence, the resulting gain/loss is recognised in equity.

(**) The investment made in Commex Sri Lanka S.R.L. Italy has been written down to account for pre-operational expenses.

(***) The CBC Myanmar Microfinance Company Limited was incorporated in 2017 as a fully-owned subsidiary in Myanmar. The Bank obtained a licence from the Myanmar Microfinance Supervisory Enterprise to operate a non-saving deposit organisation.

(****) Unless otherwise indicated, holding percentage remains unchanged from 2017 to 2018.

The maturity analysis of investment in subsidiaries is given in Note 62 on pages 307 to 309.

38.1 Movement in provision for impairment o/a subsidiaries during the year

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			-	-	42,778	165,940
Charge/(write back) to the income statement	19	208	-	-	-	(42,484)
Pre-operational expenses written-off o/a Commex Sri Lanka S.R.L. – Italy				-	-	(80,678)
Balance as at December 31,			-	-	42,778	42,778

39. Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on “Investments in Associates and Joint Ventures”. The Group’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group’s share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the Accounting Policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Accordingly, under the Equity Method, investments in associates are carried at cost plus post-acquisition changes in the Group’s share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The income statement reflects the Group’s share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associate.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the Equity Method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the loss as “Share of profit of Associate” in the income statement.

In the separate financial statements, Investment in associates are accounted at cost.

As at December 31,	Incorporation and operation	Ownership interest %	No. of shares	2018		2017	
				Cost	Carrying value	Cost	Carrying value
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
Equity Investments Lanka Ltd.	Sri Lanka	22.92	4,110,938	44,331	58,102	44,331	66,528
Commercial Insurance Brokers (Pvt) Ltd.	Sri Lanka	18.48*	120,000	100	47,218	100	43,316
				44,431	105,320	44,431	109,844

(*) 20% stake of Commercial Insurance Brokers (Pvt) Ltd., is held by Commercial Development Company PLC, a 92.41% owned subsidiary of the Bank, which is listed on the Colombo Stock Exchange. The Bank has a significant influence over financial and operating activities of Commercial Insurance Brokers (Pvt) Ltd., though it effectively holds only 18.48% as at December 31, 2018 (18.59% as at December 31, 2017).

39.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in associates recognised in the Consolidated Financial Statements is as follows:

	2018			2017		
	Equity Investments Lanka Ltd. Rs. '000	Commercial Insurance Brokers (Pvt) Ltd. Rs. '000	Total Rs. '000	Equity Investments Lanka Ltd. Rs. '000	Commercial Insurance Brokers (Pvt) Ltd. Rs. '000	Total Rs. '000
Cost of investments	44,331	100	44,431	44,331	100	44,431
Add: Share of profit applicable to the Group						
Investment in associate – As at January 1,	22,197	43,216	65,413	24,290	40,138	64,428
Total comprehensive income	(8,426)	6,042	(2,384)	2,018	5,186	7,204
Profit/(loss) for the period recognised in income statement, net of tax	(55)	6,103	6,048	(1,539)	5,217	3,678
Profit or loss and other comprehensive income, net of tax	(8,371)	(61)	(8,432)	3,557	(31)	3,526
Movement due to change in equity	–	(281)	(281)	–	(419)	(419)
Transactions which are recorded directly in equity	–	–	–	–	–	–
Dividend received	–	(1,859)	(1,859)	(4,111)	(1,689)	(5,800)
Balance as at December 31,	58,102	47,218	105,320	66,528	43,316	109,844

39.2 Summarised financial information in respect of associates is set out below:

39.2 (a) Summarised income statement

For the year ended December 31,	2018			2017		
	Equity Investments Lanka Ltd. Rs. '000	Commercial Insurance Brokers (Pvt) Ltd. Rs. '000	Total Rs. '000	Equity Investments Lanka Ltd. Rs. '000	Commercial Insurance Brokers (Pvt) Ltd. Rs. '000	Total Rs. '000
Revenue	23,265	294,872	318,137	21,048	274,885	295,933
Expenses	(22,425)	(243,439)	(265,864)	(27,159)	(230,556)	(257,715)
Income Tax	(1,081)	(18,605)	(19,686)	(605)	(15,618)	(16,223)
Profit from continuing operations, net of tax	(241)	32,828	32,587	(6,716)	28,711	21,995
Group's share of profit from continuing operations, net of tax	(55)	6,103	6,048	(1,539)	5,217	3,678
Other comprehensive income, net of tax	(36,522)	(327)	(36,849)	15,519	(166)	15,353
Group's share of other comprehensive income from continuing operations, net of tax	(8,371)	(61)	(8,432)	3,557	(31)	3,526
Share of results of equity accounted investee recognised in income statement and Statement of Profit or Loss and Other Comprehensive Income	(8,426)	6,042	(2,384)	2,018	5,186	7,204

39.2 (b) Summarised Statement of Financial Position				
As at December 31,	2018		2017	
	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-current assets	161,215	144,361	202,474	138,530
Current assets	96,838	199,648	97,902	165,034
Non-current liabilities	(1,810)	(27,235)	(1,448)	(23,485)
Current liabilities	(2,743)	(61,267)	(8,672)	(47,072)
Net assets	253,500	255,507	290,256	233,007
Group's share of net assets	58,102	47,218	66,528	43,316
Less: Unrealised profits	-	-	-	-
Carrying amount of interest in associates	58,102	47,218	66,528	43,316

The Group recognises the share of net assets of the associates under the Equity Method to arrive at the Directors' valuation.

The maturity analysis of Investments of Associates is given in Note 62 on pages 307 and 309.

40. Property, plant and equipment

The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on “Property, plant and equipment” in accounting for its owned assets (including buildings under operating leases where the Group is the lessor) which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing) as explained in note below. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

- Cost model

The Group applies the Cost Model to all property, plant and equipment except freehold land and freehold and leasehold buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

- Revaluation model

The Group applies the revaluation model for the entire class of freehold land and freehold and leasehold buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Group are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date. The next revaluation exercise on the freehold land and buildings of the Bank will be carried out on or before December 31, 2020.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. In this circumstance, the increase is recognised as income only to the extent of the amounts written down previously. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

The Group revalued all its freehold land and freehold and leasehold buildings as at December 31, 2017. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in Note 40.5 (b) and Note 40.5 (c).

The Bank carried out a revaluation of all its freehold land and buildings as at December 31, 2017 as required by Section 7.1 (b) of the Direction No. 01 of 2014 on "Valuation of Immovable Property of Licensed Commercial Banks" issued by the CBSL and recognised the revaluation gains/(losses) in the Financial Statements.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in "Net other operating income" in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on "Property, plant and equipment".

Capital work-in-progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management (i.e., available for use).

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	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Total 2018 Rs. '000	Total 2017 Rs. '000
Cost/valuation											
Balance as at January 1,			7,362,729	4,198,028	1,332,104	4,983,219	353,334	5,811,340	177,440	24,218,194	18,861,131
Additions/transfers during the year			102,916	4,162	720	1,039,612	177,210	603,155	153,227	2,081,002	2,163,733
Transfer of accumulated depreciation on assets revalued			-	-	-	-	-	-	-	-	(356,903)
Surplus on revaluation of property			-	-	-	-	-	-	-	-	3,845,981
Disposals during the year			-	-	-	(98,158)	(59,437)	(138,500)	(21)	(296,116)	(284,381)
Exchange rate variance			-	-	-	34,006	9,401	87,955	-	131,362	(11,367)
Transfers/adjustments			-	92,065	(92,065)	(1,200)	-	-	-	(1,200)	-
Balance as at December 31,			7,465,645	4,294,255	1,240,759	5,957,479	480,508	6,363,950	330,646	26,133,242	24,218,194
Accumulated depreciation and impairment losses											
Balance as at January 1,			-	1,701	50,447	3,506,201	253,608	4,089,193	-	7,901,150	7,291,465
Charge for the year	21	213	-	154,847	34,620	556,860	48,812	588,442	-	1,383,581	1,185,698
Impairment loss			-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	-	-	-	-	-	-	-	(356,903)
Disposals during the year			-	-	-	(97,384)	(38,361)	(129,959)	-	(265,704)	(207,575)
Exchange rate variance			-	-	-	26,524	9,881	62,647	-	99,052	(11,535)
Transfers/adjustments			-	37,084	(37,084)	(73)	-	-	-	(73)	-
Balance as at December 31,			-	193,632	47,983	3,992,128	273,940	4,610,323	-	9,118,006	7,901,150
Net book value as at December 31, 2018			7,465,645	4,100,623	1,192,776	1,965,351	206,568	1,753,627	330,646	17,015,236	
Net book value as at December 31, 2017			7,362,729	4,196,327	1,281,657	1,477,018	99,726	1,722,147	177,440		16,317,044

40.2 | Group – 2017

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in- progress Rs. '000	Total 2017 Rs. '000	Total 2016 Rs. '000
Cost/valuation											
Balance as at January 1,			4,914,283	3,014,202	1,083,368	4,265,073	349,833	5,190,415	43,957	18,861,131	17,730,795
Additions/transfers during the year			306,932	74,797	71,292	798,192	22,107	752,372	138,041	2,163,733	1,501,070
Transfer of accumulated depreciation on assets revalued			-	(282,656)	(74,247)	-	-	-	-	(356,903)	-
Surplus on revaluation of property			2,175,514	1,418,299	252,168	-	-	-	-	3,845,981	-
Disposals during the year			(34,000)	(21,263)	-	(76,893)	(17,230)	(130,437)	(4,558)	(284,381)	(390,405)
Exchange rate variance			-	-	-	(3,153)	(1,376)	(6,838)	-	(11,367)	19,671
Transfers/adjustments			-	(5,351)	(477)	-	-	5,828	-	-	-
Balance as at December 31,			7,362,729	4,198,028	1,332,104	4,983,219	353,334	5,811,340	177,440	24,218,194	18,861,131
Accumulated depreciation and impairment losses											
Balance as at January 1,			-	185,414	92,183	3,121,246	229,322	3,663,300	-	7,291,465	6,549,362
Charge for the year	21	213	-	101,848	32,513	459,910	42,892	548,535	-	1,185,698	1,093,088
Impairment loss			-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	(282,656)	(74,247)	-	-	-	-	(356,903)	-
Disposals during the year			-	(2,850)	-	(72,861)	(17,230)	(114,634)	-	(207,575)	(368,632)
Exchange rate variance			-	-	-	(3,203)	(1,376)	(6,956)	-	(11,535)	17,647
Transfers/adjustments			-	(55)	(2)	1,109	-	(1,052)	-	-	-
Balance as at December 31,			-	1,701	50,447	3,506,201	253,608	4,089,193	-	7,901,150	7,291,465
Net book value as at December 31, 2017			7,362,729	4,196,327	1,281,657	1,477,018	99,726	1,722,147	177,440	16,317,044	
Net book value as at December 31, 2016			4,914,283	2,828,788	991,185	1,143,827	120,511	1,527,115	43,957		11,569,666

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year 2018 (2017 – Nil).

The carrying amount of Group's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2018			2017		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Freehold land	1,131,986	–	1,131,986	951,487	–	951,487
Freehold buildings	1,693,921	449,795	1,244,126	1,602,138	407,082	1,195,056
Leasehold buildings	329,750	291,584	38,166	421,815	286,829	134,986
Total	3,155,657	741,379	2,414,278	2,975,440	693,911	2,281,529

40.3 Bank – 2018

	Note	Page No.	Freehold land	Freehold buildings	Leasehold buildings	Computer equipment	Motor vehicles	Office equipment, furniture and fixtures	Capital work-in-progress	Total 2018	Total 2017
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation											
Balance as at January 1,			7,144,134	4,073,978	192,102	4,937,841	124,853	5,691,860	173,454	22,338,222	17,374,681
Additions/transfers during the year			99,276	4,162	–	1,034,115	67,576	578,976	153,227	1,937,332	1,959,075
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	(277,190)
Surplus on revaluation of property			–	–	–	–	–	–	–	–	3,542,214
Disposals during the year			–	–	–	(97,495)	(655)	(136,980)	(21)	(235,151)	(246,416)
Exchange rate variance			–	–	–	29,662	9,401	71,386	–	110,449	(14,142)
Transfers/adjustments			–	92,065	(92,065)	(1,200)	–	–	–	(1,200)	–
Balance as at December 31,			7,243,410	4,170,205	100,037	5,902,923	201,175	6,205,242	326,660	24,149,652	22,338,222
Accumulated depreciation and impairment losses											
Balance as at January 1,			–	–	50,445	3,486,636	114,223	4,052,208	–	7,703,512	7,066,856
Charge for the year	21	213	–	152,043	2,934	548,794	10,748	564,859	–	1,279,378	1,097,096
Impairment loss			–	–	–	–	–	–	–	–	–
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	(277,190)
Disposals during the year			–	–	–	(96,721)	(655)	(128,779)	–	(226,155)	(169,990)
Exchange rate variance			–	–	–	24,960	9,881	56,903	–	91,744	(13,260)
Transfers/adjustments			–	37,084	(37,084)	(73)	–	–	–	(73)	–
Balance as at December 31,			–	189,127	16,295	3,963,596	134,197	4,545,191	–	8,848,406	7,703,512
Net book value as at December 31, 2018			7,243,410	3,981,078	83,742	1,939,327	66,978	1,660,051	326,660	15,301,246	
Net book value as at December 31, 2017			7,144,134	4,073,978	141,657	1,451,205	10,630	1,639,652	173,454		14,634,710

40.4 Bank – 2017

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment – furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Total 2017 Rs. '000	Total 2016 Rs. '000
Cost/valuation											
Balance as at January 1,			4,797,273	2,912,283	192,473	4,226,605	123,882	5,082,194	39,971	17,374,681	16,343,864
Additions/transfers during the year			229,349	74,797	106	791,165	2,347	723,270	138,041	1,959,075	1,369,729
Transfer of accumulated depreciation on assets revalued			-	(277,190)	-	-	-	-	-	(277,190)	-
Surplus on revaluation of property			2,151,512	1,390,702	-	-	-	-	-	3,542,214	-
Disposals during the year			(34,000)	(21,263)	-	(76,284)	-	(110,311)	(4,558)	(246,416)	(358,526)
Exchange rate variance			-	-	-	(3,645)	(1,376)	(9,121)	-	(14,142)	19,614
Transfers/adjustments			-	(5,351)	(477)	-	-	5,828	-	-	-
Balance as at December 31,			7,144,134	4,073,978	192,102	4,937,841	124,853	5,691,860	173,454	22,338,222	17,374,681
Accumulated depreciation and impairment losses											
Balance as at January 1			-	180,665	44,659	3,108,029	107,331	3,626,172	-	7,066,856	6,374,879
Charge for the year	21	213	-	99,430	5,788	453,049	8,268	530,561	-	1,097,096	1,022,648
Impairment loss			-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	(277,190)	-	-	-	-	-	(277,190)	-
Disposals during the year			-	(2,850)	-	(72,281)	-	(94,859)	-	(169,990)	(348,273)
Exchange rate variance			-	-	-	(3,270)	(1,376)	(8,614)	-	(13,260)	17,602
Transfers/adjustments			-	(55)	(2)	1,109	-	(1,052)	-	-	-
Balance as at December 31,			-	-	50,445	3,486,636	114,223	4,052,208	-	7,703,512	7,066,856
Net book value as at December 31, 2017			7,144,134	4,073,978	141,657	1,451,205	10,630	1,639,652	173,454	14,634,710	
Net book value as at December 31, 2016			4,797,273	2,731,618	147,814	1,118,576	16,551	1,456,022	39,971		10,307,825

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year 2018 (2017 – Nil).

The carrying amount of Bank's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2018			2017		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Freehold land	969,020	-	969,020	869,744	-	869,744
Freehold buildings	1,638,400	440,206	1,198,194	1,542,173	399,003	1,143,170
Leasehold buildings	98,138	59,972	38,166	190,203	55,217	134,986
Total	2,705,558	500,178	2,205,380	2,602,120	454,220	2,147,900

The maturity analysis of Property, plant and equipment is given in Note 62 on pages 307 to 309.

40.5 (a) Information on freehold land and buildings of the Bank – Extents and locations

[As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of the Colombo Stock Exchange]

Location	Extent (perches)	Buildings (square feet)	Revalued	Revalued	Net book	Net book
			amounts land	amounts buildings	value/ revalued amount	value before revaluation
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
CEO's Bungalow – No. 27, Queens Road, Colombo 3	64	5,616	961,000	39,000	996,100	550,910
Holiday Bungalow – Bandarawela, Ambatenne Estate, Bandarawela	423	5,649	72,100	17,000	88,420	66,613
Holiday Bungalow – Haputale, No. 23, Lilly Avenue, Welimada Road, Haputale	258	5,662	41,200	21,300	61,435	43,650
Branch Buildings						
Battaramulla – No. 213, Kaduwela Road, Battaramulla	14	11,216	52,500	99,000	146,550	126,769
Battaramulla – No. 213, Kaduwela Road, Battaramulla	13	Bare Land	50,000	–	50,000	50,000
Borella – No. 92, D S Senanayake Mawatha, Borella, Colombo 8	16	16,880	196,000	216,000	403,360	333,711
City Office – No. 98, York Street, Colombo 01	–	24,599	–	–	42,985	–
Chilaw – No. 44, Colombo Road, Chilaw	35	9,420	91,754	42,390	133,084	98,672
Duplication Road – Nos. 405, 407, R A De Mel Mawatha, Colombo 03	20	4,194	220,400	10,000	229,377	231,814
Galewela – No. 49/57, Matale Road, Galewela	99	5,632	29,700	16,300	45,593	36,358
Galle City – No. 59, Wackwella Road, Galle	7	3,675	54,000	9,150	62,769	47,850
Galle Fort – No. 22, Church Street, Fort, Galle	100	11,625	255,650	45,000	299,525	247,000
Gampaha – No. 51, Queen Mary's Road, Gampaha	33	4,775	74,025	11,595	85,036	67,208
Hikkaduwa – No. 217, Galle Road, Hikkaduwa	37	7,518	35,670	27,780	62,633	49,184
Ja-Ela – No. 140, Negombo Road, Ja-Ela	13	7,468	33,000	26,000	58,257	48,091
Jaffna – No. 474, Hospital Road, Jaffna	78	Bare Land	1,000,000	–	1,000,000	581,000
Kandy – No. 120, Kotugodella Veediya, Kandy	45	44,500	396,000	256,600	643,436	560,250
Karapitiya – No. 89, Hirimbura Cross Road, Karapitiya	38	3,627	–	–	99,276	–
Kegalle – No. 186, Main Street, Kegalle	85	2,650	156,700	7,200	163,612	134,250
Keyzer Street – No. 32, Keyzer Street, Colombo 11	7	6,100	82,000	24,000	105,351	80,050
Kollupitiya – No. 285, Galle Road, Colombo 3	17	16,254	225,000	68,000	290,280	173,036
Kotahena – No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	28	26,722	197,000	210,000	401,750	331,845
Kurunegala – No. 4, Suratissa Mawatha, Kurunegala	50	10,096	236,800	43,200	278,920	231,399
Maharagama – No. 154, High Level Road, Maharagama	18	8,440	93,000	47,000	138,120	82,619
Matale – No. 70, King Street, Matale	51	8,596	125,000	61,000	184,257	130,000
Matara – No. 18, Station Road, Matara	38	8,137	60,080	28,770	88,028	73,990
Minuwangoda – No. 9, Siriwardena Mawatha, Minuwangoda	25	5,550	56,250	17,483	73,150	47,541
Narahenpita – No. 201, Kirula Road, Narahenpita, Colombo 5	22	11,193	176,000	104,000	276,286	210,604
Narammala – No. 55, Negombo Road, Narammala	41	5,353	61,605	19,910	81,020	69,094
Negombo – Nos. 24, 26, Fernando Avenue, Negombo	37	11,360	136,000	36,000	170,560	100,280
Nugegoda – No. 100, Stanley Thilakarathne Mawatha, Nugegoda	39	11,150	150,000	60,000	207,600	193,925
Nuwara Eliya – No. 36/3, Buddha Jayanthi Mawatha, Nuwara Eliya	42	10,184	124,800	74,400	197,074	147,243
Panadura – No. 375, Galle Road, Panadura	12	6,168	36,900	42,400	77,180	64,828
Peliyagoda Stores – No. 37, New Nuge Road, Peliyagoda	–	14,676	–	–	9,143	–
Pettah – People's Park Shopping Complex, Colombo 11	–	3,147	–	67,000	64,320	50,091
Pettah Stores – People's Park Shopping Complex, Colombo 11	–	225	–	5,500	5,250	4,145
Pettah – Main Street – No. 280, Main Street, Pettah, Colombo 11	20	22,760	360,000	190,000	543,711	419,041
Trincomalee – No. 474, Power House Road, Trincomalee	100	Bare Land	100,000	–	100,000	90,300
Union Place – No. 1, Union Place, Colombo 2	30	63,385	500,000	1,000,000	1,460,000	1,119,643
Wellawatte – No. 343, Galle Road, Colombo 6	45	51,225	650,000	1,100,000	1,717,109	715,791
Wennappuwa – Nos. 262, 264, Colombo Road, Wennappuwa	36	9,226	54,000	31,000	83,931	67,103
Total			7,144,134	4,073,978	11,224,488	7,675,898

40.5 (b) Information on freehold land and buildings of the Bank – Valuations

[As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of the Colombo Stock Exchange]

Date of valuation: December 31, 2017

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
H M N Herath								
Chilaw No. 44, Colombo Road, Chilaw	Market comparable method		63,522	35,150	91,754	42,390	28,232	7,240
	• Price per perch for land	Rs. 2,600,000 p.p.						
	• Price per square foot for building	Rs. 5,000 p.sq.ft.						
	• Depreciation rate	10%						
Gampaha No. 51, Queen Mary's Road, Gampaha	Market comparable method		57,575	9,633	74,025	11,595	16,450	1,962
	• Price per perch for land	Rs. 2,250,000 p.p.						
	• Price per square foot for building	Rs. 4,500 p.sq.ft.						
	• Depreciation rate	45%						
Minuwangoda No. 9, Siriwardena Mawatha, Minuwangoda	Market comparable method		31,250	16,291	56,250	17,483	25,000	1,192
	• Price per perch for land	Rs. 2,250,000 p.p.						
	• Price per square foot for building	Rs. 4,500 p.sq.ft.						
	• Depreciation rate	30%						
P B Kalugalagedara								
Keyzer Street No. 32, Keyzer Street, Colombo 11	Market comparable method		56,000	24,050	82,000	24,000	26,000	(50)
	• Price per perch for land	Rs. 11,000,000 p.p.						
	• Price per square foot for building	Rs. 500 to Rs. 6,000 p.sq.ft.						
Kollupitiya No. 285, Galle Road, Colombo 3	Market comparable method		115,000	58,036	225,000	68,000	110,000	9,964
	• Price per perch for land	Rs. 15,000,000 p.p.						
	• Price per square foot for building	Rs. 1,250 to Rs. 5,000 p.sq.ft.						
Kotahena No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	Investment method		140,000	191,845	197,000	210,000	57,000	18,155
	• Gross monthly rental	Rs. 2,800,000 p.m.						
	• Years purchase (present value of one unit per period)	18.18						
	• Void period	4 months p.a.						
Mr R S Wijesuriya								
Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		52,500	74,269	52,500	99,000	-	24,731
	• Price per perch for land	Rs. 3,750,000 p.p.						
	• Price per square foot for building	Rs. 8,500 p.sq.ft.						
Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		50,000	-	50,000	-	-	-
	• Price per perch for land	Rs. 3,750,000 p.p.						
Panadura No. 375, Galle Road, Panadura	Market comparable method		30,750	34,078	36,900	42,400	6,150	8,322
	• Price per perch for land	Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 6,500 p.sq.ft.						

Financial Reports © Notes to the Financial Statements

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sarath G Fernando								
Holiday Bungalow – Bandarawela Ambatenne Estate, Bandarawela	Market comparable method		56,700	9,913	72,100	17,000	15,400	7,087
	• Price per perch for land	Rs. 75,000 to Rs. 250,000 p.p.						
	• Price per square foot for building	Rs. 4,250 to Rs. 4,750 p.sq.ft.						
	• Depreciation rate	35%						
Holiday Bungalow – Haputale No. 23, Lilly Avenue, Welimada Road, Haputale	Market comparable method		30,900	12,750	41,200	21,300	10,300	8,550
	• Price per perch for land	Rs. 200,000 p.p.						
	• Price per square foot for building	Rs. 3,500 to Rs. 6,500 p.sq.ft.						
	• Depreciation rate	40%						
Kandy No. 120, Kotugodella Veediya, Kandy	Market comparable method		354,000	206,250	396,000	256,600	42,000	50,350
	• Price per perch for land	Rs. 9,500,000 p.p.						
	• Price per square foot for building	Rs. 6,500 to Rs. 10,000 p.sq.ft.						
	• Depreciation rate	30% and 35%						
Kegalle No.186, Main Street, Kegalle	Market comparable method		128,000	6,250	156,700	7,200	28,700	950
	• Price per perch for land	Rs. 1,250,000 to Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 6,000 p.sq.ft.						
	• Depreciation rate	55%						
Matale No. 70, Kings Street, Matale	Market comparable method		75,000	55,000	125,000	61,000	50,000	6,000
	• Price per perch for land	Rs. 750,000 to Rs. 2,500,000 p.p.						
	• Price per square foot for building	Rs. 9,750 p.sq.ft.						
	• Depreciation rate	20%						
Nuwara Eliya No. 36/3, Buddha Jayanthi Mawatha, Nuwara Eliya	Market comparable method		82,000	65,243	124,800	74,400	42,800	9,157
	• Price per perch for land	Rs. 2,000,000 to Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 9,750 p.sq.ft.						
	• Depreciation rate	25%						
S A S Fernando								
Galle City No. 59, Wackwella Road, Galle	Market comparable method		40,500	7,350	54,000	9,150	13,500	1,800
	• Price per perch for land	Rs. 8,000,000 p.p.						
	• Price per square foot for building	Rs. 2,000 to Rs. 3,000 p.sq.ft.						
Galle Fort No. 22, Church Street, Fort, Galle	Market comparable method		210,000	37,000	255,650	45,000	45,650	8,000
	• Price per perch for land	Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 3,180 p.sq.ft.						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Hikkaduwa No. 217, Galle Road, Hikkaduwa	Market comparable method		26,370	22,814	35,670	27,780	9,300	4,966
	• Price per perch for land	Rs. 750,000 to Rs. 1,100,000 p.p.						
	• Price per square foot for building	Rs. 3,000 to Rs. 4,000 p.sq.ft.						
Matara No. 18, Station Road, Matara	Market comparable method		50,695	23,295	60,080	28,770	9,385	5,475
	• Price per perch for land	Rs. 1,000,000 to Rs. 2,000,000 p.p.						
	• Price per square foot for building	Rs. 3,000 to Rs. 3,750 p.sq.ft.						
Trincomalee No. 474, Power House Road, Trincomalee	Market comparable method		90,300	–	100,000	–	9,700	–
	• Price per perch for land	Rs. 1,000,000 p.p.						
ST Sanmuganathan								
Jaffna No. 474, Hospital Road, Jaffna	Market comparable method		581,000	–	1,000,000	–	419,000	–
	• Price per perch for land	Rs. 5,000,000 p.p.						
Siri Nissanka								
Borella No. 92, D S Senanayake Mawatha, Colombo 08.	Market comparable method		156,300	177,411	196,000	216,000	39,700	38,589
	• Price per perch for land	Rs. 12,500,000 p.p.						
	• Price per square foot for building	Rs. 12,750 p.sq.ft.						
CEO's Bungalow No. 27, Queens Road, Colombo 03	Market comparable method		544,850	6,060	961,000	39,000	416,150	32,940
	• Price per perch for land	Rs. 15,000,000 p.p.						
	• Price per square foot for building	Rs. 7,000 p.sq.ft.						
Narahenpita No. 201, Kirula Road, Narahenpita, Colombo 05	Market comparable method		132,300	78,304	176,000	104,000	43,700	25,696
	• Price per perch for land	Rs. 8,000,000 p.p.						
	• Price per square foot for building	Rs. 9,350 p.sq.ft.						
Pettah – Main Street No. 280, Main Street, Pettah, Colombo 11	Investment method		280,000	139,041	360,000	190,000	80,000	50,959
	• Gross monthly rental	Rs. 2,557,500 p.m.						
Union Place No. 1, Union Place, Colombo 02	Market comparable method		450,000	669,643	500,000	1,000,000	50,000	330,357
	• Price per perch for land	Rs. 18,000,000 p.p.						
	• Price per square foot for building	Rs. 16,500 p.sq.ft.						
Duplication Road Nos. 405, 407, R A De Mel Mawatha, Colombo 03	Market comparable method		229,349	2,465	220,400	10,000	(8,949)	7,535
	• Price per perch for land	Rs. 11,000,000 p.p.						
	• Price per square foot for building	Rs. 2,300 p.sq.ft.						
Maharagama No. 154, Highlevel Road, Maharagama	Market comparable method		53,250	29,369	93,000	47,000	39,750	17,631
	• Price per perch for land	Rs. 5,250,000 p.p.						
	• Price per square foot for building	Rs. 5,600 p.sq.ft.						

Financial Reports © Notes to the Financial Statements

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Nugegoda No. 100, Stanley Thilakaratne Mawatha, Nugegoda	Market comparable method • Price per perch for land • Price per square foot for building	Rs. 7,500,000 p.p. Rs. 8,350 p.sq.ft.	156,000	37,925	150,000	60,000	(6,000)	22,075
Wellawatte No. 343, Galle Road, Colombo 06	Market comparable method • Price per perch for land • Price per square foot for building	Rs. 15,000,000 p.p. Rs. 22,000 p.sq.ft.	249,520	466,271	650,000	1,100,000	400,480	633,729
W D P Rupananda								
Ja-Ela No. 140, Negombo Road, Ja-Ela	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 2,500,000 p.p. Rs. 5,000 p.sq.ft. 30%	29,000	19,091	33,000	26,000	4,000	6,909
Negombo Nos. 24, 26, Fernando Avenue, Negombo	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 3,000,000 to Rs. 4,000,000 p.p. Rs. 4,000 to Rs. 5,250 p.sq.ft. 30%	73,000	27,280	136,000	36,000	63,000	8,720
Pettah People's Park Shopping Complex, Colombo 11	Investment method • Gross monthly rental • Years purchase (Present value of 1 unit per period) • Void period	Rs. 460,000 p.m. 18.18 4 months p.a.	-	50,091	-	67,000	-	16,909
Pettah People's Park Shopping Complex, Colombo 11	Investment method • Gross monthly rental • Years purchase (Present value of 1 unit per period) • Void period	Rs. 41,500 p.m. 18.18 4 months p.a.	-	4,145	-	5,500	-	1,355
Wennappuwa Nos. 262, 264, Colombo Road, Wennappuwa	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 1,500,000 p.p. Rs. 3,750 to Rs. 5,250 p.sq.ft. 30%	42,000	25,103	54,000	31,000	12,000	5,897
W S Pematratne								
Galewela No. 49/57, Matale Road, Galewela	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 300,000 p.p. Rs. 2,350 to Rs. 4,000 p.sq.ft. 25%	22,275	14,083	29,700	16,300	7,425	2,217

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Kurunegala No. 4, Suratissa Mawatha, Kurunegala	Market comparable method		199,325	32,074	236,800	43,200	37,475	11,126
	• Price per perch for land	Rs. 5,000,000 p.p.						
	• Price per square foot for building	Rs. 3,500 to Rs. 4,750 p.sq.ft.						
	• Depreciation rate	12%						
Narammala No. 55, Negombo Road, Narammala	Market comparable method		53,391	15,703	61,605	19,910	8,214	4,207
	• Price per perch for land	Rs. 1,500,000 p.p.						
	• Price per square foot for building	Rs. 4,000 p.sq.ft.						
	• Depreciation rate	7%						
Total			4,992,622	2,683,276	7,144,134	4,073,978	2,151,512	1,390,702

p.p. – per perch p.sq.ft. – per square foot p.m. – per month p.a. – per annum

40.5 (c) Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Bank

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase/(decrease) if; Price per perch would increase/(decrease) Price per square foot would increase/(decrease) Depreciation rate for building would decrease/ (increase)
Investment method This method involves the capitalisation of the expected rental income at an appropriate rate of years purchased currently characterised by the real estate market.	Gross Annual Rentals Years purchase (Present value of 1 unit per period) Void period	Estimated fair value would increase/(decrease) if; Gross Annual Rentals would increase/(decrease) Years purchase would increase/(decrease) Void period would decrease/(increase)

40.6 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Group/Bank as at the reporting date.

40.7 Property, plant and equipment pledged as security for liabilities – Bank

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

40.8 Compensation from third parties for items of property, plant and equipment – Bank

The compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up at the reporting date of the Bank is as follows:

<i>As at December 31,</i>	2018 Rs. '000	2017 Rs. '000
Total claims lodged	11,649	17,096
Total claims received	(4,059)	(11,573)
Total claims rejected	–	–
Total claims receivable	7,590	5,523

40.9 Fully-depreciated property, plant and equipment – Bank

The cost of fully-depreciated property, plant and equipment of the Bank which are still in use is as follows:

<i>As at December 31,</i>	2018 Rs. '000	2017 Rs. '000
Computer equipment	1,699,267	1,458,542
Office equipment, furniture and fixtures	2,273,634	2,044,143
Motor vehicles	60,140	39,566

40.10 Temporarily idle property, plant and equipment – Bank

Following property, plant and equipment of the Bank were temporarily idle (until the assets are issued to the business units):

<i>As at December 31,</i>	2018 Rs. '000	2017 Rs. '000
Computer equipment	94,636	121,472
Office equipment, furniture and fixtures	102,653	100,175

40.11 | Property, plant and equipment retired from active use – Bank

Following property, plant and equipment of the Bank were retired from active use:

<i>As at December 31,</i>		2018 Rs. '000	2017 Rs. '000
Computer equipment	Cost	302,799	182,081
	Depreciation	283,466	174,972
	NBV	19,333	7,109
Office equipment, furniture and fixtures	Cost	112,046	98,637
	Depreciation	105,588	90,156
	NBV	6,458	8,481

40.12 | Borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2018 (2017 – Nil).

41. | Intangible assets

The Group's intangible assets include the value of acquired goodwill, trademarks and computer software.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Useful economic lives, amortisation and impairment of finite and indefinite intangible assets are described below:

- **Intangible assets with finite lives and amortisation**

Intangible assets with finite lives are amortised over the useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates, which require prospective application. The amortisation expense on intangible assets with finite lives is expensed as incurred.

- **Goodwill**

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

- **Computer software**

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally-developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally-developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

- **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Group does not have development costs capitalised as an internally-generated intangible asset.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Computer software	41.1	273	698,913	539,408	579,486	473,390
Software under development	41.2	273	334,954	311,748	326,626	303,420
Goodwill arising on business combination			400,045	400,045	–	–
Trademarks			19	25	–	–
Total			1,433,931	1,251,226	906,112	776,810

41.1 Computer software

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cost/valuation						
Balance as at January 1,			1,942,915	1,682,677	1,847,585	1,589,301
Additions during the year			378,969	267,071	305,509	259,734
Disposals/write-off during the year			(215,892)	(8,355)	(215,892)	-
Exchange rate variance			26,829	1,522	10,034	(1,450)
Transfers/adjustments			1,200	-	1,200	-
Balance as at December 31,			2,134,021	1,942,915	1,948,436	1,847,585
Accumulated amortisation and impairment losses						
Balance as at January 1,			1,403,507	1,176,543	1,374,195	1,165,450
Amortisation for the year	21	213	218,076	229,764	188,789	209,766
Impairment loss			-	-	-	-
Disposals/write-off during the year			(202,301)	(1,114)	(202,301)	-
Exchange rate variance			15,753	(1,686)	8,194	(1,021)
Transfers/adjustments			73	-	73	-
Balance as at December 31,			1,435,108	1,403,507	1,368,950	1,374,195
Net book value as at December 31,			698,913	539,408	579,486	473,390

41.2 Software under development

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cost/valuation				
Balance as at January 1,	311,748	226,490	303,420	216,794
Additions during the year	27,672	189,620	27,672	189,620
Disposals during the year	-	-	-	-
Transfers/adjustments	(4,466)	(104,362)	(4,466)	(102,994)
Balance as at December 31,	334,954	311,748	326,626	303,420

There were no restrictions on the title of the intangible assets of the Group as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2018 (2017 – Nil).

The maturity analysis of intangible assets is given in Note 62 on pages 307 to 309.

		Note		GROUP		BANK	
				2018	2017	2018	2017
		Page No.		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation							
Balance as at January 1,				128,700	128,700	84,840	84,840
Additions during the year				-	-	-	-
Balance as at December 31,				128,700	128,700	84,840	84,840
Accumulated amortisation							
Balance as at January 1,				24,184	22,732	12,246	11,304
Amortisation for the year		21	213	1,452	1,452	942	942
Balance as at December 31,				25,636	24,184	13,188	12,246
Net book value as at December 31,				103,064	104,516	71,652	72,594

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31, 2018	GROUP			BANK		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Leasehold land	23,715	16,411	7,304	14,846	13,187	1,659
Total	23,715	16,411	7,304	14,846	13,187	1,659

As at December 31, 2017	GROUP			BANK		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Leasehold land	101,298	16,573	84,725	14,846	12,245	2,601
Total	101,298	16,573	84,725	14,846	12,245	2,601

The maturity analysis of leasehold property is given in Note 62 on pages 307 to 309.

43. Deferred tax assets and liabilities

Net deferred tax (assets)/liabilities of an entity cannot be set-off against another entity's deferred tax (assets)/liabilities as there is no legally enforceable right to set-off.

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Recognised under deferred tax assets	188,487	-	-	-
Recognised under deferred tax liabilities	971,424	3,565,215	646,248	3,274,826
Summary of net deferred tax liability	782,937	3,565,215	646,248	3,274,826

43.1 Summary of net deferred tax liability

	Note	Page No.	GROUP				BANK			
			2018		2017		2018		2017	
			Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Balance as at January 1,			13,035,986	3,565,215	(2,069,702)	(668,150)	12,013,759	3,274,826	(3,126,090)	(963,935)
Amount originating/(reversing) to income statement	24	217	(3,367,030)	(875,295)	254,859	74,138	(3,236,067)	(841,357)	508,142	137,257
Amount originating/(reversing) to statement of profit or Loss and other comprehensive income			(248,368)	(69,543)	14,850,829	4,158,232	(277,989)	(77,837)	14,631,707	4,096,878
Amount originating/(reversing) to retained earnings (Deferred tax on SLFRS 9 Transitional adjustments)			(6,455,314)	(1,807,488)	-	-	(6,009,218)	(1,682,581)	-	-
Tax effect on pre-acquisition reserves			-	-	-	-	-	-	-	-
Deferred tax on re-classification of revaluation surplus to revaluation reserve			-	-	-	-	-	-	-	-
Exchange rate variance			-	(29,952)	-	995	-	(26,803)	-	4,626
Balance as at December 31,			2,965,274	782,937	13,035,986	3,565,215	2,490,485	646,248	12,013,759	3,274,826

43.2 Reconciliation of net deferred tax liability – Group

For the year ended/as at December 31,	Statement of financial position		Profit or loss		Other comprehensive income	
	2018	2017	2018	2017	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Own assets	603,379	501,389	(101,990)	(78,923)	–	–
Accelerated depreciation for tax purposes – Leased assets	2,048,376	2,250,845	202,469	(226,336)	–	–
Revaluation surplus on freehold buildings	1,109,315	1,146,902	37,587	20,394	–	(441,244)
Revaluation surplus on freehold land (*)	1,772,750	1,762,741	–	–	(10,009)	(1,762,741)
Tax effect on actuarial gains on defined benefit plans	2,762	(21,569)	–	–	(24,331)	88,033
Effective interest rate on deposits	–	1,432	1,432	554	–	–
Effect of exchange rate variance	–	–	(31,802)	752	1,850	243
	5,536,582	5,641,740	107,696	(283,559)	(32,490)	(2,115,709)
Deferred tax assets on:						
Defined benefit plans	532,058	434,236	97,822	48,092	–	–
Tax effect on actuarial losses on defined benefit plans	78,403	85,738	–	–	(7,335)	24,559
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	825,146	737,639	–	–	135,282	(2,138,046)
Specific provision on lease receivable	–	56,254	(56,254)	–	–	–
Leave encashment	130,824	181,231	(50,407)	2,015	–	–
Tax effect on actuarial losses on leave encashment	67,835	83,159	–	–	(15,324)	69,715
Straight lining of lease rentals	57,627	47,740	9,887	8,504	–	–
Derecognition of commission income	–	131,046	(131,046)	20,413	–	–
Equity-settled share-based payments	165,755	148,349	17,406	30,670	–	–
Impairment provision	2,827,014	144,888	826,863	82,216	–	–
Carried forward tax loss on leasing business	–	–	–	(7,485)	–	–
Hedging reserve	(9,341)	1,249	–	–	(10,590)	1,249
Deferred tax on previous losses	73,522	24,996	48,526	24,996	–	–
Performance bonus	4,802	–	4,802	–	–	–
	4,753,645	2,076,525	767,599	209,421	102,033	(2,042,523)
Deferred tax effect on profit or loss and other comprehensive income for the year			875,295	(74,138)	69,543	(4,158,232)
Net deferred tax liability as at December 31,	782,937	3,565,215				

(*) As per the Inland Revenue Act No. 24 of 2017, which became effective from April 01, 2018, capital assets/business assets will attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, deferred tax liability has been recognised at 28% on the revaluation surplus relating to freehold land in these Financial Statements.

43.3 Reconciliation of net deferred tax liability – Bank

For the year ended/as at December 31,	Statement of financial position		Profit or loss		Other comprehensive income	
	2018	2017	2018	2017	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Own assets	531,123	448,849	(82,274)	(69,665)	–	–
Accelerated depreciation for tax purposes – Leased assets	1,913,755	2,127,270	213,515	(200,584)	–	–
Revaluation surplus on freehold buildings	820,530	857,785	37,255	19,930	–	(383,924)
Revaluation surplus on freehold land (*)	1,756,155	1,756,155	–	–	–	(1,756,155)
Tax effect on actuarial gains on defined benefit plans	2,858	(22,492)	–	–	(25,350)	85,508
Effective interest rate on deposits	–	1,432	1,432	554	–	–
Effect of exchange rate variance	–	–	(28,653)	4,383	1,850	243
	5,024,421	5,168,999	141,275	(245,382)	(23,500)	(2,054,328)
Deferred tax assets on:						
Defined benefit plans	517,921	422,019	95,902	46,522	–	–
Tax effect on actuarial losses on defined benefit plans	78,059	85,461	–	–	(7,402)	24,515
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income	824,543	737,665	–	–	134,653	(2,138,029)
Specific provision on lease receivable	–	56,254	(56,254)	–	–	–
Leave encashment	130,824	181,231	(50,407)	2,015	–	–
Tax effect on actuarial losses on leave encashment	67,835	83,159	–	–	(15,324)	69,715
Straight lining of lease rentals	57,627	47,740	9,887	8,504	–	–
Derecognition of commission income	–	131,046	(131,046)	20,414	–	–
Equity-settled share-based payments	165,755	148,349	17,406	30,670	–	–
Impairment provision	2,544,950	–	814,594	–	–	–
Hedging reserve	(9,341)	1,249	–	–	(10,590)	1,249
	4,378,173	1,894,173	700,082	108,125	101,337	(2,042,550)
Deferred tax effect on profit or loss and other comprehensive income for the year			841,357	(137,257)	77,837	(4,096,878)
Net deferred tax liability as at December 31,	646,248	3,274,826				

(*) As per the Inland Revenue Act No. 24 of 2017, which became effective from April 01, 2018, capital assets/business assets will attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, deferred tax liability has been recognised at 28% on the revaluation surplus relating to freehold land in these Financial Statements.

The maturity analysis of deferred tax liabilities given in Note 62 on pages 307 to 309.

44. Other assets

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Receivables	17,081	46,212	17,081	46,171
Deposits and prepayments	2,250,371	1,530,984	2,260,494	1,563,026
Clearing account balance	7,777,825	6,135,630	7,777,825	6,135,630
Unamortised cost on staff loans (Day 1 difference)	4,081,846	3,676,965	4,081,846	3,676,965
Other accounts	9,924,349	5,973,186	9,773,876	5,876,370
Total	24,051,472	17,362,977	23,911,122	17,298,162

The maturity analysis of other assets is given in Note 62 on pages 307 to 309.

45. Due to banks

These represent call money borrowings, credit balances in Nostro Accounts and borrowings from banks. Subsequent to initial recognition, these are measured at amortised cost using the EIR method. Interest paid/payable on these borrowings is recognised in profit or loss.

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Borrowings	52,273,032	54,538,743	50,012,061	51,414,842
Local currency borrowings	2,260,971	8,939,723	–	5,815,822
Foreign currency borrowings	50,012,061	45,599,020	50,012,061	45,599,020
Securities sold under repurchase (Repo) agreements (*)	89,020	5,706,149	89,020	5,706,149
Total	52,362,052	60,244,892	50,101,081	57,120,991

(*) Securities sold under repurchase (Repo) agreements are shown on the face of the Statement of Financial Position except for the Repos with banks.

The maturity analysis of due to banks is given in Note 62 on pages 307 to 309.

46. Derivative financial liabilities

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Derivative financial liabilities – Held for trading	46.1	279	8,021,783	3,674,032	8,021,783	3,674,032
Derivative financial liabilities – Cash flow hedges held for risk management	46.2	279	–	4,462	–	4,462
Total			8,021,783	3,678,494	8,021,783	3,678,494