13. Gross income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Interest income	14.1	203	**118,551,239**	104,049,102	**117,465,670**	103,034,386
Fee and commission income	15.1	206	**12,494,090**	10,510,800	**11,988,070**	10,169,211
Net gains/(losses) from trading	16	207	**(3,033,236)**	233,956	**(3,033,236)**	233,956
Net gains/(losses) from derecognition of financial assets	17	207	**272,004**	91,272	**272,004**	91,272
Net other operating income	18	208	**11,373,098**	720,026	**11,356,799**	828,524
Total			**139,657,195**	115,605,156	**138,049,307**	114,357,349

14. Net interest income

Interest income and expense are recognised in the Income Statement using the effective interest rate (EIR) method.

As per SLFRS 9, the interest income and expense presented in the Income Statement include:
- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive Income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

As per LKAS 39, the interest income and expense recognised in the Income Statement included:
- Interest on held for trading financial instruments calculated using EIR method;
- Interest on loans and receivables calculated using EIR method;
- Interest on available-for-sale investments calculated using EIR method;
- Interest on held-to-maturity investments calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

Effective Interest Rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

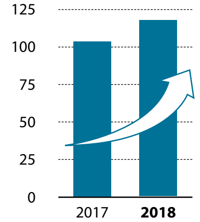
For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Interest income	14.1	203	**118,551,239**	104,049,102	**117,465,670**	103,034,386
Less: Interest expense	14.2	204	**72,933,030**	64,481,804	**72,523,912**	64,010,991
Net interest income			**45,618,209**	39,567,298	**44,941,758**	39,023,395

14.1 Interest income

For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Cash and cash equivalents			**411,412**	362,695	**392,932**	356,930
Balances with central banks			**26,734**	4,400	**23,613**	3,263
Placements with banks			**529,738**	215,909	**529,738**	215,920
Securities purchased under resale agreements			**508,616**	139,153	**508,616**	139,153
Financial assets recognised through profit or loss/held for trading			**323,335**	469,012	**323,335**	469,012
Derivative financial instruments			**56,173**	24,111	**56,173**	24,111
Other financial instruments			**267,162**	444,901	**267,162**	444,901
Financial assets at amortised cost – Loans and advances to other customers			**95,081,154**	78,132,371	**94,238,090**	77,294,117
Financial assets at amortised cost – Debt and other financial instruments/financial investments – Held to maturity and loans and receivables			**6,828,671**	8,512,118	**6,626,740**	8,355,520
Financial assets measured at fair value through other comprehensive income/financial investments – Available for sale			**14,478,042**	15,349,974	**14,457,491**	15,335,424
Interest accrued on impaired loans and advances to other customers	36.2 (d) & 35.3 (a)	243	**360,876**	861,057	**360,876**	861,057
Other interest income			**2,661**	2,413	**4,239**	3,990
Total			**118,551,239**	104,049,102	**117,465,670**	103,034,386

Interest income – Bank Graph – 42

Rs. Bn.



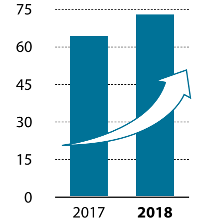
14.01%

2018: Rs. 117.466 Bn.

2017: Rs. 103.034 Bn.

Interest expense – Bank Graph – 43

Rs. Bn.



13.30%

2018: Rs. 72.524 Bn.

2017: Rs. 64.010 Bn.

14.2 Interest expense

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Due to banks	**2,313,673**	2,069,416	**1,953,745**	1,617,094
Derivative financial liabilities	**57,860**	38,702	**57,860**	38,702
Securities sold under repurchase agreements	**3,815,335**	5,943,417	**3,828,078**	5,965,608
Financial liabilities at amortised cost – due to depositors	**62,397,741**	53,385,259	**62,335,808**	53,344,577
Refinance borrowings	**427,958**	352,074	**427,958**	352,074
Foreign currency borrowings	**814,910**	315,242	**814,910**	315,242
Subordinated liabilities	**3,105,553**	2,377,694	**3,105,553**	2,377,694
Total	**72,933,030**	64,481,804	**72,523,912**	64,010,991

14.3 Net interest income from Government Securities

Interest income and interest expenses on Government Securities given in the Notes 14.3 (a), 14.3 (b) and 14.3 (c) below have been extracted from interest income and interest expenses given in Notes 14.1 and 14.2 respectively and disclosed separately, as required by the Guidelines issued by the Central Bank of Sri Lanka.

14.3 (a) Net interest income from Sri Lanka Government Securities

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Interest income	**20,458,655**	22,331,944	**20,438,104**	22,317,394
Securities purchased under resale agreements	**423,571**	81,635	**423,571**	81,635
Financial assets recognised through profit or loss/held for trading	**219,287**	296,520	**219,287**	296,520
Financial assets at amortised cost – Debt and other financial instruments/ financial investments – Held to maturity and loans and receivables	**5,337,755**	6,603,815	**5,337,755**	6,603,815
Financial assets measured at fair value through other comprehensive income/ financial investments – Available for sale	**14,478,042**	15,349,974	**14,457,491**	15,335,424
Less: Interest expense	**3,815,115**	5,942,176	**3,827,858**	5,964,367
Securities sold under repurchase agreements	**3,815,115**	5,942,176	**3,827,858**	5,964,367
Net interest income	**16,643,540**	16,389,768	**16,610,246**	16,353,027

Notional tax credit on secondary market transactions

"Interest income from Government Securities were subjected to withholding tax at source (Notional Tax) as per the Inland Revenue Act No. 10 of 2006, effective up to March 31, 2018. Accordingly, interest income accrued or received on outright or reverse repurchase transactions on Government Securities, Treasury Bills, and Treasury Bonds less interest expense accrued or paid on repurchase transactions with such Government Securities, Treasury Bills, and Bonds from which such interest income earned was grossed up by the amount of Notional Tax.

However, as per the provision of the Inland Revenue Act No. 24 of 2017 effective from April 1, 2018, interest income from Government Securities are excluded from withholding tax. Hence, notional tax credit hitherto claimed by the Bank was discontinued from April 1, 2018 with implementation of Inland Revenue Act No. 24 of 2017.

Accordingly, interest income from Government Securities for the period from January 1, 2018 to March 31, 2018 been grossed up by notional tax amounting to Rs. 348.978 Mn. (Rs. 1,338.116 Mn. for the year ended December 31, 2017) and Rs. 348.311 Mn. (Rs. 1,336.673 Mn. for the year ended December 31, 2017) by the Group and the Bank respectively.

14.3 (b) Net interest income from Bangladesh Government Securities

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Interest income	**727,417**	1,003,916	**727,417**	1,003,916
Securities purchased under resale agreements	**85,045**	57,518	**85,045**	57,518
Financial assets recognised through profit or loss/held for trading	**47,875**	148,381	**47,875**	148,381
Financial assets at amortised cost – Debt and other financial instruments/ financial investments – Held to maturity and loans and receivables	**594,497**	798,017	**594,497**	798,017
Less: Interest expenses	**220**	1,240	**220**	1,240
Securities sold under repurchase agreements	**220**	1,240	**220**	1,240
Net interest income	**727,197**	1,002,676	**727,197**	1,002,676

14.3 (c) Net interest income from Maldives Government Securities

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Interest income	**201,931**	156,598	**–**	–
Financial assets at amortised cost – Debt and other financial instruments/ financial investments – Held to maturity and loans and receivables	**201,931**	156,598	**–**	–
Net interest income	**201,931**	156,598	**–**	–

15. Net fee and commission income

Fee and commission income and expenses that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

Other fee and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

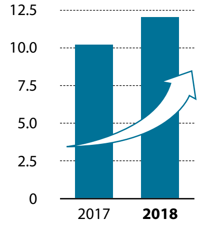
As per SLFRS 15, which became effective from January 1, 2018, the Bank adopts principles based five step model for revenue recognition. Accordingly, revenue is recognised only when all of the following criteria are met:

- The parties to the contract have approved the contract/s;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance;
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Bank has assessed the scope of the new guidance and concluded that it will be limited to fees and commission revenue of the Bank.

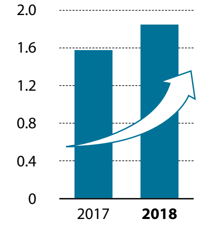
For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Fee and commission income	15.1	206	**12,494,090**	10,510,800	**11,988,070**	10,169,211
Less: Fee and commission expense	15.2	206	**1,859,698**	1,586,334	**1,837,900**	1,566,851
Net fee and commission income			**10,634,392**	8,924,466	**10,150,170**	8,602,360

Fee and commission income – Bank Graph – 44
Rs. Bn.



17.89%
2018: Rs. 11.988 Bn.
2017: Rs. 10.169 Bn.

Fee and commission expense – Bank Graph – 45
Rs. Bn.



17.30%
2018: Rs. 1.838 Bn.
2017: Rs. 1.567 Bn.

15.1 Fee and commission income

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Loans and advances related services	**944,858**	834,468	**873,137**	742,996
Credit and debit cards related services	**4,191,679**	3,389,773	**4,191,679**	3,388,707
Trade and remittances related services	**3,812,516**	3,184,574	**3,683,242**	3,176,106
Deposits related services	**1,952,323**	1,687,448	**1,733,475**	1,680,926
Guarantees related services	**1,063,585**	798,583	**1,062,969**	798,281
Other financial services	**529,129**	615,954	**443,568**	382,195
Total	**12,494,090**	10,510,800	**11,988,070**	10,169,211

15.2 Fee and commission expense

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Loans and advances related services	**66,131**	58,313	**49,769**	42,114
Credit and debit cards related services	**1,631,600**	1,385,010	**1,631,600**	1,385,010
Trade and remittances related services	**47,204**	44,205	**43,990**	40,921
Other financial services	**114,763**	98,806	**112,541**	98,806
Total	**1,859,698**	1,586,334	**1,837,900**	1,566,851

16. Net gains/(losses) from trading

"Net gains/(losses) from trading" comprise gains less losses relating to trading assets and liabilities, and include all realised and unrealised fair value changes, dividends, and foreign exchange differences.

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Derivative financial instruments	**(3,121,949)**	107,201	**(3,121,949)**	107,201
Foreign exchange gains/(losses) from banks and other customers	**(3,121,949)**	107,201	**(3,121,949)**	107,201
Financial assets recognised through profit or loss/ Held for trading – Measured at fair value				
Government Securities	**(4,839)**	122,390	**(4,839)**	122,390
Net mark-to-market gains/(losses)	**(24,572)**	94,672	**(24,572)**	94,672
Net capital gains	**19,733**	27,718	**19,733**	27,718
Equities	**93,552**	4,365	**93,552**	4,365
Net mark-to-market gains/(losses)	**80,151**	(9,046)	**80,151**	(9,046)
Net capital gains	**1,026**	3,251	**1,026**	3,251
Dividend income	**12,375**	10,160	**12,375**	10,160
Total	**(3,033,236)**	233,956	**(3,033,236)**	233,956

17. Net gains/(losses) from derecognition of financial assets

"Net gains/(losses) from derecognition of financial assets" comprised realised gains less losses related to debt instruments measured at FVOCI and financial assets measured at amortised cost as per SLFRS 9 after January 1, 2018.

As per LKAS 39, this included realised gains less losses related to available-for-sale investments, held-to-maturity investments, and loans and receivables.

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Financial assets measured at fair value through other comprehensive income/ financial investments – Available for sale				
Government Securities	**272,004**	91,202	**272,004**	91,202
Net capital gains	**272,004**	91,202	**272,004**	91,202
Financial assets at amortised cost – Debt and other financial instruments/ financial investments – Held to maturity and loans and receivables				
Government Securities	**–**	70	**–**	70
Net capital gains	**–**	70	**–**	70
Total	**272,004**	91,272	**272,004**	91,272

18. Net other operating income

For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Gains/(losses) on sale of property, plant and equipment	18.1	208	9,311	(18,774)	(3,633)	(35,018)
Gains on revaluation of foreign exchange			11,185,438	489,824	11,022,107	481,012
Recoveries o/a loans written off *			21,288	32,820	21,288	32,820
Dividend income from subsidiaries			–	–	80,575	96,332
Dividend income from associates			–	4,111	–	4,111
Dividend income from other equity securities			34,119	37,938	33,879	37,758
Profit due to change in ownership			3,344	5,262	3,344	5,262
Rental and other income	18.2	208	122,942	178,218	199,239	206,247
Less: Dividends received from associates transferred to investment account			–	(4,111)	–	–
Less: Profit due to change in ownership			(3,344)	(5,262)	–	–
Total			11,373,098	720,026	11,356,799	828,524

(*) For a better presentation and to be comparable with the current year classification, the Group and the Bank has netted off the recoveries against provision amounting to Rs.1,236.599 Mn. for the year ended December 31, 2017, under "individual/collective impairment for financial assets at amortised cost-Loans and advances to other customers within the "Impairment charges". Until December 31, 2017, this amount had been reported separately under "Recoveries of loans written off" (previously classified as "recoveries of loan written off and provision reversals") within "Net other operating income".

18.1 Gains/(losses) on sale of property, plant and equipment

The gains or losses on disposal of property, plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item in "other income" in the year in which the Bank transfers control of the asset to the buyer.

18.2 Rental income

Rental income is recognised in the Income Statement on an accrual basis.

19. Impairment charges and other losses

Impairment charges as per SLFRS 9

The Group recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Placements with banks;
- Loans and advances to banks;
- Loans and advances to other customers;
- Financial assets at amortised cost – Debt and other financial instruments;
- Debt instruments at fair value through other comprehensive income;
- Loan commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Impairment charges on loans and advances to customers

For loans and advances above a predefined threshold, the Group individually assesses for significant increase in credit risk. If a particular loan is credit impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Group determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

The Group computes ECL using three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information.

- PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit impaired" above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due are determined by counting the number of days since the due date. The Group employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.
- EAD – The exposure at default represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. For all other loans EAD is considered for default events over the lifetime of the financial instrument.

Impairment charges on financial investments

Impairment charges on financial investments include ECL on debt instruments at FVOCI and financial assets at amortised cost.

The Group does not have historical loss experience on debt instruments at amortised cost and debt instruments at FVOCI. Thus the Group considers PDs published by the external sources i.e. – Bloomberg for external credit rating.

LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%, LGD for foreign currency denominated securities issued by the Government [Sri Lanka Development Bonds (SLDBs) and Sri Lanka Sovereign Bonds (SLSBs)] is considered as 20% and for all other instruments, LGD is considered as 45% in accordance with the guidelines issued by the Central Bank of Sri Lanka.

EAD of a debt instrument is its gross carrying amount.

Credit cards and revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities. The Group reviews the sanction limits at least annually and therefore has the right to cancel and/or reduce the limits. Therefore, the Group calculates only the 12-month ECL (12mECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for Credit Conversion Factor (CCF) and the gross carrying amount of the loan (utilised amount). EAD of Stage 3 contracts are limited to the gross carrying amount which is the utilised amount since the Group freeze the limits of those contracts up to the utilised amount. The expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Undrawn loan commitments

When estimating life time ECL (LTECL)s for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments and letters of credit, the ECL is recognised within "other liabilities".

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within "other liabilities".

Forward-looking information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group also obtained experienced credit judgement from economic experts and Credit and Risk Management Departments to formulate a base case, a best case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth	Status of industry business
Unemployment rate	Regulatory impact
Interest rate (AWPLR)	Government policies
Rate of inflation	
Exchange rate	

The calculation of ECLs

The Group measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12mECL.

- Loans and receivables on which credit risk has not increased significantly since the initial recognition.
- Debt instruments that are determined to have low credit risk at the reporting date.

The Group considers a debt instrument to have a low credit risk when they have an "investment grade" credit risk rating.

ECLs are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of expected cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Financial assets that are not credit-impaired at the reporting date

As described above, the Group calculates 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When loan has shown a significant increase in credit risk since origination, the Group records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

Financial assets that are credit-impaired at the reporting date

Impairment allowance on credit impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimates made by credit officers as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Group regularly reviews the assumptions for projecting future cash flows.

Further, for loans identified in Note 7.1.12.3 definition of default and credit impaired assets (Stage 3) will be assessed for impairment with 100% PD.

Impairment charges as per LKAS 39

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group first assessed whether objective evidence of impairment existed for individually significant financial assets or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss was not recognised were included in a collective assessment of impairment together with the financial assets that are not individually significant.

Individual assessment of impairment

For financial assets above a predetermined threshold (i.e. for individually significant financial assets), if there is objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that had not been incurred). The carrying amount of the asset was reduced through the use of a provision account and the amount of impairment loss was recognised in profit or loss. Interest income continued to be accrued and recorded in "interest income" on the reduced carrying amount/impaired balance and was accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The present value of the estimated future cash flows was discounted at the financial asset's original EIR. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current EIR. If the Bank had reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss was the new EIR determined at the reclassification date.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure was probable.

Collective assessment of impairment

Those financial assets for which, the Group determined that no provision was required under individual impairment, are then collectively assessed for any impairments that had been incurred but not identified. For the purpose of a collective evaluation of impairment, financial assets were grouped on the basis of similar risk characteristics such as internal credit ratings, asset type, industry, geographical location, collateral type, past-due status, etc. Future cash flows on a group of financial assets that were collectively evaluated for impairment, are estimated based on the historical loss experiences of assets with similar credit risk characteristics to those in the group.

Collateral valuation*

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, Government Securities, Letters of Credit/Guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements, etc.

Collateral repossessed*

The Bank's policy is to carry collaterals repossessed at fair value at the repossession date and such assets will be disposed at the earliest possible opportunity. These assets are recorded under assets held for sale as per the Sri Lanka Accounting Standard – SLFRS 5 on "Non-Current Assets Held for Sale and Discontinued Operations".

Write-off of financial assets*

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

**The policies mentioned above on collateral valuation, collateral repossessed, and write-off of financial assets remain unchanged in both SLFRS 9 and LKAS 39.*

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	**2018 Rs. '000**	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Loans and advances to other customers			**8,379,540**	988,639	**8,123,248**	719,450
Individual impairment (**)	35.2 (d)	243	**(1,002,000)**	(223,174)	**(1,002,000)**	(223,174)
Collective impairment (**)			**9,381,540**	1,211,813	**9,125,248**	942,624
Other financial assets			**452,856**	–	**450,985**	–
Total impairment charges	19.1 & 19.2	212	**8,832,396**	988,639	**8,574,233**	719,450
Investments in subsidiaries	38.1	256	**–**	–	**–**	(42,484)
Direct write-offs			**966**	676	**966**	676
Total			**8,833,362**	989,315	**8,575,199**	677,642

(**) For a better presentation and to be comparable with the current year classification, the Group and the Bank has netted off the recoveries against provision amounting to Rs.1,236.599 Mn. for the year ended December 31, 2017, under "individual/collective impairment for financial assets at amortised cost – Loans and advances to other customers" within the "Impairment charges". Until December 31, 2017, this amount had been reported separately under "Recoveries of loans written off" (previously classified as "recoveries of loan written off and provision reversals") within "Net other operating income".

19.1 Impairment charge to the Income Statement – Group

For the year ended December 31,	Note	Page No.	2018 Stage 1 Rs. '000	2018 Stage 2 Rs. '000	2018 Stage 3 Rs. '000	2018 Total Rs. '000	2017 Total Rs. '000
Cash and cash equivalents	29.1	231	(1,450)	–	–	(1,450)	–
Placements with banks	31.1	233	(21,553)	–	–	(21,553)	–
Financial assets at amortised cost – Loans and advances to banks	34.1	238	(103)	–	–	(103)	–
Financial assets at amortised cost – Loans and advances to other customers	35.2 & 35.3	242 & 243	(324,074)	1,632,467	7,071,147	8,379,540	988,639
Individual impairment			–	–	(1,002,000)	(1,002,000)	(223,174)
Collective impairment			(324,074)	1,632,467	8,073,147	9,381,540	1,211,813
Financial assets at amortised cost – Debt and other financial instruments/ Financial Investments – Held to maturity and loans and receivables	36.1	248	198,443	–	–	198,443	–
Financial assets measured at fair value through other comprehensive income/financial investments – Available for sale	37.2	251	401,438	–	–	401,438	–
Contingent liabilities and commitments	59.4	305	(130,732)	(22,769)	29,582	(123,919)	–
Total			121,969	1,609,698	7,100,729	8,832,396	988,639

19.2 Impairment charge to the income statement – Bank

For the year ended December 31,	Note	Page No.	2018 Stage 1 Rs. '000	2018 Stage 2 Rs. '000	2018 Stage 3 Rs. '000	2018 Total Rs. '000	2017 Total Rs. '000
Cash and cash equivalents	29.1	231	(1,450)	–	–	(1,450)	–
Placements with banks	31.1	233	(21,553)	–	–	(21,553)	–
Financial assets at amortised cost – Loans and advances to banks	34.1	238	(103)	–	–	(103)	–
Financial assets at amortised cost – Loans and advances to other customers	35.2 & 35.3	242 & 243	(393,953)	1,704,548	6,812,653	8,123,248	719,450
Individual impairment			–	–	(1,002,000)	(1,002,000)	(223,174)
Collective impairment			(393,953)	1,704,548	7,814,653	9,125,248	942,624
Financial assets at amortised cost – Debt and other financial instruments/ financial investments – Held to maturity and loans and receivables	36.1	248	196,572	–	–	196,572	–
Financial assets measured at fair value through other comprehensive income/financial investments – Available for sale	37.2	251	401,438	–	–	401,438	–
Contingent liabilities and commitments	59.4	305	(130,732)	(22,769)	29,582	(123,919)	–
Total			50,219	1,681,779	6,842,235	8,574,233	719,450

20. Personnel expenses

For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Salary and bonus	20.1	213	**10,154,809**	8,538,989	**9,963,292**	8,509,813
Pension costs	20.1	213	**1,800,395**	1,596,841	**1,778,443**	1,569,187
Contributions to defined contribution/benefit plans – Funded schemes			**1,439,123**	1,308,050	**1,428,776**	1,289,938
Contributions to defined benefit plans – Unfunded schemes	50.1 (c) & 50.2 (c)	283 & 284	**361,272**	288,791	**349,667**	279,249
Equity-settled share-based payment expense	20.2 & 57.6	213 & 302	**68,581**	138,341	**68,581**	138,341
Other expenses	20.3	213	**1,265,883**	1,064,346	**1,260,623**	1,050,675
Total			**13,289,668**	11,338,517	**13,070,939**	11,268,016

20.1 Salary, bonus, and pension costs

Salary, bonus and contributions to defined contribution/benefit plans, reported above also include amounts paid to and contribution made on behalf of Executive Directors.

20.2 Share-based payment

The Bank has an equity-settled share-based compensation plan, the details of which are given in Note 54 on page 295.

20.3 Other expenses

This includes expenses such as overtime payments, medical and hospitalisation charges, expenses incurred on staff training/recruitment and staff welfare activities, etc.

21. Depreciation and amortisation

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The estimated useful lives of the property, plant and equipment of the Bank as at December 31, 2018 are as follows:

Class of asset	Depreciation percentage per annum	Period (years)
Freehold and leasehold buildings	2.5	40
Motor vehicles	20	5
Computer equipment	20	5
Office equipment, furniture and fixtures		
Office equipment	20	5
Office interior work	20	5
Furniture and fittings	10	10
Machinery and equipment	10	10

The above rates are compatible with the rates used by all Group entities, and these rates have not changed during the year.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given in Note 40 on pages 258 to 271.

Depreciation methods, useful lives, and residual values are reassessed at each reporting date and adjusted, if required.

Amortisation of intangible assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use, at the rates specified below:

Class of asset	Amortisation percentage per annum	Period (years)
Computer software	20	5
Trademarks	20	5

The above rate is compatible with the rates used by all Group entities, and these rates have not changed during the year.

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits.

Amortisation method, useful lives, and residual values are reviewed at each reporting date and adjusted, if required.

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	**2018 Rs. '000**	2017 Rs. '000	**2018 Rs. '000**	2017 Rs. '000
Depreciation of property, plant and equipment	40.1 & 40.3	260 & 262	**1,383,581**	1,185,698	**1,279,378**	1,097,096
Amortisation of computer software	41.1	273	**218,076**	229,764	**188,789**	209,766
Amortisation of trademarks			**9**	13	**–**	–
Amortisation of leasehold property	42	274	**1,452**	1,452	**942**	942
Total			**1,603,118**	1,416,927	**1,469,109**	1,307,804

22. Other operating expenses

For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Directors' emoluments	22.1	215	**79,801**	65,205	**52,316**	45,901
Auditors' remuneration			**33,855**	30,260	**22,536**	22,696
Audit fees and expenses			**21,719**	16,556	**10,780**	10,563
Audit-related fees and expenses			**7,040**	7,620	**6,920**	6,825
Non-audit fees and expenses			**5,096**	6,084	**4,836**	5,308
Professional and legal expenses			**550,885**	361,880	**823,904**	443,387
Deposit insurance premium paid to the central banks			**774,100**	682,108	**773,891**	681,944
Donations including contribution made to the CSR Trust Fund			**82,985**	83,104	**82,975**	83,043
Establishment expenses			**2,900,280**	2,677,614	**2,918,044**	2,714,360
Maintenance of property, plant and equipment			**1,297,628**	1,187,143	**1,295,365**	1,205,215
Office administration expenses			**3,274,424**	2,531,679	**2,960,148**	2,265,418
Total			**8,993,958**	7,618,993	**8,929,179**	7,461,964

22.1 Directors' emoluments

Directors' emoluments represent the salaries paid to both Executive and Non-Executive Directors of the Group and the Bank.

23. Taxes on financial services

For the year ended December 31,	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Value Added Tax	**4,759,005**	4,319,890	**4,759,005**	4,304,407
Nation Building Tax	**642,858**	576,730	**642,858**	576,730
Debt Repayment Levy	**649,998**	–	**649,998**	–
Total	**6,051,861**	4,896,620	**6,051,861**	4,881,137

24. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

Current tax

"Current tax" comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted, as at the reporting date. Current tax also includes any tax arising from dividends.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments (up to March 31, 2018) thereto, and the Inland Revenue Act No. 24 of 2017, effective from April 1, 2018. This Note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes".

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant statutes in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

Additional taxes that arise from the distribution of dividends by the Group, are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss as they generally relate to income arising from transactions that were originally recognised in profit or loss.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available, against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects as at the reporting date to recover or settle the carrying amount of its assets and liabilities.

Entity-wise breakup of income tax expense in the Income Statement is as follows:

For the year ended December 31,	Note	Page No.	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Current year tax expense			9,648,955	6,679,675	9,453,100	6,564,443
Income tax expense of Domestic Banking Unit			6,434,902	4,870,548	6,434,902	4,870,548
Income tax expense of Offshore Banking Centre			916,565	232,412	916,565	232,412
Income tax expense of Bangladesh operation			2,024,177	1,450,193	2,024,177	1,450,193
Profit remittance tax of Bangladesh operation			64,972	–	64,972	–
Withholding tax on dividends received			12,684	11,470	12,484	11,290
Income tax expense of Commercial Development Company PLC			37,843	37,450	–	–
Income tax expense of ONEzero Company Limited			25,333	17,684	–	–
Income tax expense of Serendib Finance Limited			2,697	45,744	–	–
Income tax expense of Commercial Bank of Maldives Private Limited			129,782	13,518	–	–
Income tax expense of Commex Sri Lanka S.R.L. – Italy			–	656	–	–
Prior years						
Under/(Over) provision of taxes in respect of prior years	49	281	(537,943)	(99,996)	(564,363)	(100,000)
Deferred tax expense	43.1	275	(875,295)	74,138	(841,357)	137,257
Effect of change in tax rates			(10,455)	–	(10,455)	–
Origination and reversal of temporary differences			(864,840)	74,138	(830,902)	137,257
Total			8,235,717	6,653,817	8,047,380	6,601,700
Effective tax rate (including deferred tax) (%)					31.45	28.48
Effective tax rate (excluding deferred tax) (%)					34.73	27.88

24.1 Income tax rates of the Bank and its subsidiaries

	2018 %	2017 %
Bank		
Domestic banking operations	28	28
Offshore banking operation	28	28
Bangladesh operation	40	42.5
Subsidiaries		
Commercial Development Company PLC	28	28
ONEzero Company Limited	28	28
Serendib Finance Limited	28	28
Commercial Bank of Maldives Private Limited	25	25
Commex Sri Lanka S.R.L. – Italy	24	24

24.2 Reconciliation of the accounting profit to income tax expense

A reconciliation between taxable income and the accounting profit multiplied by the statutory tax rates is given below:

For the year ended December 31,	Note	Page No.	Tax Rate 2018 %	Tax Rate 2017 %	GROUP 2018 Rs. '000	GROUP 2017 Rs. '000	BANK 2018 Rs. '000	BANK 2017 Rs. '000
Accounting profit before tax from operations					**26,098,548**	23,280,324	**25,591,208**	23,182,944
Tax effect at the statutory income tax rate					**7,827,455**	7,031,752	**7,664,509**	6,959,962
Domestic banking operation of the Bank			**28**	28	**4,884,657**	4,808,919	**4,884,657**	4,808,919
Offshore banking operation of the Bank			**28**	28	**852,915**	744,242	**852,915**	744,242
Bangladesh operation of the Bank			**40**	42.5	**1,926,937**	1,406,801	**1,926,937**	1,406,801
Subsidiaries			**24, 25 & 28**	24, 25 & 28	**162,946**	71,790	**–**	–
Tax effect of exempt income					**(959,495)**	(1,490,271)	**(959,495)**	(1,490,271)
Tax effect of non-deductible expenses					**10,414,248**	7,840,250	**10,321,800**	7,550,140
Tax effect of deductible expenses					**(7,710,255)**	(6,711,539)	**(7,650,516)**	(6,464,691)
Qualifying payments					**(654)**	(1,987)	**(654)**	(1,987)
Profit remittance tax of Banglasesh operation					**64,972**	–	**64,972**	–
Under/(over) provision of taxes in respect of prior years	49	281			**(537,943)**	(99,996)	**(564,363)**	(100,000)
Withholding tax on dividends received					**12,684**	11,470	**12,484**	11,290
Deferred tax expense	43.1	275			**(875,295)**	74,138	**(841,357)**	137,257
Income tax expense reported in the Income Statement at the effective income tax rate					**8,235,717**	6,653,817	**8,047,380**	6,601,700

25. Earnings Per Share (EPS)

The Group computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding, adjusted for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees.

Details of Basic and Diluted EPS are given below:

25.1 Basic earnings per ordinary share

	Note	Page No.	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Amount used as the numerator:						
Profit for the year attributable to equity holders of the Bank (Rs. '000)			**17,734,706**	16,605,963	**17,543,828**	16,581,244
Number of ordinary shares used as the denominator:						
Weighted average number of ordinary shares	25.3	219	**1,010,429,126**	973,851,054	**1,010,429,126**	973,851,054
Basic earnings per ordinary share (Rs.)			**17.55**	17.05	**17.36**	17.03

25.2 Diluted earnings per ordinary share

	Note	Page No.	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Amount used as the numerator:						
Profit for the year attributable to equity holders of the Bank (Rs. '000)			**17,734,706**	16,605,963	**17,543,828**	16,581,244
Number of ordinary shares used as the denominator:						
Weighted average number of ordinary shares	25.3	219	**1,010,550,909**	974,886,321	**1,010,550,909**	974,886,321
Diluted earnings per ordinary share (Rs.)			**17.55**	17.03	**17.36**	17.01

25.3 Weighted average number of ordinary shares for basic and diluted earnings per share

	Note	Page No.	Outstanding number of shares 2018	Outstanding number of shares 2017	Weighted average number of shares 2018	Weighted average number of shares 2017
Number of shares in issue as at January 1,			**995,899,302**	890,734,540	**995,899,302**	890,734,540
Add: Number of shares satisfied in the form of issue and allotment of new shares from final dividend for 2016	53.1	293	**–**	11,425,159	**–**	11,425,159
Add: Number of shares satisfied in the form of issue and allotment of new shares from final dividend for 2017	53.1	293	**13,083,951**	–	**13,083,951**	13,083,951
Add: Number of shares exercised in the form of Rights Issue in 2017	53.1	293	**–**	90,461,066	**–**	56,449,510
			1,008,983,253	992,620,765	**1,008,983,253**	971,693,160
Add: Number of shares issued under Employee Share Option Plan (ESOP) 2008	53.1	293	**1,568,665**	2,518,564	**1,315,042**	1,737,730
Add: Number of shares issued under Employee Share Option Plan (ESOP) 2015	53.1	293	**170,659**	759,973	**130,831**	420,164
Weighted average number of ordinary shares for basic earnings per ordinary share calculation			**1,010,722,577**	995,899,302	**1,010,429,126**	973,851,054
Add: Bonus element on number of outstanding options under ESOP 2008 as at the year end			**–**	–	**121,783**	625,382
Add: Bonus element on number of outstanding options under ESOP 2015 as at the year end			**–**	–	**–**	409,885
Weighted average number of ordinary shares for diluted earnings per ordinary share calculation(*)			**1,010,722,577**	995,899,302	**1,010,550,909**	974,886,321

(*) The market value of the Bank's shares for the purpose of calculating the dilutive effect of share options has been based on the excess of quoted market price as of December 31, 2018 and December 31, 2017 over the offer price.

26. Dividends

	GROUP		BANK	
	2018 Second interim Rs. 3.00 per share for 2017 (paid on February 20, 2018) Rs. '000	2017 Second interim Rs. 3.00 per share for 2016 (paid on February 17, 2017) Rs. '000	**2018 Second interim Rs. 3.00 per share for 2017 (paid on February 20, 2018) Rs. '000**	2017 Second interim Rs. 3.00 per share for 2016 (paid on February 17, 2017) Rs. '000
On ordinary shares				
Net dividend paid to the ordinary shareholders out of normal profits	**2,714,372**	2,418,709	**2,714,372**	2,418,709
Withholding tax deducted at source	**275,624**	256,090	**275,624**	256,090
Gross ordinary dividend paid	**2,989,996**	2,674,799	**2,989,996**	2,674,799

	First interim Rs. 1.50 per share for 2018 (paid on November 21, 2018) Rs. '000	First interim Rs. 1.50 per share for 2017 (paid on November 20, 2017) Rs. '000	**First interim Rs. 1.50 per share for 2018 (paid on November 21, 2018) Rs. '000**	First interim Rs. 1.50 per share for 2017 (paid on November 20, 2017) Rs. '000
On ordinary shares				
Net dividend paid to the ordinary shareholders out of normal profits	**1,312,647**	1,350,719	**1,312,647**	1,350,719
Withholding tax deducted at source	**203,437**	143,000	**203,437**	143,000
Gross ordinary dividend paid	**1,516,084**	1,493,719	**1,516,084**	1,493,719
Total gross ordinary dividend paid	**4,506,080**	4,168,518	**4,506,080**	4,168,518

The Board of Directors of the Bank approved the payment of a second interim dividend of Rs. 3.00 per share for both the voting and non-voting ordinary shareholders of the Bank for the year ended December 31, 2018 and this dividend was paid on February 15, 2019.

Further, the Board of Directors of the Bank has recommended the payment of a final dividend of Rs. 2.00 per share which is to be satisfied in the form of issue and allotment of new shares for both voting and non-voting ordinary shares of the Bank for the year ended December 31, 2018 (Bank declared a final dividend of Rs. 2.00 per share for 2017 in 2018 and this was satisfied in the form of issue and allotment of new shares for both voting and non-voting ordinary shares of the Bank). The total dividend recommended by the Board is to be approved at the forthcoming Annual General Meeting to be held on March 28, 2019. In accordance with provisions of the Sri Lanka Accounting Standard – LKAS 10 on "Events after the Reporting Period", the second interim dividend referred to above and the proposed final dividend for the year ended December 31, 2018 have not been recognised as liabilities as at the year end. Final dividend payable for the year 2018 has been estimated at Rs. 2,022.010 Mn. (Actual final dividend for 2017 amounted to Rs. 1,994.271 Mn.).

Accordingly, the dividend per ordinary share (for both voting and non-voting) for the year 2018 would be Rs. 6.50 (2017 – Rs. 6.50).