

**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
<b>Total</b>	<b>24,051,472</b>	<b>17,362,977</b>	<b>23,911,122</b>	<b>17,298,162</b>

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
<b>Total</b>	<b>52,362,052</b>	<b>60,244,892</b>	<b>50,101,081</b>	<b>57,120,991</b>

(\*) 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
<b>Total</b>			<b>8,021,783</b>	<b>3,678,494</b>	<b>8,021,783</b>	<b>3,678,494</b>

**46.1 | Derivative financial liabilities – Held for trading**

Derivative financial liabilities are classified as held for trading, if they are incurred principally for the purpose of repurchasing in the near term or held as a part of a portfolio that is managed together for short-term profit or position taking.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. The accounting for derivatives embedded in financial liabilities and non-financial host contracts has not changed.

Derivatives embedded in financial liabilities 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.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Foreign currency derivatives</b>				
Currency swaps	5,946,484	2,656,376	5,946,484	2,656,376
Forward contracts	2,069,807	1,015,648	2,069,807	1,015,648
Spot contracts	5,492	2,008	5,492	2,008
<b>Total</b>	<b>8,021,783</b>	<b>3,674,032</b>	<b>8,021,783</b>	<b>3,674,032</b>

**46.2 | Derivative financial liabilities – 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 liability 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	–	4,462	–	4,462
<b>Total</b>	<b>–</b>	<b>4,462</b>	<b>–</b>	<b>4,462</b>

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

**47. Financial liabilities at amortised cost – Due to depositors**

These include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call, and certificates of deposit. Subsequent to initial recognition deposits are measured at amortised cost using the EIR method, except where the Group designates liabilities at fair value through profit or loss. Interest paid/payable on these deposits is recognised in profit or loss.

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Local currency deposits</b>	<b>747,951,765</b>	<b>649,709,858</b>	<b>748,142,891</b>	<b>650,161,430</b>
Current account balances	45,166,224	42,488,222	45,177,113	42,497,439
Savings deposits	227,412,160	212,687,511	227,493,335	213,055,712
Time deposits	475,290,328	394,357,770	475,389,390	394,431,924
Certificates of deposit	83,053	176,355	83,053	176,355
<b>Foreign currency deposits</b>	<b>246,419,110</b>	<b>207,560,123</b>	<b>234,894,423</b>	<b>199,966,081</b>
Current account balances	32,286,978	23,401,770	26,476,915	18,954,618
Savings deposits	72,501,383	60,355,737	69,972,029	59,001,649
Time deposits	141,630,749	123,802,616	138,445,479	122,009,814
<b>Total</b>	<b>994,370,875</b>	<b>857,269,981</b>	<b>983,037,314</b>	<b>850,127,511</b>

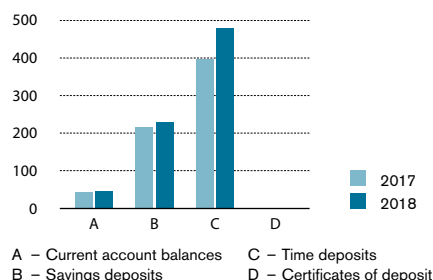
**47.1 Analysis of due to customers/deposits from customers**

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>(a) By product</b>				
Current account balances	77,453,202	65,889,992	71,654,028	61,452,057
Savings deposits	299,913,543	273,043,248	297,465,364	272,057,361
Time deposits	616,921,077	518,160,386	613,834,869	516,441,738
Certificates of deposit	83,053	176,355	83,053	176,355
<b>Subtotal</b>	<b>994,370,875</b>	<b>857,269,981</b>	<b>983,037,314</b>	<b>850,127,511</b>
<b>(b) By currency</b>				
Sri Lankan Rupee	747,951,768	649,709,858	748,142,892	650,161,430
United States Dollar	144,023,440	133,126,818	136,589,434	127,914,412
Great Britain Pound	8,836,477	7,753,315	8,836,477	7,753,315
Euro	62,620,046	43,047,102	62,620,046	43,047,102
Australian Dollar	12,725,445	10,673,908	12,644,251	10,513,278
Bangladesh Taka	12,321,533	8,887,830	12,318,915	8,887,302
Maldivian Rufiyaa	4,058,311	2,271,481	–	–
Other currencies	1,833,855	1,799,669	1,885,299	1,850,672
<b>Subtotal</b>	<b>994,370,875</b>	<b>857,269,981</b>	<b>983,037,314</b>	<b>850,127,511</b>
<b>(c) By institution/customers</b>				
Deposits from banks	2,425,725	12,153,761	2,425,725	12,153,761
Deposits from finance companies	8,303,951	6,666,165	8,340,126	6,705,055
Deposits from other customers	983,641,199	838,450,055	972,271,463	831,268,695
<b>Subtotal</b>	<b>994,370,875</b>	<b>857,269,981</b>	<b>983,037,314</b>	<b>850,127,511</b>

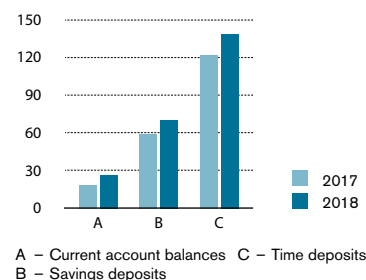
The maturity analysis of financial liabilities at amortised cost – Due to depositors is given in Note 62 on pages 307 to 309.

**Deposits – Local Currency – Bank — Graph – 47**

Rs. Bn.

**Deposits – Foreign Currency – Bank - Graph – 48**

Rs. Bn.

**48. Financial liabilities at amortised cost – Other borrowings**

As at December 31,	GROUP		BANK	
	2018	2017	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Refinance borrowings	7,210,334	6,624,731	7,210,334	6,624,731
Borrowings from International Finance Corporation (IFC)	18,151,578	17,161,363	18,151,578	17,161,363
<b>Total</b>	<b>25,361,912</b>	<b>23,786,094</b>	<b>25,361,912</b>	<b>23,786,094</b>

The maturity analysis of financial liabilities at amortised cost – Other borrowings is given in Note 62 on pages 307 to 309.

**49. Current tax liabilities**

	Note	Page No.	GROUP		BANK	
			2018	2017	2018	2017
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at January 01,			4,202,850	3,464,682	4,143,911	3,440,736
Provision for the year			9,648,955	6,679,675	9,453,100	6,564,443
Reversal of (over)/under provision	24	216	(537,943)	(99,996)	(564,363)	(100,000)
Self-assessment payments			(5,971,026)	(3,810,701)	(5,856,270)	(3,753,679)
Notional tax credits (*)			(348,978)	(1,338,116)	(348,311)	(1,336,673)
Withholding tax/other credits			(750,000)	(646,991)	(733,426)	(625,096)
Exchange rate variance			492,139	(45,703)	471,717	(45,820)
<b>Balance as at December 31,</b>			<b>6,735,997</b>	<b>4,202,850</b>	<b>6,566,358</b>	<b>4,143,911</b>

(\*) Notional tax credit on secondary market transactions

"Interest income from Government Securities were subjected to withholding tax at source (Notional Tax) as per Inland Revenue Act No. 10 of 2006, effective upto 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.

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

## 50. Other liabilities

Other liabilities include provisions made on account of interest, fees and expenses, gratuity/pensions, leave encashment, and other provisions. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at December 31,	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Accrued expenditure			2,724,062	2,895,090	2,658,304	2,865,751
Cheques sent on clearing			7,774,059	6,119,528	7,774,059	6,119,528
Provision for gratuity payable	50.1. (b)	283	1,778,016	1,515,410	1,726,920	1,474,387
Provision for unfunded pension scheme	50.2. (b)	284	242,819	285,095	242,819	285,095
Provision for leave encashment	50.3. (b)	285	709,495	944,251	709,495	944,251
Payable on oil hedging transactions			1,135,326	952,929	1,135,326	952,929
Impairment provision in respect of off-balance sheet credit exposures	59.4	305	726,640	–	726,640	–
Other payables			9,457,096	6,795,812	9,232,788	6,583,423
<b>Total</b>			<b>24,547,513</b>	<b>19,508,115</b>	<b>24,206,351</b>	<b>19,225,364</b>

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

### 50.1 Provision for gratuity payable

An actuarial valuation of the retirement gratuity payable was carried out as at December 31, 2018 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

#### 50.1 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 67/70 Mortality table issued by the Institute of Actuaries, London
	Staff turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health, and normal retirement. The same withdrawal rates which were used in the last valuation (as at December 31, 2017) to determine the liabilities of the active employees in the gratuity, were used in the actuarial valuation carried out as at December 31, 2018.
	Normal retirement age	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.
Financial	Rate of discount	<b>Sri Lankan operation</b> In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 11.50% p.a. (2017 – 11.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
		<b>Bangladesh operation</b> In the absence of long-term high quality corporate bonds or government bonds with the term that matches liabilities a long-term interest rate of 8.00% p.a. (2017 - 8.00% p.a.) has been used to discount future liabilities considering anticipated long-term rate of inflation.
	Salary increases	<b>Sri Lankan operation</b> A salary increment of 11.00% p.a. (2017 – 11.50% p.a.) has been used in respect of the active employees. <b>Bangladesh operation</b> A salary increment of 10.00% p.a. (2017 – 10% p.a.) has been used in respect of the active employees.

**50.1 (b) Movement in the provision for gratuity payable**

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 01,			1,515,410	1,010,095	1,474,387	983,180
Expense recognised in the Income Statement	50.1 (c)	283	328,544	264,079	316,939	254,537
Exchange rate variance			52,568	(7,279)	52,568	(7,279)
Amount paid during the year			(51,231)	(67,216)	(45,817)	(62,607)
Actuarial (gains)/loss recognised in other comprehensive income			(67,275)	315,731	(71,157)	306,556
<b>Balance as at December 31,</b>			<b>1,778,016</b>	<b>1,515,410</b>	<b>1,726,920</b>	<b>1,474,387</b>

**50.1 (c) Expense recognised in the income statement – Gratuity**

For the year ended December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Interest cost	159,617	105,960	155,673	102,993
Current service cost	168,927	158,119	161,266	151,544
<b>Total</b>	<b>328,544</b>	<b>264,079</b>	<b>316,939</b>	<b>254,537</b>

**50.1 (d) Sensitivity analysis on actuarial valuation**

The following table illustrates the impact arising from the possible changes in the discount rate and salary escalation rates on the gratuity valuation of the Group and the Bank as at December 31, 2018.

Variable	GROUP Sensitivity effect on statement of financial position (Benefit obligation) Rs. '000	BANK Sensitivity effect on statement of financial position (Benefit obligation) Rs. '000
1% increase in discount rate	(253,450)	(249,806)
1% decrease in discount rate	313,475	309,315
1% increase in salary	319,562	315,346
1% decrease in salary	(262,110)	(258,358)

**50.2 Provision for unfunded pension scheme**

An actuarial valuation of the unfunded pension liability was carried out as at December 31, 2018 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuary to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard, LKAS 19 on "Employee Benefits".

<b>50.2 (a) Actuarial assumptions</b>		
Type of Assumption	Criteria	Description
Demographic	Mortality – in service	A 67/70 Mortality table issued by the Institute of Actuaries, London
	After retirement	A (90) Annuities table (Males and Females) issued by the Institute of Actuaries, London
	Staff turnover	The withdrawal rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health, and normal retirement. The same withdrawal rates which were used in the last valuation (as at December 31, 2017) to determine the liabilities of the active employees in the funded scheme, were used in the actuarial valuation carried out as at December 31, 2018.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a “scheme specific” study was not available.
	Normal retirement age	55 or 60 years as opted by the employees.
Financial	Rate of discount	In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 11.50% p.a. (2017 – 11.00% p.a.) has been used to discount future liabilities considering anticipated long-term rate of inflation.
	Salary increases	A salary increment of 11.00% p.a. (2017 – 11.50% p.a.) has been used in respect of the active employees.
	Post retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases, and increases are granted solely at the discretion of the Bank. Therefore, no specific rate was assumed for this valuation.

50.2 (b) Movement in the provision for unfunded pension scheme						
			GROUP		BANK	
	Note	Page No.	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 01,			285,095	214,886	285,095	214,886
Expense recognised in the Income Statement	50.2 (c)	284	32,728	24,712	32,728	24,712
Amount paid during the year			(47,283)	(45,317)	(47,283)	(45,317)
Transfers			12,435	–	12,435	–
Actuarial (gains)/losses recognised in other comprehensive income			(40,156)	90,814	(40,156)	90,814
Balance as at December 31,			242,819	285,095	242,819	285,095

<b>50.2 (c) Expense recognised in the Income Statement – Unfunded pension scheme</b>				
For the year ended December 31,		GROUP		BANK
		2018 Rs. '000	2017 Rs. '000	2017 Rs. '000
Interest cost		32,728	24,712	24,712
Current service cost		–	–	–
<b>Total</b>		<b>32,728</b>	<b>24,712</b>	<b>24,712</b>

**50.2 (d) Sensitivity analysis on actuarial valuation – Unfunded pension scheme**

The following table illustrates the impact arising from the possible changes in the discount rate and salary escalation rates on the unfunded pension scheme of the Bank as at December 31, 2018.

Variable	GROUP	BANK
	Sensitivity effect on statement of financial position (Benefit obligation) Rs. '000	Sensitivity effect on statement of financial position (Benefit obligation) Rs. '000
1% increase in discount rate	(9,993)	(9,993)
1% decrease in discount rate	10,901	10,901
1% increase in salary	–	–
1% decrease in salary	–	–

**50.3 Provision for leave encashment**

An actuarial valuation of the leave encashment liability was carried out as at December 31, 2018 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the “Projected Unit Credit Method (PUC)”, the method recommended by the Sri Lanka Accounting Standard, LKAS 19 on “Employee Benefits”.

**50.3 (a) Actuarial assumptions**

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967/70 Mortality table issued by the Institute of Actuaries, London
	Staff turnover	The probability of a member withdrawing from the scheme within a year of ages between 20 and 55 years.
	Disability	The probability of a member becoming disable within a year of ages between 20 and 55 years.
Financial	Rate of discount	In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 11.50% p.a. (2017 – 11.00% p.a.) has been used to discount future liabilities considering anticipated long-term rate of inflation.
	Salary increases	A salary increment of 11.00% p.a. (2017 – 11.50% p.a.) has been used in respect of the active employees.

**50.3 (b) Movement in the provision for leave encashment**

	Note	Page No.	GROUP	BANK
			2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			944,251	688,073
Expense recognised in the Income Statement	50.3 (c)	286	103,868	79,128
Amount paid during the year			(283,895)	(71,931)
Actuarial (gains)/losses recognised in other comprehensive income			(54,729)	248,981
<b>Balance as at December 31,</b>			<b>709,495</b>	<b>944,251</b>



**50.3 (c) Expense recognised in the income statement – Leave encashment**

For the year ended December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Interest cost	103,868	79,128	103,868	79,128
Current service cost	-	-	-	-
<b>Total</b>	<b>103,868</b>	<b>79,128</b>	<b>103,868</b>	<b>79,128</b>

**50.3 (d) Sensitivity analysis on actuarial valuation – Leave encashment**

The following table illustrates the impact arising from the possible changes in the discount rate and salary escalation rates on the leave encashment valuation of the Bank as at December 31, 2018.

Variable	GROUP	BANK
	Sensitivity effect on statement of financial position (Benefit obligation) Rs. '000	Sensitivity effect on statement of financial position (Benefit obligation) Rs. '000
1% increase in discount rate	(85,806)	(85,806)
1% decrease in discount rate	104,379	104,379
1% increase in salary	107,117	107,117
1% decrease in salary	(89,364)	(89,364)

**50.4 Employee retirement benefit****50.4.1 Pension fund – Defined benefit plan**

An actuarial valuation of the Retirement Pension Fund was carried out as at December 31, 2018 by Mr M Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the “Projected Unit Credit Method (PUC)”, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on “Employee Benefits”.

The assets of the fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

## 50.4.1 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 67/70 Mortality table issued by the Institute of Actuaries, London
	After retirement	A (90) Annuities table (Males and Females) issued by the Institute of Actuaries, London
	Staff Turnover	The withdrawal rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. The same withdrawal rates which were used in the last valuation (as at December 31, 2017) to determine the liability on account of the active employees in the funded scheme, were used in the actuarial valuation carried out as at December 31, 2018.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available.
	Normal retirement age	55 or 60 years as opted by the employees.
Financial	Rate of discount	In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 11.50% p.a. (2017 – 11.00% p.a.) has been used to discount future liabilities considering anticipated long-term rate of inflation.
	Salary increases	A salary increment of 11.00% p.a. (2017 – 11.50% p.a.) has been used in respect of the active employees.
	Post-retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases and increases are granted solely at the discretion of the Bank. Therefore, no specific rate was assumed for this valuation.

## 50.4.1 (b) Movement in the present value of defined benefit obligation – Bank

	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	204,441	160,833
Interest cost	22,489	18,496
Current service cost	3,823	3,518
Benefits paid during the year	(17,619)	(16,842)
Actuarial (gain)/loss	4,695	38,436
<b>Balance as at December 31,</b>	<b>217,829</b>	<b>204,441</b>

## 50.4.1 (c) Movement in the fair value of plan assets

	2018 Rs. '000	2017 Rs. '000
Fair value as at January 1,	160,530	160,752
Expected return on plan assets	17,658	18,486
Contribution paid into plan	46,001	1,710
Benefits paid by the plan	(17,619)	(16,842)
Actuarial gain/(loss) on plan assets	(1,710)	(3,576)
<b>Fair value as at December 31,</b>	<b>204,860</b>	<b>160,530</b>

## 50.4.1 (d) Liability recognised in the statement of financial position

	2018 Rs. '000	2017 Rs. '000
Present value of defined benefit obligations as at December 31,	217,829	204,441
Fair value of plan assets	(204,860)	(160,530)
<b>Net liability recognised under other liabilities</b>	<b>12,969</b>	<b>43,911</b>

## 50.4.1 (e) Plan assets consist of the following:

	2018 Rs. '000	2017 Rs. '000
Deposits held with the Bank	204,860	160,530
<b>Total</b>	<b>204,860</b>	<b>160,530</b>

## 50.4.2 W&amp;OP Fund – Defined benefit plan

An actuarial valuation of the Retirement Pension W&OP Fund was carried out as at December 31, 2018 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The assets of the fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

## 50.4.2 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – In service	A 67/70 Mortality table issued by the Institute of Actuaries, London
	After retirement	A (90) Annuities table (Males and Females) issued by the Institute of Actuaries, London
	Staff Turnover	The withdrawal rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. The same withdrawal rates which were used in the last valuation (as at December 31, 2017) to determine the liability on account of the active employees in the funded scheme, were used in the actuarial valuation carried out as at December 31, 2018.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available.
	Normal retirement age	55 or 60 years as opted by the employees.
Financial	Rate of discount	In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 11.50% p.a. (2017 – 11.00% p.a.) has been used to discount future liabilities considering anticipated long-term rate of inflation.
	Salary increases	A salary increment of 11.00% p.a. (2017 – 11.50% p.a.) has been used in respect of the active employees.
	Post-retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases and increases are granted solely at the discretion of the Bank. Therefore, no specific rate was assumed for this valuation.

**50.4.2 (b) Movement in the present value of defined benefit obligation – Bank**

	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	67,534	48,419
Interest cost	6,061	5,568
Current service cost	348	409
Transfers	(12,435)	–
Benefits paid during the year	(5,589)	(5,003)
Actuarial (gain)/loss	5,368	18,141
<b>Balance as at December 31,</b>	<b>61,287</b>	<b>67,534</b>

**50.4.2 (c) Movement in the fair value of plan assets**

	2018 Rs. '000	2017 Rs. '000
Fair value as at January 1,	48,270	50,182
Expected return on plan assets	5,310	5,771
Contribution paid into plan	19,524	212
Benefits paid by the plan	(5,589)	(5,003)
Actuarial gain/(loss) on plan assets	(667)	(2,892)
<b>Fair value as at December 31,</b>	<b>66,848</b>	<b>48,270</b>

**50.4.2 (d) Liability recognised in the Statement of Financial Position**

	2018 Rs. '000	2017 Rs. '000
Present value of defined benefit obligations as at December 31,	61,287	67,534
Fair value of plan assets	(66,848)	(48,270)
<b>Net liability recognised under other liabilities</b>	<b>(5,561)</b>	<b>19,264</b>

**50.4.2 (e) Plan assets consist of the following:**

	2018 Rs. '000	2017 Rs. '000
Deposits held with the Bank	66,848	48,270
<b>Total</b>	<b>66,848</b>	<b>48,270</b>

**50.4.3 Pension fund – Defined contribution plan**

During 2006, the Bank restructured its pension scheme which was a Defined Benefit Plan (DBP) to a Define Contribution Plan (DCP). This restructured plan was offered on a voluntary basis to the eligible employees of the Bank. The scheme provided for lump sum payments instead of commuted/monthly pension to the eligible employees at the point of their separation, in return for surrendering their pension rights. The lump sum offered consisted of a past service package and future service package. The cost to be incurred on account of the past service package in excess of the funds available in the pension fund was borne by the Bank in 2006.

The future service package includes monthly contributions to be made by the Bank for the employees who accepted the offer, to be made during their remaining period of service, at predetermined contribution rates to be applied on their salaries, estimated to increase for this purpose at 10% p.a. In addition, interest to be earned on the assets of the DCP is also allocated to the employees who joined the restructured scheme.

**51. Due to subsidiaries**

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Local subsidiaries</b>				
Commercial Development Company PLC	–	–	23,400	42,732
ONEzero Company Ltd.	–	–	17,555	31,791
Serendib Finance Ltd.	–	–	–	–
<b>Subtotal</b>	–	–	40,955	74,523
<b>Foreign subsidiaries</b>				
Commex Sri Lanka S.R.L. – Italy	–	–	–	–
Commercial Bank of Maldives Private Limited	–	–	–	–
CBC Myanmar Microfinance Company Limited	–	–	–	–
<b>Subtotal</b>	–	–	–	–
<b>Total</b>	–	–	40,955	74,523

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

## 52. Subordinated liabilities

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition these are measured at their amortised cost using the EIR method, except where the Group designates them at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			24,699,430	24,410,680	24,699,430	24,410,680
Amount borrowed during the year (*)			10,000,000	–	10,000,000	–
Repayments/redemptions during the year			–	–	–	–
<b>Subtotal</b>			<b>34,699,430</b>	<b>24,410,680</b>	<b>34,699,430</b>	<b>24,410,680</b>
Exchange rate variance			2,205,000	288,750	2,205,000	288,750
<b>Balance as at December 31, (before adjusting for amortised interest and transaction cost)</b>	<b>52.1</b>	<b>292</b>	<b>36,904,430</b>	<b>24,699,430</b>	<b>36,904,430</b>	<b>24,699,430</b>
Unamortised transaction cost			(51,384)	(63,594)	(51,384)	(63,594)
Net effect of amortised interest payable			1,139,411	530,088	1,139,411	530,088
<b>Adjusted balance as at December 31,</b>			<b>37,992,457</b>	<b>25,165,924</b>	<b>37,992,457</b>	<b>25,165,924</b>

(\*) The Bank announced a debenture issue in January 2018 to issue 50,000,000 Basel III compliant – Tier II, listed, rated, unsecured, subordinated redeemable debentures of Rs. 100.00 each, with a non-viability conversion feature amounting to Rs. 5 Bn. with an option to issue up to a further 50,000,000 debentures amounting to Rs. 5 Bn. This debenture issue was opened for investors on July 16, 2018 and was oversubscribed on the the same day. The allotment and listing of debentures was also concluded in July 23, 2018 and July 30, 2018 respectively. The quantum of funds raised through the above Debenture issue was utilised to achieve the following objectives as stipulated in the prospectus.

- (a) Expansion of the lending portfolio.
- (b) Increasing Tier II Capital base of the Bank thus strengthening its Total Eligible Capital as per BASEL III requirements.
- (c) Reduce maturity gaps by matching medium to long-term liabilities with medium to long-term assets.

As stated in the prospectus following table indicates utilisation of funds raised through the above debentures:

Objective number	Objective as per prospectus	Amount allocated as per prospectus	Proposed date of utilisation as per prospectus	Amount allocated from proceeds (a)	% Of total proceeds	Amounts utilised (b)	% Of utilisation against allocation (B/a)	Clarification if not fully-utilised including where the funds are invested (eg: whether lent to related party/s etc.)
1.	Expansion of the lending portfolio		Within 3 months from date of receipt of cash flows					
2.	Improve the Tier II capital base thus, increasing the Capital Adequacy Ratio (CAR)	Rs. 10.0 Bn.	Subsequent to the allotment of Debentures	Rs. 10.0 Bn.	100	Rs. 10.0 Bn.	100	N/A
3.	Reduce maturity gaps in the assets and liabilities of the Bank		Within 3 months from date of receipt of cash flows as and when funds are disbursed for lending					

**52.1 Categories of subordinated liabilities**

Categories	Colombo Stock Exchange Listing	Interest payable frequency	Allotment date	Maturity date	Effective annual yield		GROUP		BANK	
					2018	2017	2018	2017	2018	2017
					%	%	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Rate Debentures										
2016/2021 – 10.75% p.a.	Listed	Biannually	09.03.2016	08.03.2021	11.04	11.04	4,430,340	4,430,340	4,430,340	4,430,340
2016/2021 – 12.00% p.a.	Listed	Biannually	28.10.2016	27.10.2021	12.36	12.36	5,071,800	5,071,800	5,071,800	5,071,800
2016/2026 – 11.25% p.a.	Listed	Biannually	09.03.2016	08.03.2026	11.57	11.57	1,749,090	1,749,090	1,749,090	1,749,090
2016/2026 – 12.25% p.a.	Listed	Biannually	28.10.2016	27.10.2026	12.63	12.63	1,928,200	1,928,200	1,928,200	1,928,200
2018/2023 – 12.00% p.a.	Listed	Biannually	23.07.2018	22.07.2023	12.36	–	8,393,840	–	8,393,840	–
2018/2028 – 12.50% p.a.	Listed	Biannually	23.07.2018	22.07.2028	12.89	–	1,606,160	–	1,606,160	–
Floating rate subordinated loans										
IFC Borrowings – 6 M LIBOR + 5.75%		Biannually	13.03.2013	14.03.2023	8.385	7.013	13,725,000	11,520,000	13,725,000	11,520,000
Total							36,904,430	24,699,430	36,904,430	24,699,430

**52.2 Subordinated liabilities by maturity**

As at December 31,	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Payable within one year	–	–	–	–
Payable after one year	36,904,430	24,699,430	36,904,430	24,699,430
<b>Total</b>	<b>36,904,430</b>	<b>24,699,430</b>	<b>36,904,430</b>	<b>24,699,430</b>

In the event of the winding-up of the issuer, the above liabilities would be subordinated to the claims of depositors and all other creditors of the issuer. The Bank has not had any defaults of principal, interest or other breaches with respect to its subordinated liabilities during the year ended December 31, 2018.

The maturity analysis of Subordinated liabilities is given in Note 62 on pages 307 to 309.

**53. Stated capital**

Ordinary shares in the Bank are recognised at the amount paid per ordinary share net of directly attributable issue cost.

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			37,143,541	24,978,003	37,143,541	24,978,003
Issue of ordinary voting shares under the employee share option plan			203,083	386,311	203,083	386,311
Transfer from employee share option reserve	57.6	302	6,414	28,806	6,414	28,806
Issue of ordinary shares as part of the final dividend satisfied in the form of issue and allotment of new shares			1,794,844	1,606,549	1,794,844	1,606,549
Ordinary voting shares			1,679,774	1,503,566	1,679,774	1,503,566
Ordinary non-voting shares			115,070	102,983	115,070	102,983
Rights issue of ordinary voting shares			-	9,616,179	-	9,616,179
Rights issue of ordinary non-voting shares			-	527,693	-	527,693
<b>Balance as at December 31,</b>			<b>39,147,882</b>	<b>37,143,541</b>	<b>39,147,882</b>	<b>37,143,541</b>

**53.1 Movement in number of shares**

	Number of ordinary voting shares		Number of ordinary non-voting shares	
	2018	2017	2018	2017
Balance as at January 1,	931,971,691	833,521,887	63,927,611	57,212,653
Issue of ordinary voting shares under the employee share option plan	1,739,324	3,278,537	-	-
Issue of ordinary shares as part of the final dividend satisfied in the form of issue and allotment of new shares	11,998,388	10,521,802	1,085,563	903,357
Rights issue of ordinary voting shares	-	84,649,465	-	5,811,601
<b>Balance as at December 31,</b>	<b>945,709,403</b>	<b>931,971,691</b>	<b>65,013,174</b>	<b>63,927,611</b>

The shares of Commercial Bank of Ceylon PLC are quoted on the Colombo Stock Exchange. The non-voting ordinary shares of the Bank, rank *pari passu* in respect of all rights with the ordinary voting shares of the Bank except voting rights on Resolutions passed at General Meetings.

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Bank.

The Bank has offered an Employee Share Option Plan. Please see Note 53.2 below for details.



**53.2 Employee Share Option Plan – 2008**

The Bank obtained the approval of the shareholders at an Extraordinary General Meeting held on April 16, 2008, to introduce an Employee Share Option Plan for the benefit of all the Executive Officers in Grade III and above by creating up to 3% of the ordinary voting shares at the rate of 1% shares each year over a period of three to five years, upon the Bank achieving specified performance targets.

Option price is determined on the basis of the weighted average market price of Bank's voting shares, during the period of ten market days immediately prior to each option offer date.

Number of options offered under each tranche is based on the overall performance of the Bank and the individual performance of the eligible employees in the preceding year. In the event of a rights issue of shares, capitalisation of reserves, stock splits or stock dividends by the Bank during the vesting period, the number of options offered and the price are suitably adjusted as per the applicable rules of ESOP – 2008 which have been drafted in line with the accepted market practices.

One-third of the options offered under each tranche is vested to eligible employees after one year from the date of offer, second One-third of the options after two years from the date of offer and final One-third after three years from the date of offer as detailed below:

Date granted	Tranche I			Total
	April 30, 2008	April 30, 2008	April 30, 2008	
Price (Rs.) – (*)	46.91	46.91	46.91	
	1/3 of Options	1/3 of Options	1/3 of Options	
Exercisable between	April 30, 2009 to April 29, 2013	April 30, 2010 to April 29, 2014	April 30, 2011 to April 29, 2015	
Original number of options	777,308	777,308	777,308	2,331,924
Additions consequent to share splits and rights issues	692,095	789,320	1,057,059	2,538,474
Number of options cancelled before vesting	(52,943)	(52,943)	(52,943)	(158,829)
Number of options vested	1,416,460	1,513,685	1,781,424	4,711,569
Options cancelled due to non-acceptance	–	–	–	–
Number of options exercised up to December 31, 2018	(1,416,460)	(1,513,685)	(1,781,424)	(4,711,569)
<b>Number of options to be exercised as at December 31, 2018</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

(\*) Adjusted on account of rights issue of shares and sub division of shares.

Date granted	Tranche II			Total
	April 30, 2011	April 30, 2011	April 30, 2011	
Price (Rs.) – (*)	129.78	129.78	129.78	
	1/3 of Options	1/3 of Options	1/3 of Options	
Exercisable between	April 30, 2012 to April 29, 2016	April 30, 2013 to April 29, 2017	April 30, 2014 to April 29, 2018	
Original number of options	1,213,370	1,213,386	1,230,817	3,657,573
Additions consequent to share splits and rights issues	1,213,370	1,213,386	1,230,817	3,657,573
Number of options cancelled before vesting	(30,980)	(41,307)	(95,236)	(167,523)
Number of options vested	2,395,760	2,385,465	2,366,398	7,147,623
Options cancelled due to non-acceptance	(1,337,809)	(1,020,819)	(864,316)	(3,222,944)
Number of options exercised up to December 31, 2018	(1,057,951)	(1,364,646)	(1,502,082)	(3,924,679)
<b>Number of options to be exercised as at December 31, 2018</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

(\*) Adjusted on account of rights issue of shares and sub division of shares.

Date granted	Tranche III			Total
	April 30, 2012	April 30, 2012	April 30, 2012	
Price (Rs.) – (*)	102.69	102.69	102.69	
	1/3 of Options	1/3 of Options	1/3 of Options	
Exercisable between	April 30, 2013 to April 29, 2017	April 30, 2014 to April 29, 2018	April 30, 2015 to April 29, 2019	
Original number of options	2,596,558	2,616,965	2,623,341	7,836,864
Number of options cancelled before vesting	–	(49,706)	(79,964)	(129,670)
Number of options vested	2,596,558	2,567,259	2,543,377	7,707,194
Options cancelled due to non-acceptance	(210,926)	(325,903)	–	(536,829)
Number of options exercised up to December 31, 2018	(2,385,632)	(2,241,356)	(1,405,678)	(6,032,666)
<b>Number of options to be exercised as at December 31, 2018</b>	<b>–</b>	<b>–</b>	<b>1,137,699</b>	<b>1,137,699</b>

(\*) Adjusted on account of rights issue of shares and sub division of shares.

The Employee Share Option Plan – 2008 was exempted from the requirements of the SLFRS 2 on “Share-based payment” as it was granted prior to January 1, 2012, the effective date of the aforesaid Accounting Standard.

The details of Employee Share Option Plans within the scope of the SLFRS 2 on “Share-based Payment” are reported in Note 54 to the Financial Statements below:

#### 54. Share-based payment

##### 54.1 Description of the share-based payment arrangement

As at the reporting date, the Group had the following equity settled share-based payment arrangement which was granted after January 1, 2012, the effective date of the Accounting Standard SLFRS 2 on “Share-based Payment”.

#### Employee Share Option Plan – 2015

The Bank obtained the approval of the shareholders at an Extraordinary General Meeting held on March 31, 2015, to introduce an Employee Share Option Plan for the benefit of all Executive Officers in Grade 1A and above by creating up to 2% of the ordinary voting shares at the rate of 0.5% shares in the first two years and 1% share in the last year over a period of three to five years, upon the Bank achieving specified performance targets. The performance conditions include minimum performance targets over the budget and over the industry peers and the service conditions include the fulfilment of the minimum service period at vesting dates of each tranche.

Key terms and conditions related to the offer are detailed below:

		Tranches		
		Tranche 1	Tranche 2	Tranche 3
Percentage of issue of new voting shares (Maximum)		0.50	0.50	1.0
Option grant date		April 1, 2015	April 1, 2015	April 1, 2015
Exercisable between		October 1, 2016 to September 30, 2019	October 1, 2017 to September 30, 2020	October 1, 2018 to September 30, 2021
Date of vesting		September 30, 2016	September 30, 2017	September 30, 2018
Vesting conditions		1 ½ years of service from the grant date and the fulfilment of performance conditions stated above for the financial year 2015	2 ½ years of service from the grant date and the fulfilment of performance conditions stated above for the financial year 2016	3 ½ years of service from the grant date and the fulfilment of performance conditions stated above for the financial year 2017
Number of options vested on the date of vesting option granted to key management personnel		81,869	85,912	138,632
Option granted to other executive officers		4,073,989	4,142,949	9,313,432
<b>Total options vested on the date of vesting</b>		<b>4,155,858</b>	<b>4,228,861</b>	<b>9,452,064</b>

All options are to be settled by physical delivery of ordinary voting shares of the Bank. There are neither cash settlement alternatives nor the Bank has a past practise of cash settlement for these types of options.

The exercise price of each tranche is computed based on a volume-weighted average market price of the Bank's ordinary (voting) shares, during the period of thirty (30) market days, six months prior to the date of vesting.

#### 54.2 Measurement of fair value

As required by SLFRS 2 on "Share-based Payment", the fair value of the ESOP 2015 was estimated at the grant date using the Binomial Valuation Model taking into consideration various terms and conditions upon which the share options are granted.

The inputs used in measurement of fair value at the grant date of ESOP 2015 were as follows:

Description of the valuation input	Tranches		
	Tranche 1	Tranche 2	Tranche 3
Expected dividend rate (%)	3.50	3.50	3.50
Risk free rate (%)	8.00	8.00	8.00
Probability of share price increase (%)	80.00	80.00	80.00
Probability of share price decrease (%)	20.00	20.00	20.00
Size of annual increase of share price (%)	20.00	20.00	20.00
Size of annual reduction in share price (%)	10.00	10.00	10.00
Exercise price (Rs.)	122.73	227.54	250.24

Growths in share prices stated above have been based on evaluation of the historical volatility of the Bank's share price over past 10 years, adjusted for post-war growth in All Share Price Index published by the Colombo Stock Exchange.

**54.3 Reconciliation of outstanding share options**

The number and weighted-average exercise prices of share options are as follows:

	Tranche 1			
	2018		2017	
	Number of options	WAEP (*)	Number of options	WAEP (*)
Number of voting shares vested and to be vested as at January 1,	15,740,334	166.96	16,203,130	213.55
Number of shares granted from the rights issue	–	–	297,177	191.41
Granted during the year	1,158,684	136.35	–	–
Exercised during the year – Before rights issue	–	–	(456,776)	122.73
Exercised during the year – After rights issue	(170,659)	124.94	(303,197)	126.42
Number of voting shares vested and to be vested as at December 31,	16,728,359	197.24	15,740,334	190.67
Exercisable as at December 31,	16,728,359		7,447,408	

(\*) Weighted Average Exercise Price.

**54.4 Expense recognised in income statement**

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Accordingly, the expense in the Income Statement represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense [Refer Note 20].

**55. Statutory reserves****Reserves**

Several statutory and voluntary reserves are maintained by the Group in order to meet various legal and operational requirements. The details of these reserves including the nature and purpose of maintaining them are given in Notes 55, 56 and 57 on pages 297 to 299.

As at December 31,			GROUP		BANK	
			2018	2017	2018	2017
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statutory reserve fund	55.1	298	7,444,178	6,492,552	7,354,143	6,476,952
<b>Subtotal</b>			<b>7,444,178</b>	<b>6,492,552</b>	<b>7,354,143</b>	<b>6,476,952</b>

**55.1 Statutory reserve fund**

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	6,492,552	5,647,993	6,476,952	5,647,890
Transfers made during the year	1,012,527	852,024	877,191	829,062
Statutory reserve attributable to non-controlling interest	(60,901)	(7,465)	–	–
<b>Balance as at December 31,</b>	<b>7,444,178</b>	<b>6,492,552</b>	<b>7,354,143</b>	<b>6,476,952</b>

The statutory reserve fund is maintained as per the requirements under Section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profits that are transferred elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of the said reserve fund is equal to the stated capital of the Bank.

The balance in the statutory reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

**56. Retained earnings**

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 01,			5,086,609	4,553,778	4,987,446	4,464,077
Impact of adopting SLFRS 9	12.2	200	(5,140,993)	–	(4,822,089)	–
Balance as at January 1, – Adjusted			(54,384)	4,553,778	165,357	4,464,077
Total comprehensive income			17,833,952	16,073,373	17,654,113	16,051,342
Profit for the year			17,734,706	16,605,963	17,543,828	16,581,244
Other comprehensive income, net of tax			99,246	(532,590)	110,285	(529,902)
Dividends paid			(6,500,351)	(5,953,572)	(6,500,351)	(5,953,572)
Revaluation gain on disposal of freehold land and building			–	36,940	–	36,940
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			1,604	(2,279)	1,148	(2,279)
Transfers to other reserves			(6,331,626)	(9,624,559)	(6,257,191)	(9,609,062)
Profit on sale of partial disposal of a subsidiary			3,344	5,262	–	–
Reinstatement of non-controlling interest due to partial disposal of a subsidiary			(2,584)	(2,334)	–	–
<b>Balance as at December 31,</b>			<b>4,949,955</b>	<b>5,086,609</b>	<b>5,063,076</b>	<b>4,987,446</b>

**57. Other reserves****57. (a) (i) Current year – 2018**

	Note	Page No.	GROUP				
			Balance as at January 1, Rs. '000	Impact of adopting SLFRS 9 Rs. '000	Balance as at January 1, – Adjusted Rs. '000	Movement/ transfers Rs. '000	Balance as at December 31, Rs. '000
Revaluation reserve	57.1	300	7,834,003	–	7,834,003	(14,872)	7,819,131
General reserve	57.2	300	52,270,003	–	52,270,003	5,380,000	57,650,003
Available-for-sale reserve	57.3	301	(1,707,486)	1,707,486	–	–	–
Fair value reserve	57.4	301	–	(325,412)	(325,412)	(1,060,943)	(1,386,355)
Foreign currency translation reserve	57.5	301	348,973	–	348,973	2,808,079	3,157,052
Employee share option reserve	57.6	302	529,817	–	529,817	62,167	591,984
Hedging reserve	57.7	302	(3,212)	–	(3,212)	27,231	24,019
<b>Total</b>			<b>59,272,098</b>	<b>1,382,074</b>	<b>60,654,172</b>	<b>7,201,662</b>	<b>67,855,834</b>

**57. (a) (ii) Current year – 2018**

	Note	Page No.	BANK				
			Balance as at January 1, Rs. '000	Impact of adopting SLFRS 9 Rs. '000	Balance as at January 1, – Adjusted Rs. '000	Movement/ transfers Rs. '000	Balance as at December 31, Rs. '000
Revaluation reserve	57.1	300	7,088,054	–	7,088,054	–	7,088,054
General reserve	57.2	300	52,270,003	–	52,270,003	5,380,000	57,650,003
Available-for-sale reserve	57.3	301	(1,707,494)	1,707,494	–	–	–
Fair value reserve	57.4	301	–	(325,420)	(325,420)	(1,059,562)	(1,384,982)
Foreign currency translation reserve	57.5	301	314,253	–	314,253	2,557,517	2,871,770
Employee share option reserve	57.6	302	529,817	–	529,817	62,167	591,984
Hedging reserve	57.7	302	(3,212)	–	(3,212)	27,231	24,019
<b>Total</b>			<b>58,491,421</b>	<b>1,382,074</b>	<b>59,873,495</b>	<b>6,967,353</b>	<b>66,840,848</b>

<b>57 (b) Previous year – 2017</b>								
	Note	Page No.	GROUP			BANK		
			Balance as at January 1, Rs. '000	Movement/ transfers Rs. '000	Balance as at December 31, Rs. '000	Balance as at January 1, Rs. '000	Movement / Transfers Rs. '000	Balance as at December 31, Rs. '000
Revaluation reserve	57.1	300	6,250,554	1,583,449	7,834,003	5,722,859	1,365,195	7,088,054
General reserve	57.2	300	43,490,003	8,780,000	52,270,003	43,490,003	8,780,000	52,270,003
Available-for-sale reserve	57.3	301	(7,208,805)	5,501,319	(1,707,486)	(7,208,796)	5,501,302	(1,707,494)
Foreign currency translation reserve	57.4	301	860,502	(511,529)	348,973	839,346	(525,093)	314,253
Employee share option reserve	57.5	301	420,282	109,535	529,817	420,282	109,535	529,817
Hedging reserve	57.6	302	–	(3,212)	(3,212)	–	(3,212)	(3,212)
<b>Total</b>			<b>43,812,536</b>	<b>15,459,562</b>	<b>59,272,098</b>	<b>43,263,694</b>	<b>15,227,727</b>	<b>58,491,421</b>

### 57.1 Revaluation reserve

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

The Bank carried out a revaluation of all its freehold lands and buildings as at December 31, 2017 and recognised Rs. 1,396.663 Mn., as revaluation surplus.

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	<b>7,834,003</b>	6,250,554	<b>7,088,054</b>	5,722,859
Surplus on revaluation of freehold land and buildings	–	3,828,390	–	3,542,214
Deferred tax effect on revaluation surplus on freehold land and buildings	<b>(10,010)</b>	(2,205,823)	–	(2,145,551)
Revaluation gain on disposal of freehold land and buildings	–	(31,468)	–	(31,468)
Movement due to changes in equity	<b>(4,862)</b>	(7,650)	–	–
<b>Balance as at December 31,</b>	<b>7,819,131</b>	<b>7,834,003</b>	<b>7,088,054</b>	<b>7,088,054</b>

### 57.2 General reserve

The Bank transfers the surplus profit, after payment of interim dividend and after retaining sufficient profits to pay final dividends proposed, from the retained earnings account to the General Reserve account. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	<b>52,270,003</b>	43,490,003	<b>52,270,003</b>	43,490,003
Transfers during the year	<b>5,380,000</b>	8,780,000	<b>5,380,000</b>	8,780,000
<b>Balance as at December 31,</b>	<b>57,650,003</b>	<b>52,270,003</b>	<b>57,650,003</b>	<b>52,270,003</b>

**57.3 Available-for-sale reserve**

The available-for-sale reserve is comprised of the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			(1,707,486)	(7,208,805)	(1,707,494)	(7,208,796)
Impact of adopting SLFRS 9	12.2	200	1,707,486	–	1,707,494	–
Balance as at January 1, – Adjusted			–	–	–	–
Net fair value gains/(losses) on remeasuring financial investments available for sale			–	5,501,319	–	5,501,302
<b>Balance as at December 31,</b>			<b>–</b>	<b>(1,707,486)</b>	<b>–</b>	<b>(1,707,494)</b>

**57.4 Fair value reserve**

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			–	–	–	–
Impact of adopting SLFRS 9	12.2	200	(325,412)	–	(325,420)	–
Balance as at January 1, – Adjusted			(325,412)	–	(325,420)	–
Net fair value gains/(losses) on remeasuring financial assets fair value through other comprehensive income			(1,060,943)	–	(1,059,562)	–
<b>Balance as at December 31,</b>			<b>(1,386,355)</b>	<b>–</b>	<b>(1,384,982)</b>	<b>–</b>

**57.5 Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

As at the reporting date, the assets and liabilities of the Bank's Bangladesh Operation and the foreign subsidiaries of the Bank were translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statements are taken to foreign currency translation reserve through other comprehensive income.

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	348,973	860,502	314,253	839,346
Net gains/(losses) arising from translating the Financial Statements of foreign operations	3,003,952	(503,140)	2,557,517	(525,093)
Foreign Currency Translation Reserve attributable to non-controlling Interest	(195,873)	(8,389)	–	–
<b>Balance as at December 31,</b>	<b>3,157,052</b>	<b>348,973</b>	<b>2,871,770</b>	<b>314,253</b>



**57.6 Employee share option reserve**

The employee share option reserve is used to recognise the value of equity-settled share-based payments to be provided to employees, including Key Management Personnel, as part of their remuneration.

	Note	Page No.	GROUP		BANK	
			2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,			529,817	420,282	529,817	420,282
Transfers during the year	20	213	68,581	138,341	68,581	138,341
Transfers to stated capital	53	293	(6,414)	(28,806)	(6,414)	(28,806)
<b>Balance as at December 31,</b>			<b>591,984</b>	<b>529,817</b>	<b>591,984</b>	<b>529,817</b>

**57.7 Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedge cash flows affect profit or loss.

	GROUP		BANK	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	(3,212)	–	(3,212)	–
Transfers during the year	27,231	(3,212)	27,231	(3,212)
<b>Balance as at December 31,</b>	<b>24,019</b>	<b>(3,212)</b>	<b>24,019</b>	<b>(3,212)</b>

**58. Non-controlling interest**

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Accordingly, the Bank has non-controlling interest of two subsidiaries namely, Commercial Development Company PLC (NCI of 7.59%) and Commercial Bank of Maldives Private Limited (NCI of 45%) as at the reporting date as follows:

	2018 Rs. '000	2017 Rs. '000
Balance as at January 1,	871,906	823,113
Profit for the year	128,125	20,544
Other comprehensive income, net of tax	195,685	21,955
Dividends paid for the year	(4,218)	(3,690)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years	37	–
Reinstatement of non-controlling interest due to partial disposal of a subsidiary	7,446	9,984
<b>Balance as at December 31,</b>	<b>1,198,981</b>	<b>871,906</b>