



**PEOPLE'S  
BANK**

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# **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

**2018**

**FITCH RATING AA+ (LKA)**

## INCOME STATEMENT

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	BANK			GROUP		
	2018 (Rs. '000) (Audited)	2017 (Rs. '000) (Audited)	Change %	2018 (Rs. '000) (Audited)	2017 (Rs. '000) (Audited)	Change %
<b>Gross Income</b>	<b>185,977,370</b>	<b>160,835,391</b>	15.6	<b>219,357,457</b>	<b>188,853,787</b>	16.2
Interest income	171,134,700	149,184,471	14.7	200,310,780	173,820,509	15.2
Interest expenses	(111,034,922)	(98,718,636)	12.5	(124,457,189)	(111,074,981)	12.0
<b>Net Interest Income</b>	<b>60,099,778</b>	<b>50,465,835</b>	19.1	<b>75,853,591</b>	<b>62,745,528</b>	20.9
Fee and commission income	6,956,292	5,132,907	35.5	7,813,893	5,769,244	35.4
Fee and commission expenses	(363,442)	(260,773)	39.4	(363,442)	(260,773)	39.4
<b>Net Fee and Commission Income</b>	<b>6,592,850</b>	<b>4,872,134</b>	35.3	<b>7,450,451</b>	<b>5,508,471</b>	35.3
Net gain / (loss) from trading	4,555,089	2,782,102	63.7	4,467,581	2,815,322	58.7
Other operating income (net)	3,331,289	3,735,911	(10.8)	6,765,203	6,448,712	4.9
<b>Total Operating Income</b>	<b>74,579,006</b>	<b>61,855,982</b>	20.6	<b>94,536,826</b>	<b>77,518,033</b>	22.0
Impairment Charge	(7,317,461)	(1,348,460)	442.7	(8,821,027)	(3,049,861)	189.2
Other Financial Assets	1,441,815	-		1,441,815	-	
Non Financial Assets	(298,223)	-		(888,902)	(187,860)	
Loans & Receivables to Customers	(8,461,053)	(1,348,460)		(9,373,940)	(2,862,001)	
Individual Impairment	(2,767,010)	(1,324,326)		(2,669,282)	(1,547,969)	
Collective Impairment	(5,694,043)	(24,134)		(6,704,658)	(1,314,032)	
<b>Net Operating Income</b>	<b>67,261,545</b>	<b>60,507,522</b>	11.2	<b>85,715,799</b>	<b>74,468,172</b>	15.1
Personnel Expenses	(19,904,835)	(15,227,458)	30.7	(23,882,867)	(18,440,828)	29.5
Depreciation and Amortisation	(1,765,824)	(1,252,528)	40.9	(2,105,934)	(1,539,312)	36.8
Other expenses	(13,639,124)	(11,841,866)	15.2	(19,124,554)	(17,229,316)	11.0
<b>Operating Profit before Value Added Tax (VAT) &amp; Nation Building Tax (NBT) &amp; Debt Repayment Levy (DRL)</b>	<b>31,951,762</b>	<b>32,185,670</b>	(0.7)	<b>40,602,444</b>	<b>37,258,716</b>	9.0
VAT & NBT & DRL on Financial Services	(7,545,272)	(6,272,565)	20.3	(9,440,846)	(7,390,285)	27.7
<b>Profit before Tax</b>	<b>24,406,490</b>	<b>25,913,105</b>	(5.8)	<b>31,161,598</b>	<b>29,868,431</b>	4.3
Income tax expenses	(7,311,567)	(7,663,329)	(4.6)	(9,669,455)	(9,357,510)	3.3
<b>Profit for the year</b>	<b>17,094,923</b>	<b>18,249,776</b>	(6.3)	<b>21,492,143</b>	<b>20,510,921</b>	4.8
<b>Profit Attributable to :</b>						
Equity Holders of the Bank	17,094,923	18,249,776	(6.3)	19,977,862	19,295,734	3.5
Non-controlling interests	-	-		1,514,281	1,215,187	24.6
	<b>17,094,923</b>	<b>18,249,776</b>	(6.3)	<b>21,492,143</b>	<b>20,510,921</b>	4.8
<b>Earnings per Share on Profit</b>						
Basic earnings per ordinary share (Rs.)	17,095	18,250	(6.3)	19,978	19,296	3.5
Diluted earnings per ordinary share (Rs.)	70	75	(6.3)	82	79	3.5

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	BANK		GROUP	
	2018 (Rs. '000) (Audited)	2017 (Rs. '000) (Audited)	2018 (Rs. '000) (Audited)	2017 (Rs. '000) (Audited)
<b>Profit for the Year</b>	<b>17,094,923</b>	<b>18,249,776</b>	<b>21,492,143</b>	<b>20,510,921</b>
<b>Other comprehensive income that will not be reclassified to the income statement</b>				
Net Gains/( Losses) on equity instruments at fair value through OCI	17,560	-	17,560	-
Net Actuarial Gains and Losses on Defined Benefit Plans	721,465	(3,222,626)	696,602	(3,246,834)
Deferred Tax Effect on Defined Benefit Plans	(202,010)	(41,067)	(195,646)	(35,060)
Gains on Revaluation of Land and Buildings	-	6,568,522	50,000	7,749,055
Deferred Tax Effect on Revaluation of Land and Building	-	(3,366,405)	(10,000)	(3,732,372)
Deferred Tax Effect on Revaluation surplus in previous years	-	-	(84,563)	-
<b>Other comprehensive income that will be reclassified to the income statement</b>				
Net Gains/( Losses) on Re-Measuring Available-for-Sale Financial Assets	-	(177,930)	-	(175,331)
Reversal of AFS reserve on disposal of AFS Investment	-	17,289	-	17,289
Net Gains/( Losses) on debt instruments at fair value through OCI	(2,154)	-	(2,154)	-
Gains and Losses on Derivative Financial Assets	-	-	-	(15,715)
Net Gains/(Losses) on translating the financial statements of foreign operation	-	-	372,005	-
<b>Other Comprehensive Income for the year, Net of Taxes</b>	<b>534,861</b>	<b>(222,217)</b>	<b>843,804</b>	<b>561,032</b>
<b>Total Comprehensive Income for the year</b>	<b>17,629,784</b>	<b>18,027,559</b>	<b>22,335,947</b>	<b>21,071,953</b>
<b>Attributable to :</b>				
Equity Holders of the Bank	17,629,784	18,027,559	20,744,447	19,788,395
Non-Controlling Interests	-	-	1,591,500	1,283,558
	<b>17,629,784</b>	<b>18,027,559</b>	<b>22,335,947</b>	<b>21,071,953</b>

## STATEMENT OF FINANCIAL POSITION

**AS AT**

	<b>BANK</b>			<b>GROUP</b>		
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>
	<b>(Rs.'000)</b>	<b>(Rs. '000)</b>	<b>%</b>	<b>(Rs.'000)</b>	<b>(Rs. '000)</b>	<b>%</b>
	<b>(Audited)</b>	<b>(Audited)</b>		<b>(Audited)</b>	<b>(Audited)</b>	
<b>Assets</b>						
Cash and Cash Equivalents	57,879,933	68,958,012	(16.1)	58,835,090	69,675,003	(15.6)
Balances with Central Bank of Sri Lanka	51,615,796	65,689,278	(21.4)	51,615,796	65,689,278	(21.4)
Placements with Banks	4,350,726	13,458,639	(67.7)	9,096,252	18,944,087	(52.0)
Derivative Financial Instruments	1,163,384	334,230	248.1	1,163,384	334,230	248.1
Other Financial Assets Held-for-Trading	-	53,042,557		-	53,354,989	
Financial Assets - At Fair Value through Profit or Loss	54,052,435	-		54,300,238	-	
Financial Assets - At Amortised Cost						
Loans and Receivables to Banks	32,167,421	86,097,515	(62.6)	32,551,657	86,436,113	(62.3)
Loans and Receivables to Other Customers	1,265,667,467	1,012,642,714	25.0	1,415,927,536	1,143,766,774	23.8
Debt instruments measured at amortised cost	201,650,435	-		209,696,173	-	
Financial Investments - Held-to-Maturity	-	112,351,039		-	117,137,814	
Financial Assets - At Fair Value through other Comprehensive income [OCI]						
Equity instruments at fair value through OCI	1,179,922	-		1,179,956	-	
Debt instruments at fair value through OCI	4,731,261	-		4,756,298	-	
Financial Investments - Available-for-Sale	-	3,415,344		-	4,483,905	
Investments in Subsidiaries	1,027,542	1,325,766	(22.5)	-	-	
Goodwill and Intangible Assets	439,517	225,058	95.3	869,473	679,663	27.9
Property, Plant and Equipment	26,259,745	25,047,501	4.8	35,434,318	33,757,975	5.0
Investment Properties	1,264,752	1,222,299	3.5	175,795	177,501	(1.0)
Prepaid Leases	461,043	483,886	(4.7)	545,874	483,886	12.8
Other Assets	30,791,610	22,805,270	35.0	32,392,393	24,157,374	34.1
<b>Total Assets</b>	<b><u>1,734,702,989</u></b>	<b><u>1,467,099,108</u></b>	<b>18.2</b>	<b><u>1,908,540,233</u></b>	<b><u>1,619,078,592</u></b>	<b>17.9</b>
<b>Liabilities</b>						
Due to Banks	138,031,420	80,676,350	71.1	172,247,861	100,628,552	71.2
Derivative Financial Instruments	2,512,205	273,975	816.9	2,512,205	273,975	816.9
Due to Other Customers	1,422,961,240	1,244,002,768	14.4	1,495,326,489	1,305,625,750	14.5
Other Borrowings	35,575,554	24,380,962	45.9	35,082,488	33,634,482	4.3
Current Tax Liabilities	4,004,218	4,064,907	(1.5)	5,075,102	4,367,318	16.2
Net Deferred Tax Liabilities	3,954,834	4,455,617	(11.2)	7,347,484	7,277,032	1.0
Other Liabilities	23,919,689	19,256,075	24.2	34,350,629	28,380,411	21.0
Subordinated Term Debts	12,533,904	12,531,728	-	33,084,526	32,447,923	2.0
<b>Total Liabilities</b>	<b><u>1,643,493,064</u></b>	<b><u>1,389,642,382</u></b>	<b>18.3</b>	<b><u>1,785,026,784</u></b>	<b><u>1,512,635,443</u></b>	<b>18.0</b>
<b>Equity</b>						
Stated Capital/Assigned Capital	12,201,998	12,201,998	-	12,201,998	12,201,998	-
Statutory Reserve Fund	6,669,490	5,814,744	14.7	6,669,490	5,814,744	14.7
Other Reserves	26,008,948	25,117,785	3.5	28,027,230	26,913,806	4.1
Retained Earnings	46,329,489	34,322,199	35.0	66,494,499	52,191,314	27.4
<b>Total Shareholders' Equity</b>	<b><u>91,209,925</u></b>	<b><u>77,456,726</u></b>	<b>17.8</b>	<b><u>113,393,217</u></b>	<b><u>97,121,862</u></b>	<b>16.8</b>
Non-Controlling Interests	-	-		10,120,232	9,321,287	8.6
<b>Total Equity</b>	<b><u>91,209,925</u></b>	<b><u>77,456,726</u></b>	<b>17.8</b>	<b><u>123,513,449</u></b>	<b><u>106,443,149</u></b>	<b>16.0</b>
<b>Total Equity and Liabilities</b>	<b><u>1,734,702,989</u></b>	<b><u>1,467,099,108</u></b>	<b>18.2</b>	<b><u>1,908,540,233</u></b>	<b><u>1,619,078,592</u></b>	<b>17.9</b>
<b>Contingent Liabilities and Commitments</b>	<b><u>402,761,963</u></b>	<b><u>303,344,150</u></b>	<b>32.8</b>	<b><u>409,575,397</u></b>	<b><u>304,101,876</u></b>	<b>34.7</b>
Number of Employees	<b>8093</b>	<b>8,454</b>		<b>11,394</b>	<b>11,396</b>	
Number of Branches	<b>738</b>	<b>737</b>		<b>852</b>	<b>851</b>	

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

### BANK

	Stated capital/Assigned capital				Reserves				Total
	Ordinary Shares (Rs.'000)	Assigned capital (Rs.'000)	Statutory Reserve Fund (Rs.'000)	Revaluation Reserve (Rs.'000)	Other Reserves (Rs.'000)	Available For Sale Reserve (Rs.'000)	Financial assets at FVOCI Reserve	Retained Earnings (Rs.'000)	(Rs.'000)
<b>Balance as at 01st January 2017</b>	49,998	7,152,000	4,902,255	10,843,204	10,078,873	273,778	-	26,348,749	59,648,857
<b>Total Comprehensive income for the Period</b>									
Profit for the year	-	-	-	3,202,117	-	(160,641)	-	18,249,776	18,249,776
Other Comprehensive Income/(Expense) [ Net of Taxes]	-	-	-	-	-	-	-	(3,263,693)	(222,217)
<b>Total Comprehensive Income/(Expense)</b>	-	-	-	3,202,117	-	(160,641)	-	14,986,083	18,027,559
<b>Transactions with equity holders, recognised directly in equity</b>									
Increase of assigned Capital	-	5,000,000	-	-	-	-	-	-	5,000,000
Transfer to Reserve during the Year	-	-	912,489	-	873,864	-	-	(1,786,353)	-
Transfers From Retained Earnings during the year	-	-	-	6,590	-	-	-	(6,590)	-
Special levy to Treasury/ Dividend	-	-	-	-	-	-	-	(5,219,690)	(5,219,690)
<b>Total transactions with equity holders</b>	-	5,000,000	912,489	6,590	873,864	-	-	(7,012,633)	(219,690)
<b>Balance as at 31.12.2017</b>	49,998	12,152,000	5,814,744	14,051,911	10,952,737	113,137	-	34,322,199	77,456,726
Impact of adopting SLFRS 9 as at 1 January 2018	-	-	-	-	-	(113,137)	115,030	(458,787)	(456,894)
<b>Restated opening balance under SLFRS 9 as at 1 January 2018</b>	49,998	12,152,000	5,814,744	14,051,911	10,952,737	-	115,030	33,863,412	76,999,832
<b>Total Comprehensive income for the Period</b>									
Profit for the Year	-	-	-	-	-	-	-	17,094,923	17,094,923
Other Comprehensive Income/(Expense) [ Net of Taxes]	-	-	-	-	-	-	15,406	519,455	534,861
<b>Total Comprehensive Income/(Expense)</b>	-	-	-	-	-	-	15,406	17,614,378	17,629,784
<b>Transactions with equity holders, recognised directly in equity</b>									
Transfer to Reserve during the year	-	-	854,746	-	873,864	-	-	(1,728,611)	-
Special levy to Treasury/ Dividend	-	-	-	-	-	-	-	(3,419,690)	(3,419,690)
<b>Total transactions with equity holders</b>	-	-	854,746	-	873,864	-	-	(5,148,301)	(3,419,690)
<b>Balance as at 31st December 2018</b>	49,998	12,152,000	6,669,490	14,051,911	11,826,601	-	130,436	46,329,489	91,209,925

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

**GROUP**

	Stated capital/ Assigned capital		Reserves					Retained earnings (Rs.'000)	Total (Rs.'000)	Non controlling interest (Rs.'000)	Total equity (Rs.'000)	
	Ordinary shares (Rs.'000)	Assigned capital (Rs.'000)	Statutory Reserve Fund (Rs.'000)	Revaluation Reserve (Rs.'000)	Other Reserves (Rs.'000)	Available For Sale Reserve (Rs.'000)	Financial assets at FVOCI Reserve					Cash Flow Hedge Reserve (Rs.'000)
<b>Balance as at 01st January 2017</b>	49,998	7,152,000	4,902,255	11,883,155	10,078,873	296,180	-	11,787	43,185,534	77,559,782	7,631,326	85,191,108
<b>Total Comprehensive income for the Period</b>												
Profit for the year	-	-	-	-	-	-	-	-	19,295,734	19,295,734	1,215,187	20,510,921
Other Comprehensive Income/(Expense) [ Net of Taxes]	-	-	-	3,941,492	-	(159,722)	-	(11,787)	(3,277,322)	492,661	68,371	561,032
<b>Total Comprehensive Income/(Expense)</b>	-	-	-	3,941,492	-	(159,722)	-	(11,787)	16,018,412	19,788,395	1,283,558	21,071,953
<b>Transactions with equity holders, recognised directly in equity</b>												
Increase of assigned Capital	-	5,000,000	-	-	-	-	-	-	-	5,000,000	-	5,000,000
Transfer to Reserve during the period	-	-	912,489	-	873,864	-	-	-	(1,786,353)	-	-	-
Transfers From Retained Earnings during the year	-	-	-	6,590	-	-	-	-	(6,590)	-	-	-
Special levy to Treasury/ Dividend	-	-	-	-	-	-	-	-	(5,219,690)	(5,219,690)	-	(5,219,690)
Movement Due to changes in ownership	-	-	-	-	(6,626)	-	-	-	-	(6,626)	987,624	980,998
Dividends Paid	-	-	-	-	-	-	-	-	-	-	(581,222)	(581,222)
<b>Total transactions with equity holders</b>	-	5,000,000	912,489	6,590	867,238	-	-	-	(7,012,633)	(226,316)	406,403	180,086
<b>Balance as at 31.12.2017</b>	49,998	12,152,000	5,814,744	15,831,237	10,946,111	136,458	-	-	52,191,314	97,121,862	9,321,287	106,443,149
Impact of adopting SLFRS 9 as at 1 January 2018	-	-	-	-	-	(136,458)	115,030	-	(1,031,973)	(1,053,401)	(198,836)	(1,252,237)
<b>Restated opening balance under SLFRS 9 as at 1 January 2018</b>	49,998	12,152,000	5,814,744	15,831,237	10,946,111	-	115,030	-	51,159,341	96,068,461	9,122,451	105,190,912
<b>Total Comprehensive income for the Period</b>												
Profit for the Year	-	-	-	-	-	-	-	-	19,977,862	19,977,862	1,514,281	21,492,143
Other Comprehensive Income/(Expense) [ Net of Taxes]	-	-	-	(33,422)	279,004	-	15,406	-	505,597	766,585	77,219	843,804
<b>Total Comprehensive Income/(Expense)</b>	-	-	-	(33,422)	279,004	-	15,406	-	20,483,459	20,744,447	1,591,500	22,335,947
<b>Transactions with equity holders, recognised directly in equity</b>												
Transfer to Reserve during the period	-	-	854,746	-	873,864	-	-	-	(1,728,611)	-	-	-
Special levy to Treasury/ Dividend	-	-	-	-	-	-	-	-	(3,419,690)	(3,419,690)	-	(3,419,690)
Dividends Paid	-	-	-	-	-	-	-	-	-	-	(593,719)	(593,719)
<b>Total transactions with equity holders</b>	-	-	854,746	-	873,864	-	-	-	(5,148,301)	(3,419,690)	(593,719)	(4,013,409)
<b>Balance as at 31st December 2018</b>	49,998	12,152,000	6,669,490	15,797,815	12,098,979	-	130,436	-	66,494,499	113,393,217	10,120,232	123,513,449

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	BANK		GROUP	
	2018 (Rs. '000) (Audited)	2017 (Rs. '000) (Audited)	2018 (Rs. '000) (Audited)	2017 (Rs. '000) (Audited)
<b>Cash flows from operating activities</b>				
Profit before tax	24,406,490	25,913,105	31,161,598	29,868,431
Adjustment for				
Non-cash items included in profits before tax	11,033,110	4,044,519	12,855,135	6,004,394
Changes in operating assets	(193,146,843)	(137,084,970)	(213,458,425)	(147,647,369)
Changes in operating liabilities	249,321,384	136,623,690	266,028,450	146,347,373
Dividend income from subsidiaries and others	(1,653,163)	(1,643,111)	(210,112)	(305,136)
Interest expense on subordinated debt	1,612,592	1,612,500	3,960,814	4,209,131
Contribution paid to defined benefit plans/Gratuity	1,629,163	1,169,904	1,751,198	1,254,748
Tax paid	(8,075,049)	(5,046,022)	(9,096,865)	(6,735,303)
<b>Net Cash Generated from Operating Activities</b>	<b>85,127,684</b>	<b>25,589,615</b>	<b>92,991,793</b>	<b>32,996,268</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of investment property	(44,160)	(1,040,000)	-	4,798
Purchase of property, plant and equipment	(2,863,760)	(2,805,073)	(3,505,913)	(3,328,075)
Proceeds from the sale of property, plant and equipment	74,206	27,306	78,220	46,041
Purchase of financial investments	(89,673,318)	(16,475,317)	(92,932,281)	(16,364,145)
Net purchase of intangible assets	(321,788)	(158,080)	(344,224)	(191,723)
Dividends received from investment in subsidiaries and others	1,653,163	1,643,111	210,112	305,136
Net cash and cash equivalents on acquisition of subsidiary	-	-	-	(1,114,082)
<b>Net Cash (used in) from Investing Activities</b>	<b>(91,175,657)</b>	<b>(18,808,053)</b>	<b>(96,494,086)</b>	<b>(20,642,050)</b>
<b>Cash Flows from Financing Activities</b>				
Increase of assigned capital	-	5,000,000	-	5,000,000
Proceeds received from subordinated debt	-	-	6,000,000	-
Repayment of subordinated debt	-	-	(5,213,713)	(3,785,560)
Interest paid on subordinated debt	(1,610,416)	(1,612,500)	(4,110,498)	(4,501,445)
Dividend paid to non-controlling interest	-	-	(593,719)	(581,222)
Dividend/Levy paid to holders of other equity instruments	(3,419,690)	(5,219,690)	(3,419,690)	(5,219,690)
<b>Net Cash (used in) from Financing Activities</b>	<b>(5,030,106)</b>	<b>(1,832,190)</b>	<b>(7,337,620)</b>	<b>(9,087,917)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(11,078,079)</b>	<b>4,949,373</b>	<b>(10,839,913)</b>	<b>3,266,301</b>
Cash and cash equivalents at the beginning of the year	68,958,012	64,008,639	69,675,003	66,408,702
<b>Cash and cash equivalents at the end of the year</b>	<b>57,879,933</b>	<b>68,958,012</b>	<b>58,835,090</b>	<b>69,675,003</b>

## ANALYSIS OF LOANS & RECEIVABLES TO OTHER CUSTOMERS AND IMPAIRMENT

	BANK		GROUP	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	(Rs.'000) (Audited)	(Rs. '000) (Audited)	(Rs.'000) (Audited)	(Rs. '000) (Audited)
<b>Loans and Receivables to Other Customers</b>				
Gross loans and receivables	1,334,420,260	1,074,247,652	1,489,920,155	1,209,116,267
<b>Less :</b>				
Allowance for Expected Credit Loss [Impairment losses]	(68,752,793)	(61,604,938)	(73,992,619)	(65,349,493)
Individual impairment	(47,680,508)	(44,913,498)	(48,341,773)	(45,672,491)
Collective impairment	(21,072,285)	(16,691,440)	(25,650,846)	(19,677,002)
<b>Net loans and receivables</b>	<b>1,265,667,467</b>	<b>1,012,642,714</b>	<b>1,415,927,536</b>	<b>1,143,766,774</b>
<b>Product-wise Gross loans &amp; advances</b>				
<b>By product – Domestic currency</b>				
Overdrafts	128,064,782	116,732,111	124,559,325	115,258,664
Term loans	627,127,993	599,715,216	683,488,108	641,740,832
Lease rentals receivable	-	-	95,132,968	89,423,716
Credit cards	2,883,268	2,212,132	2,883,268	2,212,132
Pawning	149,825,847	136,475,059	149,935,284	136,532,611
Trade Finance	108,206,301	37,417,317	108,206,301	37,417,317
Others	19,882,764	19,374,799	27,285,596	24,209,977
<b>Sub Total</b>	<b>1,035,990,955</b>	<b>911,926,634</b>	<b>1,191,490,850</b>	<b>1,046,795,249</b>
<b>By product – Foreign currency</b>				
Overdrafts	1,136,306	902,371	1,136,306	902,371
Term loans	124,723,981	57,803,788	124,723,981	57,803,788
Trade Finance	172,569,018	103,614,859	172,569,018	103,614,859
<b>Sub Total</b>	<b>298,429,305</b>	<b>162,321,018</b>	<b>298,429,305</b>	<b>162,321,018</b>
<b>Grand Total</b>	<b>1,334,420,260</b>	<b>1,074,247,652</b>	<b>1,489,920,155</b>	<b>1,209,116,267</b>

### Movement of Impairment during the Period

	BANK		GROUP	
	2018	2017	2018	2017
	(Rs.'000) (Audited)	(Rs. '000) (Audited)	(Rs.'000) (Audited)	(Rs. '000) (Audited)
<b>Movements in Individual Impairment during the Year</b>				
<b>Opening balance as at 01st January</b>	44,913,498	43,589,172	45,672,491	44,124,522
Charge/ (Reversal) for year	2,767,010	1,324,326	2,669,282	1,547,969
<b>Closing balance as at 31st December</b>	<b>47,680,508</b>	<b>44,913,498</b>	<b>48,341,773</b>	<b>45,672,491</b>
<b>Movements in Collective Impairment during the Year</b>				
<b>Opening balance as at 01st January</b>	16,691,440	16,706,676	19,677,002	18,402,340
Impact of adopting SLFRS 9 as at 1st January 2018	(1,716,523)	-	(1,134,139)	-
Charge/ (Reversal) for year	5,694,043	24,134	6,704,658	1,314,032
Write off during the year	(160,306)	(104,512)	(160,306)	(104,512)
Exchange rate variance on foreign currency provisions	563,631	65,142	563,631	65,142
<b>Closing balance as at 31st December</b>	<b>21,072,285</b>	<b>16,691,440</b>	<b>25,650,846</b>	<b>19,677,002</b>
<b>Total Impairment</b>	<b>68,752,793</b>	<b>61,604,938</b>	<b>73,992,619</b>	<b>65,349,493</b>

### Movement in Allowance for Expected Credit Loss [Impairment losses] based on exposure to credit risk

Bank				Total
	Stage 1	Stage 2	Stage 3	
Opening balance as at 01st January 2018	2,844,135	1,101,605	55,942,675	59,888,415
Net Charge/(Reversal) for the year	2,266,110	650,967	5,543,976	8,461,053
Amounts written off	-	-	(160,306)	(160,306)
Exchange rate variance on foreign currency provisions	-	-	563,631	563,631
<b>Closing balance as at 31st December 2018</b>	<b>5,110,245</b>	<b>1,752,572</b>	<b>61,889,976</b>	<b>68,752,793</b>
Group	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01st January 2018	3,525,728	1,743,846	58,945,780	64,215,354
Net Charge/(Reversal) for the year	2,123,605	742,346	6,507,989	9,373,940
Amounts written off	-	-	(160,306)	(160,306)
Exchange rate variance on foreign currency provisions	-	-	563,631	563,631
<b>Closing balance as at 31st December 2018</b>	<b>5,649,333</b>	<b>2,486,192</b>	<b>65,857,094</b>	<b>73,992,619</b>



## ANALYSIS OF DEPOSITS

	BANK		GROUP	
	31.12.2018 (Rs. '000) (Audited)	31.12.2017 (Rs. '000) (Audited)	31.12.2018 (Rs. '000) (Audited)	31.12.2017 (Rs. '000) (Audited)
<b>By product – Domestic currency</b>				
Demand deposits (current accounts)	60,765,394	60,197,593	58,857,717	58,161,510
Savings deposits	455,323,630	433,277,185	460,563,427	437,157,640
Fixed deposits	804,075,204	623,987,541	867,501,720	678,521,081
Others	4,423,184	3,865,085	10,029,797	9,110,155
<b>Sub total</b>	<b>1,324,587,412</b>	<b>1,121,327,404</b>	<b>1,396,952,661</b>	<b>1,182,950,386</b>
<b>By product – Foreign currency</b>				
Demand deposits (current accounts)	2,904,892	751,181	2,904,892	751,181
Savings deposits	20,227,442	29,379,443	20,227,442	29,379,443
Fixed deposits	75,194,053	92,523,266	75,194,053	92,523,266
Others	47,441	21,474	47,441	21,474
<b>Sub total</b>	<b>98,373,828</b>	<b>122,675,364</b>	<b>98,373,828</b>	<b>122,675,364</b>
<b>Grand Total</b>	<b>1,422,961,240</b>	<b>1,244,002,768</b>	<b>1,495,326,489</b>	<b>1,305,625,750</b>

## ANALYSIS OF CONTINGENT LIABILITIES AND COMMITMENTS

	BANK		GROUP	
	31.12.2018 (Rs. '000) (Audited)	31.12.2017 (Rs. '000) (Audited)	31.12.2018 (Rs. '000) (Audited)	31.12.2017 (Rs. '000) (Audited)
<b>By product</b>				
Acceptances	90,195,344	60,018,935	90,195,344	60,018,935
Documentary Credit	84,103,230	74,128,107	84,103,230	74,128,107
Guarantees	73,255,113	73,466,998	74,001,537	74,224,724
Forward Exchange Contracts	99,087,601	38,061,294	99,087,601	38,061,294
Non disbursed overdrafts & loans	56,791,963	57,668,816	62,858,973	57,668,816
Gross Contingent Liabilities and Commitments	<b>403,433,251</b>	<b>303,344,150</b>	<b>410,246,685</b>	<b>304,101,876</b>
<b>Less :</b>				
Allowance for Expected Credit Loss [Impairment losses]	(671,288)	-	(671,288)	-
<b>Net Contingent Liabilities and Commitments</b>	<b>402,761,963</b>	<b>303,344,150</b>	<b>409,575,397</b>	<b>304,101,876</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS ON MEASUREMENT BASIS

### BANK AS AT 31ST DECEMBER 2018

	Fair Value Through P&L (Rs.'000)	Fair Value Through OCI (Rs.'000)	Amortised Cost (Rs.'000)	Total (Rs.'000)
<b>ASSETS</b>				
Cash and cash equivalents	-	-	57,879,933	57,879,933
Balances with Central Banks	-	-	51,615,796	51,615,796
Placements with Banks	-	-	4,350,726	4,350,726
Derivative Financial Instruments	1,163,384	-	-	1,163,384
Financial assets - at fair value through profit or loss	54,052,435	-	-	54,052,435
Loans and receivables to banks	-	-	32,167,421	32,167,421
Loans and receivables to other customers	-	-	1,265,667,467	1,265,667,467
Debt instruments measured at amortised cost	-	-	201,650,435	201,650,435
Equity instruments at fair value through OCI	-	1,179,922	-	1,179,922
Debt instruments at fair value through OCI	-	4,731,261	-	4,731,261
<b>Total Financial Assets</b>	<b>55,215,819</b>	<b>5,911,183</b>	<b>1,613,331,778</b>	<b>1,674,458,780</b>
<b>LIABILITIES</b>				
Due to banks	-	-	138,031,420	138,031,420
Derivative Financial Instruments	2,512,205	-	-	2,512,205
Due to other customers	-	-	1,422,961,240	1,422,961,240
Other Borrowings	-	-	35,575,554	35,575,554
Subordinated term debts	-	-	12,533,904	12,533,904
<b>Total Financial Liabilities</b>	<b>2,512,205</b>	<b>-</b>	<b>1,609,102,118</b>	<b>1,611,614,323</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS ON MEASUREMENT BASIS

### BANK AS AT 31ST DECEMBER 2017

	Held for Trading (Rs.'000)	Fair Value Through P&L (Rs.'000)	Held to Maturity (Rs.'000)	Loans & Receivables (Rs.'000)	Available for Sale (Rs.'000)	Total (Rs.'000)
<b>ASSETS</b>						
Cash and cash equivalents	-	-	-	68,958,012	-	68,958,012
Balances with Central Banks	-	-	-	65,689,278	-	65,689,278
Placements with Banks	-	-	-	13,458,639	-	13,458,639
Derivative Financial Instruments	-	334,230	-	-	-	334,230
Financial assets held-for-trading	53,042,557	-	-	-	-	53,042,557
Loans and receivables to banks	-	-	-	86,097,515	-	86,097,515
Loans and receivables to other customers	-	-	-	1,012,642,714	-	1,012,642,714
Financial investments	-	-	112,351,039	-	3,415,344	115,766,383
<b>Total Financial Assets</b>	<b>53,042,557</b>	<b>334,230</b>	<b>112,351,039</b>	<b>1,246,846,158</b>	<b>3,415,344</b>	<b>1,415,989,328</b>
<b>LIABILITIES</b>						
Due to banks	-	-	-	80,676,350	-	80,676,350
Derivative Financial Instruments	-	273,975	-	-	-	273,975
Due to other customers	-	-	-	1,244,002,768	-	1,244,002,768
Other Borrowings	-	-	-	24,380,962	-	24,380,962
Subordinated term debts	-	-	-	12,531,728	-	12,531,728
<b>Total Financial Liabilities</b>	<b>-</b>	<b>273,975</b>	<b>-</b>	<b>1,361,591,808</b>	<b>-</b>	<b>1,361,865,783</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS ON MEASUREMENT BASIS

### GROUP AS AT 31ST DECEMBER 2018

	Fair Value Through P&L (Rs.'000)	Fair Value Through OCI (Rs.'000)	Amortised Cost (Rs.'000)	Total (Rs.'000)
<b>ASSETS</b>				
Cash and cash equivalents	-	-	58,835,090	58,835,090
Balances with Central Banks	-	-	51,615,796	51,615,796
Placements with Banks	-	-	9,096,252	9,096,252
Derivative Financial Instruments	1,163,384	-	-	1,163,384
Financial assets - at fair value through profit or loss	54,300,238	-	-	54,300,238
Loans and receivables to banks	-	-	32,551,657	32,551,657
Loans and receivables to other customers	-	-	1,415,927,536	1,415,927,536
Debt instruments measured at amortised cost	-	-	209,696,173	209,696,173
Equity instruments at fair value through OCI	-	1,179,956	-	1,179,956
Debt instruments at fair value through OCI	-	4,756,298	-	4,756,298
<b>Total Financial Assets</b>	<b>55,463,622</b>	<b>5,936,254</b>	<b>1,777,722,504</b>	<b>1,839,122,380</b>
<b>LIABILITIES</b>				
Due to banks	-	-	172,247,861	172,247,861
Derivative Financial Instruments	2,512,205	-	-	2,512,205
Due to other customers	-	-	1,495,326,489	1,495,326,489
Other Borrowings	-	-	35,082,488	35,082,488
Subordinated term debts	-	-	33,084,526	33,084,526
<b>Total Financial Liabilities</b>	<b>2,512,205</b>	<b>-</b>	<b>1,735,741,364</b>	<b>1,738,253,569</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS ON MEASUREMENT BASIS

### GROUP AS AT 31ST DECEMBER 2017

	Held for Trading (Rs.'000)	Fair Value Through P&L (Rs.'000)	Held to Maturity (Rs.'000)	Loans & Receivables (Rs.'000)	Available for Sale (Rs.'000)	Total (Rs.'000)
<b>ASSETS</b>						
Cash and cash equivalents	-	-	-	69,675,003	-	69,675,003
Balances with Central Banks	-	-	-	65,689,278	-	65,689,278
Placements with Banks	-	-	-	18,944,087	-	18,944,087
Derivative Financial Instruments	-	334,230	-	-	-	334,230
Financial assets held-for-trading	53,354,989	-	-	-	-	53,354,989
Loans and receivables to banks	-	-	-	86,436,113	-	86,436,113
Loans and receivables to other customers	-	-	-	1,143,766,774	-	1,143,766,774
Financial investments	-	-	117,137,814	-	4,483,905	121,621,719
<b>Total Financial Assets</b>	<b>53,354,989</b>	<b>334,230</b>	<b>117,137,814</b>	<b>1,384,511,255</b>	<b>4,483,905</b>	<b>1,559,822,193</b>
<b>LIABILITIES</b>						
Due to banks	-	-	-	100,628,552	-	100,628,552
Derivative Financial Instruments	-	273,975	-	-	-	273,975
Due to other customers	-	-	-	1,305,625,750	-	1,305,625,750
Other Borrowings	-	-	-	33,634,482	-	33,634,482
Subordinated term debts	-	-	-	32,447,923	-	32,447,923
<b>Total Financial Liabilities</b>	<b>-</b>	<b>273,975</b>	<b>-</b>	<b>1,472,336,707</b>	<b>-</b>	<b>1,472,610,682</b>

## SELECTED PERFORMANCE INDICATORS (Based on Regulatory Reporting)

	BANK		GROUP	
	As at 31.12.2018 (Audited)	As at 31.12.2017 (Audited)	As at 31.12.2018 (Audited)	As at 31.12.2017 (Audited)
<b>Regulatory Capital Adequacy</b>				
Common Equity Tier 1 Capital [Rs. 000]	74,623,023	62,084,793	101,088,945	85,077,314
Core (Tier 1) Capital [Rs. 000]	74,623,023	62,084,793	101,088,945	85,077,314
Total Capital Base	97,987,548	77,554,147	125,548,973	101,485,804
<b>Regulatory Capital Ratios (%)</b>				
Common Equity Tier 1 Capital (%) (Min. requirement - 2018 -7.375%, 2017 - 6.25%)	11.02	10.82	11.66	11.49
Tier 1 Capital Ratio (%) (Min. requirement - 2018 -8.875%, 2017 - 7.75%)	11.02	10.82	11.66	11.49
Total Capital Ratio (%) (Min. requirement - 2018 -12.875%, 2017 - 11.75%)	14.47	13.51	14.48	13.71
<b>Asset Quality ( Quality of Loan Portfolio)</b>				
Gross Non- Performing Advances Ratio, % (net of Interest in Suspense)	2.49	1.87	2.70	2.03
Net Non- Performing Advances Ratio, % (net of interest in suspense and provisions)	1.36	0.72	1.34	0.96
<b>Profitability</b>				
Interest Margin, % *	3.48	3.50	4.04	4.00
Return on Assets (Before Tax) , %	1.52	1.87	1.77	1.95
Return on Equity (After Tax) , %	20.27	26.62	18.69	21.41
*Excluding interest in suspense, including IIS, the ratios for 2018 and 2017 would be respectively: Bank standalone - 3.75% and 3.64% consolidated 4.30% and 4.10%				
<b>Leverage Ratio (Min. requirement - 3%)</b>	4.13	N/A	5.09	N/A
<b>Regulatory Liquidity</b>				
<b>Statutory Liquid Assets</b>				
Domestic Banking unit Rs.000	337,865,692	298,497,361		
Off-Shore Banking Unit USD. 000	303,616	242,692		
<b>Statutory Liquid Assets Ratio (%) (Min. requirement - 20%)</b>				
Domestic Banking unit (%)	23.01	24.07		
Off-Shore Banking Unit (%)	30.36	32.35		
<b>Total Stock of High Quality Liquid Assets [Rs.000]</b>	303,919,749	210,556,464		
<b>Liquidity Coverage Ratio (%) (Min. requirement , 2018- 90%, 2017 - 80%)</b>				
Liquidity Coverage Ratio - Rupee	144.90	104.00		
Liquidity Coverage Ratio - All Currency	100.42	95.08		

### SRI LANKA ACCOUNTING STANDARD - SLFRS 9 ON "FINANCIAL INSTRUMENTS"

In these financial statements, the Bank/Group has applied SLFRS 9, effective for annual periods beginning on or after 1 January 2018. However the Bank/Group has not restated comparative information of 2017 for financial instruments, as permitted under SLFRS 9

CERTIFICATION

We the undersigned being the Chairman, Chief Executive Officer/General Manager and the Head of Finance of the Bank jointly certify that;

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka; and
- (b) the information contained in these statements have been extracted from the audited financial statements of the bank and the group.

(Sgd.)  
Azzam A. Ahamat  
**Head of Finance**

(Sgd.)  
N. Vasantha Kumar  
**Chief Executive Officer/General Manager**

(Sgd.)  
Nissanka Nanayakkara  
**Chairman**

28.03.2019  
Colombo.

