



**PEOPLE'S  
BANK**

# **FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED 31ST DECEMBER**

**FITCH RATING AA+ (LKA)**

## INCOME STATEMENT

### FOR THE YEAR ENDED 31ST DECEMBER

	BANK			GROUP		
	2017 (Rs. '000) (Audited)	2016 (Rs. '000) (Audited)	Change %	2017 (Rs. '000) (Audited)	2016 (Rs. '000) (Audited)	Change %
<b>Gross Income</b>	<b>162,165,297</b>	<b>122,114,359</b>	<b>32.8</b>	<b>190,183,693</b>	<b>144,749,519</b>	<b>31.4</b>
Interest income	149,184,471	109,970,256	35.7	173,820,509	129,708,199	34.0
Interest expenses	(98,718,636)	(66,845,869)	47.7	(111,074,981)	(76,111,563)	45.90
<b>Net Interest Income</b>	<b>50,465,835</b>	<b>43,124,387</b>	<b>17.0</b>	<b>62,745,528</b>	<b>53,596,636</b>	<b>17.1</b>
Fee and commission income	5,132,907	3,948,052	30.0	5,769,244	4,365,052	32.2
Fee and commission expenses	(260,773)	(208,912)	24.8	(260,773)	(208,912)	24.8
<b>Net Fee and Commission Income</b>	<b>4,872,134</b>	<b>3,739,140</b>	<b>30.3</b>	<b>5,508,471</b>	<b>4,156,140</b>	<b>32.5</b>
Net gain from trading	2,664,721	2,816,079	(5.4)	2,697,941	2,801,632	(3.7)
Other operating income (net)	5,183,198	5,379,972	(3.7)	7,895,999	7,874,636	0.3
<b>Total Operating Income</b>	<b>63,185,888</b>	<b>55,059,578</b>	<b>14.8</b>	<b>78,847,939</b>	<b>68,429,044</b>	<b>15.2</b>
Impairment for loans and other losses	(2,678,366)	(1,246,748)	114.8	(4,379,767)	(1,362,253)	221.5
Individual impairment	(1,324,326)	(847,801)		(1,547,969)	(796,703)	
Collective impairment	(1,354,040)	(398,947)		(2,643,940)	104,620	
Other	-	-		(187,858)	(670,170)	
<b>Net Operating Income</b>	<b>60,507,522</b>	<b>53,812,830</b>	<b>12.4</b>	<b>74,468,172</b>	<b>67,066,791</b>	<b>11.0</b>
Personnel Expenses	(15,914,505)	(17,475,442)	(8.9)	(19,127,876)	(20,277,225)	(5.7)
Depreciation and amortisation	(1,252,528)	(1,082,296)	15.7	(1,539,312)	(1,336,940)	15.3
Other expenses	(11,154,818)	(9,010,962)	23.8	(16,542,268)	(13,870,990)	19.2
<b>Operating Profit before Value Added Tax (VAT) &amp; Nation Building Tax (NBT)</b>	<b>32,185,671</b>	<b>26,244,130</b>	<b>22.6</b>	<b>37,258,716</b>	<b>31,581,637</b>	<b>18.0</b>
VAT & NBT on Financial Services	(6,272,565)	(5,430,470)	15.5	(7,390,285)	(6,148,315)	20.2
<b>Operating Profit after Value Added Tax (VAT) &amp; Nation Building Tax (NBT)</b>	<b>25,913,106</b>	<b>20,813,660</b>	<b>24.5</b>	<b>29,868,431</b>	<b>25,433,322</b>	<b>17.4</b>
Share of profits/(loss) of associates	-	-	-	-	-	-
<b>Profit before Tax</b>	<b>25,913,106</b>	<b>20,813,660</b>	<b>24.5</b>	<b>29,868,431</b>	<b>25,433,322</b>	<b>17.4</b>
Income tax expenses	(7,663,329)	(5,818,969)	31.7	(9,357,510)	(7,477,394)	25.1
<b>Profit for the year</b>	<b>18,249,777</b>	<b>14,994,691</b>	<b>21.7</b>	<b>20,510,921</b>	<b>17,955,928</b>	<b>14.2</b>
<b>Profit Attributable to :</b>						
Equity Holders of the Bank	18,249,777	14,994,691	21.7	19,295,734	16,721,972	15.4
Non-controlling interests	-	-	-	1,215,187	1,233,956	(1.5)
	<b>18,249,777</b>	<b>14,994,691</b>	<b>21.7</b>	<b>20,510,921</b>	<b>17,955,928</b>	<b>14.2</b>
<b>Earnings per Share on Profit</b>						
Basic earnings per ordinary share	18,250	14,995	21.7	19,296	16,722	15.4
Diluted earnings per ordinary share	75	104	(28.2)	79	116	(32.2)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER**

	BANK		GROUP	
	2017 (Rs.'000) (Audited)	2016 (Rs.'000) (Audited)	2017 (Rs.'000) (Audited)	2016 (Rs.'000) (Audited)
<b>Profit for the Year</b>	<b>18,249,777</b>	<b>14,994,691</b>	<b>20,510,921</b>	<b>17,955,928</b>
<b>Other Comprehensive Income Net of Tax</b>				
Net Actuarial Gains and Losses on Defined Benefit Plans	(3,222,626)	3,386,550	(3,246,834)	3,362,348
Deferred Tax Effect on Gratuity	(41,067)	15,167	(35,060)	22,135
Gains on Revaluation of Land and Buildings	6,568,522	-	7,749,055	25,000
Deferred Tax Effect on Revaluation of Land and Building	(3,366,405)	-	(3,732,372)	-
Tax Expense Relating to Components of Other Comprehensive Income	-	-	-	(754)
Net Gains and Losses on Re-Measuring Available-for-Sale Financial Assets	(177,930)	(13,286)	(175,331)	(167,029)
Gains and Losses on Derivative Financial Assets	-	-	(15,715)	6,186
Reversal of AFS reserve on disposal of AFS Investment	17,289	(9,315)	17,289	(9,315)
Other Comprehensive Income for the Year, Net of Taxes	(222,217)	3,379,116	561,032	3,238,571
<b>Total Comprehensive Income for the year</b>	<b>18,027,560</b>	<b>18,373,807</b>	<b>21,071,953</b>	<b>21,194,499</b>
<b>Attributable to :</b>				
Equity Holders of the Bank	18,027,560	18,373,807	19,788,396	19,997,591
Non-Controlling Interests	-	-	1,283,557	1,196,908
	<b>18,027,560</b>	<b>18,373,807</b>	<b>21,071,953</b>	<b>21,194,499</b>

## STATEMENT OF FINANCIAL POSITION

### AS AT

	BANK			GROUP		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
	(Rs. '000) (Audited)	(Rs. '000) (Audited)	%	(Rs. '000) (Audited)	(Rs. '000) (Audited)	%
<b>Assets</b>						
Cash and Cash Equivalents	68,958,012	64,008,639	7.7	69,675,003	66,408,702	4.9
Balances with Central Bank of Sri Lanka	65,689,278	63,049,516	4.2	65,689,278	63,049,516	4.2
Placements with banks	13,458,639	32,772,978	(58.9)	18,944,087	34,059,860	(44.4)
Derivative Financial Instruments	334,230	15,057	2119.7	334,230	21,196	1476.9
Other Financial assets held-for-trading	53,042,557	46,915,311	13.1	53,354,989	47,455,844	12.4
Loans and receivables to Banks	86,097,515	71,528,031	20.4	86,436,113	72,205,378	19.7
Loans and receivables to other customers	1,012,642,714	890,528,101	13.7	1,143,766,774	1,013,921,293	12.8
Financial investments - Available-for-sale	3,415,344	1,525,839	123.8	4,483,905	3,258,308	37.6
Financial investments - Held-to-maturity	112,351,039	96,171,734	16.8	117,137,814	101,069,681	15.9
Non Current Assets Held For Sale	-	-	-	-	1,040,828	(100.0)
Investments in subsidiaries	1,325,766	1,325,766	-	-	-	-
Goodwill and intangible assets	225,058	110,514	103.6	679,663	438,323	55.1
Property, plant and equipment	25,047,501	17,224,026	45.4	33,757,975	23,440,966	44.0
Investment properties	1,222,299	184,006	564.3	177,501	184,006	(3.5)
Prepaid Leases	483,886	512,184	(5.5)	483,886	512,184	(5.5)
Other assets	22,805,270	16,176,745	41.0	24,157,374	17,331,932	39.4
<b>Total Assets</b>	<b>1,467,099,108</b>	<b>1,302,048,447</b>	<b>12.7</b>	<b>1,619,078,592</b>	<b>1,444,398,017</b>	<b>12.1</b>
<b>Liabilities</b>						
Due to banks	80,676,350	106,924,276	(24.5)	100,628,552	130,122,246	(22.7)
Derivative Financial Instruments	273,975	72,182	279.6	273,975	72,182	279.6
Due to other customers	1,244,002,768	1,077,812,127	15.4	1,305,625,750	1,119,753,182	16.6
Other Borrowings	24,380,962	27,184,535	(10.3)	33,634,482	42,296,376	(20.5)
Current tax liabilities	4,064,907	2,432,266	67.1	4,367,318	3,000,249	45.6
Deferred tax liabilities	4,455,617	63,479	6919.0	7,277,032	2,254,462	222.8
Other liabilities	19,256,075	15,378,998	25.2	28,380,411	25,182,416	12.7
Subordinated term debts	12,531,728	12,531,728	-	32,447,923	36,525,796	(11.2)
<b>Total Liabilities</b>	<b>1,389,642,382</b>	<b>1,242,399,591</b>	<b>11.9</b>	<b>1,512,635,443</b>	<b>1,359,206,909</b>	<b>11.3</b>
<b>Equity</b>						
Stated capital/Assigned capital	12,201,998	7,201,998	69.4	12,201,998	7,201,998	69.4
Statutory reserve Fund	5,814,744	4,902,255	18.6	5,814,744	4,902,255	18.6
Other reserves	25,117,785	21,195,855	18.5	26,913,806	22,269,995	20.9
Retained earnings	34,322,199	26,348,748	30.3	52,191,314	43,185,534	20.9
<b>Total shareholders' equity</b>	<b>77,456,726</b>	<b>59,648,856</b>	<b>29.9</b>	<b>97,121,862</b>	<b>77,559,782</b>	<b>25.2</b>
Non-controlling interests	-	-	-	9,321,287	7,631,326	22.1
<b>Total equity</b>	<b>77,456,726</b>	<b>59,648,856</b>	<b>29.9</b>	<b>106,443,149</b>	<b>85,191,108</b>	<b>24.9</b>
<b>Total equity and liabilities</b>	<b>1,467,099,108</b>	<b>1,302,048,447</b>	<b>12.7</b>	<b>1,619,078,592</b>	<b>1,444,398,017</b>	<b>12.1</b>
<b>Contingent Liabilities and Commitments</b>	<b>303,344,150</b>	<b>226,429,659</b>	<b>34.0</b>	<b>304,101,876</b>	<b>226,442,491</b>	<b>34.3</b>
No of Employees	8,454	8,249		10,699	10,471	
No of Branches	737	737		851	852	

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER

### BANK

	Stated capital/Assigned capital		Reserves					Total
	Ordinary shares (Rs.'000)	Assigned capital (Rs.'000)	Reserve fund (Rs.'000)	Revaluation reserve (Rs.'000)	Other reserves (Rs.'000)	Available For Sale Reserve (Rs.'000)	Retained Earnings (Rs.'000)	(Rs.'000)
<b>Balance as at 01.01.2016</b>	49,998	7,152,000	4,152,518	10,846,499	10,703,873	296,379	16,293,472	49,494,739
Profit for the year	-	-	-	-	-	-	14,994,691	14,994,691
Changes in Fair Value in AFS Investments	-	-	-	-	-	(13,286)	-	(13,286)
Reversal of AFS reserve on disposal of AFS Investment	-	-	-	-	-	(9,315)	-	(9,315)
Net Defined Benefit obligation	-	-	-	-	-	-	3,386,550	3,386,550
Deffered tax effect on defined benefit plans	-	-	-	-	-	-	15,167	15,167
Reversal of Revaluation Gain on Disposed Property	-	-	-	(3,295)	-	-	3,295	-
Transfer to Reserve during the Year	-	-	749,737	-	(625,000)	-	(124,737)	-
Special levy to Treasury/ Dividend	-	-	-	-	-	-	(8,219,690)	(8,219,690)
<b>Balance as at 01.01.2017</b>	<b>49,998</b>	<b>7,152,000</b>	<b>4,902,255</b>	<b>10,843,204</b>	<b>10,078,873</b>	<b>273,778</b>	<b>26,348,748</b>	<b>59,648,856</b>
Profit for the year	-	-	-	-	-	-	18,249,777	18,249,777
Changes in Fair Value in AFS Investments	-	-	-	-	-	(177,930)	-	(177,930)
Reversal of AFS reserve on disposal of AFS Investment	-	-	-	-	-	17,289	-	17,289
Revaluation Surplus of Land and Building	-	-	-	6,568,522	-	-	-	6,568,522
Deffered tax effect on Revaluation Surplus	-	-	-	(3,366,405)	-	-	-	(3,366,405)
Net Defined Benefit obligation	-	-	-	-	-	-	(3,222,626)	(3,222,626)
Deffered tax effect on defined benefit plans	-	-	-	-	-	-	(41,067)	(41,067)
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>Balance as at 31.12.2017</b>	<b>49,998</b>	<b>12,152,000</b>	<b>5,814,744</b>	<b>14,051,911</b>	<b>10,952,737</b>	<b>113,137</b>	<b>34,322,199</b>	<b>77,456,726</b>

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER**

**GROUP**

	Stated capital/ Assigned capital		Reserves					Total (Rs.'000)	Non controlling interest (Rs.'000)	Total equity (Rs.'000)	
	Ordinary shares (Rs.'000)	Assigned capital (Rs.'000)	Reserve fund (Rs.'000)	Revaluation reserve (Rs.'000)	Other reserves (Rs.'000)	Available For Sale Reserve (Rs.'000)	Cash Flow Hedge Reserve (Rs.'000)				Retained earnings (Rs.'000)
<b>Balance as at 01.01.2016</b>	<b>49,998</b>	<b>7,152,000</b>	<b>4,152,518</b>	<b>11,867,700</b>	<b>10,703,873</b>	<b>433,941</b>	<b>7,148</b>	<b>32,209,592</b>	<b>66,576,770</b>	<b>6,223,858</b>	<b>72,800,628</b>
Profit for the Year	-	-	-	-	-	-	-	16,721,972	16,721,972	1,233,956	17,955,928
Changes in Fair Value in AFS Investments	-	-	-	-	-	(128,446)	-	-	(128,446)	(38,583)	(167,029)
Reversal of AFS reserve on disposal of AFS Investment	-	-	-	-	-	(9,315)	-	-	(9,315)	-	(9,315)
Net Defined Benefit obligation	-	-	-	-	-	-	-	3,370,185	3,370,185	(7,837)	3,362,348
Revaluation Surplus of Land and Building	-	-	-	18,750	-	-	-	-	18,750	6,250	25,000
Reversal of Revaluation Gain on Disposed Property	-	-	-	(3,295)	-	-	-	3,295	-	-	-
Gains and losses on derivative financial Assets	-	-	-	-	-	-	4,639	-	4,639	1,547	6,186
Deferred tax effect on defined benefit plans	-	-	-	-	-	-	-	20,393	20,393	1,742	22,135
Tax on Other comprehensive income	-	-	-	-	-	-	-	(588)	(588)	(166)	(754)
Transfer to Reserve during the period	-	-	749,737	-	(625,000)	-	-	(124,737)	-	-	-
Share Issue Expenses	-	-	-	-	-	-	-	(13,016)	(13,016)	(4,339)	(17,355)
Special levy to Treasury/ Dividend	-	-	-	-	-	-	-	(8,219,690)	(8,219,690)	-	(8,219,690)
Change of Holding of Associate	-	-	-	-	-	-	-	(781,872)	(781,872)	776,130	(5,742)
Dividends Paid	-	-	-	-	-	-	-	-	-	(561,232)	(561,232)
<b>Balance as at 01.01.2017</b>	<b>49,998</b>	<b>7,152,000</b>	<b>4,902,255</b>	<b>11,883,155</b>	<b>10,078,873</b>	<b>296,180</b>	<b>11,787</b>	<b>43,185,534</b>	<b>77,559,782</b>	<b>7,631,326</b>	<b>85,191,108</b>
Profit for the year	-	-	-	-	-	-	-	19,295,734	19,295,734	1,215,187	20,510,921
Changes in Fair Value in AFS Investments	-	-	-	-	-	(177,011)	-	-	(177,011)	1,680	(175,331)
Reversal of AFS reserve on disposal of AFS Investment	-	-	-	-	-	17,289	-	-	17,289	-	17,289
Net Defined Benefit obligation	-	-	-	-	-	-	-	(3,240,752)	(3,240,752)	(6,082)	(3,246,834)
Revaluation Surplus of Land and Building	-	-	-	7,582,372	-	-	-	-	7,582,372	166,683	7,749,055
Deferred tax effect on Revaluation Surplus	-	-	-	(3,640,880)	-	-	-	-	(3,640,880)	(91,492)	(3,732,372)
Gains and losses on derivative financial Assets	-	-	-	-	-	-	(11,787)	-	(11,787)	(3,928)	(15,715)
Deferred tax effect on defined benefit plans	-	-	-	-	-	-	-	(36,570)	(36,570)	1,510	(35,060)
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>Balance as at 31.12.2017</b>	<b>49,998</b>	<b>12,152,000</b>	<b>5,814,744</b>	<b>15,831,237</b>	<b>10,946,111</b>	<b>136,458</b>	<b>-</b>	<b>52,191,314</b>	<b>97,121,862</b>	<b>9,321,287</b>	<b>106,443,149</b>

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER**

	BANK		GROUP	
	2017 (Rs.'000) (Audited)	2016 (Rs.'000) (Audited)	2017 (Rs.'000) (Audited)	2016 (Rs.'000) (Audited)
<b>Cash flows from operating activities</b>				
Profit before tax	25,913,106	20,813,660	29,868,431	25,433,322
Adjustment for	-	-	-	-
Non-cash items included in profits before tax	4,044,519	2,824,333	6,004,394	3,180,031
Changes in operating assets	(137,084,970)	(83,928,201)	(147,647,369)	(106,039,634)
Changes in operating liabilities	136,623,689	121,125,671	146,347,372	135,320,066
Dividend income from subsidiaries and others	(1,643,111)	(1,628,700)	(305,136)	(189,530)
Interest expense on subordinated debt	1,612,500	1,987,500	1,612,500	1,987,500
Contribution paid to defined benefit plans/Gratuity	1,169,904	1,811,662	1,254,748	1,894,316
Tax paid	(5,046,022)	(7,514,644)	(6,735,304)	(9,639,398)
<b>Net Cash Generated from Operating Activities</b>	<b>25,589,615</b>	<b>55,491,281</b>	<b>30,399,636</b>	<b>51,946,673</b>
<b>Cash Flows from Investing Activities</b>	-	-	-	-
Purchase of investment property	(1,040,000)	-	4,798	-
Purchase of property, plant and equipment	(2,805,073)	(1,942,542)	(3,328,075)	(3,020,288)
Proceeds from the sale of property, plant and equipment	27,306	98,471	46,041	131,611
Purchase of financial investments	(16,475,317)	(9,855,692)	(16,364,145)	(10,269,333)
Net purchase of intangible assets	(158,080)	(17,810)	(191,723)	(25,475)
Net cash flow from preference shares subsidiaries	-	150,000	-	-
Dividends received from investment in subsidiaries and others	1,643,111	1,628,700	305,136	189,530
Net cash and cash equivalents on acquisition of subsidiary	-	-	(1,114,082)	-
<b>Net Cash (used in) from Investing Activities</b>	<b>(18,808,053)</b>	<b>(9,938,873)</b>	<b>(20,642,050)</b>	<b>(12,993,955)</b>
<b>Cash Flows from Financing Activities</b>	-	-	-	-
Increase of assigned capital	5,000,000	-	5,000,000	-
Net proceeds from the issue of subordinated debt	-	-	-	5,618,556
Repayment of subordinated debt	-	(2,500,814)	(4,077,873)	-
Interest paid on subordinated debt	(1,612,500)	(1,987,500)	(1,612,500)	(1,987,500)
Dividend paid to non-controlling interest	-	-	(581,222)	(561,232)
Dividend/Levy paid to holders of other equity instruments	(5,219,690)	(8,219,690)	(5,219,690)	(8,219,690)
<b>Net Cash from Financial Activities</b>	<b>(1,832,190)</b>	<b>(12,708,004)</b>	<b>(6,491,285)</b>	<b>(5,149,866)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>4,949,373</b>	<b>32,844,404</b>	<b>3,266,301</b>	<b>33,802,852</b>
Cash and cash equivalents at the beginning of the year	64,008,639	31,164,235	66,408,702	32,605,850
<b>Cash and cash equivalents at the end of the period</b>	<b>68,958,012</b>	<b>64,008,639</b>	<b>69,675,003</b>	<b>66,408,702</b>

## ADDITIONAL DISCLOSURES

	BANK		GROUP	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	(Rs.'000)	(Rs. '000)	(Rs.'000)	(Rs. '000)
	(Audited)	(Audited)	(Audited)	(Audited)
<b>Loans and Receivables to Other Customers</b>				
Gross loans and receivables	1,074,247,652	950,823,949	1,209,116,267	1,076,448,155
(Less) : Individual impairment	(44,913,498)	(43,589,172)	(45,672,491)	(44,124,522)
Collective impairment	(16,691,440)	(16,706,676)	(19,677,002)	(18,402,340)
<b>Net loans and receivables</b>	<b>1,012,642,714</b>	<b>890,528,101</b>	<b>1,143,766,774</b>	<b>1,013,921,293</b>
<b>Analysis -Domestic Currency</b>				
By product				
Overdrafts	116,732,110	59,131,397	115,258,663	57,785,473
Term loans	599,715,217	538,468,884	641,740,832	577,551,160
Lease Rental Receivable	-	-	89,423,716	84,250,993
Credit Cards	2,212,132	1,839,646	2,212,132	1,839,646
Pawning	136,475,059	114,422,847	136,532,611	114,422,847
Trade Finance	37,417,317	37,869,834	37,417,317	37,869,834
Others	19,374,799	18,996,751	24,209,978	22,633,612
<b>Sub Total</b>	<b>911,926,634</b>	<b>770,729,359</b>	<b>1,046,795,249</b>	<b>896,353,565</b>
<b>Analysis -Foreign Currency</b>				
By product				
Overdrafts	902,371	260,972	902,371	260,972
Term loans	57,803,788	40,515,321	57,803,788	40,515,321
Lease Rental Receivable	-	-	-	-
Credit Cards	-	-	-	-
Pawning	-	-	-	-
Trade Finance	103,614,859	139,318,297	103,614,859	139,318,297
Others	-	-	-	-
<b>Sub Total</b>	<b>162,321,018</b>	<b>180,094,590</b>	<b>162,321,018</b>	<b>180,094,590</b>
<b>Grand Total</b>	<b>1,074,247,652</b>	<b>950,823,949</b>	<b>1,209,116,267</b>	<b>1,076,448,155</b>

### Movements in Individual and Collective Impairment during the period for loans and Receivables to other customers

	BANK		GROUP	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	(Rs.'000)	(Rs. '000)	(Rs.'000)	(Rs. '000)
	(Audited)	(Audited)	(Audited)	(Audited)
<b>Allowance for Individual impairment</b>				
<b>Opening balance</b>	43,589,172	42,741,371	44,124,522	43,327,819
Charge (Write-back) to income statement	1,324,326	847,801	1,547,969	796,703
Write-off during the year	-	-	-	-
Other Movements	-	-	-	-
<b>Closing balance</b>	<b>44,913,498</b>	<b>43,589,172</b>	<b>45,672,491</b>	<b>44,124,522</b>
<b>Allowance for Collective impairment</b>				
<b>Opening balance</b>	16,706,676	17,977,941	18,402,340	20,177,173
Charge (Write-back) to income statement	1,354,040	398,947	2,643,940	(104,620)
Reversals made during the year	(1,329,906)	(1,690,390)	(1,329,906)	(1,690,390)
Write-off during the year	(104,512)	(103,986)	(104,512)	(103,986)
Other Movements	65,142	124,164	65,140	124,163
<b>Closing balance at</b>	<b>16,691,440</b>	<b>16,706,676</b>	<b>19,677,002</b>	<b>18,402,340</b>
<b>Total Impairment</b>	<b>61,604,938</b>	<b>60,295,848</b>	<b>65,349,493</b>	<b>62,526,862</b>
<b>Due to Other Customers</b>				
<b>Analysis</b>				
<b>Product Wise Analysis - Domestic Currency</b>				
Demand deposit (current accounts)	59,632,510	57,314,951	57,596,428	54,535,183
Savings deposits	433,277,185	408,410,098	437,157,640	411,736,825
Fixed deposits	623,987,541	483,327,818	678,521,081	524,721,914
Other products	3,865,085	2,757,422	9,110,154	2,757,422
<b>Sub Total</b>	<b>1,120,762,321</b>	<b>951,810,289</b>	<b>1,182,385,303</b>	<b>993,751,344</b>
<b>Due to Other Customers</b>				
<b>Product Wise Analysis - Foreign Currency</b>				
Demand deposit (current accounts)	1,316,264	1,348,459	1,316,264	1,348,459
Savings deposits	29,379,443	16,153,206	29,379,443	16,153,206
Fixed deposits	92,523,266	108,480,491	92,523,266	108,480,491
Other products	21,474	19,682	21,474	19,682
<b>Sub Total</b>	<b>123,240,447</b>	<b>126,001,838</b>	<b>123,240,447</b>	<b>126,001,838</b>
<b>Grand Total</b>	<b>1,244,002,768</b>	<b>1,077,812,127</b>	<b>1,305,625,750</b>	<b>1,119,753,182</b>



## SELECTED PERFORMANCE INDICATORS

	BANK		GROUP	
	As at 31.12.2017 (Audited)	As at 31.12.2016 (Audited)	As at 31.12.2017 (Audited)	As at 31.12.2016 (Audited)
<b>Regulatory Capital Adequacy</b>				
Common Equity Tier 1 Capital [Rs. 000] (Basel III)	62,084,793	N/A	85,077,314	N/A
Tier 1 Capital [Rs. 000] (Basel III / Basel II*)	62,084,793	50,382,257*	85,077,314	75,003,099*
Total Capital [Rs. 000] (Basel III / Basel II*)	77,554,147	62,207,116*	101,485,801	87,842,601*
Common Equity Tier 1 Ratio (Basel III Min 6.25% w.e.f. 01/07/2017)	10.8	N/A	11.5	N/A
Tier 1 Capital Ratio (Basel III Min 7.75% w.e.f. 01/07/2017/ Basel II* Min 5.0%)	10.8	9.8 *	11.5	11.1*
Total Capital Ratio (Min 11.75% w.e.f. 01/07/2017/ Basel II* Min 10.0%)	13.5	12.1*	13.7	13.0*
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non- Performing Advances Ratio, % (net of Interest in Suspense)	1.9	1.9	2.0	1.9
Net Non- Performing Advances Ratio, % (net of interest in suspense and provisions)	0.7	0.6	1.0	0.7
<b>Profitability</b>				
Interest Margin, %	3.6	3.5	4.1	3.9
Return on Assets (Before Tax), %	1.9	1.7	1.9	1.9
Return on Equity (After Tax), %	26.6	27.5	21.4	22.7
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets				
Domestic Banking Unit Rs.'000	298,497,361	229,148,457		
Off- Shore Banking Unit US\$ ('000)	242,692	202,041		
<b>Statutory Liquid Assets, Ratio %</b> (Minimum Requirement, 20%)				
Domestic Banking Unit, %	24.1	21.7		
Off- Shore Banking Unit, %	32.4	22.5		
<b>Liquidity Coverage Ratio (%)</b> (Minimum Requirement, 2017- 80%,2016-,70%)				
Liquidity Coverage Ratio - Rupee	104.0	108.98		
Liquidity Coverage Ratio - All Currency	95.1	83.88		

## MEASUREMENT OF FINANCIAL INSTRUMENTS

### BANK AS AT 31.12.2017

	HFT (Rs.'000)	Designated at FVTPL (Rs.'000)	HTM (Rs.'000)	Amortised Cost (Rs.'000)	AFS (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
Current tax	-	-	-	-	-	-
<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><u>1,415,989,328</u></b>
<b>LIABILITIES</b>						
Due to banks	-	-	-	80,676,350	-	80,676,350
Derivative Financial Instruments	-	273,975	-	-	-	273,975
Financial liabilities designated at fair value through profit or loss	-	-	-	1,244,002,768	-	1,244,002,768
Due to other customers	-	-	-	-	-	-
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><u>1,361,865,783</u></b>

## MEASUREMENT OF FINANCIAL INSTRUMENTS

### BANK AS AT 31.12. 2016

	HFT (Rs.'000)	Designated at FVTPL (Rs.'000)	HTM (Rs.'000)	Amortised Cost (Rs.'000)	AFS (Rs.'000)	Total (Rs.'000)
<b>ASSETS</b>						
Cash and cash equivalents	-	-	-	64,008,639	-	64,008,639
Balances with Central Banks	-	-	-	63,049,516	-	63,049,516
Placements with Banks	-	-	-	32,772,978	-	32,772,978
Derivative Financial Instruments	-	15,057	-	-	-	15,057
Financial assets held-for-trading	46,915,311	-	-	-	-	46,915,311
Loans and receivables to banks	-	-	-	71,528,031	-	71,528,031
Loans and receivables to other customers	-	-	-	890,528,101	-	890,528,101
Financial investments	-	-	96,171,734	-	1,525,839	97,697,573
<b>Total financial assets</b>	<b>46,915,311</b>	<b>15,057</b>	<b>96,171,734</b>	<b>1,121,887,265</b>	<b>1,525,839</b>	<b><u>1,266,515,206</u></b>
<b>LIABILITIES</b>						
Due to banks	-	-	-	106,924,276	-	106,924,276
Derivative Financial Instruments	-	72,182	-	-	-	72,182
Financial liabilities designated at fair value through profit or loss	-	-	-	1,077,812,127	-	1,077,812,127
Due to other customers	-	-	-	27,184,535	-	27,184,535
Other Borrowings	-	-	-	12,531,728	-	12,531,728
Subordinated term debts	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>72,182</b>	<b>-</b>	<b>1,224,452,666</b>	<b>-</b>	<b><u>1,224,524,848</u></b>

## MEASUREMENT OF FINANCIAL INSTRUMENTS

### GROUP AS AT 31.12.2017

	HFT (Rs.'000)	Designated at FVTPL (Rs.'000)	HTM (Rs.'000)	Amortised Cost (Rs.'000)	AFS (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><u>1,559,822,193</u></b>
<b>LIABILITIES</b>						
Due to banks	-	-	-	100,628,552	-	100,628,552
Derivative Financial Instruments	-	273,975	-	-	-	273,975
Financial liabilities designated at fair value through profit or loss	-	-	-	1,305,625,750	-	1,305,625,750
Due to other customers	-	-	-	33,634,482	-	33,634,482
Other Borrowings	-	-	-	-	-	-
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><u>1,472,610,682</u></b>

## MEASUREMENT OF FINANCIAL INSTRUMENTS

### GROUP AS AT 31.12. 2016

	HFT (Rs.'000)	Designated at FVTPL (Rs.'000)	HTM (Rs.'000)	Amortised Cost (Rs.'000)	AFS (Rs.'000)	Total (Rs.'000)
<b>ASSETS</b>						
Cash and cash equivalents	-	-	-	66,408,702	-	66,408,702
Balances with Central Banks	-	-	-	63,049,516	-	63,049,516
Placements with Banks	-	-	-	34,059,860	-	34,059,860
Derivative Financial Instruments	-	21,196	-	-	-	21,196
Financial assets held-for-trading	47,455,844	-	-	-	-	47,455,844
Loans and receivables to banks	-	-	-	72,205,378	-	72,205,378
Loans and receivables to other customers	-	-	-	1,013,921,293	-	1,013,921,293
Financial investments	-	-	101,069,681	-	3,258,308	104,327,989
<b>Total financial assets</b>	<b>47,455,844</b>	<b>21,196</b>	<b>101,069,681</b>	<b>1,249,644,749</b>	<b>3,258,308</b>	<b><u>1,401,449,778</u></b>
<b>LIABILITIES</b>						
Due to banks	-	-	-	130,122,246	-	130,122,246
Derivative Financial Instruments	-	72,182	-	-	-	72,182
Financial liabilities designated at fair value through profit or loss	-	-	-	1,119,753,182	-	1,119,753,182
Due to other customers	-	-	-	42,296,376	-	42,296,376
Other Borrowings	-	-	-	-	-	-
Subordinated term debts	-	-	-	36,525,796	-	36,525,796
<b>Total financial liabilities</b>	<b>-</b>	<b>72,182</b>	<b>-</b>	<b>1,328,697,600</b>	<b>-</b>	<b><u>1,328,769,782</u></b>

CERTIFICATION

We the undersigned being the Chairman, Chief Executive Officer/General Manager and the Head of Finance of the bank jointly,

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

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

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

(Sgd.)  
Hemasiri Fernando  
**Chairman**

19.03.2018  
Colombo.