



YOUR PARTNER IN PROGRESS

Interim Financial Statements

For the twelve months ended 31st December 2018

FINANCIAL COMMENTARY FOR THE 12 MONTHS ENDED 31ST DECEMBER 2018

- HNB Group PAT Rs 19.1 Bn
- PBT Rs 26.5 Bn
- Operating Profit Rs 33 Bn
- Tax charge Rs 14.2 Bn
- Cost to Income ratio improves by 400 bps

HNB Group recorded a Profit Before Tax of Rs 26.5 Bn and a Profit After Tax of Rs 19.1 Bn, posting a YoY growth of 14.6% and 14.4% respectively for the year ended 2018 in a clear demonstration of the resilience of the Group's robust business model despite an array of challenges faced by the industry.

Driven by sound loan book growth and improved margins, Interest Income at the Bank grew by 12.4% YoY to Rs 108.1 Bn. Interest expenses increased at a slower 7.1% YoY on account of zealous mobilisation of low cost CASA deposits. In the backdrop of an industry decline in the CASA ratio, this is an improvement of 11.1% during the 12 month period. The resultant Net Interest Income (NII) grew by 20.0% YoY to Rs 47.6 Bn.

The Bank's Net Fee and Commission income rose by 13.1% over 2017 to Rs 9.4 Bn. from strong growth in Commission income from Trade Finance, Credit Cards and Remittances supported by fees from digital banking, cash management and custodian services.

Net Losses from Trading which reflects principally the revaluation of forex swaps, reduced significantly by 90% to Rs 356 Mn from a higher depreciated rupee and low volumes of swaps compared to the previous year. The converse effect is presented in Other Operating Income as foreign exchange gains on position revaluations which remained at a static level despite the accelerated rupee depreciation. However, the decrease noted in dividend income from subsidiary companies resulted in Other Operating Income declining by 26% YoY.

The industry witnessed the non performing advances ratio deteriorating by approx. 100 bps during the year and the Bank successfully managed its NPA ratio at 2.78% as at end of the year. The individual impairment for the year decreased by 10.4% to Rs 3.9 Bn. The collective and other impairment charges amounted to Rs 5.4 Bn for the year. 65% of this amount was the impact of the adoption of SLFRS 9 standard with effect from 1st January 2018.

The multi-pronged centralisation and efficiency initiatives pursued by HNB continued to yield dividends with the Cost to Income ratio improving by 300 bps to 36.4% whilst this impact was also mirrored in the Group cost to income ratio of 43.0% - an improvement of over 400 bps.

The Group reported an 'Operating Profit' prior to taxes and levies of Rs 33 Bn, a considerable 16.4% YoY growth over the Rs 28.4 Bn achieved in the previous year. The Bank's Operating Profit amounted to Rs 29.3 Bn which is a growth of 8.3% YoY.

The Bank's PBT grew by 4.1% YoY to Rs 23.0 Bn. The introduction of Debt Repayment Levy effective from the fourth quarter of 2018 resulted in an increase in the total FSVAT for the Bank rising by 26.8% relative to the previous year. The new Inland Revenue Act mandating the abolishment of tax exemptions on specified investments also lead to an increase of 33.1% in the income tax charge for the Bank. The resultant total tax charge for the year to the Bank amounted to Rs 13.8 Bn with the PAT for the Bank at Rs 15.5 Bn for the year 2018.

Group PAT generated a Return on Assets (ROA) and Return on Equity (ROE) of 1.6% and 14% respectively.

The sound loan book growth represented a 18.8% YoY increase in Bank's Advances to Rs 772 Bn while the deposit base expanded by 14% YoY to reach the Rs 800 Bn mark. Total Assets grew by 13.8% YoY to Rs 1.1 Trillion.

HNB Assurance, the Group's Insurance arm, performed well during 2018 to lead the performance of the subsidiaries. Acuity Partners the Investment Banking business and HNB Finance also performed strongly in their respective business spaces despite the effects of the non-conducive business climate being felt across spheres. The Group gross loan book grew by 19.2% YoY to Rs 795 Bn and was supported by the consolidated deposit base growing by nearly Rs 100 Bn during the 12 months to Rs 818 Bn. The Group's asset base increased by 14.0% YoY to Rs 1,148.6 Bn (Rs 1.15 Trillion).

Notwithstanding the SLFRS 9 impact on reserves, the Bank and Group remains well capitalised even under the more stringent BASEL III regulations. Tier I Capital was reported at 12.80% for the Bank and 13.16% for the Group while Total Capital Ratio amounted to 15.22% and 15.41% for the Bank and Group respectively.

In 2018 HNB was placed first, in several diverse banking awarding forums including Retail, Forex, Payments, Cash Management, SME Banking, Digital Banking, Sustainable Reporting and Islamic Finance. The Bank was also recognised as the 'Best private sector organization for promoting women in the workplace' at the Women in Management, Top 50 Professional & Career Women Awards 2018.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services while maintaining a national long term rating of AA - (Ika) from Fitch Ratings. In 2018 HNB had the distinction of becoming the No. 1 Bank in Sri Lanka in the Top1000 World Banks 2018 ranked by the 'The Banker' magazine of the UK and the No.1 Bank in 'Business Today' rankings for 2017/18.

STATEMENT OF PROFIT OR LOSS

	BANK						GROUP					
	For the 12 months ended 31st			For the 3 months ended 31st			For the 12 months ended 31st			For the 3 months ended 31st		
	December			December			December			December		
	2018	2017	% Increase/ (Decrease)	2018	2017	% Increase/ (Decrease)	2018	2017	% Increase/ (Decrease)	2018	2017	% Increase/ (Decrease)
Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		
Gross Income	121,356,089	106,295,194	14	33,630,122	28,335,183	19	138,250,551	119,759,106	15	38,034,641	31,165,147	22
Interest income	108,104,923	96,175,453	12	29,677,254	24,641,457	20	116,488,588	103,908,195	12	31,811,661	26,775,998	19
Less : Interest expenses	60,525,342	56,526,138	7	16,306,723	14,597,788	12	62,852,424	58,446,928	8	16,846,672	15,202,879	11
Net interest income	47,579,581	39,649,315	20	13,370,531	10,043,669	33	53,636,164	45,461,267	18	14,964,989	11,573,119	29
Fee and commission income	9,540,862	8,415,579	13	2,645,357	2,203,839	20	10,382,030	9,227,529	13	2,903,143	2,377,154	22
Less : Fee and commission expenses	141,592	105,482	34	38,611	25,135	54	284,080	213,143	33	119,788	57,108	110
Net fee and commission income	9,399,270	8,310,097	13	2,606,746	2,178,704	20	10,097,950	9,014,386	12	2,783,355	2,320,046	20
Net interest, fee and commission income	56,978,851	47,959,412	19	15,977,277	12,222,373	31	63,734,114	54,475,653	17	17,748,344	13,893,165	28
Net gain/(loss) from trading	(356,594)	(3,711,203)	(90)	877,656	(948,652)	193	(396,918)	(3,695,658)	(89)	863,381	(949,271)	191
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain from financial investments	215,551	212,129	2	2,999	13,551	(78)	217,896	247,166	(12)	(81,383)	26,252	(410)
Net insurance premium income	-	-	-	-	-	-	7,431,823	6,326,292	17	1,962,003	1,687,997	16
Net gains / (losses) on derecognition of financial assets	-	-	-	-	-	-	72,150	-	-	72,150	-	-
Other operating income	3,851,347	5,203,236	(26)	426,856	2,424,988	(82)	4,054,982	3,745,582	8	503,686	1,247,017	(60)
Total operating income	60,689,155	49,663,574	22	17,284,788	13,712,260	26	75,114,047	61,099,035	23	21,068,181	15,905,160	32
Less : Impairment for loans and other losses												
Loans & advances to customers	8,263,484	2,925,700	182	4,670,646	645,736	623	8,703,623	3,348,546	160	4,541,536	899,093	405
Other financial assets	688,492	102,219	574	684,578	95,270	619	739,984	570,054	30	736,070	570,054	29
Others	340,445	7,549	4,410	340,445	7,549	4,410	340,445	7,549	4,410	333,084	(448,990)	174
Net operating income	51,396,734	46,628,106	10	11,589,119	12,963,705	(11)	65,329,995	57,172,886	14	15,457,491	14,885,003	4
Less : Operating expenses												
Personnel expenses	10,000,083	8,866,642	13	2,780,893	2,141,120	30	12,290,751	10,916,284	13	3,430,762	2,713,336	26
Depreciation and amortisation	1,354,762	1,128,802	20	360,718	298,286	21	1,826,468	1,556,843	17	514,650	387,104	33
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	5,679,269	5,485,864	4	1,182,724	1,202,931	(2)
Other expenses	10,721,121	9,561,005	12	2,918,106	2,557,920	14	12,527,482	10,850,871	15	3,452,362	2,868,608	20
Total operating expenses	22,075,966	19,556,449	13	6,059,717	4,997,326	21	32,323,970	28,809,862	12	8,580,498	7,171,979	20
Operating profit before value added tax (VAT), nation building tax (NBT) and debt repayment levy (DRL) on financial services	29,320,768	27,071,657	8	5,529,402	7,966,379	(31)	33,006,025	28,363,024	16	6,876,993	7,713,024	(11)
Less : Value added tax (VAT) and nation building tax (NBT) on financial services	5,670,547	5,021,446	13	1,192,165	1,320,363	(10)	6,094,312	5,435,628	12	1,298,309	1,417,833	(8)
Debt repayment levy (DRL) on financial services	698,721	-	-	698,721	-	-	748,501	-	-	748,501	-	-
Operating profit after value added tax (VAT), nation building tax (NBT) and debt repayment levy (DRL) on financial services	22,951,500	22,050,211	4	3,638,516	6,646,016	(45)	26,163,212	22,927,396	14	4,830,183	6,295,191	(23)
Share of profit of Joint Venture (net of income tax)	-	-	-	-	-	-	303,092	175,616	73	158,156	43,019	268
Profit before income tax	22,951,500	22,050,211	4	3,638,516	6,646,016	(45)	26,466,304	23,103,012	15	4,988,339	6,338,210	(21)
Less : Income tax expense	7,433,297	5,583,421	33	1,259,173	1,076,628	17	7,316,842	6,361,616	15	321,308	1,402,060	(77)
PROFIT FOR THE YEAR	15,518,203	16,466,790	(6)	2,379,343	5,569,388	(57)	19,149,462	16,741,396	14	4,667,031	4,936,150	(5)
Profit attributable to:												
Equity holders of the Bank	15,518,203	16,466,790	(6)	2,379,343	5,569,388	(57)	17,635,774	15,946,989	11	3,755,481	4,635,974	(19)
Non-controlling interests	-	-	-	-	-	-	1,513,688	794,407	91	911,550	300,176	204
PROFIT FOR THE YEAR	15,518,203	16,466,790	(6)	2,379,343	5,569,388	(57)	19,149,462	16,741,396	14	4,667,031	4,936,150	(5)
Earnings per share on profit												
Basic earnings per ordinary share (Rs)	31.50	34.40	(8)	4.83	11.23	(57)	35.80	33.31	7	9.47	9.96	(5)
Diluted earnings per ordinary share (Rs)	31.50	34.37	(8)	4.83	11.23	(57)	35.80	33.29	8	9.47	9.95	(5)

STATEMENT OF COMPREHENSIVE INCOME

	BANK						GROUP					
	For the 12 months ended 31st			For the 3 months ended 31st			For the 12 months ended 31st			For the 3 months ended 31st		
	December			December			December			December		
	2018	2017	% Increase/ (Decrease)	2018	2017	% Increase/ (Decrease)	2018	2017	% Increase/ (Decrease)	2018	2017	% Increase/ (Decrease)
Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		
PROFIT FOR THE YEAR	15,518,203	16,466,790	(6)	2,379,343	5,569,388	(57)	19,149,462	16,741,396	14	4,667,031	4,936,150	(5)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods												
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income	(1,203,893)	-	-	86,891	-	-	(1,203,893)	-	-	86,891	-	-
Remeasurement of post-employment benefit obligations	(100,911)	(284,960)	(65)	(100,911)	(284,960)	(65)	(77,042)	(292,000)	(74)	(92,313)	(300,793)	(69)
Revaluation of freehold land & buildings	2,868,546	2,981,379	(4)	2,868,546	2,981,379	(4)	7,468,816	4,146,677	80	7,468,816	4,146,677	80
Share of other comprehensive income of joint venture	-	-	-	-	-	-	1,171	-	-	1,171	-	-
Less: Tax expense relating to items that will not be reclassified to profit or loss	(803,094)	(2,900,320)	(72)	(803,094)	(2,900,320)	(72)	(3,913,040)	(4,465,972)	(12)	(3,908,136)	(4,463,510)	(12)
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods	760,648	(203,901)	473	2,051,432	(203,901)	1,106	2,276,012	(611,295)	472	3,556,429	(617,626)	676
Other comprehensive income that will be reclassified to profit or loss in subsequent periods												
Debt instruments at fair value through other comprehensive income :												
Net losses on investments in debt instruments measured at fair value through other comprehensive income	(1,799,123)	-	-	(882,122)	-	-	(2,188,112)	-	-	(1,086,036)	-	-
Reclassification of net gains on derecognition of debt instruments at fair value through other comprehensive income	-	-	-	-	-	-	(72,150)	-	-	(9,143)	-	-
Transfer from life policy holder reserve fund	-	-	-	-	-	-	416,567	-	-	196,503	-	-
Share of profits of joint ventures	-	-	-	-	-	-	66,368	-	-	34,748	-	-
Less: Tax expense relating to items that will be reclassified to profit or loss	503,754	-	-	246,994	-	-	512,042	-	-	251,038	-	-
Available-for-sale financial assets:												
Net change in fair value during the year	-	3,308,142	(100)	-	230,298	(100)	-	3,797,637	(100)	-	286,254	(100)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	(414,402)	(100)	-	(16,376)	(100)
Net amount transferred to profit or loss (available-for-sale financial assets)	-	83,249	(100)	-	83,249	(100)	-	52,764	(100)	-	39,328	(100)
Less: Tax expense relating to items that will be reclassified to profit or loss	-	(926,481)	(100)	-	(15,809)	(100)	-	(933,251)	(100)	-	(6,453)	(100)
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	-	(21,417)	(100)	-	(7,576)	(100)
Total other comprehensive income that will be reclassified to profit or loss in subsequent periods	(1,295,369)	2,464,910	(153)	(635,128)	297,738	(313)	(1,265,285)	2,481,331	(151)	(612,890)	295,177	(308)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(534,721)	2,261,009	(124)	1,416,304	93,837	1,409	1,010,727	1,870,036	(46)	2,943,539	(322,449)	(1,013)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	14,983,482	18,727,799	(20)	3,795,647	5,663,225	(33)	20,160,189	18,611,432	8	7,610,570	4,613,701	65
Total comprehensive income attributable to:												
Equity holders of the Bank	14,983,482	18,727,799	(20)	3,795,647	5,663,225	(33)	18,651,179	17,784,291	5	6,700,585	5,123,003	31
Non-controlling interests	-	-	-	-	-	-	1,509,010	827,141	82	909,985	(509,302)	(279)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	14,983,482	18,727,799	(20)	3,795,647	5,663,225	(33)	20,160,189	18,611,432	8	7,610,570	4,613,701	65

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2018 Rs.000	As at 31.12.2017 Rs.000	% Increase / (Decrease)	As at 31.12.2018 Rs.000	As at 31.12.2017 Rs.000	% Increase / (Decrease)
ASSETS						
Cash and cash equivalents	25,141,890	21,739,800	16	24,966,831	21,924,898	14
Placements with banks	3,292,733	3,182,377	3	8,506,255	9,670,125	(12)
Balances with Central Bank of Sri Lanka	33,907,057	38,610,940	(12)	33,907,057	38,610,940	(12)
Reverse repurchase agreements	90,094	-	-	1,168,764	772,002	51
Derivative financial instruments	4,507,576	615,357	633	4,507,576	615,357	633
Financial assets recognised through profit or loss						
-Measured at fair value	100,342	120,486	(17)	264,420	266,538	(1)
Financial assets at amortised cost - loans and advances	749,048,820	639,102,061	17	770,263,000	655,612,938	17
Financial assets at amortised cost - debt and other instruments /						
Financial investments - loans and receivables	160,145,680	122,199,048	31	165,821,983	125,031,671	33
Financial assets measured at fair value through other comprehensive						
income /Financial investments - available for sale	69,436,989	95,403,820	(27)	76,005,258	101,742,985	(25)
Financial investments - held to maturity	-	-	-	-	1,565,603	(100)
Investment in joint venture	755,000	755,000	-	2,027,201	1,689,263	20
Investment in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	325,818	327,464	(1)	1,107,472	1,146,564	(3)
Property, plant and equipment	21,304,370	17,905,320	19	42,417,126	34,635,034	22
Intangible assets and goodwill	905,653	815,381	11	1,377,864	1,237,829	11
Other assets	14,509,951	11,083,242	31	16,273,512	13,038,222	25
Total assets	1,086,489,258	954,877,581	14	1,148,614,319	1,007,559,969	14
LIABILITIES						
Due to banks	77,492,582	62,463,497	24	77,976,010	62,464,391	25
Derivative financial instruments	2,519,172	1,305,900	93	2,519,172	1,305,900	93
Securities sold under repurchase agreements	16,678,946	5,064,360	229	16,678,946	5,064,360	229
Financial liabilities at amortised cost - due to depositors	799,975,357	701,519,297	14	818,041,962	718,770,051	14
Dividends payable	994,812	975,371	2	1,009,468	986,880	2
Financial liabilities at amortised cost - due on other borrowings	24,894,155	27,258,006	(9)	24,894,155	27,258,006	(9)
Financial liabilities at amortised cost - debt securities issued	4,487,763	4,540,259	(1)	5,030,000	5,035,958	-
Current tax liabilities	9,184,814	3,974,624	131	9,559,852	4,066,087	135
Deferred tax liabilities	1,808,898	5,082,636	(64)	5,831,673	7,309,283	(20)
Insurance provision - life	-	-	-	12,256,686	10,915,858	12
Insurance provision - general	-	-	-	2,525,095	2,384,908	6
Other provisions	3,559,925	3,015,875	18	4,081,659	3,416,332	19
Other liabilities	6,908,911	5,720,896	20	8,944,789	7,359,236	21
Financial liabilities at amortised cost - Subordinated term debts	22,229,951	25,809,261	(14)	21,930,246	25,564,596	(14)
Total liabilities	970,735,286	846,729,982	15	1,011,279,713	881,901,846	15

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2018 Rs.000	As at 31.12.2017 Rs.000	% Increase / (Decrease)	As at 31.12.2018 Rs.000	As at 31.12.2017 Rs.000	% Increase / (Decrease)
EQUITY						
Stated capital	32,338,026	31,409,119	3	32,338,026	31,409,119	3
Statutory reserve fund	6,260,000	5,460,000	15	6,260,000	5,460,000	15
Retained earnings	15,728,513	15,193,585	4	20,181,416	18,082,284	12
Other reserves	61,427,433	56,084,895	10	73,881,954	67,058,017	10
Total shareholders' equity	115,753,972	108,147,599	7	132,661,396	122,009,420	9
Non-controlling interests	-	-	-	4,673,210	3,648,703	28
Total equity	115,753,972	108,147,599	7	137,334,606	125,658,123	9
Total equity and liabilities	1,086,489,258	954,877,581	14	1,148,614,319	1,007,559,969	14
Contingent liabilities and commitments	763,214,236	598,364,726	28	763,214,236	598,364,726	28
Net assets value per share (Rs)	234.96	219.64	4	269.28	247.79	6
Memorandum Information						
Number of Employees	4,781	4,348				
Number of Branches	250	251				

CERTIFICATION

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of Hatton National Bank PLC and the Group as at 31st December 2018 and its profit for the twelve months ended 31st December 2018.

(Sgd.)
Anusha Gallage
 Chief Financial Officer
 20th February 2019

We the undersigned, being the Managing Director / Chief Executive Officer and the Chairman of Hatton National Bank PLC certify jointly that :

- (a) the above statements have been prepared in compliance with the formats and definitions prescribed by the Central Bank of Sri Lanka and Rule 7.4 of Colombo Stock Exchange.
- (b) the information contained in these statements have been extracted from the audited financial statements of the Bank, it's Joint Venture and Subsidiary Companies.

(Sgd.)
Jonathan Alles
 Managing Director / Chief Executive Officer
 20th February 2019

(Sgd.)
Dinesh Weerakkody
 Chairman
 20th February 2019

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserves	Other Reserves					Retained Earnings	Total
	Voting Shares	Non-Voting Shares	Reserve Fund	Capital Reserve	Available-for-Sale Reserve	Fair value Reserve	General Reserve	ESOP Reserve		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	8,644,483	1,701,257	-	37,100,000	147,092	9,524,236	77,017,226
Total comprehensive income for the year										
Net profit for the year 2017	-	-	-	-	-	-	-	-	16,466,790	16,466,790
Other comprehensive income, net of tax	-	-	-	81,059	2,464,910	-	-	-	(284,960)	2,261,009
Total comprehensive income for the year	-	-	-	81,059	2,464,910	-	-	-	16,181,830	18,727,799
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Dividends to equity holders										
Final dividend 2016 - Cash	-	-	-	-	-	-	-	-	(1,451,296)	(1,451,296)
Final dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	-	(1,451,296)	(145,130)
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	(732,745)	(732,745)
Proceeds from rights issue	12,326,592	2,218,619	-	-	-	-	-	-	-	14,545,211
Issue of shares under ESOP	143,110	20,568	-	-	-	-	-	-	-	163,678
Total contributions by and distributions to equity holders	13,513,775	2,501,280	-	-	-	-	-	-	(3,635,337)	12,379,718
Transfer of unclaimed dividends	-	-	-	-	-	-	-	-	22,856	22,856
Transfers during the year 2017	47,516	6,390	900,000	-	-	-	6,000,000	(53,906)	(6,900,000)	-
Balance as at 31st December 2017	25,900,025	5,509,094	5,460,000	8,725,542	4,166,167	-	43,100,000	93,186	15,193,585	108,147,599
Balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	8,725,542	4,166,167	-	43,100,000	93,186	15,193,585	108,147,599
Day 1 impact from the application of SLFRS 9	-	-	-	-	(4,166,167)	4,035,701	-	-	(4,042,519)	(4,172,985)
Restated balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	8,725,542	-	4,035,701	43,100,000	93,186	11,151,066	103,974,614
Total comprehensive income for the year										
Net profit for the year 2018	-	-	-	-	-	-	-	-	15,518,203	15,518,203
Other comprehensive income, net of tax	-	-	-	2,065,452	-	(2,499,262)	-	-	(100,911)	(534,721)
Total comprehensive income for the year	-	-	-	2,065,452	-	(2,499,262)	-	-	15,417,292	14,983,482
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Dividends to equity holders										
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	(2,442,768)	(2,442,768)
Final dividend 2017 - Scrip	706,515	173,318	-	-	-	-	-	-	(977,592)	(97,759)
Interim dividend 2018 - Cash	-	-	-	-	-	-	-	-	(738,976)	(738,976)
Issue of shares under ESOP	31,442	4,708	-	-	-	-	-	-	-	36,150
Total contributions by and distributions to equity holders	737,957	178,026	-	-	-	-	-	-	(4,159,336)	(3,243,353)
Transfer of unclaimed dividends	-	-	-	-	-	-	-	-	39,229	39,229
Transfers during the year 2018	11,478	1,446	800,000	-	-	-	6,000,000	(93,186)	(6,719,738)	-
Balance as at 31st December 2018	26,649,460	5,688,566	6,260,000	10,790,994	-	1,536,439	49,100,000	-	15,728,513	115,753,972

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital			Other Reserves										Total
	Voting Shares	Non-Voting Shares	Statutory Reserve	Capital Reserve	Available-for-Sale	General Reserve	Fair value Reserve	Life Policy Holder Reserve Fund	Restricted Regulatory Reserve	ESOP Reserve	Exchange Equalization Reserve	Retained Earnings	Non Controlling Interests	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	19,771,905	1,741,535	37,100,000	-	(191,131)	-	147,092	-	12,821,116	3,021,023	94,311,698
Total comprehensive income for the year														
Net profit for the year 2017	-	-	-	-	-	-	-	-	-	-	-	15,946,989	794,407	16,741,396
Other comprehensive income, net of tax	-	-	-	(338,076)	2,466,196	-	-	-	-	-	-	(290,818)	32,734	1,870,036
Total comprehensive income for the year	-	-	-	(338,076)	2,466,196	-	-	-	-	-	-	15,656,171	827,141	18,611,432
Transactions with equity holders, recognised directly in equity														
Contributions by and distributions to equity holders														
Dividends to equity holders														
Final dividend 2016 - Cash	-	-	-	-	-	-	-	-	-	-	-	(1,451,296)	(199,461)	(1,650,757)
Final dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	-	-	-	-	(1,451,296)	-	(145,130)
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	-	-	-	(732,745)	-	(732,745)
Proceeds from rights issue	12,326,592	2,218,619	-	-	-	-	-	-	-	-	-	-	-	14,545,211
Issue of shares under ESOP	143,110	20,568	-	-	-	-	-	-	-	-	-	-	-	163,678
Total contributions by and distributions to equity holders	13,513,775	2,501,280	-	-	-	-	-	-	-	-	-	(3,635,337)	(199,461)	12,180,257
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	414,402	-	-	-	-	-	414,402
Deemed disposal gain through joint venture	-	-	-	-	-	-	-	-	-	-	-	117,478	-	117,478
Transfer of unclaimed dividends	-	-	-	-	-	-	-	-	-	-	-	22,856	-	22,856
Transfers during the year 2017	47,516	6,390	900,000	-	-	6,000,000	-	-	-	(53,906)	-	(6,900,000)	-	-
Balance as at 31st December 2017	25,900,025	5,509,094	5,460,000	19,433,829	4,207,731	43,100,000	-	223,271	-	93,186	-	18,082,284	3,648,703	125,658,123
Balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	19,433,829	4,207,731	43,100,000	-	223,271	-	93,186	-	18,082,284	3,648,703	125,658,123
Day 1 impact from the application of SLFRS 9	-	-	-	(4,207,731)	-	4,058,756	(4,507)	-	-	-	-	(4,225,558)	(274,989)	(4,654,029)
Restated balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	19,433,829	-	43,100,000	4,058,756	218,764	-	93,186	-	13,856,726	3,373,714	121,004,094
Total comprehensive income for the year														
Net profit for the year 2018	-	-	-	-	-	-	-	-	381,156	-	-	17,254,618	1,513,688	19,149,462
Other comprehensive income, net of tax	-	-	-	3,560,681	-	(2,521,033)	-	-	-	66,368	-	(90,611)	(4,678)	1,010,727
Total comprehensive income for the year	-	-	-	3,560,681	-	(2,521,033)	-	381,156	-	66,368	-	17,164,007	1,509,010	20,160,189
Transactions with equity holders, recognised directly in equity														
Contributions by and distributions to equity holders														
Dividends to equity holders														
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	-	-	-	(2,442,768)	(209,514)	(2,652,282)
Final dividend 2017 - Scrip	706,515	173,318	-	-	-	-	-	-	-	-	-	(977,592)	-	(97,759)
Interim dividend 2018 - Cash	-	-	-	-	-	-	-	-	-	-	-	(738,976)	-	(738,976)
Issue of shares under ESOP	31,442	4,708	-	-	-	-	-	-	-	-	-	-	-	36,150
Total contributions by and distributions to equity holders	737,957	178,026	-	-	-	-	-	-	-	-	-	(4,159,336)	(209,514)	(3,452,867)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	-	(416,567)	-	-	-	-	-	(416,567)
Deemed disposal gain through joint venture	-	-	-	-	-	-	-	-	-	-	-	528	-	528
Transfer of unclaimed dividends	-	-	-	-	-	-	-	-	-	-	-	39,229	-	39,229
Transfers during the year 2018	11,478	1,446	800,000	-	-	6,000,000	-	-	-	(93,186)	-	(6,719,738)	-	-
Balance as at 31st December 2018	26,649,460	5,688,566	6,260,000	22,994,510	-	49,100,000	1,537,723	(197,803)	381,156	-	66,368	20,181,416	4,673,210	137,334,606

STATEMENT OF CASH FLOWS

For the year ended 31st December	BANK		GROUP	
	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000
Cash flows from operating activities				
Interest receipts	105,939,151	95,032,757	114,385,642	102,642,179
Interest payments	(62,689,239)	(57,225,691)	(64,957,879)	(54,672,229)
Net commission receipts	9,330,648	8,096,677	10,087,205	8,983,610
Trading income	2,989,088	547,165	2,986,670	530,850
Payments to employees	(9,171,330)	(8,427,884)	(11,379,438)	(10,224,168)
VAT & NBT on financial services	(6,244,330)	(5,198,271)	(6,590,515)	(5,613,721)
Receipts from other operating activities	1,935,073	3,217,536	9,861,573	5,753,404
Payments on other operating activities	(10,510,706)	(9,293,621)	(16,567,045)	(13,473,261)
Operating profit before change in operating assets & liabilities	31,578,355	26,748,668	37,826,213	33,926,664
(Increase)/decrease in operating assets				
Balances with Central Bank of Sri Lanka	4,703,883	(4,833,326)	4,703,883	(4,833,326)
Financial assets at amortised cost - loans & advances	(121,270,426)	(58,931,158)	(128,173,581)	(62,659,442)
Reverse repurchase agreements	(90,000)	4,301,421	(396,668)	4,167,210
Other assets	(5,048,453)	(1,383,507)	(4,874,360)	(1,765,867)
	(121,704,996)	(60,846,570)	(128,740,726)	(65,091,425)
(Increase) / decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	96,961,771	74,318,613	97,766,339	79,519,452
Financial liabilities at amortised cost - due to debt securities holders	-	(158,720)	-	(158,720)
Financial liabilities at amortised cost - due to other borrowers	13,069,681	(7,196,366)	13,552,214	(7,231,063)
Financial liabilities at amortised cost - Securities Sold under repurchase agreements	11,626,013	(8,106,159)	11,626,013	(8,106,159)
Other liabilities	1,108,990	28,303	2,529,775	(66,003)
	122,766,455	58,885,671	125,474,341	63,957,507
Net cash generated from operating activities before income tax	32,639,814	24,787,769	34,559,828	32,792,746
Income tax paid	(4,305,953)	(5,897,548)	(4,871,157)	(6,673,342)
Net cash from operating activities	28,333,861	18,890,221	29,688,671	26,119,404
Cash flows from investing activities				
Purchase of property, plant & equipment	(1,553,961)	(1,715,088)	(1,708,263)	(1,888,965)
Proceeds from the sale of property, plant & equipment	4,803	2,600	8,171	23,801
Net proceeds from sale, maturity and purchase of financial investments	(16,147,250)	(24,124,865)	(18,392,639)	(25,154,184)
Net purchase of intangible assets	(382,545)	(281,739)	(497,025)	(367,328)
Improvements to investment properties	-	-	-	(39,942)
Proceeds from deemed disposal of subsidiary company by joint venture	-	-	-	117,478
Dividend Received from joint venture	-	-	33,220	33,220
Dividends received from investment in subsidiaries and associates	254,315	1,824,091	-	-
Dividends received from other investments	187,905	197,937	192,639	206,706
Net cash used in investing activities	(17,636,733)	(24,097,064)	(20,363,897)	(27,069,214)
Cash flows from financing activities				
Net proceeds from the issue of ordinary share capital	36,151	14,702,544	36,149	14,702,544
Repayment of subordinated debt	(4,000,000)	(500,000)	(4,055,659)	(490,500)
Dividend paid to non controlling interest	-	-	(206,368)	(196,341)
Dividend paid to shareholders of the parent company	(3,220,833)	(2,338,018)	(3,220,833)	(2,338,018)
Net cash (used in) / from financing activities	(7,184,682)	11,864,526	(7,446,711)	11,677,685
Net (increase) / decrease in cash & cash equivalents	3,512,446	6,657,683	1,878,063	10,727,875
Cash and cash equivalents at the beginning of the year	24,922,177	18,264,494	31,595,023	20,867,148
Cash and cash equivalents at the end of the year	28,434,623	24,922,177	33,473,086	31,595,023
Cash and cash equivalents at the end of the year				
Cash and cash equivalents	25,141,890	21,739,800	24,966,831	21,924,898
Placements with banks	3,292,733	3,182,377	8,506,255	9,670,125
	28,434,623	24,922,177	33,473,086	31,595,023

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31st December 2018	Fair Value through Profit or Loss Rs 000	Amortised Cost Rs 000	Fair Value through Other Comprehensive Income Rs 000	Total Carrying Amount Rs 000
Assets				
Cash and cash equivalents	-	25,141,890	-	25,141,890
Placements with banks	-	3,292,733	-	3,292,733
Balances with Central Bank of Sri Lanka	-	33,907,057	-	33,907,057
Reverse repurchase agreements	-	90,094	-	90,094
Derivative financial instruments	4,507,576	-	-	4,507,576
Financial assets recognised through profit or loss	100,342	-	-	100,342
Financial assets at amortised cost - loans and advances	-	749,048,820	-	749,048,820
Financial assets at amortised cost - debt and other instruments	-	160,145,680	-	160,145,680
Financial assets measured at fair value through other comprehensive income	-	-	69,436,989	69,436,989
Other assets	-	466,252	-	466,252
Total financial assets	4,607,918	972,092,526	69,436,989	1,046,137,433

Liabilities				
Due to banks	-	77,492,582	-	77,492,582
Derivative financial instruments	2,519,172	-	-	2,519,172
Securities sold under repurchase agreements	-	16,678,946	-	16,678,946
Financial liabilities at amortised cost - due to depositors	-	799,975,356	-	799,975,356
Dividends payable	-	994,812	-	994,812
Financial liabilities at amortised cost - due to other borrowers	-	24,894,155	-	24,894,155
Financial liabilities at amortised cost - debt securities issued	-	4,487,763	-	4,487,763
Other liabilities	-	12,951	-	12,951
Financial liabilities at amortised cost - Subordinated term debts	-	22,229,951	-	22,229,951
Total financial liabilities	2,519,172	946,766,522	-	949,285,694

As at 31st December 2017	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Available- for-Sale Rs 000	Total Carrying Amount Rs 000
Assets				
Cash and cash equivalents	-	21,739,800	-	21,739,800
Placements with banks	-	3,182,377	-	3,182,377
Balances with Central Bank of Sri Lanka	-	38,610,940	-	38,610,940
Derivative financial instruments	615,357	-	-	615,357
Financial investments - fair value through profit or loss	120,486	-	-	120,486
Loans and receivables to customers	-	639,102,061	-	639,102,061
Financial investments - loans and receivables	-	122,199,048	-	122,199,048
Financial investments - available-for-sale	-	-	95,403,820	95,403,820
Other assets	-	405,437	-	405,437
Total financial assets	735,843	825,239,663	95,403,820	921,379,326
Liabilities				
Due to banks	-	62,463,497	-	62,463,497
Derivative financial instruments	1,305,900	-	-	1,305,900
Securities sold under repurchase agreements	-	5,064,360	-	5,064,360
Due to customers	-	701,519,297	-	701,519,297
Dividends payable	-	975,371	-	975,371
Other borrowings	-	27,258,006	-	27,258,006
Debt securities issued	-	4,540,259	-	4,540,259
Other liabilities	-	22,985	-	22,985
Subordinated term debts	-	25,809,261	-	25,809,261
Total financial liabilities	1,305,900	827,653,036	-	828,958,936

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 31st December 2018	Fair Value through Profit or Loss Rs 000	Amortised Cost Rs 000	Fair Value through Other Comprehensive Income Rs 000	Total Carrying Amount Rs 000
Assets				
Cash and cash equivalents	-	24,966,831	-	24,966,831
Placements with banks	-	8,506,255	-	8,506,255
Balances with Central Bank of Sri Lanka	-	33,907,057	-	33,907,057
Reverse repurchase agreements	-	1,168,764	-	1,168,764
Derivative financial instruments	4,507,576	-	-	4,507,576
Financial assets recognised through profit or loss	264,420	-	-	264,420
Financial assets at amortised cost - loans and advances	-	770,263,000	-	770,263,000
Financial assets at amortised cost - debt and other instruments	-	165,821,983	-	165,821,983
Financial assets measured at fair value through other comprehensive income	-	-	76,005,258	76,005,258
Other assets	-	1,322,063	-	1,322,063
Total financial assets	4,771,996	1,005,955,953	76,005,258	1,086,733,207

Liabilities				
Due to banks	-	77,976,010	-	77,976,010
Derivative financial instruments	2,519,172	-	-	2,519,172
Securities sold under repurchase agreements	-	16,678,946	-	16,678,946
Financial liabilities at amortised cost - due to depositors	-	818,041,962	-	818,041,962
Dividends payable	-	1,009,468	-	1,009,468
Financial liabilities at amortised cost - due to other borrowers	-	24,894,155	-	24,894,155
Financial liabilities at amortised cost - debt securities issued	-	5,030,000	-	5,030,000
Other liabilities	-	2,124,432	-	2,124,432
Financial liabilities at amortised cost - Subordinated term debts	-	21,930,246	-	21,930,246
Total financial liabilities	2,519,172	967,692,978	-	970,212,150

As at 31st December 2017	Fair Value Through Profit or Loss Rs 000	Held to Maturity Rs 000	Loans and Receivable Rs 000	Available- for-Sale Rs 000	Total Carrying Amount Rs 000
Assets					
Cash and cash equivalents	-	-	21,924,898	-	21,924,898
Placements with banks	-	-	9,670,125	-	9,670,125
Balances with Central Bank of Sri Lanka	-	-	38,610,940	-	38,610,940
Reverse repurchase agreements	-	-	772,002	-	772,002
Derivative financial instruments	615,357	-	-	-	615,357
Financial investments - fair value through profit or loss	266,538	-	-	-	266,538
Loans and receivables to customers	-	-	655,612,938	-	655,612,938
Financial investments - loans and receivables	-	-	125,031,671	-	125,031,671
Financial investments - available-for-sale	-	-	-	101,742,985	101,742,985
Financial investments - held to maturity	-	1,565,603	-	-	1,565,603
Other assets	-	-	1,451,429	-	1,451,429
Total financial assets	881,895	1,565,603	853,074,003	101,742,985	957,264,486

Liabilities					
Due to banks	-	-	62,464,391	-	62,464,391
Derivative financial instruments	1,305,900	-	-	-	1,305,900
Securities sold under repurchase agreements	-	-	5,064,360	-	5,064,360
Due to customers	-	-	718,770,051	-	718,770,051
Dividends payable	-	-	986,880	-	986,880
Other borrowings	-	-	27,258,006	-	27,258,006
Debt securities issued	-	-	5,035,958	-	5,035,958
Other liabilities	-	-	1,268,066	-	1,268,066
Subordinated term debts	-	-	25,564,596	-	25,564,596
Total financial liabilities	1,305,900	-	846,412,308	-	847,718,208

SEGMENT REPORTING

For the 12 months ended 31st December	Corporate		Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFi		Eliminations / Unallocated		Consolidated	
	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000
Net interest income	11,301,723	9,097,794	16,307,632	14,786,976	14,058,640	12,411,495	1,209,568	861,024	5,801,428	3,925,112	(145,999)	(31,375)	1,883,052	1,684,689	4,364,216	4,197,541	(1,144,096)	(1,471,989)	53,636,164	45,461,267
Foreign Exchange income	199,172	143,798	211,757	206,808	404,667	378,658	3,462	2,189	609,283	(1,501,058)	-	-	-	-	-	-	1,602,603	277,344	3,030,944	(492,261)
Net fee and commission income	2,934,595	2,439,432	2,218,498	2,013,262	4,071,324	4,278,791	170,867	152,551	813,430	539,442	-	-	172,647	129,099	526,033	578,028	(809,444)	(1,116,219)	10,097,950	9,014,386
Other operating income	-	-	-	-	-	-	-	-	465,027	2,065,793	982,561	965,701	7,561,152	6,492,001	152,791	239,873	(812,542)	(2,647,725)	8,348,989	7,115,643
Total operating income	14,435,490	11,681,024	18,737,887	17,007,046	18,534,631	17,068,944	1,383,897	1,015,764	7,689,168	5,029,289	836,562	934,326	9,616,851	8,305,789	5,043,040	5,015,442	(1,110,817)	(4,958,589)	75,114,047	61,099,035
Impairment charge for loans and other losses	3,284,457	3,208,539	(1,067,700)	(474,513)	6,133,121	273,267	282,560	(81,593)	688,491	102,219	-	-	1,508	(1,114)	490,124	891,795	(28,509)	7,549	9,784,052	3,926,149
Net operating income	11,151,033	8,472,485	19,805,587	17,481,559	12,401,510	16,795,677	1,101,337	1,097,357	7,000,677	4,927,070	836,562	934,326	9,615,343	8,306,903	4,552,916	4,123,647	(1,082,308)	(4,966,138)	65,329,995	57,172,886
Profit from Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,163,212	22,927,396
Share of profit of Joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	303,092	175,616
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,316,842)	(6,361,616)
Non - controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,513,688)	(794,407)
Net Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,635,774	15,946,989
Segment assets	358,189,322	295,887,582	158,967,812	136,504,776	239,988,582	209,195,260	27,290,808	21,677,050	226,287,172	207,545,670	10,240,586	10,142,140	22,274,327	18,648,935	29,808,927	25,486,912	73,539,582	80,782,381	1,146,587,118	1,005,870,706
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,027,201	1,689,263	2,027,201	1,689,263
Total Assets	358,189,322	295,887,582	158,967,812	136,504,776	239,988,582	209,195,260	27,290,808	21,677,050	226,287,172	207,545,670	10,240,586	10,142,140	22,274,327	18,648,935	29,808,927	25,486,912	75,566,783	82,471,644	1,148,614,319	1,007,559,969
Segment liabilities	134,710,179	117,483,567	484,585,016	422,511,567	157,263,130	144,162,520	7,354,855	5,243,534	86,026,302	60,572,015	10,240,586	10,142,140	22,274,327	18,648,935	29,808,927	25,486,912	216,350,998	203,308,779	1,148,614,320	1,007,559,969
Total liabilities	134,710,179	117,483,567	484,585,016	422,511,567	157,263,130	144,162,520	7,354,855	5,243,534	86,026,302	60,572,015	10,240,586	10,142,140	22,274,327	18,648,935	29,808,927	25,486,912	216,350,998	203,308,779	1,148,614,320	1,007,559,969

EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of the annual financial statements for the year 2017.
2. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
3. There are no material events that took place after the Balance Sheet date, which require adjustment or disclosure in the financial statements, other than those disclosed below.
- (a) The Directors recommend that a final dividend of Rs. 7.00 per share (Rs. 3.50 in the form of cash and Rs. 3.50 in the form of scrip) on both voting and non-voting shares of the Bank, be paid for the financial year ended 31st December 2018.
The final dividend is to be approved at the Annual General Meeting to be held on 29th March 2019. In accordance with Sri Lanka Accounting Standard (LKAS 10) "Events after the reporting period", this proposed final dividend has not been recognised as a liability as at 31st December 2018.
4. SLFRS 9 – "Financial Instruments" replaced LKAS 39 – "Financial Instruments – Recognition and Measurement" for annual periods beginning on or after 1st January 2018. Despite the standard being applicable from 1st January 2018, the Bank continued to present its interim financial statements for the first three quarters of 2018 based on LKAS 39, availing the transitional option granted by CA Sri Lanka by the "Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements" to present interim financial statements based on LKAS 39. However, the financial statements for the 12 months ended 31st December 2018 have been prepared by applying SLFRS 9, whilst the comparative information presented for 2017 have not been restated. Differences arising from the adoption of SLFRS 9 have been recognized directly in retained earnings as of 1st January 2018. Similarly, the cumulative additional impairment charge for 2018 arising due to application of SLFRS 9 has been recognized in the fourth quarter.
This standard brought about significant changes to the assessment of impairment of financial assets and classification of financial instruments. The Day 1 impact due to application of SLFRS 9 amounting to Rs 4 Bn has been recognized in retained earnings.
The impact from the adoption of SLFRS 9 has been discussed in detail under transition disclosures.
5. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
6. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
7. Details of Employee Share Option Plan (ESOP)

	2013 Allocation*	
	Voting	Non voting
Number of options brought forward	466,330	112,249
Number of options granted during the year	-	-
Number of options exercised during the period	(221,160)	(42,788)
Number of options expired during the year	(245,170)	(69,461)
Number of options remaining	-	-
Allotment price (Rs)	142.17	110.04
Funding granted to employees	None	None

- * These options were allocated on 5th June 2013 and the retention period ended on 4th June 2014. The remaining options expired on 4th June 2018.
8. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Finance Ltd & the Group's interest in joint venture company Acuity Partners (Pvt) Ltd.
 9. Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given as a note to the financial statements.
 10. The funds raised through debentures were fully utilized for the objectives mentioned in the prospectus.
 11. Restricted regulatory reserve – HNB Assurance PLC "Company"
The Insurance Regulatory Commission of Sri Lanka (IRCSL) will consider the distribution of One-Off Surplus when the RBC rules are revised. The distribution of one-off surplus to shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below, Further these policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at	As at	As at	As at
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	BANK		GROUP	
BASEL III				
Regulatory Capital				
Common Equity Tier 1. Rs. Mn	104,029	92,810	114,423	100,143
Total Tier 1 Capital. Rs. Mn	104,029	92,810	114,423	100,143
Total Capital. Rs. Mn	123,725	115,247	134,012	122,431
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement 2018 - 7.375%; 2017 - 6.25%)	12.80%	13.70%	13.16%	13.68%
Tier 1 Capital Ratio (Minimum Requirement 2018 - 8.875%; 2017 - 7.75%)	12.80%	13.70%	13.16%	13.68%
Total Capital Ratio (Minimum Requirement 2018 - 12.875%; 2017 - 11.75%)	15.22%	17.02%	15.41%	16.72%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	2.78%	2.28%		
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	1.11%	0.77%		
Profitability (Annualised)				
Interest Margin, %	4.64%	4.25%		
Return on Assets (before Tax), %	2.24%	2.36%		
Return on Equity, %	14.01%	17.62%		
Regulatory Liquidity				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	187,213	183,290		
Off-Shore Banking Unit	38,402	34,670		
Statutory Liquid Assets Ratio % (Minimum requirement 20%)				
Domestic Banking unit	22.03%	24.06%		
Off-Shore Banking Unit	43.52%	46.15%		
Liquidity Coverage Ratio % - Rupee (Minimum Requirement - 2018 - 90% ; 2017 - 80%)	153.16%	182.39%		
Liquidity Coverage Ratio % - All currency (Minimum Requirement - 2018 - 90% ; 2017 - 80%)	103.85%	124.32%		

LISTED DEBENTURE INFORMATION

Quarter ended 31st December	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2018		2017		2018	2017	Quarter ended 31st December	2018	2017
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.	HNB DEBENTURES 2006		
HNB DEBENTURES 2006							15 year Fixed Rate (11.00% p.a.)	N/T	N/T
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2007		
HNB DEBENTURES 2007							15 year Fixed Rate (16.75% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2011		
HNB DEBENTURES 2011							10 year Fixed Rate (11.50% p.a.)	N/T	N/T
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2013		
HNB DEBENTURES 2013							5 year Fixed Rate (14.00% p.a.)	N/A	N/T
5 year Fixed Rate (14.00% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	10 year Fixed Rate (14.25% p.a.)	N/T	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2014		
HNB DEBENTURES 2014							5 year Fixed Rate (7.75% p.a.)	N/T	16.87
5 year Fixed Rate (7.75% p.a.)	N/T	N/T	85.00	85.00	N/T	85.00	10 year Fixed Rate (8.33% p.a.)	N/T	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2016		
HNB DEBENTURES 2016							5 year Fixed Rate (11.25% p.a.)	12.26	16.12
5 year Fixed Rate (11.25% p.a.)	100.00	92.32	88.00	87.50	98.00	88.00	5 year Fixed Rate (11.75% p.a.)	N/T	N/T
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	7 year Fixed Rate (13.00% p.a.)	12.99	12.99
7 year Fixed Rate (13.00% p.a.)	100.00	100.00	100.00	100.00	100.00	100.00			

N/T – Not Traded as at 31st December, N/A – Not Applicable as at 31st December

N/T – Not Traded as at 31st December,
N/A – Not Applicable as at 31st December

RATIOS OF DEBT		
	31.12.2018	31.12.2017
Debt Equity Ratio (%)	78.38	90.84
	31.12.2018	31.12.2017
Interest Cover (Times)	4.71	4.46
	31.12.2018	31.12.2017
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	11.31	10.78
2006 series 18 year maturity	11.59	11.15
2007 series 15 year maturity	11.51	11.02
2011 series 10 year maturity	11.35	10.78
2013 series 5 year maturity	N/A	8.51
2013 series 10 year maturity	11.51	10.03
2014 series 5 year maturity	11.01	9.26
2014 series 10 year maturity	11.60	10.04
2016 series 5 year maturity	11.31	9.71
2016 series 5 year maturity	11.49	9.75
2016 series 7 year maturity	11.54	10.03

Quarter ended 31st December	Yield to Maturity of Last Trade Done (% p.a)		
	2018	2017	
HNB DEBENTURES 2006			
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T
HNB DEBENTURES 2007			
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T
HNB DEBENTURES 2011			
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T
HNB DEBENTURES 2013			
5 year Fixed Rate (14.00% p.a.)	N/A	N/T	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T
HNB DEBENTURES 2014			
5 year Fixed Rate (7.75% p.a.)	N/T	7.75	
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	
HNB DEBENTURES 2016			
5 year Fixed Rate (11.25% p.a.)	11.25	11.25	
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	
7 year Fixed Rate (13.00% p.a.)	13.00	13.00	

N/T – Not Traded as at 31st December,
N/A – Not Applicable as at 31st December

SHARE INFORMATION

As at	31-Dec-18	31-Dec-17
Number of Shares		
Voting	395,451,248	392,304,558
Non-voting	97,199,341	96,249,132
Last Traded Price per share		
Voting	214.00	249.00
Non-voting	168.50	195.00

For the Quarter Ended	31-Dec-18	31-Dec-17
Highest price per share		
Voting	222.00	259.80
Non-voting	174.00	205.00
Lowest price per share		
Voting	200.00	247.00
Non-voting	150.00	192.60

PUBLIC SHAREHOLDING

As at	31-Dec-18		31-Dec-17	
	Number	%	Number	%
Number of shareholders representing the public holding (Voting)	4,648	69% approx.	4,648	69% approx.
Number of shareholders representing the public holding (Non Voting)	10,234	99% approx.	10,234	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs. 58.4 Bn		Rs. 62.5 Bn	

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-18	31-Dec-17
1. Mr.D.S.Weerakkody	2,050	2,031
2. Mr.Rienze Arseculeratne**	N/A	11,825
3. Mr.A.J.Alles *	123,504	122,542
4. .Ms.M.A.R.C.Cooray	7,068	7,003
5. Dr.L.R.Karunaratne	1,055	1,048
6. Mr.D.T.S.H.Mudalige	-	-
7. Miss.D.S.C.Jayawardena***	N/A	514
8. Mr.R.S.Captain	7,271	7,218
9. Mr.D.A.Cabraal	-	-
10. Mr.P.S.C.Pelpola	-	-
11. Mr.E.D.P.Soosaipillai	-	-
12. Mr.A.H.D.A.N.De Silva	101	101
13. Mr.L.U.D.Fernando *****	615	N/A
14. Mr.W.M.M.D.Ratnayake *****	-	N/A
15. Mr.P.R.Saldin****	-	N/A

* Chief Executive Officer

** Retired w.e.f 25.05.2018

*** Resigned w.e.f 28.06.2018

**** Alternate Director to Mr.Rusi Captain w.e.f.26.07.2018

***** Appointed w.e.f 25.10.2018

20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST DECEMBER 2018

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	38,544,738	9.75
2.	Sri Lanka Insurance Corporation - Life Fund	32,693,132	8.27
3.	Milford Exports (Ceylon) Limited	31,270,422	**7.91
4.	Stassen Exports Ltd	27,104,164	**6.86
5.	Mr.Sohli Edelji Captain	25,745,495	6.51
6.	Sonetto Holdings Limited	19,436,026	4.91
7.	JPMLU-Franklin Templeton Investment	18,716,484	4.73
8.	Sri Lanka Insurance Corporation - General Fund	16,740,449	4.23
9.	Distilleries Company of Sri Lanka PLC	12,126,746	**3.07
10.	National Savings Bank	11,346,652	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore	7,422,269	1.88
12.	Ms.Leesha Anne Captain	7,390,583	1.87
13.	RBC Investor Services Bank - COELI SICAV I - Frontier Market	6,937,459	1.75
14.	BNYM SANV-IF Ruffer Total return Fund	6,220,950	1.57
15.	RBC Investor Services Bank - RBC Emerging Markets Small-CAP Equity Fund	6,193,418	1.57
16.	HSBC Intl Nom Ltd-CMG First state global umbrella fun Plc-CMG First State Indian Subcontinent Fund	5,638,975	1.43
17.	SSBT-AI Mehwar Commercial Investments LLC	5,322,971	1.35
18.	CitiBank Newyork S/A Norges Bank Account 2	4,646,142	1.17
19.	BNYM SA/NV Re-IF Ruffer Absolute Return Fund	4,175,684	1.06
20.	Morgan Stanley and Co. LLC-RWC Frontier Markets Equity Master Fund	3,986,221	1.01

** Pursuant to the provisions of the Banking Act Directions No. 1 of 2007, the total collective voting rights in the Bank, of Milford Exports (Ceylon) Limited, Stassen Exports Limited and Distilleries Company of Sri Lanka (who collectively hold 17.83% of the voting shares of the Bank) are limited to 10% of the total voting rights of the Bank with effect from 15th March 2012 as the voting rights in excess of such percentage is deemed invalid from that date.

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 31ST DECEMBER 2018

	Name	No. of shares	% on total non-voting capital
1.	CITI Bank Newyork S/A Norges Bank Account 2	10,094,610	10.39
2.	UBS AG Zurich	8,616,404	8.86
3.	JPMLU-Franklin Templeton Invest	7,010,860	7.21
4.	BNYM SA/NV-Frontaura Global Frontier Fund LLC	5,377,000	5.53
5.	BNYM SA/NV-Neon Liberty Lorikeet Master Fund LP	3,601,936	3.71
6.	Akbar Brothers Pvt Ltd A/c No.01	3,493,293	3.59
7.	BNYM SA/NV-IF Ruffer Total Return Fund	3,112,064	3.20
8.	BNYM SA/NV-IF Ruffer Absolute Return Fund	2,073,039	2.13
9.	CB Europe Plc LUX S/A Dunross & Co. AB	2,018,848	2.08
10.	Union Assurance PLC No. 1 A/c	1,516,004	1.56
11.	Mr. Sohli Edelji Captain	1,505,120	1.55
12.	Rubber Investment Trust Limited A/c # 01	1,318,708	1.36
13.	BNYM SANV Re-IF Ruffer Investment Funds:IF Ruffer Pacific Fund	1,230,553	1.27
14.	Employees Trust Fund Board	1,137,429	1.17
15.	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	1,033,965	1.06
16.	Union Assurance PLC A/c No.5 (Unit-linked life insurance fund-equity fund)	976,802	1.00
17.	Hatton National Bank PLC A/c No. 2	699,464	0.72
18.	Saboor Chatoor (Pvt) Ltd	658,500	0.68
19.	JPMCB-Templeton Global Investment Trust-Templeton Frontier Markets Fund	639,704	0.66
20.	The Ceylon Investment PLC A/c No. 2	580,065	0.60

NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Rs.000	Rs.000	Rs.000	Rs.000
1) Loans and Receivables to Customers				
Gross loans and receivables	771,692,625	649,547,067	794,715,100	666,768,376
Stage 1	637,950,611	-	657,991,619	-
Stage 2	106,367,291	-	106,568,285	-
Stage 3	27,374,723	-	30,155,196	-
Less : Accumulated impairment under:	22,643,805	10,445,006	24,452,100	11,155,438
Stage 1	3,336,650	-	4,013,172	-
Stage 2	3,714,854	-	3,940,900	-
Stage 3	15,592,301	-	16,498,028	-
Individual impairment allowance	-	5,390,947	-	5,390,947
Collective impairment allowance	-	5,054,059	-	5,764,491
Net loans and receivables	749,048,820	639,102,061	770,263,000	655,612,938
2) Loans and Receivables to Customers - By product				
By product-Domestic Currency				
Overdrafts	119,831,175	110,389,156	119,621,682	110,247,496
Bills of exchange	841,909	1,194,887	841,909	1,194,887
Commercial papers	154,193	154,365	154,193	154,365
Short term loans	86,203,919	47,679,970	86,447,031	47,842,255
Credit Cards	7,926,448	7,072,669	7,926,448	7,072,669
Trust receipts	44,398,097	30,476,959	44,398,097	30,476,959
Packing credit loans	1,652,797	574,311	1,652,797	574,311
Staff loans	13,139,967	12,038,721	13,830,322	12,716,383
Term loans	301,545,506	271,323,002	316,207,450	284,037,497
Lease rentals receivable	49,608,345	42,894,674	57,244,901	46,703,201
Housing loans	34,106,316	32,708,620	34,106,316	32,708,620
Pawning advances	17,449,986	15,529,655	17,449,986	15,529,655
Securitized notes	605,111	569,605	605,111	569,605
Sub total	677,463,768	572,606,594	700,486,243	589,827,903
By product-Foreign Currency				
Overdrafts	2,751,256	943,061	2,751,256	943,061
Bills of exchange	1,659,634	1,976,692	1,659,634	1,976,692
Short term loans	1,717,757	3,172,960	1,717,758	3,172,960
Trust receipts	4,628,051	2,261,712	4,628,051	2,261,712
Packing credit loans	16,954,308	13,398,050	16,954,308	13,398,050
Term loans	64,003,962	53,342,311	64,003,962	53,342,311
Lease rentals receivable	316,345	87,997	316,345	87,997
Housing loans	2,197,543	1,757,690	2,197,543	1,757,690
Sub total	94,228,857	76,940,473	94,228,857	76,940,473
Total	771,692,625	649,547,067	794,715,100	666,768,376

NOTES TO THE FINANCIAL STATEMENTS

3. Movement in impairment provisions

during the period for Loans and Receivable to Customers

	Bank			Total Rs. 000
	Stage1 Rs. 000	Stage2 Rs. 000	Stage3 Rs. 000	
Opening balance as at 1st January 2018	2,604,416	2,445,544	9,208,508	14,258,468
Net impairment charge for the year	732,234	1,269,310	6,457,306	8,458,850
Interest accrued on impaired loans and receivables	-	-	(215,114)	(215,114)
Write-offs during the year	-	-	(475,069)	(475,069)
Other movements	-	-	616,670	616,670
Closing balance as at 31st December 2018	3,336,650	3,714,854	15,592,301	22,643,805

	Group			Total Rs. 000
	Stage1 Rs. 000	Stage2 Rs. 000	Stage3 Rs. 000	
Opening balance as at 1st January 2018	3,334,240	2,616,773	9,670,494	15,621,507
Net impairment charge for the year	678,931	1,324,127	6,901,048	8,904,106
Interest accrued on impaired loans and receivables	-	-	(215,114)	(215,114)
Write-offs during the year	-	-	(475,069)	(475,069)
Other movements	-	-	616,670	616,670
Closing balance as at 31st December 2018	4,013,171	3,940,900	16,498,029	24,452,100

	Bank		Group	
	Individual Rs. 000	Collective Rs. 000	Individual Rs. 000	Collective Rs. 000
Balance as at 1st January 2017	3,366,278	7,734,914	3,366,278	8,131,945
Net impairment charge for the year	4,680,044	(1,470,163)	4,680,044	(1,047,317)
Write-offs during the year	(2,373,179)	(1,210,692)	(2,373,179)	(1,320,137)
Interest accrued on impaired loans and receivables	(282,196)	-	(282,196)	-
Balance as at 31st December 2017	5,390,947	5,054,059	5,390,947	5,764,491

As at	Bank		Group	
	31.12.2018 Rs. 000	31.12.2017 Rs. 000	31.12.2018 Rs. 000	31.12.2017 Rs. 000
4) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	39,706,969	35,345,019	39,220,539	34,801,811
Savings deposits	187,874,484	175,798,836	190,175,309	177,757,916
Time deposits	408,457,298	362,618,952	424,883,991	378,518,693
Certificates of deposit	407,482	955,609	407,482	955,609
Margin deposits	4,034,869	1,852,976	4,034,869	1,852,976
Sub total	640,481,102	576,571,392	658,722,190	593,887,005
By product- Foreign Currency				
Current account deposits	5,234,158	3,822,844	5,234,158	3,822,844
Savings deposits	43,766,109	33,951,894	43,738,792	33,943,675
Time deposits	110,132,027	87,154,033	109,984,861	87,097,393
Margin deposits	361,961	19,134	361,961	19,134
Sub total	159,494,255	124,947,905	159,319,772	124,883,046
Total	799,975,357	701,519,297	818,041,962	718,770,051

TRANSITION DISCLOSURES

The impact of adopting SLFRS 9 "financial instruments" on the balance sheet and retained earnings including the effect of replacing incurred credit loss calculations of LKAS 39 with Expected Credit Loss (ELL) calculations of SLFRS 9 is given below.

1. Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1st January 2018 - Bank

Note	Category	Bank					SLFRS 9 Amount Rs 000	Category
		LKAS 39		Re- classification	Remeasurement			
		Amount Rs 000	Rs 000		ECL Rs 000	Other Rs 000		
Financial assets								
	Cash and cash equivalents	L&R	21,739,800	-	(6,089)	-	21,733,711	AC
	Placements with banks	L&R	3,182,377	-	(38,492)	-	3,143,885	AC
	Balances with central banks	L&R	38,610,940	-	-	-	38,610,940	AC
	Reverse repurchase agreements	L&R	-	-	-	-	-	AC
	Derivative financial instruments	FVPL	615,357	-	-	-	615,357	FVPL
Financial assets recognised through profit or loss								
- measured at fair value								
		FVPL	120,486	-	-	-	120,486	FVPL
	From: Financial investments - available for sale		-	-	-	-	-	
			120,486	-	-	-	120,486	
	Loans and receivables to customers	L&R	639,102,061	-	(3,813,460)	-	635,288,601	AC
Financial investments - loans and receivables								
		L&R	122,199,048	(122,199,048)	-	-	-	N/A
	To: Financial assets at amortised cost		-	-	-	-	-	
	- debt and other instruments	A	-	(122,199,048)	-	-	-	
			122,199,048	(122,199,048)	-	-	-	
Financial assets at amortised cost								
- debt and other instruments								
		N/A	-	122,199,048	(498,056)	-	121,700,992	AC
	From: Financial investments - loans and receivables	A	-	122,199,048	(498,056)	-	121,700,992	
			-	122,199,048	(498,056)	-	121,700,992	
Financial investments - available for sale								
		AFS	95,403,820	(95,403,820)	-	-	-	N/A
	To: Financial assets measured at		-	-	-	-	-	
	fair value through other comprehensive income	B	-	(95,403,820)	-	-	-	
			95,403,820	(95,403,820)	-	-	-	
Financial assets measured at								
fair value through other comprehensive income								
		N/A	-	95,403,820	-	-	95,403,820	FVOCI
	From: Financial investments - available for sale	B	-	95,403,820	-	-	95,403,820	
			-	95,403,820	-	-	95,403,820	
Non financial assets								
	Investment in joint venture	N/A	755,000	-	-	-	755,000	N/A
	Investment in subsidiaries	N/A	3,017,285	-	-	-	3,017,285	N/A
	Investment properties	N/A	327,464	-	-	-	327,464	N/A
	Property plant and equipment	N/A	17,905,320	-	-	-	17,905,320	N/A
	Intangible assets and goodwill	N/A	815,381	-	-	-	815,381	N/A
	Other assets	N/A	11,083,242	-	-	-	11,083,242	N/A
	Total assets		954,877,581	-	(4,356,097)	-	950,521,484	

TRANSITION DISCLOSURES

Bank								
Note	Category	LKAS 39	Re- classification Rs 000	Remeasurement		SLFRS 9	Category	
		Amount Rs 000		ECL Rs 000	Other Rs 000	Amount Rs 000		
Financial liabilities								
	Due to banks	AC	62,463,497	-	-	-	62,463,497	AC
	Derivative financial instruments	AC	1,305,900	-	-	-	1,305,900	AC
	Securities sold under repurchase agreements	AC	5,064,360	-	-	-	5,064,360	AC
	Financial liabilities at amortised cost - due to depositors	AC	701,519,297	-	-	-	701,519,297	AC
	Dividends payable	AC	975,371	-	-	-	975,371	AC
	Financial liabilities at amortised cost - other borrowings	AC	27,258,006	-	-	-	27,258,006	AC
	Debt securities issued	AC	4,540,259	-	-	-	4,540,259	AC
	Subordinated term debts	AC	25,809,261	-	-	-	25,809,261	AC
Non financial liabilities								
	Current tax liabilities	N/A	3,974,624	-	-	-	3,974,624	N/A
	Deferred tax	N/A	5,082,636	-	-	(1,090,082)	3,992,554	N/A
	Other provisions	N/A	3,015,875	-	-	-	3,015,875	N/A
	Other liabilities	N/A	5,720,896	-	-	906,970	6,627,866	N/A
	Total liabilities		846,729,982	-	-	(183,112)	846,546,870	

Explanatory Notes

- A. As of 1st January 2018, the Bank did not have any debt instruments that did not meet the SPPI criterion within its financial investments - loans and receivables portfolio. Therefore, the Bank elected to classify all of these instruments as financial assets at amortised cost - debt and other instruments.
- B. As of 1st January 2018, the Bank assessed its investments in government securities held as liquidity portfolio which had previously been classified as financial assets available for sale. The Bank concluded that, these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Bank has classified these investments as financial assets measured at fair value through other comprehensive income. Further, the Bank elected the option to irrevocably designate the equity investments previously held as financial investments - available for sale as financial assets measured at fair value through other comprehensive income.

TRANSITION DISCLOSURES

2. Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1st January 2018 - Group

	Note	Category	Group				SLFRS 9	
			LKAS 39	Re-	Remeasurement		Amount	Category
			Amount	classification	ECL	Other	Amount	
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
Financial assets								
Cash and cash equivalents		L&R	21,924,898	-	(6,091)	-	21,918,807	AC
Placements with banks		L&R	9,670,125	-	(38,775)	-	9,631,350	AC
Balances with central banks		L&R	38,610,940	-	-	-	38,610,940	AC
Reverse repurchase agreements		L&R	772,002	-	-	-	772,002	AC
Derivative financial instruments		FVPL	615,357	-	-	-	615,357	FVPL
Financial assets recognised through profit or loss								
- measured at fair value								
		FVPL	266,538	-	-	-	266,538	FVPL
From : Financial investments - available for sale	A		-	78,075	-	-	-	
			-	78,075	-	-	78,075	
Loans and receivables to customers		L&R	655,612,938	-	(4,471,646)	-	651,141,292	AC
Financial investments - loans and receivables								
		L&R	125,031,671	(125,031,671)	-	-	-	N/A
To : Financial assets at amortised cost								
- debt and other instruments								
	B		-	(125,031,671)	-	-	-	
			125,031,671	(125,031,671)	-	-	-	
Financial assets at amortised cost								
- debt and other instruments								
		N/A	-	126,813,537	(498,848)	-	126,314,689	AC
From : Financial investments - loans and receivables	B		-	125,031,671	(498,056)	-	124,533,615	
From : Financial investments - held to maturity	D		-	1,565,603	-	-	1,565,603	
From : Financial investments - available for sale	C		-	216,263	(792)	-	215,471	
			-	126,813,537	(498,848)	-	126,314,689	
Financial investments - available for sale								
		AFS	101,742,985	(101,742,985)	-	-	-	N/A
To : Financial investments								
- fair value through profit or loss								
	A		-	(78,075)	-	-	-	
To : Financial assets at amortised cost								
- debt and other instruments								
	C		-	(217,307)	-	-	-	
To : Financial assets measured at								
fair value through other comprehensive income								
	A & C		-	(101,447,603)	-	-	-	
			101,742,985	(101,742,985)	-	-	-	
Financial assets measured at								
fair value through other comprehensive income								
		N/A	-	101,447,603	-	-	101,447,603	FVOCI
From : Financial investments - available for sale	A & C		-	101,447,603	-	-	-	
			-	101,447,603	-	-	101,447,603	
Financial investments - held to maturity								
	D	HTM	1,565,603	(1,565,603)	-	-	-	N/A
To : Financial assets at amortised cost								
- debt and other instruments								
			-	(1,565,603)	-	-	-	
			1,565,603	(1,565,603)	-	-	-	

TRANSITION DISCLOSURES

	Note	Category	Group				Amount Rs 000	SLFRS 9 Category
			LKAS 39 Amount Rs 000	Re- classification Rs 000	Remeasurement			
					ECL Rs 000	Other Rs 000		
Non financial assets								
Investment in joint venture		N/A	1,689,263	-	-	-	1,689,263	N/A
Investment properties		N/A	1,146,564	-	-	-	1,146,564	N/A
Property, plant and equipment		N/A	34,635,034	-	-	-	34,635,034	N/A
Intangible assets and goodwill		N/A	1,237,829	-	-	-	1,237,829	N/A
Other assets		N/A	13,038,222	-	-	-	13,038,222	N/A
Total assets			1,007,559,969	(1,044)	(5,015,360)	-	1,002,543,565	
Financial liabilities								
Due to banks		AC	62,464,391	-	-	-	62,464,391	AC
Derivative financial instruments		AC	1,305,900	-	-	-	1,305,900	AC
Securities sold under repurchase agreements		AC	5,064,360	-	-	-	5,064,360	AC
Financial liabilities at amortised cost - due to depositors		AC	718,770,051	-	-	-	718,770,051	AC
Dividends payable		AC	986,880	-	-	-	986,880	AC
Financial liabilities at amortised cost - other borrowings		AC	27,258,006	-	-	-	27,258,006	AC
Debt securities issued		AC	5,035,958	-	-	-	5,035,958	AC
Subordinated term debts		AC	25,564,596	-	-	-	25,564,596	AC
Non financial liabilities								
Current tax liabilities		N/A	4,066,087	-	-	-	4,066,087	N/A
Deferred tax		N/A	7,309,283	-	-	(1,167,625)	6,141,658	N/A
Insurance provision - life		N/A	10,915,858	-	-	-	10,915,858	N/A
Insurance provision - non life		N/A	2,384,908	-	-	-	2,384,908	N/A
Other provisions		N/A	3,416,332	-	-	-	3,416,332	N/A
Other liabilities		N/A	7,359,236	-	-	906,970	78,266,206	N/A
Total liabilities			881,901,846	-	-	(260,655)	881,641,191	

Explanatory Notes

- A As of 1st January 2018, the Bank elected the option to irrevocably designate the equity investments previously held as financial investments - available for sale as financial assets measured at fair value through other comprehensive income while the subsidiaries elected to classify part of its equity securities previously held as financial investments - available for sale into financial assets recognised through profit or loss.
- B As of 1st January 2018, the Group did not have any debt instruments that did not meet the SPPI criterion within its financial investments - loans and receivables portfolio. Therefore, the Group elected to classify all of these instruments as financial assets at amortised cost - debt and other instruments.
- C As of 1st January 2018, the Bank has assessed its investments in government securities held as liquidity portfolio which had previously been classified as financial assets available for sale. The Bank concluded that, these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Bank has classified these investments as financial assets measured at fair value through other comprehensive income. As of 1st January 2018, the subsidiaries classified part of its investments in government securities previously held as financial investments - available for sale into financial assets at amortised cost - debt and other instruments.
- D As of 1st January 2018, the Group classified its investments in government securities previously held as financial investments - held to maturity into financial assets at amortised cost - debt and other instruments.

TRANSITION DISCLOSURES

3. The impact of transition to SLFRS 9 on reserves and retained earnings (Day 1 impact)

	Bank Rs 000	Group Rs 000
Available-for-sale reserve		
Closing balance under LKAS 39 (31st December 2017)	4,166,167	4,207,731
Reclassification of available-for-sale reserve as fair value reserve in relation to adopting SLFRS 9	(4,166,167)	(4,205,438)
Reclassification of available-for-sale reserve as Financial Asset - Amortised cost in relation to adopting SLFRS 9	-	(626)
Reclassification of available for sale reserve as FVPL in relation to adopting SLFRS 9	-	(1,666)
Restated opening balance under SLFRS 9 (1st January 2018)	-	-
Fair value reserve		
Closing balance under LKAS 39 (31st December 2017)	-	-
Reclassification of available-for-sale reserve as fair value reserve in relation to adopting SLFRS 9	4,166,167	4,205,438
Reversal of impairment provisions previously recognised for equity securities carried as FVOCI	(130,466)	(146,682)
Restated opening balance under SLFRS 9 (1st January 2018)	4,035,701	4,058,756
Life policyholder's reserve fund		
Closing balance under LKAS 39 (31st December 2017)	-	223,271
Reclassification of available-for-sale reserve as fair value reserve in relation to adopting SLFRS 9	-	(4,507)
Restated opening balance under SLFRS 9 (1st January 2018)	-	218,764
Non - Controlling Interest		
Closing balance under LKAS 39 (31st December 2017)	-	3,648,703
Recognition of SLFRS 9 ECLs including those measured at FVOCI	-	(379,843)
Reclassification of available-for-sale reserve as Financial Asset - Amortised cost in relation to adopting SLFRS 9	-	(418)
Reclassification of investment securities (debt and equity) from available-for-sale to FVPL	-	(1,111)
Deferred tax in relation to the above	-	106,383
Restated opening balance under SLFRS 9 (1st January 2018)	-	3,373,715
Retained earnings		
Closing balance under LKAS 39 (31st December 2017)	15,193,585	18,082,284
Recognition of SLFRS 9 ECLs including those measured at FVOCI	(5,263,067)	(5,539,864)
Reversal of impairment provisions previously recognised for equity securities carried as FVOCI	130,466	146,681
Deferred tax in relation to the above	1,090,082	1,167,625
Restated opening balance under SLFRS 9 (1st January 2018)	11,151,066	13,856,726
Total change in equity due to adopting SLFRS 9	(4,172,985)	(4,654,029)

TRANSITION DISCLOSURES

4. Reconciliation of loan loss provisions

The following table reconciles the aggregate opening loan loss provision allowances under LKAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with LKAS 37 "Provisions for Contingent Liabilities and Contingent Assets" to the ECL allowances under SLFRS 9.

	Bank			Group		
	Loan loss provision under LKAS 39/LKAS 37 as at 31st December 2017 Rs 000	Re-measurement Rs 000	ECLs under SLFRS 9 as at 1st January 2018 Rs 000	Loan loss provision under LKAS 39/LKAS 37 as at 31st December 2017 Rs 000	Re-measurement Rs 000	ECLs under SLFRS 9 as at 1st January 2018 Rs 000
Impairment allowance for						
Cash and cash equivalents	-	6,089	6,089	-	6,091	6,091
Placements with banks	-	38,492	38,492	-	38,775	38,775
Financial assets at amortised cost - loans and advances	10,445,006	3,813,460	14,258,466	11,155,438	4,471,646	15,627,084
Financial assets at amortised cost - debt and other instruments/Financial investments - loans and receivables	57,839	498,056	555,895	523,817	498,848	1,022,665
	10,502,845	4,356,097	14,858,942	11,679,255	5,015,360	16,694,615
Bank guarantees and letters of credit for customers	-	100,627	100,627	-	100,627	100,627
Loans and other commitments	-	806,343	806,343	-	806,343	806,343
	10,502,845	5,263,067	15,765,912	11,679,255	5,922,330	17,601,585