

25. Classification of Financial Assets and Financial Liabilities

The tables below provide a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Group and the Bank:

25.1 Classification of financial assets and financial liabilities – Group

25.1 (a) Group

<i>As at December 31, 2017</i>			Held for Trading (HFT)	Held to Maturity (HTM)	Loans and Receivables	Available for Sale (AFS)	Other amortised cost	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets								
Cash and cash equivalents	27	219	-	-	34,673,424	-	-	34,673,424
Balances with central banks	28	219	-	-	45,546,349	-	-	45,546,349
Placements with banks	29	221	-	-	17,633,269	-	-	17,633,269
Derivative financial assets	30	221	2,334,536	-	-	-	-	2,334,536
Other financial instruments – Held for trading	31	222	4,410,913	-	-	-	-	4,410,913
Loans and receivables to banks	32	225	-	-	640,512	-	-	640,512
Loans and receivables to other customers	33	226	-	-	742,444,130	-	-	742,444,130
Financial investments – Available for sale	34	232	-	-	-	154,913,643	-	154,913,643
Financial investments – Held to maturity	35	238	-	69,365,796	-	-	-	69,365,796
Financial investments – Loans and receivables	36	239	-	-	48,712,477	-	-	48,712,477
Total financial assets			6,745,449	69,365,796	889,650,161	154,913,643	-	1,120,675,049
Financial liabilities								
Due to banks	43	261	-	-	-	-	60,244,892	60,244,892
Derivative financial liabilities	44	262	3,678,494	-	-	-	-	3,678,494
Securities sold under repurchase agreements			-	-	-	-	49,532,385	49,532,385
Due to other customers/ deposits from customers	45	263	-	-	-	-	857,269,981	857,269,981
Other borrowings	46	265	-	-	-	-	23,786,094	23,786,094
Subordinated liabilities	52	276	-	-	-	-	25,165,924	25,165,924
Total financial liabilities			3,678,494	-	-	-	1,015,999,276	1,019,677,770

25.1 (b) Group

As at December 31, 2016								
	Note	Page No.	Held for Trading (HFT) Rs. '000	Held to Maturity (HTM) Rs. '000	Loans and Receivables Rs. '000	Available for Sale (AFS) Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Financial assets								
Cash and cash equivalents	27	219	-	-	32,924,227	-	-	32,924,227
Balances with central banks	28	219	-	-	43,935,258	-	-	43,935,258
Placements with banks	29	221	-	-	11,718,499	-	-	11,718,499
Derivative financial assets	30	221	1,052,829	-	-	-	-	1,052,829
Other financial instruments – Held for trading	31	222	4,987,798	-	-	-	-	4,987,798
Loans and receivables to banks	32	225	-	-	624,458	-	-	624,458
Loans and receivables to other customers	33	226	-	-	620,129,488	-	-	620,129,488
Financial investments – Available for sale	34	232	-	-	-	160,092,522	-	160,092,522
Financial investments – Held to maturity	35	238	-	63,626,598	-	-	-	63,626,598
Financial investments – Loans and receivables	36	239	-	-	51,824,026	-	-	51,824,026
Total financial assets			6,040,627	63,626,598	761,155,956	160,092,522	-	990,915,703
Financial liabilities								
Due to banks	43	261	-	-	-	-	71,098,391	71,098,391
Derivative financial liabilities	44	262	1,515,035	-	-	-	-	1,515,035
Securities sold under repurchase agreements			-	-	-	-	69,628,961	69,628,961
Due to other customers/ deposits from customers	45	263	-	-	-	-	743,310,613	743,310,613
Other borrowings	46	265	-	-	-	-	9,270,154	9,270,154
Subordinated liabilities	52	276	-	-	-	-	24,849,539	24,849,539
Total financial liabilities			1,515,035	-	-	-	918,157,658	919,672,693

25.2 Classification of financial assets and financial liabilities – Bank

The tables below provide a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Bank:

25.2 (a) Bank

<i>As at December 31, 2017</i>								
	Note	Page No.	Held for Trading (HFT) Rs. '000	Held to Maturity (HTM) Rs. '000	Loans and Receivables Rs. '000	Available for Sale (AFS) Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Financial assets								
Cash and cash equivalents	27	219	-	-	33,224,619	-	-	33,224,619
Balances with central banks	28	219	-	-	44,801,446	-	-	44,801,446
Placements with banks	29	221	-	-	17,633,269	-	-	17,633,269
Derivative financial assets	30	221	2,334,536	-	-	-	-	2,334,536
Other financial instruments – Held for trading	31	222	4,410,913	-	-	-	-	4,410,913
Loans and receivables to banks	32	225	-	-	640,512	-	-	640,512
Loans and receivables to other customers	33	226	-	-	737,446,567	-	-	737,446,567
Financial investments – Available for sale	34	232	-	-	-	154,714,132	-	154,714,132
Financial investments – Held to maturity	35	238	-	63,562,752	-	-	-	63,562,752
Financial investments – Loans and receivables	36	239	-	-	48,712,477	-	-	48,712,477
Total financial assets			6,745,449	63,562,752	882,458,890	154,714,132	-	1,107,481,223
Financial liabilities								
Due to banks	43	261	-	-	-	-	57,120,991	57,120,991
Derivative financial liabilities	44	262	3,678,494	-	-	-	-	3,678,494
Securities sold under repurchase agreements			-	-	-	-	49,676,767	49,676,767
Due to other customers/ deposits from customers	45	263	-	-	-	-	850,127,511	850,127,511
Other borrowings	46	265	-	-	-	-	23,786,094	23,786,094
Subordinated liabilities	52	276	-	-	-	-	25,165,924	25,165,924
Total financial liabilities			3,678,494	-	-	-	1,005,877,287	1,009,555,781

25.2 (b) Bank

<i>As at December 31, 2016</i>			Held for Trading (HFT)	Held to Maturity (HTM)	Loans and receivables	Available for Sale (AFS)	Other amortised Cost	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets								
Cash and cash equivalents	27	219	-	-	30,193,589	-	-	30,193,589
Balances with central banks	28	219	-	-	43,873,205	-	-	43,873,205
Placements with banks	29	221	-	-	11,718,499	-	-	11,718,499
Derivative financial assets	30	221	1,052,829	-	-	-	-	1,052,829
Other financial instruments – Held for trading	31	222	4,987,798	-	-	-	-	4,987,798
Loans and receivables to banks	32	225	-	-	624,458	-	-	624,458
Loans and receivables to other customers	33	226	-	-	616,018,228	-	-	616,018,228
Financial investments – Available for sale	34	232	-	-	-	160,023,471	-	160,023,471
Financial investments – Held to maturity	35	238	-	60,981,298	-	-	-	60,981,298
Financial investments – Loans and receivables	36	239	-	-	51,824,026	-	-	51,824,026
Total financial assets			6,040,627	60,981,298	754,252,005	160,023,471	-	981,297,401
Financial liabilities								
Due to banks	43	261	-	-	-	-	67,608,811	67,608,811
Derivative financial liabilities	44	262	1,515,035	-	-	-	-	1,515,035
Securities sold under repurchase agreements			-	-	-	-	69,867,469	69,867,469
Due to other customers/ deposits from customers	45	263	-	-	-	-	739,563,494	739,563,494
Other borrowings	46	265	-	-	-	-	9,270,154	9,270,154
Subordinated liabilities	52	276	-	-	-	-	24,849,539	24,849,539
Total financial liabilities			1,515,035	-	-	-	911,159,467	912,674,502

26. Fair Value Measurement

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of fair value measurement of financial and non-financial assets and liabilities is provided below:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

26.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position:

As at December 31, 2017	Note	Page No.	GROUP				BANK			
			Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	26.2	217	-	-	11,559,056	11,559,056	-	-	11,218,112	11,218,112
Total non-financial assets at fair value			-	-	11,559,056	11,559,056	-	-	11,218,112	11,218,112
Financial assets										
Derivative financial assets										
Currency swaps	30	221	-	1,067,259	-	1,067,259	-	1,067,259	-	1,067,259
Forward contracts			-	1,264,900	-	1,264,900	-	1,264,900	-	1,264,900
Spot contracts			-	2,377	-	2,377	-	2,377	-	2,377
Other financial instruments – Held for trading										
Government securities	31	222	4,096,168	-	-	4,096,168	4,096,168	-	-	4,096,168
Equity shares			314,745	-	-	314,745	314,745	-	-	314,745
Financial investments – Available for sale										
Government securities	34	232	154,366,556	-	-	154,366,556	154,167,169	-	-	154,167,169
Equity securities			500,278	-	46,809	547,087	500,278	-	46,685	546,963
Investment in unit trust			-	-	-	-	-	-	-	-
Total financial assets at fair value			159,277,747	2,334,536	46,809	161,659,092	159,078,360	2,334,536	46,685	161,459,581
Total assets at fair value			159,277,747	2,334,536	11,605,865	173,218,148	159,078,360	2,334,536	11,264,797	172,677,693
Financial liabilities										
Derivative financial liabilities										
Currency swaps	44	262	-	2,656,376	-	2,656,376	-	2,656,376	-	2,656,376
Interest rate swaps			-	4,462	-	4,462	-	4,462	-	4,462
Forward contracts			-	1,015,648	-	1,015,648	-	1,015,648	-	1,015,648
Spot contracts			-	2,008	-	2,008	-	2,008	-	2,008
Total liabilities at fair value			-	3,678,494	-	3,678,494	-	3,678,494	-	3,678,494

As at December 31, 2016	Note	Page No.	GROUP				BANK			
			Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	26.2	217	-	-	7,743,071	7,743,071	-	-	7,528,891	7,528,891
Total non-financial assets at fair value			-	-	7,743,071	7,743,071	-	-	7,528,891	7,528,891
Financial assets										
Derivative financial assets	30	221								
Currency swaps			-	261,664	-	261,664	-	261,664	-	261,664
Forward contracts			-	788,808	-	788,808	-	788,808	-	788,808
Spot contracts			-	2,357	-	2,357	-	2,357	-	2,357
Other financial instruments – Held for trading	31	222								
Government securities			4,693,989	-	-	4,693,989	4,693,989	-	-	4,693,989
Equity shares			293,809	-	-	293,809	293,809	-	-	293,809
Financial investments – Available for sale	34	232								
Government securities			159,642,243	-	-	159,642,243	159,573,316	-	-	159,573,316
Equity securities			246,548	-	47,271	293,819	246,548	-	47,147	293,695
Investment in unit trust			-	156,460	-	156,460	-	156,460	-	156,460
Total financial assets at fair value			164,876,589	1,209,289	47,271	166,133,149	164,807,662	1,209,289	47,147	166,064,098
Total assets at fair value			164,876,589	1,209,289	7,790,342	173,876,220	164,807,662	1,209,289	7,576,038	173,592,989
Financial liabilities										
Derivative financial liabilities	44	262								
Currency swaps			-	663,714	-	663,714	-	663,714	-	663,714
Forward contracts			-	849,011	-	849,011	-	849,011	-	849,011
Spot contracts			-	2,310	-	2,310	-	2,310	-	2,310
Total liabilities at fair value			-	1,515,035	-	1,515,035	-	1,515,035	-	1,515,035

26.2 Level 3 fair value measurement

Property, Plant and Equipment (PPE)

Reconciliation from the beginning balance to the ending balance for the land and buildings in the Level 3 of the fair value hierarchy is available in Notes 39.1 to 39.4 on pages 247 to 257.

Reconciliation of Revaluation Reserve pertaining to land and buildings categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity on pages 168 to 171.

Note 39.5 (b) on page 252 provides information on significant unobservable inputs used as at December 31, 2017 in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 39.5 (c) on page 256 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Equity securities

Value of unquoted shares of Rs. 46,809 Mn. in Group and Rs. 46,685 Mn. in Bank as at end of the year 2017 (Rs. 47,271 Mn. in Group and Rs. 47,147 Mn. in Bank as at end 2016) categorised under financial investments – Available for sale whose fair value cannot be reliably measured is stated at cost in the Statement of Financial Position as permitted by the LKAS 39 on “Financial Instruments: Recognition and Measurement”.

26.3 Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g. fixed rate loans and receivables, due to other customers, subordinated liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The following table sets out the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy used:

As at December 31, 2017	Note	Page No.	GROUP					BANK					
			Level 1	Level 2	Level 3	Total fair values	Total carrying amount	Level 1	Level 2	Level 3	Total fair values	Total carrying amount	
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets													
Cash and cash equivalents	27	219	-	34,673,424	-	34,673,424	34,673,424	34,673,424	-	33,224,619	-	33,224,619	33,224,619
Balances with central banks	28	219	-	45,546,349	-	45,546,349	45,546,349	45,546,349	-	44,801,446	-	44,801,446	44,801,446
Placements with banks	29	221	-	17,633,269	-	17,633,269	17,633,269	17,633,269	-	17,633,269	-	17,633,269	17,633,269
Loans and receivables to banks	32	225	-	640,512	-	640,512	640,512	640,512	-	640,512	-	640,512	640,512
Loans and receivables to other customers	33	226	-	-	741,818,598	741,818,598	742,444,130	742,444,130	-	-	736,821,035	736,821,035	737,446,567
Financial investments – Held-to-maturity	35	238	68,892,386	-	-	68,892,386	69,365,796	69,365,796	63,089,342	-	-	63,089,342	63,562,752
Financial investments – Loans and receivables	36	239	-	-	48,712,477	48,712,477	48,712,477	48,712,477	-	-	48,712,477	48,712,477	48,712,477
Total financial assets not at fair value			68,892,386	98,493,554	790,531,075	957,917,015	959,015,957	959,015,957	63,089,342	96,299,846	785,533,512	944,922,700	946,021,642
Financial liabilities													
Due to banks	43	261	-	-	60,244,892	60,244,892	60,244,892	60,244,892	-	-	57,120,991	57,120,991	57,120,991
Securities sold under repurchase agreements			-	49,532,385	-	49,532,385	49,532,385	49,532,385	-	49,676,767	-	49,676,767	49,676,767
Due to other customers/ deposits from customers	45	263	-	-	856,454,642	856,454,642	857,269,981	857,269,981	-	-	849,312,172	849,312,172	850,127,511
Other borrowings	46	265	-	-	23,786,094	23,786,094	23,786,094	23,786,094	-	-	23,786,094	23,786,094	23,786,094
Subordinated liabilities	52	276	-	-	25,731,210	25,731,210	25,165,924	25,165,924	-	-	25,731,210	25,731,210	25,165,924
Total financial liabilities not at fair value			-	49,532,385	966,216,838	1,015,749,223	1,015,999,276	1,015,999,276	-	49,676,767	955,950,467	1,005,627,234	1,005,877,287

As at December 31, 2016	Note	Page No.	GROUP					BANK					
			Level 1	Level 2	Level 3	Total fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value	Total carrying amount	
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets													
Cash and cash equivalents	27	219	-	32,924,227	-	32,924,227	32,924,227	32,924,227	-	30,193,589	-	30,193,589	30,193,589
Balances with central banks	28	219	-	43,935,258	-	43,935,258	43,935,258	43,935,258	-	43,873,205	-	43,873,205	43,873,205
Placements with banks	29	221	-	11,718,499	-	11,718,499	11,718,499	11,718,499	-	11,718,499	-	11,718,499	11,718,499
Loans and receivables to banks	32	225	-	624,458	-	624,458	624,458	624,458	-	624,458	-	624,458	624,458
Loans and receivables to other customers	33	226	-	-	625,821,184	625,821,184	620,129,488	620,129,488	-	-	621,709,924	621,709,924	616,018,228
Financial investments – Held to maturity	35	238	62,777,800	-	-	62,777,800	63,626,598	63,626,598	60,132,500	-	-	60,132,500	60,981,298
Financial investments – Loans and receivables	36	239	-	-	51,824,026	51,824,026	51,824,026	51,824,026	-	-	51,824,026	51,824,026	51,824,026
Total financial assets not at fair value			62,777,800	89,202,442	677,645,210	829,625,452	824,782,554	824,782,554	60,132,500	86,409,751	673,533,950	820,076,201	815,233,303
Financial liabilities													
Due to banks	43	261	-	-	71,098,391	71,098,391	71,098,391	71,098,391	-	-	67,608,811	67,608,811	67,608,811
Securities sold under repurchase agreements			-	69,628,961	-	69,628,961	69,628,961	69,628,961	-	69,867,469	-	69,867,469	69,867,469
Due to other customers/deposits from customers	45	263	-	-	743,145,668	743,145,668	743,310,613	743,310,613	-	-	739,728,439	739,728,439	739,563,494
Other borrowings	46	265	-	-	9,270,154	9,270,154	9,270,154	9,270,154	-	-	9,270,154	9,270,154	9,270,154
Subordinated liabilities	52	276	-	-	24,175,367	24,175,367	24,849,539	24,849,539	-	-	24,175,367	24,175,367	24,849,539
Total financial liabilities not at fair value			-	69,628,961	847,689,580	917,318,541	918,157,658	918,157,658	-	69,867,469	840,782,771	910,650,240	911,159,467

26.4 Valuation techniques and inputs in measuring fair values

The table below provides information on the valuation techniques and inputs used in measuring the fair values of derivative financial assets and liabilities in the Level 2 of the fair value hierarchy, as given in Note 26.1 on page 215.

Type of financial instruments	Fair value as at December 31, 2017 (Rs. '000)	Valuation technique	Significant valuation inputs
Derivative financial assets	2,334,536	Adjusted Forward Rate Approach This approach considers the present value of projected forward exchange rate as at the reporting date as the fair value. The said forward rate is projected, based on the spot exchange rate and the forward premium/discount calculated using extrapolated interest rates of the currency pairs under consideration. In computing the present value, interest rate differential between two currencies under consideration is used as the discount rate.	• Spot exchange rate
Derivative financial liabilities	3,678,494		• Interest rate differentials between currencies under consideration

27. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, placements with banks and loans at call/short notice and highly liquid financial assets with original maturities within three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at December 31,	GROUP		BANK	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Cash in hand	23,577,061	17,599,901	23,280,599	17,406,776
Coins and notes held in local currency	20,846,435	15,497,697	20,836,652	15,488,867
Coins and notes held in foreign currency	2,730,626	2,102,204	2,443,947	1,917,909
Balances with banks	6,748,718	6,122,355	6,700,666	5,794,927
Local banks	–	–	–	–
Foreign banks	6,748,718	6,122,355	6,700,666	5,794,927
Money at call and at short notice	4,347,645	9,201,971	3,243,354	6,991,886
Total	34,673,424	32,924,227	33,224,619	30,193,589

The maturity analysis of cash and cash equivalents is given in Note 62 on pages 289 and 290.

28. Balances with Central Banks

Balances with central banks are carried at amortised cost in the Statement of Financial Position.

As at December 31,	Note	Page No.	GROUP		BANK	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Statutory balances with central banks	28.1	220	45,546,349	43,935,258	44,801,446	43,873,205
Total			45,546,349	43,935,258	44,801,446	43,873,205

28.1 Statutory balances with central banks

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balances with the Central Bank of Sri Lanka	40,199,840	40,469,986	40,199,840	40,469,986
Balances with the Bangladesh Bank	4,601,606	3,403,219	4,601,606	3,403,219
Balances with the Maldives Monetary Authority	744,903	62,053	-	-
Total	45,546,349	43,935,258	44,801,446	43,873,205

Balances with Central Bank of Sri Lanka

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. As at December 31, 2017, the minimum cash reserve requirement was 7.50% of the rupee deposit liabilities (7.50% in 2016). There is no reserve requirement for foreign currency deposits liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Off-shore Banking Centre (OBC) in Sri Lanka.

Balances with Bangladesh Bank

The Bank's Bangladesh operation is required to maintain the statutory liquidity requirement on time and demand liabilities (both local and foreign currencies), partly in the form of a Cash Reserve Requirement and the balance by way of foreign currency and/or in the form of unencumbered securities held with the Bangladesh Bank. As per the Bangladesh Bank regulations, the Statutory Liquidity Requirement as at December 31, 2017 was 19.50% (19.50% in 2016) on time and demand liabilities (both local and foreign currencies), which includes a 6.50% (6.50% in 2016) cash reserve requirement and the balance 13.00% (13.00% in 2016) is permitted to be maintained in foreign currency and/or also in unencumbered securities held with the Bangladesh Bank.

Balances with Maldives Monetary Authority

The Maldives Banking Act No. 24 of 2010 Section 25 requires the Bank to maintain a statutory reserve on all deposits liabilities denominated in both foreign currency and local currency deposits excluding interbank deposits of other banks in Maldives and Letter of Credit margin deposits. According to the Bank regulations of Maldives Monetary Authority, the Minimum Reserve Requirement (MRR) as at December 31, 2017 was 10% (10% in 2016). The reserve requirement for local currency is to be met in the form of Rufiyaa deposits, while reserve requirement for foreign currency is to be met in the form of US dollar deposits.

The maturity analysis of balances with central banks is given in Note 62 on pages 289 and 290.

29. Placements with Banks

<i>As at December 31,</i>	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Placements – within Sri Lanka	–	1,094,821	–	1,094,821
Placements – outside Sri Lanka	17,633,269	10,623,678	17,633,269	10,623,678
Total	17,633,269	11,718,499	17,633,269	11,718,499

The maturity analysis of placements with banks is given in Note 62 on pages 289 and 290.

30. Derivative Financial Assets

The Bank uses derivatives such as interest rate swaps, foreign currency swaps and forward foreign exchange contracts, etc. Derivative financial assets are recorded at fair value. Changes in the fair value of derivatives are included in “Net Gains/(Losses) from Trading” in the Income Statement.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the profit or loss.

<i>As at December 31,</i>	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign currency derivatives				
Currency swaps	1,067,259	261,664	1,067,259	261,664
Forward contracts	1,264,900	788,808	1,264,900	788,808
Spot contracts	2,377	2,357	2,377	2,357
Total	2,334,536	1,052,829	2,334,536	1,052,829

The maturity analysis of derivative financial assets is given in Note 62 on pages 289 and 290.

31. Other Financial Instruments – Held for Trading

Financial assets are classified as held for trading if:

- they are acquired principally for the purpose of selling or repurchasing in the near term; or
- they hold as a part of a portfolio that is managed together for short-term profit or position taking; or
- they form part of derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments: Recognition and Measurement”.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income are recorded in “Interest Income” and “Net Gains/(Losses) from Trading” respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets, due to inactive markets and Management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances.

Financial assets held-for-trading include instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term and derivatives, including separated embedded derivatives explained below, unless they are designated as effective hedging instruments.

As at December 31,	Note	Page No.	GROUP		BANK	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Government securities	31.1	222	4,096,168	4,693,989	4,096,168	4,693,989
Equity securities	31.2	223	314,745	293,809	314,745	293,809
Total			4,410,913	4,987,798	4,410,913	4,987,798

31.1 Government securities

As at December 31,	GROUP		BANK	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Treasury bills	933,056	2,467,221	933,056	2,467,221
Treasury bonds	3,163,112	2,226,768	3,163,112	2,226,768
Total Government securities	4,096,168	4,693,989	4,096,168	4,693,989

The maturity analysis of other financial instruments held for trading is given in Note 62 on pages 289 and 290.

31.2 Equity securities – Group and Bank

Sector/name of the Company	As at December 31, 2017				As at December 31, 2016			
	No. of shares	Market price	Market value	Cost of the investment	No. of shares	Market price	Market value	Cost of the investment
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000
Bank, Finance and Insurance								
Central Finance Company PLC	196,189	92.30	18,108	18,937	196,189	100.00	19,619	18,937
Citizens Development Business Finance PLC (Non-voting)	101,965	56.00	5,710	3,398	101,965	62.10	6,332	3,398
Hatton National Bank PLC	84	249.00	21	12	83	225.00	19	12
Lanka Ventures PLC	100,000	55.00	5,500	3,033	100,000	42.50	4,250	3,033
National Development Bank PLC	207,628	136.40	28,320	34,381	200,000	156.00	31,200	34,381
People's Insurance PLC	126,500	23.00	2,910	1,898	126,500	19.00	2,404	1,898
Sampath Bank PLC	32,341	315.70	10,210	5,430	26,350	260.40	6,862	4,298
Subtotal			70,779	67,089			70,686	65,957
Beverage, Food and Tobacco								
Lanka Milk Foods (CWE) PLC	250,000	157.00	39,250	27,866	250,000	119.00	29,750	27,866
Melstacorp PLC	245,960	59.50	14,635	9,814	245,960	59.30	14,585	9,814
Renuka Foods PLC (Non-voting)	1,000	13.80	14	15	1,000	19.50	20	15
Subtotal			53,899	37,695			44,355	37,695
Chemicals and Pharmaceuticals								
Chemical Industries Colombo Holding PLC (Non-voting)	161,400	47.40	7,650	11,692	161,400	68.00	10,975	11,692
Haycarb PLC	107,100	147.50	15,797	15,914	107,100	150.00	16,065	15,914
Subtotal			23,447	27,606			27,040	27,606
Construction and Engineering								
Colombo Dockyard PLC	75,000	88.50	6,638	16,685	75,000	78.60	5,895	16,685
Subtotal			6,638	16,685			5,895	16,685
Diversified Holdings								
Hayleys PLC	68,313	241.00	16,463	19,269	-	-	-	-
Hemas Holdings PLC	60	126.00	8	2	60	98.00	6	2
John Keells Holdings PLC	130,611	148.50	19,396	20,527	130,611	145.00	18,939	20,527
Subtotal			35,867	39,798			18,945	20,529
Healthcare								
Ceylon Hospitals PLC	121,900	83.00	10,118	12,868	121,900	87.40	10,654	12,868
Ceylon Hospitals PLC (Non-voting)	61,100	65.30	3,990	4,423	61,100	69.50	4,246	4,423
Subtotal			14,108	17,291			14,900	17,291
Hotels and Travels								
John Keells Hotels PLC	267,608	8.80	2,355	3,473	267,608	10.90	2,917	3,473
Taj Lanka Hotels PLC	212,390	15.90	3,377	6,625	212,390	25.20	5,352	6,625
Subtotal			5,732	10,098			8,269	10,098

Sector/name of the Company	As at December 31, 2017				As at December 31, 2016			
	No. of shares	Market price	Market value	Cost of the investment	No. of shares	Market price	Market value	Cost of the investment
		Rs.	Rs. '000	Rs. '000		Rs.	Rs. '000	Rs. '000
Investment Trusts								
Renuka Holdings PLC	117,158	24.00	2,812	3,180	117,158	21.10	2,472	3,180
Renuka Holdings PLC (Non-voting)	265,368	17.00	4,511	4,958	265,368	18.00	4,777	4,958
Subtotal			7,323	8,138			7,249	8,138
Land and Property								
CT Land Development PLC	15,000	45.50	683	531	15,000	53.10	797	531
Overseas Reality Ceylon PLC	183,320	17.60	3,226	2,716	183,320	20.00	3,666	2,716
RIL Property PLC	2,500,000	7.20	18,000	20,000	-	-	-	-
Subtotal			21,909	23,247			4,463	3,247
Manufacturing								
ACL Cables PLC	100,000	42.40	4,240	3,676	343,032	60.50	20,753	14,096
Dipped Products PLC	200,000	85.00	17,000	24,239	200,000	86.80	17,360	24,239
Lanka Walltiles PLC	60	99.40	6	5	60	99.70	6	5
Pelwatte Sugar Industries PLC	12,300	0.10	1	351	12,300	0.10	1	351
Royal Ceramics Lanka PLC	155,927	114.50	17,854	18,057	155,927	115.50	18,010	18,057
Subtotal			39,101	46,328			56,130	56,748
Plantations								
Kotagala Plantations PLC	201,750	12.20	2,461	9,172	201,750	8.90	1,796	9,172
Subtotal			2,461	9,172			1,796	9,172
Power and Energy								
Hemas Power PLC	106,249	18.20	1,934	2,053	106,249	22.30	2,369	2,053
Lanka IOC PLC	685,984	28.00	19,208	15,013	685,984	31.70	21,746	15,013
Subtotal			21,142	17,066			24,115	17,066
Telecommunications								
Dialog Axiata PLC	949,172	13.00	12,339	6,300	949,172	10.50	9,966	6,300
Subtotal			12,339	6,300			9,966	6,300
Total			314,745	326,513			293,809	296,532
Mark to market gains/(losses)				(11,768)				(2,723)
Market value of equity securities				314,745				293,809

31.3 Industry/sector composition of equity securities – Group and Bank

Industry/sector	As at December 31, 2017			As at December 31, 2016		
	Market value	Cost of the investment	%	Market value	Cost of the investment	%
	Rs. '000	Rs. '000		Rs. '000	Rs. '000	
Banking, finance and insurance	70,779	67,089	22.49	70,686	65,957	24.06
Beverage, food and tobacco	53,899	37,695	17.12	44,355	37,695	15.10
Chemicals and pharmaceuticals	23,447	27,606	7.45	27,040	27,606	9.20
Construction and engineering	6,638	16,685	2.11	5,895	16,685	2.01
Diversified holdings	35,867	39,798	11.40	18,945	20,529	6.45
Healthcare	14,108	17,291	4.48	14,900	17,291	5.07
Hotels and travels	5,732	10,098	1.82	8,269	10,098	2.81
Investment trusts	7,323	8,138	2.33	7,249	8,138	2.47
Land and property	21,909	23,247	6.96	4,463	3,247	1.52
Manufacturing	39,101	46,328	12.42	56,130	56,748	19.10
Plantations	2,461	9,172	0.78	1,796	9,172	0.61
Power and energy	21,142	17,066	6.72	24,115	17,066	8.21
Telecommunications	12,339	6,300	3.92	9,966	6,300	3.39
Subtotal	314,745	326,513	100.00	293,809	296,532	100.00
Mark to market gains/(losses) for the year		(11,768)			(2,723)	
Market value of equity securities	314,745	314,745	100.00	293,809	293,809	100.00

32. Loans and Receivables to Banks

“Loans and receivables to banks” comprised non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss.
- those that the Group, upon initial recognition, designates as available for sale.
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.
- finance lease receivables

“Loans and receivables to banks” include amounts due from banks. After initial measurement, Loans and receivables to banks are subsequently measured at amortised cost using the EIR, less provision for impairment, except when the Group designates loans and receivables at fair value through profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest Income” while the losses arising from impairment are recognised in “Impairment charges for loans and other losses” in the Income Statement.

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross loans and receivables	640,512	624,458	640,512	624,458
Less: Provision for impairment	–	–	–	–
Net loans and receivables	640,512	624,458	640,512	624,458

The maturity analysis of loans and receivables to banks is given in Note 62 on pages 289 and 290.

The Bank did not make any payments to counterparty banks for the oil hedging transactions with effect from June 02, 2009 in response to a Directive received from the Exchange Controller of the Central Bank of Sri Lanka. Consequently, one of the counterparty banks appropriated USD 4.170 Mn. (Rs. 640,512 Mn.) which has been kept as a deposit with them. This action has been contested by the Bank. In view of the stance taken by the Bank in this regard, both the deposit (made by the Bank) and the amount due to the said counterparty bank, have been recorded in the Statement of Financial Position.

32. 1 (a) By currency

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
United States Dollar	640,512	624,458	640,512	624,458
Subtotal	640,512	624,458	640,512	624,458

33. Loans and Receivables to Other Customers

"Loans and receivables to other customers" comprised non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss
- those that the Group, upon initial recognition, designates as available-for-sale
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

"Loans and receivables to other customers" include, Loans and Advances and Lease Receivables of the Group.

When the Group is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment, are classified as lease receivable and are presented within "Loans and receivables to other customers" in the Statement of Financial Position.

After initial measurement, "Loans and receivables to other customers" are subsequently measured at amortised cost using the EIR, less provision for impairment, except when the Group designates loans and receivables at fair value through profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

The amortisation is included in 'Interest Income', while the losses arising from impairment are recognised in 'Impairment charges for loans and other losses' in the Income Statement.

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as Held for trading because the intent is to sell the loans in the short term. These commitments to lend, if any, are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the Bank and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss.

As at December 31,	Note	Page No.	GROUP		BANK	
			2017	2016	2017	2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross loans and receivables			760,453,937	637,982,536	754,707,977	633,390,907
Less: Provision for individual impairment	33.2	229	7,853,654	8,453,457	7,853,654	8,453,457
Provision for collective impairment	33.2	229	10,156,153	9,399,591	9,407,756	8,919,222
Net loans and receivables			742,444,130	620,129,488	737,446,567	616,018,228

The maturity analysis of loans and receivables to other customers is given in Note 62 on pages 289 and 290.

33.1 Analysis

33.1 (a) By product

As at December 31,	Note	Page No.	GROUP		BANK	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Loans and receivables						
Overdrafts			118,072,316	100,985,232	117,362,030	100,903,024
Trade finance			58,291,188	43,088,097	58,275,965	43,088,097
Lease/hire purchase receivable	33.3	229	40,766,415	39,040,966	37,865,183	35,993,964
Credit cards			9,639,046	6,679,059	9,639,046	6,679,059
Pawning			1,339,259	1,239,785	1,339,259	1,239,785
Staff loans			7,980,429	7,276,285	7,973,685	7,274,154
Housing loans			53,628,645	47,275,462	53,628,645	47,275,462
Personal loans			28,401,829	25,996,196	28,272,669	25,906,055
Term loans						
Short-term			88,668,616	72,590,084	87,600,808	71,219,300
Long-term			333,059,523	277,354,045	332,144,016	277,354,682
Loans granted from Investment Fund Account (IFA)	33.4	231	3,499,574	3,974,359	3,499,574	3,974,359
Bills of exchange			17,107,097	12,482,966	17,107,097	12,482,966
Subtotal			760,453,937	637,982,536	754,707,977	633,390,907

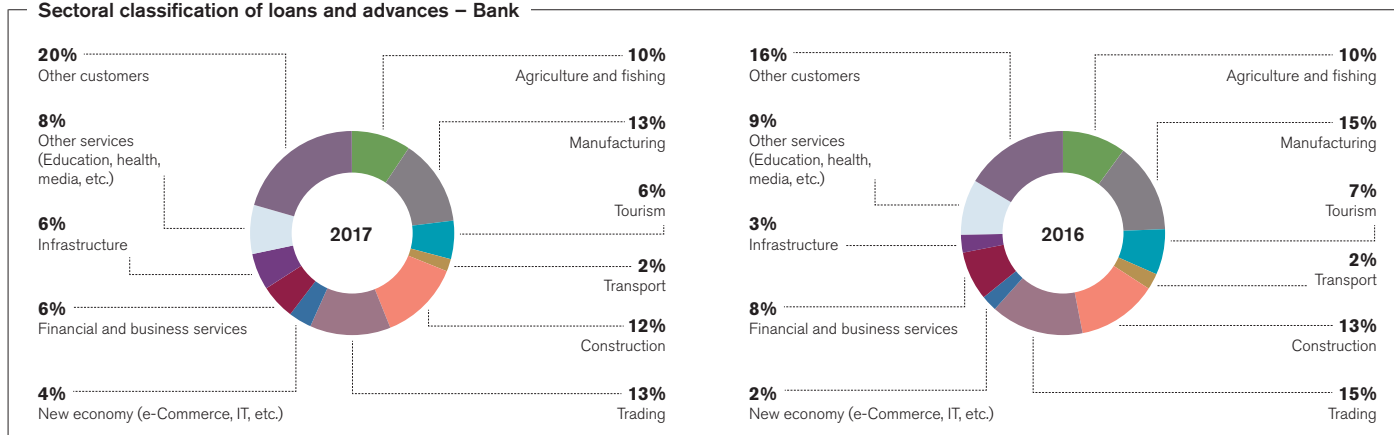
33.1 (b) By currency

As at December 31,	GROUP		BANK	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Sri Lankan Rupee	600,058,048	506,118,547	595,745,318	501,609,126
United States Dollar	113,192,698	94,727,963	112,496,635	94,645,778
Great Britain Pound	892,245	695,403	892,245	695,403
Euro	1,500,772	1,545,852	1,500,772	1,545,852
Australian Dollar	690,992	514,017	690,992	514,017
Japanese Yen	135,765	71,144	135,765	71,144
Singapore Dollar	5,504	127	5,504	127
Bangladesh Taka	43,164,009	34,174,199	43,164,009	34,174,199
Maldivian Rufiyaa	737,167	23	-	-
Others	76,737	135,261	76,737	135,261
Subtotal	760,453,937	637,982,536	754,707,977	633,390,907

33.1 (c) By industry

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture and fishing	71,041,888	63,529,644	70,786,178	63,332,661
Manufacturing	115,028,848	92,030,456	114,980,885	91,982,499
Tourism	47,671,546	46,086,461	46,808,711	45,919,393
Transport	17,190,601	14,892,683	17,083,533	14,800,244
Construction	106,784,977	81,259,365	106,328,774	81,187,168
Trading	114,649,323	94,987,320	113,037,048	93,538,474
New economy (e-commerce, IT, etc.)	17,479,610	15,111,861	17,479,610	15,111,861
Financial and business services	46,764,237	49,066,227	47,393,198	49,740,977
Infrastructure	20,886,155	17,894,260	20,886,155	17,894,260
Other services (education, health, media, etc.)	64,040,605	57,961,305	63,062,660	56,923,320
Other customers	138,916,147	105,162,954	136,861,225	102,960,050
Subtotal	760,453,937	637,982,536	754,707,977	633,390,907

Sectoral classification of loans and advances – Bank



33.2 Movement in provision for individual and collective impairment during the year

	Note	Page No.	GROUP		BANK	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Movement in provision for individual impairment						
Balance as at January 1,			8,453,457	5,369,960	8,453,457	5,369,960
Charge/(write-back) to the Income Statement	18	203	401,716	3,439,879	401,716	3,439,879
Net write-off/(recoveries) during the year			(695,023)	(287,226)	(695,023)	(287,226)
Exchange rate variance on foreign currency provisions			30,057	51,080	30,057	51,080
Interest accrued/(reversals) on impaired loans and advances			(861,057)	(533,528)	(861,057)	(533,528)
Other movements			524,504	413,292	524,504	413,292
Balance as at December 31,			7,853,654	8,453,457	7,853,654	8,453,457
Movement in provision for collective impairment						
Balance as at January 1,			9,399,591	13,089,833	8,919,222	12,681,594
Charge/(write-back) to the Income Statement	18	203	1,823,522	(1,859,806)	1,554,333	(1,931,932)
Net write-off/(recoveries) during the year			(1,060,768)	(1,835,798)	(1,060,768)	(1,835,798)
Exchange rate variance on foreign currency provisions			(6,192)	5,362	(5,031)	5,358
Balance as at December 31,			10,156,153	9,399,591	9,407,756	8,919,222
Total of individual and collective impairment			18,009,807	17,853,048	17,261,410	17,372,679

33.3 Lease/hire purchase receivable

As at December 31,	Note	Page No.	GROUP		BANK	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Gross lease/hire purchase receivable			40,766,415	39,040,966	37,865,183	35,993,964
Within one year	33.3 (a)	229	15,149,364	13,440,584	14,297,074	12,631,092
From one to five years	33.3 (b)	230	25,307,569	25,250,003	23,564,939	23,358,999
After five years	33.3 (c)	230	309,482	350,379	3,170	3,873
Less: Provision for individual impairment	33.3 (d)	230	133,536	241,185	133,536	241,185
Provision for collective impairment	33.3 (e)	231	642,502	681,035	254,128	262,381
Net lease receivable			39,990,377	38,118,746	37,477,519	35,490,398

33.3 (a) Lease/hire purchase receivable within one year

As at December 31,	GROUP		BANK	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Total lease/hire purchase receivable within one year	19,613,099	17,390,714	18,418,203	16,232,578
Less: Unearned lease/hire purchase income	4,463,735	3,950,130	4,121,129	3,601,486
Gross lease/hire purchase receivable within one year	15,149,364	13,440,584	14,297,074	12,631,092
Less: Provision for individual impairment	119,231	228,553	119,231	228,553
Provision for collective impairment	351,640	364,252	214,659	228,060
Subtotal	14,678,493	12,847,779	13,963,184	12,174,479

33.3 (b) Lease/hire purchase receivable from one to five years

<i>As at December 31,</i>	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total lease/hire purchase receivable from one to five years	29,262,074	29,185,428	27,056,087	26,793,674
Less: Unearned lease/hire purchase income	3,954,505	3,935,425	3,491,148	3,434,675
Gross lease/hire purchase receivable from one to five years	25,307,569	25,250,003	23,564,939	23,358,999
Less: Provision for individual impairment	14,305	12,632	14,305	12,632
Provision for collective impairment	236,877	268,364	39,468	34,319
Subtotal	25,056,387	24,969,007	23,511,166	23,312,048

33.3 (c) Lease/hire purchase receivable after five years

<i>As at December 31,</i>	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total lease/hire purchase receivable after five years	311,269	354,646	3,215	4,480
Less: Unearned lease/hire purchase income	1,787	4,267	45	607
Gross lease/hire purchase receivable after five years	309,482	350,379	3,170	3,873
Less: Provision for individual impairment	-	-	-	-
Provision for collective impairment	53,985	48,419	1	2
Subtotal	255,497	301,960	3,169	3,871

33.3 (d) Movement in provision for individual impairment on lease/hire purchase receivable

	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at January 1,	241,185	93,710	241,185	93,710
Charge/(write-back) to the Income Statement	55,258	209,134	55,258	209,134
Net write-off/(recoveries) during the year	(149,508)	(31,648)	(149,508)	(31,648)
Interest accrued on impaired lease/hire purchase receivable	(15,171)	(32,268)	(15,171)	(32,268)
Other movements	1,772	2,257	1,772	2,257
Balance as at December 31,	133,536	241,185	133,536	241,185

33.3 (e) Movement in provision for collective impairment on lease/hire purchase receivable

	GROUP		BANK	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance as at January 1,	681,035	953,696	262,381	556,776
Charge/(write-back) to the Income Statement	75,108	1,154,843	105,388	1,133,109
Net write-off/(recoveries) during the year	(113,641)	(1,427,504)	(113,641)	(1,427,504)
Balance as at December 31,	642,502	681,035	254,128	262,381

33.4 Loans granted from Investment Fund Account (IFA)

As per the guidelines issued by the Central Bank of Sri Lanka, Investment Fund Account was established effective from January 1, 2011, by transferring tax savings as explained below:

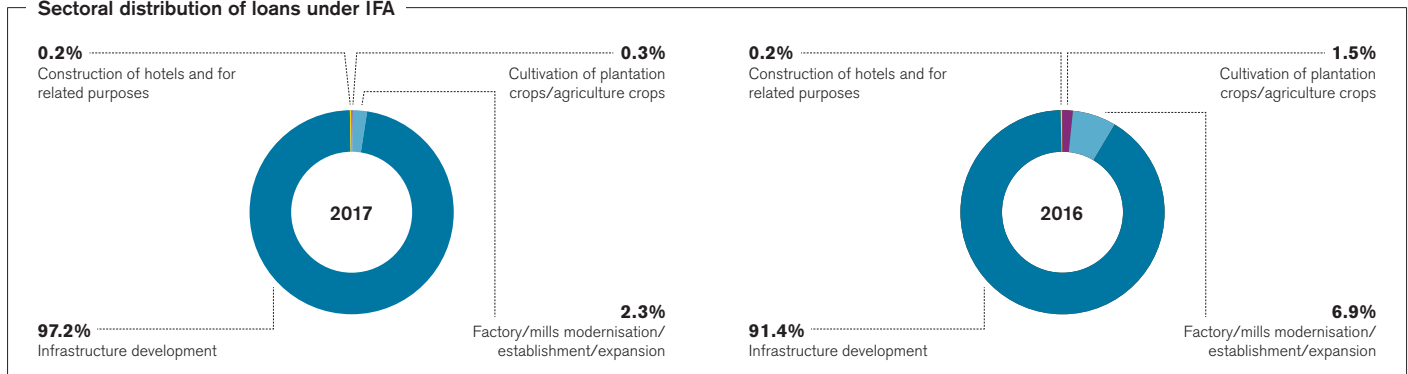
- (a) 5% of the Profits Before Tax (PBT) calculated for Income Tax (IT) purposes, on the dates of making self-assessment payments on IT.
- (b) 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services at the time of making payments on VAT.

The sectoral distribution of loans disbursed under IFA is given below:

Sector	Range of interest rates (%)	Tenure (Years)	2017			2016		
			Amount outstanding (A)	Pending disbursement (B)	Total (A) + (B)	Amount outstanding (A)	Pending disbursement (B)	Total (A) + (B)
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Cultivation of plantation crops/agriculture crops	7.91 – 12.12	5.5	11,363	–	11,363	38,636	–	38,636
(b) Factory/mills modernisation/ establishment/expansion	7.91 – 13.12	5.5	76,179	–	76,179	192,040	–	192,040
(c) Infrastructure development	6.80 – 11.00	14.5	3,232,587	64,691	3,297,278	3,559,585	98,627	3,658,212
(d) Construction of hotels and for related purposes	8.41 – 12.62	7	6,278	–	6,278	8,236	–	8,236
Capital outstanding of the loans granted			3,326,407	64,691	3,391,098	3,798,497	98,627	3,897,124
(e) Interest receivable			173,167	–	173,167	175,862	–	175,862
Carrying amount of the loans granted			3,499,574	64,691	3,564,265	3,974,359	98,627	4,072,986

The requirement to maintain the Investment Fund Account was ceased effective from October 1, 2014 as per the instructions issued by the Central Bank of Sri Lanka.

Sectoral distribution of loans under IFA



33.5 Summary of individually impaired loans and receivables – Bank

As at December 31,	2017		2016	
	Individually impaired loans and receivables	Provision for individual impairment	Individually impaired loans and receivables	Provision for individual impairment
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and advances				
Overdrafts	2,350,482	1,522,572	2,311,257	1,554,417
Trade finance	906,384	533,034	749,241	507,360
Lease/hire purchase receivable	295,761	133,536	444,882	241,185
Pawning	484	7	-	-
Housing loans	581,651	183,109	480,970	169,831
Personal loans	8,583	5,024	6,586	4,338
Term loans	18,899,904	5,476,372	18,109,141	5,976,326
Bills of exchange	-	-	-	-
Total	23,043,248	7,853,654	22,102,077	8,453,457

The net exposure of Rs. 15,189,594 Mn. (Rs. 13,648.620 Mn. As at December 31, 2016) is substantially covered by collaterals excluding machinery and stocks.

34. Financial Investments – Available for Sale

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans or receivables as available for sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised in Equity through OCI in the "Available for-sale reserve". When these financial investments are disposed of, the cumulative gain or loss previously recognised in Equity is recycled to profit or loss through "Operating income". Interest earned while holding available-for-sale financial investments is reported as "Interest income" using the EIR. Dividend earned while holding available-for-sale financial investments are recognised in the Income Statement as "Operating income" when the right to receive the payment has been established. The losses arising from impairment of such investments are recognised in the Income Statement in 'Impairment charges for loans and other losses' and removed from the "Available-for-sale reserve".

As at December 31,	Note	Page No.	GROUP		BANK	
			2017	2016	2017	2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Government Securities			154,366,556	159,642,243	154,167,169	159,573,316
Government securities – Sri Lanka	34.1 (a)	233	154,366,556	159,642,243	154,167,169	159,573,316
Government securities – Bangladesh	34.1 (b)	233	–	–	–	–
Equity securities	34.2 & 34.3	235 & 236	547,087	293,819	546,963	293,695
Quoted shares (market value)	34.2 (a) & 34.3 (a)	235 & 236	500,278	246,548	500,278	246,548
Unquoted shares (at cost)	34.2 (b) & 34.3 (b)	235 & 237	46,809	47,271	46,685	47,147
Investment in unit trust	34.4 & 34.5	237 & 238	–	156,460	–	156,460
Total			154,913,643	160,092,522	154,714,132	160,023,471

There were no impairment losses on Financial Investments – Available for Sale as at December 31, 2017 (2016 – Nil).

The maturity analysis of Financial Investments – Available for Sale is given in Note 62 on pages 289 and 290.

34.1 Government securities

34.1 (a) Government securities – Sri Lanka

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury bills	15,367,792	17,827,210	15,168,405	17,758,283
Treasury bonds	136,195,443	138,993,358	136,195,443	138,993,358
Sri Lanka sovereign bonds	2,803,321	2,821,675	2,803,321	2,821,675
Subtotal	154,366,556	159,642,243	154,167,169	159,573,316

During 2016, the Sri Lankan operation of the Bank reclassified part of the Treasury Bonds and Sovereign Bonds portfolio amounting Rs. 34,646.318 Mn. (Face value Rs. 35,094.126 Mn.) classified as Available-for-sale (AFS) investments to the Held to maturity (HTM) category based on a detailed assessment of the actual intention and ability to hold to maturity. The said re-classification was effected after obtaining written approval from the Board of Directors and the Central Bank of Sri Lanka and this transfer also meets the requirement set out for reclassification under Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments: Recognition and Measurement”.

34.1 (b) Government securities – Bangladesh

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury Bills	–	–	–	–
Treasury Bonds	–	–	–	–
Subtotal	–	–	–	–

During 2016, Bangladesh operation of the Bank reclassified its total Available-for-sale (AFS) portfolio amounting to Rs. 9,556.057 Mn. (Face Value Rs. 8,521.690 Mn.) to Held-to-maturity (HTM) category, based on a detailed assessment and the actual intention and ability to hold to maturity.

34.1 (c) Reclassification out of available-for-sale investment securities

During 2016, Group reclassified part of available-for-sale investment securities to held-to-maturity category. The Group identified financial assets that would have met the definition of held to maturity (if they had not been designated as available-for-sale) for which at the date of reclassification it had the intention and ability to hold them until maturity.

The fair value of the reclassified available-for-sale investment securities was Rs. 44,202.375 Mn. which was considered to be the new amortised cost of the held-to-maturity portfolio at the date of reclassification.

The table below sets out the amounts actually recognised in profit or loss and OCI in respect of the financial assets reclassified out of available-for-sale investment securities.

	2017		2016	
	Profit or loss Rs. '000	OCI Rs. '000	Profit or loss Rs. '000	OCI Rs. '000
Available-for-sale investment securities reclassified to held to maturity				
Interest income	N/A	N/A	2,830,744	–
Net impairment loss on financial assets	N/A	N/A	–	–
Net change in fair value	N/A	N/A	–	–
Amount transferred from AFS reserve to profit or loss	N/A	N/A	–	243,331
Total	N/A	N/A	2,830,744	243,331

The table below sets out the amounts that would have been recognised, if the reclassification had not been made.

	2017		2016	
	Profit or loss Rs. '000	OCI Rs. '000	Profit or loss Rs. '000	OCI Rs. '000
Available-for-sale investment securities reclassified to held to maturity				
Interest income	N/A	N/A	2,830,744	–
Net impairment loss on financial assets	N/A	N/A	–	–
Net change in fair value	N/A	N/A	–	(844,209)
Total	N/A	N/A	2,830,744	(844,209)

The effective interest rates on reclassified available-for-sale investment securities that were held as at the reporting date ranged from 5.25% to 10.74%, with expected recoverable cash flows of Rs. 65,838.057 Mn.

34.2 (a) Equity securities – as at December 31, 2017

	GROUP				BANK			
	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Sector/type of securities								
Quoted shares:								
Bank, finance and insurance								
DFCC Bank PLC	3,496	122.80	429	155	3,496	122.80	429	155
Hatton National Bank PLC	11,950	249.00	2,976	315	11,950	249.00	2,976	315
Nations Trust Bank PLC	1,333	78.00	104	22	1,333	78.00	104	22
National Development Bank PLC	5,424	136.40	740	215	5,424	136.40	740	215
Sampath Bank PLC	4,600	315.70	1,452	72	4,600	315.70	1,452	72
Seylan Bank PLC	1,015	87.20	89	24	1,015	87.20	89	24
VISA Inc.	19,424	USD 114.02	340,182	–	19,424	USD 114.02	340,182	–
Subtotal			345,972	803			345,972	803
Land and property								
RIL Property PLC	19,596,200	7.20	141,093	156,770	19,596,200	7.20	141,093	156,770
Subtotal			141,093	156,770			141,093	156,770
Manufacturing								
Alumex PLC	714,200	18.50	13,213	9,999	714,200	18.50	13,213	9,999
Subtotal			13,213	9,999			13,213	9,999
Total			500,278	167,572			500,278	167,572

34.2 (b) Equity securities – as at December 31, 2017

	GROUP				BANK			
	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Sector/type of securities								
Unquoted shares:								
Bank, finance and insurance								
Central Depository of Bangladesh Limited	3,427,083	BDT2.75	17,491	17,491	3,427,083	BDT2.75	17,491	17,491
Credit Information Bureau of Sri Lanka	5,637	100.00	564	564	4,400	100.00	440	440
Fitch Ratings Lanka Limited	62,500	10.00	625	625	62,500	10.00	625	625
LankaClear (Pvt) Limited	1,000,000	10.00	10,000	10,000	1,000,000	10.00	10,000	10,000
Lanka Financial Services Bureau Limited	225,000	10.00	2,250	2,250	225,000	10.00	2,250	2,250
Lanka Ratings Agency Limited	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 841.90	7,259	7,259	47	EUR 841.90	7,259	7,259
Total			46,809	46,809			46,685	46,685

34.2 (c) Sector/industry composition of the equity securities – as at December 31, 2017

	GROUP		BANK	
	Market value Rs. '000	Cost of investment Rs. '000	Market value Rs. '000	Cost of investment Rs. '000
Sector/industry				
Bank, finance and insurance	392,781	47,612	392,657	47,488
Land and property	141,093	156,770	141,093	156,770
Manufacturing	13,213	9,999	13,213	9,999
Total	547,087	214,381	546,963	214,257

34.3 (a) Equity securities – as at December 31, 2016

	GROUP				BANK			
	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Sector/type of securities								
Quoted shares:								
Bank, finance and insurance								
DFCC Bank PLC	3,496	122.50	428	155	3,496	122.50	428	155
Hatton National Bank PLC	11,950	225.00	2,689	315	11,950	225.00	2,689	315
Nations Trust Bank PLC	1,333	80.90	108	22	1,333	80.90	108	22
National Development Bank PLC	5,424	156.00	846	215	5,424	156.00	846	215
Sampath Bank PLC	3,914	260.40	1,019	72	3,914	260.40	1,019	72
Seylan Bank PLC	1,015	90.00	91	24	1,015	90.00	91	24
VISA Inc.	19,424	USD 78.02	226,940	–	19,424	USD 78.02	226,940	–
Subtotal			232,121	803			232,121	803
Manufacturing								
Alumex PLC	714,200	20.20	14,427	9,999	714,200	20.20	14,427	9,999
Subtotal			14,427	9,999			14,427	9,999
Total			246,548	10,802			246,548	10,802

34.3 (b) Equity securities – as at December 31, 2016

	GROUP				BANK			
	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	No. of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Sector/type of securities								
Unquoted shares:								
Bank, finance and insurance								
Central Depository of Bangladesh Limited	3,427,083	BDT2.75	17,953	17,953	3,427,083	BDT2.75	17,953	17,953
Credit Information Bureau of Sri Lanka	5,637	100.00	564	564	4,400	100.00	440	440
Fitch Ratings Lanka Limited	62,500	10.00	625	625	62,500	10.00	625	625
LankaClear (Pvt) Limited	1,000,000	10.00	10,000	10,000	1,000,000	10.00	10,000	10,000
Lanka Financial Services Bureau Limited	225,000	10.00	2,250	2,250	225,000	10.00	2,250	2,250
Lanka Ratings Agency Limited	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 978.01	7,259	7,259	47	EUR 978.01	7,259	7,259
Total			47,271	47,271			47,147	47,147

34.3 (c) Sector/industry composition of the equity securities – as at December 31, 2016

	GROUP		BANK	
	Market value Rs. '000	Cost of investment Rs. '000	Market value Rs. '000	Cost of investment Rs. '000
Sector/industry				
Bank, finance and insurance	279,392	48,074	279,268	47,950
Manufacturing	14,427	9,999	14,427	9,999
Total	293,819	58,073	293,695	57,949

34.4 Investment in unit trust – as at December 31, 2017

	GROUP		BANK	
	Market value Rs. '000	Cost of investment Rs. '000	Market value Rs. '000	Cost of investment Rs. '000
Sector/industry				
Bank, finance and insurance				
Capital Alliance Investment Limited	-	-	-	-
Total	-	-	-	-

34.5 Investment in unit trust – as at December 31, 2016

	GROUP		BANK	
	Market value	Cost of investment	Market value	Cost of investment
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sector/industry				
Bank, finance and insurance				
Capital Alliance Investment Limited	156,460	153,849	156,460	153,849
Total	156,460	153,849	156,460	153,849

35. Financial Investments – Held to Maturity

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, that the Group has the positive intention and ability to hold to maturity, and which are not designated as at Fair value through profit or loss or Available-for-sale. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment of such investments are recognised in 'Impairment charges for loans and other losses' in the Income Statement.

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Government Securities – Sri Lanka	53,555,302	50,980,717	53,555,302	50,980,717
Treasury bonds	38,675,911	36,599,599	38,675,911	36,599,599
Sri Lanka Sovereign Bonds	14,879,391	14,381,118	14,879,391	14,381,118
Government Securities – Bangladesh	10,007,450	10,000,581	10,007,450	10,000,581
Treasury bills	1,197,755	1,524,677	1,197,755	1,524,677
Treasury bonds	8,809,695	8,475,904	8,809,695	8,475,904
Government Securities – Maldives	5,803,044	2,645,300	–	–
Treasury bills	5,803,044	2,645,300	–	–
Total	69,365,796	63,626,598	63,562,752	60,981,298

Please refer Notes 34.1 (a), 34.1 (b) and 34.1 (c) on page 233 for the details of re-classification to Held-to-maturity (HTM) investments from Available-for-sale (AFS) category effected during 2016.

The maturity analysis of financial investments – Held to maturity is given in Note 62 on pages 289 and 290.

36. Financial Investments – Loans and Receivables

Financial investments classified as loans and receivables include unquoted debt instruments. After initial measurement, these are subsequently measured at amortised cost using the EIR, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest Income” while the losses arising from impairment are recognised in “Impairment charges for loans and other losses” in the Income Statement.

As at December 31,	Note	Page No.	GROUP		BANK	
			2017	2016	2017	2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investments in Government securities	36.1	239	40,566,702	40,076,392	40,566,702	40,076,392
Other investments	36.2	239	8,145,775	11,747,634	8,145,775	11,747,634
Total			48,712,477	51,824,026	48,712,477	51,824,026

36.1 Investments in government securities

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka Development Bonds	40,566,702	40,076,392	40,566,702	40,076,392
Total	40,566,702	40,076,392	40,566,702	40,076,392

36.2 Other investments

As at December 31,	Note	Page No.	GROUP		BANK	
			2017	2016	2017	2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Debentures	36.2.1	240	8,045,593	11,236,208	8,045,593	11,236,208
Trust certificates	36.2.2	240	98,087	511,208	98,087	511,208
Corporate investments in Bangladesh	36.2.3	241	2,095	218	2,095	218
Total			8,145,775	11,747,634	8,145,775	11,747,634

The maturity analysis of financial investments – Loans and receivables is given in Note 62 on pages 289 and 290.

36.2.1 Debentures

As at December 31,	GROUP				BANK			
	2017		2016		2017		2016	
	No. of debentures	Carrying value	No. of debentures	Carrying value	No. of debentures	Carrying value	No. of debentures	Carrying value
	Rs. '000		Rs. '000		Rs. '000		Rs. '000	
Central Finance Company PLC	2,084,400	300,475	2,349,400	391,976	2,084,400	300,475	2,349,400	391,976
Commercial Leasing and Finance PLC	10,000,000	1,097,500	10,000,000	1,097,767	10,000,000	1,097,500	10,000,000	1,097,767
Dunamis Capital PLC	500,000	50,403	500,000	50,403	500,000	50,403	500,000	50,403
Hayleys PLC	10,878,400	1,114,983	10,878,400	1,114,983	10,878,400	1,114,983	10,878,400	1,114,983
Hemas Holdings PLC	525,900	54,048	525,900	54,048	525,900	54,048	525,900	54,048
Lanka ORIX Leasing Company PLC	20,000,000	2,045,370	20,000,000	2,045,370	20,000,000	2,045,370	20,000,000	2,045,370
Lion Brewery (Ceylon) PLC	200,000	206,286	400,000	413,177	200,000	206,286	400,000	413,177
Mercantile Investments and Finance PLC	418,650	42,551	418,650	42,551	418,650	42,551	418,650	42,551
MTD Walkers PLC	3,000,000	307,373	3,000,000	307,373	3,000,000	307,373	3,000,000	307,373
Nawaloka Hospitals PLC	2,290,000	237,167	2,290,000	237,167	2,290,000	237,167	2,290,000	237,167
Orient Finance PLC	1,968,800	197,173	1,968,800	197,173	1,968,800	197,173	1,968,800	197,173
People's Leasing & Finance PLC	328,800	36,045	6,924,200	751,180	328,800	36,045	6,924,200	751,180
Richard Pieris and Company PLC	5,353,500	550,326	6,763,400	695,136	5,353,500	550,326	6,763,400	695,136
Singer (Sri Lanka) PLC	9,598,100	997,423	9,598,100	998,155	9,598,100	997,423	9,598,100	998,155
Singer Finance (Lanka) PLC	4,435,230	478,005	5,914,610	631,335	4,435,230	478,005	5,914,610	631,335
Softlogic Finance PLC	3,223,400	330,465	3,223,400	330,465	3,223,400	330,465	3,223,400	330,465
DFCC Bank PLC	-	-	18,000,000	1,857,008	-	-	18,000,000	1,857,008
Senkadagala Finance PLC	-	-	200,684	20,941	-	-	200,684	20,941
Subtotal		8,045,593		11,236,208		8,045,593		11,236,208

The above debentures are stated at amortised cost and classified under Financial Investments – Loans and Receivables due to the absence of an active market.

36.2.2 Trust certificates

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Carrying value	Carrying value	Carrying value	Carrying value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
People's Leasing Company PLC	48,111	213,303	48,111	213,303
Richard Pieris Arpico Finance Limited	49,976	117,712	49,976	117,712
Assetline Leasing Company Limited	-	141,699	-	141,699
Mercantile Investments & Finance PLC	-	38,494	-	38,494
Subtotal	98,087	511,208	98,087	511,208

36.2.3 Corporate investments in Bangladesh

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Carrying value	Carrying value	Carrying value	Carrying value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Price bonds	2,095	218	2,095	218
Sub total	2,095	218	2,095	218

37. Investments in Subsidiaries

Subsidiaries are investees controlled by the Group. The Group “controls” an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Bank continues to recognise the investments in Subsidiaries at cost.

The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of all Subsidiaries in the Group have a common financial year which ends on December 31, except for the Serendib Finance Ltd., a licensed finance company, whose financial year ends on March 31. The Financial Statements of the Bank’s Subsidiaries are prepared using consistent accounting policies.

The reason for using a different reporting date by the aforesaid subsidiary is due to the requirement imposed by the Central Bank of Sri Lanka for licensed finance companies to publish their key financial data and key performance indicators for a 12-month period ending March 31 and 6 month period ending September 30, every year, in accordance with a format prescribed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

There are no significant restrictions on the ability of Subsidiaries to transfer funds to the Parent (the Bank) in the form of cash dividend or repayment of loans and advances.

All Subsidiaries of the Bank have been incorporated in Sri Lanka except Commex Sri Lanka S.R.L. which was incorporated in Italy, Commercial Bank of Maldives Private Limited which was incorporated in the Republic of Maldives and CBC Myanmar Microfinance Company Limited which was incorporated in Myanmar.

As at December 31,	Note	Page No.	Holding %	GROUP				BANK			
				2017		2016		2017		2016	
				Cost	Market value/ Directors' valuation	Cost	Market value/ Directors' valuation	Cost	Market value/ Directors' valuation	Cost	Market value/ Directors' valuation
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Local subsidiaries:											
Quoted:											
Commercial Development Company PLC			92.97*	-	-	-	-	269,821	780,963	272,363	845,755
(11,156,619 Ordinary shares)								(@ Rs. 70.00)		(@ Rs. 75.10)	
(11,261,717 Ordinary shares as at December 31, 2016)			(93.85 in 2016)								
Unquoted:											
ONEzero Company Limited			100	-	-	-	-	5,000	5,000	5,000	5,000
(500,001 Ordinary shares)								(@ Rs. 10.00)		(@ Rs. 10.00)	
(500,001 Ordinary shares as at December 31, 2016)											
Unquoted:											
Serendib Finance Limited			100	-	-	-	-	1,616,046	1,616,046	1,116,046	1,116,046
(53,352,686 Ordinary shares)											
(30,728,252 Ordinary shares as at December 31, 2016)											
Foreign subsidiaries:											
Unquoted:											
Commex – Sri Lanka S.R.L. (incorporated in Italy) (**)			100	-	-	-	-	112,400	69,622	193,080	27,140
(300,000 Ordinary shares)											
(300,000 Ordinary shares as at December 31, 2016)											
Commercial Bank of Maldives Private Limited			55	-	-	-	-	1,040,934	1,040,934	1,014,843	1,014,843
(104,500 Ordinary shares)											
(104,500 Ordinary shares as at December 31, 2016)											
CBC Myanmar Microfinance Co. Limited (***)			100	-	-	-	-	64,512	64,512	-	-
(420,000 Ordinary shares)											
Gross Total				-	-	-	-	3,108,713	3,577,077	2,601,332	3,008,784
Provision for impairment	37.1	243						(42,778)	-	(165,940)	-
Net Total				-	-	-	-	3,065,935	3,577,077	2,435,392	3,008,784

(*) During 2015, the Board of Directors of the Bank resolved to reduce the shareholding of Commercial Development Company PLC, (in which the Bank originally had a stake of 94.55%) to comply with the requirements of the Listing Rule No. 7.13 of the Colombo Stock Exchange on Minimum Public Holding. Accordingly, the Bank disposed 189,086 shares since November 2015 through the Colombo Stock Exchange and reduced the shareholding in the above Company to 92.97% by December 31, 2017 and is in the process of taking steps to dispose the required number of shares to adhere to the requirements of the Listing Rules.

Consequent to the above disposal, ownership interests of the Bank has changed while retaining control. As per SLFRS 10 on "Consolidated Financial Statements", changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control are equity transactions and hence, the resulting gain/loss is recognised in equity.

(**) The investment made in Commex Sri Lanka S.R.L. – Italy has been written down to account for pre-operational expenses.

(***) The CBC Myanmar Microfinance Company Limited was incorporated as a fully owned subsidiary in Myanmar. The Bank obtained a licence from the Myanmar Microfinance Supervisory Enterprise to operate a non-savings deposit organisation.

37.1 Movement in provision for impairment o/a subsidiaries during the year

As at December 31,	Note	Page No.	GROUP		BANK	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance as at January 1,			-	-	165,940	150,590
Charge/(write back) to the Income Statement	18	201	-	-	(42,484)	15,350
Pre-operational expenses written-off o/a Commex Sri Lanka S.R.L. – Italy				-	(80,678)	-
Balance as at December 31,			-	-	42,778	165,940

38. Investments in Associates

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standard – LKAS 28 on “Investments in Associates and Joint Ventures”. The Group’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group’s share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the Accounting Policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Accordingly, under the Equity Method, investments in Associates are carried at cost plus post-acquisition changes in the Group’s share of net assets of the Associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement reflects the Group’s share of the results of operations of the Associates. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the Associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the Associate are eliminated to the extent of the interest in Associate.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the Associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an Associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments: Recognition and Measurement”.

Upon loss of significant influence over the Associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the Equity Method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its Associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value, and recognises the loss as “Share of profits of associates” in the Income Statement.

As at December 31,	Incorporation and operation	Ownership interest %	No. of shares	2017		2016	
				Cost Rs. '000	Carrying value Rs. '000	Cost Rs. '000	Carrying value Rs. '000
Equity Investments Lanka Limited	Sri Lanka	22.92	4,110,938	44,331	66,528	44,331	68,621
Commercial Insurance Brokers (Pvt) Limited	Sri Lanka	18.59 *	120,000	100	43,316	100	40,238
				44,431	109,844	44,431	108,859

(*) 20% stake of Commercial Insurance Brokers (Pvt) Limited is held by Commercial Development Company PLC, a 92.97% owned Subsidiary of the Bank, which is listed on the Colombo Stock Exchange. The Bank has a significant influence over financial and operating activities of Commercial Insurance Brokers (Pvt) Limited though it effectively holds only 18.59%.

38.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in Associates recognised in the Consolidated Financial Statements is as follows:

	2017			2016		
	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.	Total	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost of investments	44,331	100	44,431	44,331	100	44,431
Add: Share of profit applicable to the Group						-
Investment in associate – as at January 1,	24,290	40,138	64,428	23,043	37,030	60,073
Total comprehensive income	2,018	5,186	7,204	5,358	4,903	10,261
Profit/(loss) for the period recognised in income statement, net of tax	(1,539)	5,217	3,678	1,645	4,809	6,454
Profit or loss and other comprehensive income, net of tax	3,557	(31)	3,526	3,713	94	3,807
Movement due to change in equity	-	(419)	(419)	-	(98)	(98)
Transactions which are recorded directly in equity	-	-	-	-	-	-
Dividend received	(4,111)	(1,689)	(5,800)	(4,111)	(1,697)	(5,808)
Balance as at December 31,	66,528	43,316	109,844	68,621	40,238	108,859

38.2 Summarised financial information in respect of associates is set out below:

38.2 (a) Summarised income statement

<i>For the year ended December 31,</i>	2017			2016		
	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.	Total	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Percentage ownership interest						
Revenue	21,048	274,885	295,015	28,000	252,335	280,335
Expenses	(27,159)	(230,556)	(257,715)	(21,602)	(214,731)	(236,333)
Income tax	(605)	(15,618)	(16,223)	783	(12,090)	(11,307)
Profit from continuing operations, net of tax	(6,716)	28,711	21,077	7,181	25,514	32,695
Group's share of profit from continuing operations, net of tax	(1,539)	5,217	3,678	1,645	4,809	6,454
Other comprehensive income, net of tax	15,519	(166)	15,353	16,201	499	16,700
Group's share of other comprehensive income from continuing operations, net of tax	3,557	(31)	3,526	3,713	94	3,807
Share of results of equity-accounted investee recognised in Income Statement and Statement of Profit or Loss and Other Comprehensive Income	2,018	5,186	7,204	5,358	4,903	10,261

38.2 (b) Summarised statement of financial position

As at December 31,	2017		2016	
	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.	Equity Investments Lanka Ltd.	Commercial Insurance Brokers (Pvt) Ltd.
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Percentage ownership interest				
Non-current assets	202,474	138,530	194,144	143,515
Current assets	97,902	165,034	114,197	152,333
Non-current liabilities	(1,448)	(23,485)	(5,975)	(22,366)
Current liabilities	(8,672)	(47,072)	(2,974)	(60,020)
Net assets	290,256	233,007	299,392	213,462
Group's share of net assets	66,528	43,316	68,621	40,238
Less: Unrealised profits	-	-	-	-
Carrying amount of interest in associates	66,528	43,316	68,621	40,238

The Group recognises the share of net assets of the Associates under the Equity Method to arrive at the Directors' valuation.

The maturity analysis of Investments of Associates is given in Note 62 on pages 289 and 290.

39. Property, Plant and Equipment

The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on “Property, Plant and Equipment” in accounting for its owned assets (including buildings under operating leases where the Group is the lessor) which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing) as explained in Note below. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

- **Cost Model**

The Group applies the Cost Model to all property, plant and equipment except freehold land and freehold & leasehold buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

- **Revaluation Model**

The Group applies the Revaluation Model for the entire class of freehold land and freehold & leasehold buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Group are revalued by independent professional valuers every three years or more frequently if the fair values as are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to Revaluation Reserve in equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

The Group revalued all its freehold land and freehold and leasehold buildings as at December 31, 2017. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in Note 39.5 (b) and Note 39.5 (c).

Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in "Other Income (Net)" in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on "Property, Plant and Equipment".

Capital work-in-progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management (i.e. available for use).

39.1 Group – 2017

	Note	Page No.	Freehold land	Freehold buildings	Leasehold buildings	Computer equipment	Motor vehicles	Office equipment, furniture and fixtures	Capital work-in-progress	Total 2017	Total 2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs.'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation											
Balance as at January 1,			4,914,283	3,014,202	1,083,368	4,265,073	349,833	5,190,415	43,957	18,861,131	17,730,795
Additions/transfers during the year			306,932	74,797	71,292	798,192	22,107	752,372	138,041	2,163,733	1,501,070
Transfer of accumulated depreciation on assets revalued			-	(282,656)	(74,247)	-	-	-	-	(356,903)	-
Surplus on revaluation of property			2,175,514	1,418,299	252,168	-	-	-	-	3,845,981	-
Disposals during the year			(34,000)	(21,263)	-	(76,893)	(17,230)	(130,437)	(4,558)	(284,381)	(390,405)
Exchange rate variance			-	-	-	(3,153)	(1,376)	(6,838)	-	(11,367)	19,671
Transfers/adjustments			-	(5,351)	(477)	-	-	5,828	-	-	-
Balance as at December 31,			7,362,729	4,198,028	1,332,104	4,983,219	353,334	5,811,340	177,440	24,218,194	18,861,131
Accumulated depreciation and impairment losses											
Balance as at January 1,			-	185,414	92,183	3,121,246	229,322	3,663,300	-	7,291,465	6,549,362
Charge for the year	20	203	-	101,848	32,513	459,910	42,892	548,535	-	1,185,698	1,093,088
Impairment loss			-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	(282,656)	(74,247)	-	-	-	-	(356,903)	-
Disposals during the year			-	(2,850)	-	(72,861)	(17,230)	(114,634)	-	(207,575)	(368,632)
Exchange rate variance			-	-	-	(3,203)	(1,376)	(6,956)	-	(11,535)	17,647
Transfers/adjustments			-	(55)	(2)	1,109	-	(1,052)	-	-	-
Balance as at December 31,			-	1,701	50,447	3,506,201	253,608	4,089,193	-	7,901,150	7,291,465
Net book value as at December 31, 2017			7,362,729	4,196,327	1,281,657	1,477,018	99,726	1,722,147	177,440	16,317,044	
Net book value as at December 31, 2016			4,914,283	2,828,788	991,185	1,143,827	120,511	1,527,115	43,957		11,569,666

39.2 Group – 2016

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Total 2016 Rs. '000	Total 2015 Rs. '000
Cost/valuation											
Balance as at January 1,			4,924,702	2,635,938	1,080,861	3,880,784	335,180	4,514,891	358,439	17,730,795	16,810,952
Additions/transfers during the year			-	379,169	2,507	643,084	44,457	746,335	(314,482)	1,501,070	1,086,405
Transfer of accumulated depreciation on assets revalued			-	-	-	-	-	-	-	-	-
Surplus on revaluation of property			-	-	-	-	-	-	-	-	-
Disposals during the year			(10,419)	(905)	-	(275,233)	(31,768)	(72,080)	-	(390,405)	(209,304)
Exchange rate variance			-	-	-	4,772	1,964	12,935	-	19,671	42,742
Transfers/adjustments			-	-	-	11,666	-	(11,666)	-	-	-
Balance as at December 31,			4,914,283	3,014,202	1,083,368	4,265,073	349,833	5,190,415	43,957	18,861,131	17,730,795
Accumulated depreciation and impairment losses											
Balance as at January 1,			-	91,285	62,296	2,973,701	217,350	3,204,730	-	6,549,362	5,676,091
Charge for the year	20	203	-	94,171	29,887	413,528	40,519	514,983	-	1,093,088	1,024,162
Impairment loss			-	-	-	-	-	-	-	-	-
Disposals during the year			-	(42)	-	(271,541)	(30,511)	(66,538)	-	(368,632)	(187,573)
Exchange rate variance			-	-	-	4,351	1,964	11,332	-	17,647	36,682
Transfers/adjustments			-	-	-	1,207	-	(1,207)	-	-	-
Balance as at December 31,			-	185,414	92,183	3,121,246	229,322	3,663,300	-	7,291,465	6,549,362
Net book value as at December 31, 2016			4,914,283	2,828,788	991,185	1,143,827	120,511	1,527,115	43,957	11,569,666	
Net book value as at December 31, 2015			4,924,702	2,544,653	1,018,565	907,083	117,830	1,310,161	358,439		11,181,433

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year 2017 (2016 – Nil).

The carrying amount of Group's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2017			2016		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Freehold land	951,487	-	951,487	742,730	-	742,730
Freehold buildings	1,602,138	407,082	1,195,056	1,544,666	357,334	1,187,332
Leasehold buildings	421,815	286,829	134,986	350,867	165,344	185,523
Total	2,975,440	693,911	2,281,529	2,638,263	522,678	2,115,585

39.3 Bank – 2017

	Note	Page No.	Freehold land	Freehold buildings	Leasehold buildings	Computer equipment	Motor vehicles	Office equipment, furniture and fixtures	Capital work-in-progress	Total 2017	Total 2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation											
Balance as at January 1,			4,797,273	2,912,283	192,473	4,226,605	123,882	5,082,194	39,971	17,374,681	16,343,864
Additions/transfers during the year			229,349	74,797	106	791,165	2,347	723,270	138,041	1,959,075	1,369,729
Transfer of accumulated depreciation on assets revalued			-	(277,190)	-	-	-	-	-	(277,190)	-
Surplus on revaluation of property			2,151,512	1,390,702	-	-	-	-	-	3,542,214	-
Disposals during the year			(34,000)	(21,263)	-	(76,284)	-	(110,311)	(4,558)	(246,416)	(358,526)
Exchange rate variance			-	-	-	(3,645)	(1,376)	(9,121)	-	(14,142)	19,614
Transfers/adjustments			-	(5,351)	(477)	-	-	5,828	-	-	-
Balance as at December 31,			7,144,134	4,073,978	192,102	4,937,841	124,853	5,691,860	173,454	22,338,222	17,374,681
Accumulated depreciation and impairment losses											
Balance as at January 1,			-	180,665	44,659	3,108,029	107,331	3,626,172	-	7,066,856	6,374,879
Charge for the year	20	203	-	99,430	5,788	453,049	8,268	530,561	-	1,097,096	1,022,648
Impairment loss			-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued			-	(277,190)	-	-	-	-	-	(277,190)	-
Disposals during the year			-	(2,850)	-	(72,281)	-	(94,859)	-	(169,990)	(348,273)
Exchange rate variance			-	-	-	(3,270)	(1,376)	(8,614)	-	(13,260)	17,602
Transfers/adjustments			-	(55)	(2)	1,109	-	(1,052)	-	-	-
Balance as at December 31,			-	-	50,445	3,486,636	114,223	4,052,208	-	7,703,512	7,066,856
Net book value as at December 31, 2017			7,144,134	4,073,978	141,657	1,451,205	10,630	1,639,652	173,454	14,634,710	
Net book value as at December 31, 2016			4,797,273	2,731,618	147,814	1,118,576	16,551	1,456,022	39,971		10,307,825

39.4 Bank – 2016

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment – furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Total 2016 Rs. '000	Total 2015 Rs. '000
Cost/valuation											
Balance as at January 1,			4,797,273	2,534,238	189,966	3,864,859	127,798	4,475,277	354,453	16,343,864	15,493,095
Additions/transfers during the year			–	378,045	2,507	620,541	6,177	676,941	(314,482)	1,369,729	986,735
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	–
Surplus on revaluation of property			–	–	–	–	–	–	–	–	–
Disposals during the year			–	–	–	(275,233)	(12,057)	(71,236)	–	(358,526)	(177,835)
Exchange rate variance			–	–	–	4,772	1,964	12,878	–	19,614	41,869
Transfers/adjustments			–	–	–	11,666	–	(11,666)	–	–	–
Balance as at December 31,			4,797,273	2,912,283	192,473	4,226,605	123,882	5,082,194	39,971	17,374,681	16,343,864
Accumulated depreciation and impairment losses											
Balance as at January 1,			–	88,587	38,850	2,964,201	106,732	3,176,509	–	6,374,879	5,540,004
Charge for the year	20	203	–	92,078	5,809	409,811	9,485	505,465	–	1,022,648	961,492
Impairment loss			–	–	–	–	–	–	–	–	–
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	–
Disposals during the year			–	–	–	(271,541)	(10,850)	(65,882)	–	(348,273)	(162,124)
Exchange rate variance			–	–	–	4,351	1,964	11,287	–	17,602	35,507
Transfers/adjustments			–	–	–	1,207	–	(1,207)	–	–	–
Balance as at December 31,			–	180,665	44,659	3,108,029	107,331	3,626,172	–	7,066,856	6,374,879
Net book value as at December 31, 2016			4,797,273	2,731,618	147,814	1,118,576	16,551	1,456,022	39,971	10,307,825	
Net book value as at December 31, 2015			4,797,273	2,445,651	151,116	900,658	21,066	1,298,768	354,453		9,968,985

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year 2017 (2016 – Nil).

The carrying amount of Bank's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2017			2016		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Freehold land	869,744	–	869,744	660,987	–	660,987
Freehold buildings	1,542,173	399,003	1,143,170	1,484,701	350,755	1,133,946
Leasehold buildings	190,203	55,217	134,986	190,574	50,471	140,103
Total	2,602,120	454,220	2,147,900	2,336,262	401,226	1,935,036

The maturity analysis of property, plant and equipment is given in Note 62 on pages 289 and 290.

39.5 (a) Information on freehold land and buildings of the bank – Extents and locations

[As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of the Colombo Stock Exchange]

Location	Extent (perches)	Buildings (square feet)	Revalued amounts land Rs. '000	Revalued amounts buildings Rs. '000	Net book value/ revalued Rs. '000	Net book value before revaluation Rs. '000
CEO's Bungalow – No. 27, Queens Road, Colombo 3	64	5,616	961,000	39,000	1,000,000	550,910
Holiday Bungalow – Bandarawela, Ambatenne Estate, Bandarawela	423	5,649	72,100	17,000	89,100	66,613
Holiday Bungalow – Haputale, No. 23, Lilly Avenue, Welimada Road, Haputale	258	5,662	41,200	21,300	62,500	43,650
Branch Buildings						
Battaramulla – No. 213, Kaduwela Road, Battaramulla	14	11,216	52,500	99,000	151,500	126,769
Battaramulla – No. 213, Kaduwela Road, Battaramulla	13	Bare Land	50,000	–	50,000	50,000
Borella – No. 92, D S Senanayake Mawatha, Borella, Colombo 8	16	16,880	196,000	216,000	412,000	333,711
Chilaw – No. 44, Colombo Road, Chilaw	35	9,420	91,754	42,390	134,144	98,672
Duplication Road – Nos. 405, 407, R A De Mel Mawatha, Colombo 03	20	4,194	220,400	10,000	230,400	231,814
Galewela – No. 49/57, Matale Road, Galewela	99	5,632	29,700	16,300	46,000	36,358
Galle City – No. 59, Wackwella Road, Galle	7	3,675	54,000	9,150	63,150	47,850
Galle Fort – No. 22, Church Street, Fort, Galle	100	11,625	255,650	45,000	300,650	247,000
Gampaha – No. 51, Queen Mary's Road, Gampaha	33	4,775	74,025	11,595	85,620	67,208
Hikkaduwa – No. 217, Galle Road, Hikkaduwa	37	7,518	35,670	27,780	63,450	49,184
Ja-Ela – No. 140, Negombo Road, Ja-Ela	13	7,468	33,000	26,000	59,000	48,091
Jaffna – No. 474, Hospital Road, Jaffna	78	Bare Land	1,000,000	–	1,000,000	581,000
Kandy – No. 120, Kotugodella Veediya, Kandy	45	44,500	396,000	256,600	652,600	560,250
Kegalle – No. 186, Main Street, Kegalle	85	2,650	156,700	7,200	163,900	134,250
Keyzer Street – No. 32, Keyzer Street, Colombo 11	7	6,100	82,000	24,000	106,000	80,050
Kollupitiya – No. 285, Galle Road, Colombo 3	17	16,254	225,000	68,000	293,000	173,036
Kotahena – No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	28	26,722	197,000	210,000	407,000	331,845
Kurunegala – No. 4, Suratissa Mawatha, Kurunegala	50	10,096	236,800	43,200	280,000	231,399
Maharagama – No. 154, High Level Road, Maharagama	18	8,440	93,000	47,000	140,000	82,619
Matale – No. 70, King Street, Matale	51	8,596	125,000	61,000	186,000	130,000
Matara – No. 18, Station Road, Matara	38	8,137	60,080	28,770	88,850	73,990
Minuwangoda – No. 9, Siriwardena Mawatha, Minuwangoda	25	5,550	56,250	17,483	73,733	47,541
Narahenpita – No. 201, Kirula Road, Narahenpita, Colombo 5	22	11,193	176,000	104,000	280,000	210,604
Narammala – No. 55, Negombo Road, Narammala	41	5,353	61,605	19,910	81,515	69,094
Negombo – Nos. 24, 26, Fernando Avenue, Negombo	37	11,360	136,000	36,000	172,000	100,280
Nugegoda – No. 100, Stanley Thilakarathne Mawatha, Nugegoda	39	11,150	150,000	60,000	210,000	193,925
Nuwara Eliya – No. 36/3, Buddha Jayanthi Mawatha, Nuwara Eliya	42	10,184	124,800	74,400	199,200	147,243
Panadura – No. 375, Galle Road, Panadura	12	6,168	36,900	42,400	79,300	64,828
Pettah – People's Park Shopping Complex, Colombo 11	–	3,147	–	67,000	67,000	50,091
Pettah – Stores – People's Park Shopping Complex, Colombo 11	–	225	–	5,500	5,500	4,145
Pettah – Main Street – No. 280, Main Street, Pettah, Colombo 11	20	22,760	360,000	190,000	550,000	419,041
Trincomalee – No. 474, Power House Road, Trincomalee	100	Bare Land	100,000	–	100,000	90,300
Union Place – No. 1, Union Place, Colombo 2	30	63,385	500,000	1,000,000	1,500,000	1,119,643
Wellawatte – No. 343, Galle Road, Colombo 6	45	51,225	650,000	1,100,000	1,750,000	715,791
Wennappuwa – Nos. 262, 264, Colombo Road, Wennappuwa	36	9,226	54,000	31,000	85,000	67,103
Total			7,144,134	4,073,978	11,218,112	7,675,898

39.5 (b) Information on valuation of freehold land and buildings of the Bank

[As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of the Colombo Stock Exchange and the SLFRS 13 – “Fair Value Measurement”].

Date of Valuation: December 31, 2017

Name of professional valuer/ location and address of property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
H M N Herath								
Chilaw No. 44, Colombo Road, Chilaw	Market comparable method		63,522	35,150	91,754	42,390	28,232	7,240
	• Price per perch for land	Rs. 2,600,000 p.p.						
	• Price per square foot for building	Rs. 5,000 p.sq.ft.						
	• Depreciation rate	10%						
Gampaha No. 51, Queen Mary's Road, Gampaha	Market comparable method		57,575	9,633	74,025	11,595	16,450	1,962
	• Price per perch for land	Rs. 2,250,000 p.p.						
	• Price per square foot for building	Rs. 4,500 p.sq.ft.						
	• Depreciation rate	45%						
Minuwangoda No. 9, Siriwardena Mawatha, Minuwangoda	Market comparable method		31,250	16,291	56,250	17,483	25,000	1,192
	• Price per perch for land	Rs. 2,250,000 p.p.						
	• Price per square foot for building	Rs. 4,500 p.sq.ft.						
	• Depreciation rate	30%						
P B Kalugalagedara								
Keyzer Street No. 32, Keyzer Street, Colombo 11	Market comparable method		56,000	24,050	82,000	24,000	26,000	(50)
	• Price per perch for land	Rs. 11,000,000 p.p.						
	• Price per square foot for building	Rs. 500 to Rs. 6,000 p.sq.ft.						
Kollupitiya No. 285, Galle Road, Colombo 3	Market comparable method		115,000	58,036	225,000	68,000	110,000	9,964
	• Price per perch for land	Rs. 15,000,000 p.p.						
	• Price per square foot for building	Rs. 1,250 to Rs. 5,000 p.sq.ft.						
Kotahena No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	Investment method		140,000	191,845	197,000	210,000	57,000	18,155
	• Gross monthly rental	Rs. 2,800,000 p.m.						
	• Years purchase (present value of one unit per period)	18.18						
	• Void period	4 months p.a.						
Mr R S Wijesuriya								
Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		52,500	74,269	52,500	99,000	-	24,731
	• Price per perch for land	Rs. 3,750,000 p.p.						
	• Price per square foot for building	Rs. 8,500 p.sq.ft.						
Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		50,000	-	50,000	-	-	-
	• Price per perch for land	Rs. 3,750,000 p.p.						
Panadura No. 375, Galle Road, Panadura	Market comparable method		30,750	34,078	36,900	42,400	6,150	8,322
	• Price per perch for land	Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 6,500 p.sq.ft.						

Name of professional valuer/ location and address of property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sarath G Fernando								
Holiday Bungalow – Bandarawela Ambatenne Estate, Bandarawela	Market comparable method		56,700	9,913	72,100	17,000	15,400	7,087
	• Price per perch for land	Rs. 75,000 to Rs. 250,000 p.p.						
	• Price per square foot for building	Rs. 4,250 to Rs. 4,750 p.sq.ft.						
	• Depreciation rate	35%						
Holiday Bungalow – Haputale No. 23, Lilly Avenue, Welimada Road, Haputale	Market comparable method		30,900	12,750	41,200	21,300	10,300	8,550
	• Price per perch for land	Rs. 200,000 p.p.						
	• Price per square foot for building	Rs. 3,500 to Rs. 6,500 p.sq.ft.						
	• Depreciation rate	40%						
Kandy No. 120, Kotugodella Veediya, Kandy	Market comparable method		354,000	206,250	396,000	256,600	42,000	50,350
	• Price per perch for land	Rs. 9,500,000 p.p.						
	• Price per square foot for building	Rs. 6,500 to Rs. 10,000 p.sq.ft.						
	• Depreciation rate	30% and 35%						
Kegalle No.186, Main Street, Kegalle	Market comparable method		128,000	6,250	156,700	7,200	28,700	950
	• Price per perch for land	Rs. 1,250,000 to Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 6,000 p.sq.ft.						
	• Depreciation rate	55%						
Matale No. 70, Kings Street, Matale	Market comparable method		75,000	55,000	125,000	61,000	50,000	6,000
	• Price per perch for land	Rs. 750,000 to Rs. 2,500,000 p.p.						
	• Price per square foot for building	Rs. 9,750 p.sq.ft.						
	• Depreciation rate	20%						
Nuwara Eliya No. 36/3, Buddha Jayanthi Mawatha, Nuwara Eliya	Market comparable method		82,000	65,243	124,800	74,400	42,800	9,157
	• Price per perch for land	Rs. 2,000,000 to Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 9,750 p.sq.ft.						
	• Depreciation rate	25%						
Mr S A S Fernando								
Galle City No. 59, Wackwella Road, Galle	Market comparable method		40,500	7,350	54,000	9,150	13,500	1,800
	• Price per perch for land	Rs. 8,000,000 p.p.						
	• Price per square foot for building	Rs. 2,000 to Rs. 3,000 p.sq.ft.						

Name of professional valuer/ location and address of property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Galle Fort No. 22, Church Street, Fort, Galle	Market comparable method		210,000	37,000	255,650	45,000	45,650	8,000
	• Price per perch for land	Rs. 3,000,000 p.p.						
	• Price per square foot for building	Rs. 3,180 p.sq.ft.						
Hikkaduwa No. 217, Galle Road, Hikkaduwa	Market comparable method		26,370	22,814	35,670	27,780	9,300	4,966
	• Price per perch for land	Rs. 750,000 to Rs. 1,100,000 p.p.						
	• Price per square foot for building	Rs. 3,000 to Rs. 4,000 p.sq.ft.						
Matara No. 18, Station Road, Matara	Market comparable method		50,695	23,295	60,080	28,770	9,385	5,475
	• Price per perch for land	Rs. 1,000,000 to Rs. 2,000,000 p.p.						
	• Price per square foot for building	Rs. 3,000 to Rs. 3,750 p.sq.ft.						
Trincomalee No. 474, Power House Road, Trincomalee	Market comparable method		90,300	-	100,000	-	9,700	-
	• Price per perch for land	Rs. 1,000,000 p.p.						
S T Sanmuganathan								
Jaffna No. 474, Hospital Road, Jaffna	Market comparable method		581,000	-	1,000,000	-	419,000	-
	• Price per perch for land	Rs. 5,000,000 p.p.						
Siri Nissanka								
Borella No. 92, D S Senanayake Mawatha, Colombo 08.	Market comparable method		156,300	177,411	196,000	216,000	39,700	38,589
	• Price per perch for land	Rs. 12,500,000 p.p.						
	• Price per square foot for building	Rs. 12,750 p.sq.ft.						
CEO's Bungalow No. 27, Queens Road, Colombo 03	Market comparable method		544,850	6,060	961,000	39,000	416,150	32,940
	• Price per perch for land	Rs. 15,000,000 p.p.						
	• Price per square foot for building	Rs. 7,000 p.sq.ft.						
Narahenpita No. 201, Kirula Road, Narahenpita, Colombo 05	Market comparable method		132,300	78,304	176,000	104,000	43,700	25,696
	• Price per perch for land	Rs. 8,000,000 p.p.						
	• Price per square foot for building	Rs. 9,350 p.sq.ft.						
Pettah – Main Street No. 280, Main Street, Pettah, Colombo 11	Investment method		280,000	139,041	360,000	190,000	80,000	50,959
	• Gross monthly rental	Rs. 2,557,500 p.m.						
Union Place No. 1, Union Place, Colombo 02	Market comparable method		450,000	669,643	500,000	1,000,000	50,000	330,357
	• Price per perch for land	Rs. 18,000,000 p.p.						
	• Price per square foot for building	Rs. 16,500 p.sq.ft.						
Duplication Road Nos. 405, 407, R A De Mel Mawatha, Colombo 03	Market comparable method		229,349	2,465	220,400	10,000	(8,949)	7,535
	• Price per perch for land	Rs. 11,000,000 p.p.						
	• Price per square foot for building	Rs. 2,300 p.sq.ft.						
Maharagama No. 154, Highlevel Road, Maharagama	Market comparable method		53,250	29,369	93,000	47,000	39,750	17,631
	• Price per perch for land	Rs. 5,250,000 p.p.						
	• Price per square foot for building	Rs. 5,600 p.sq.ft.						

Name of professional valuer/ location and address of property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Nugegoda No. 100, Stanley Thilakaratne Mawatha, Nugegoda	Market comparable method • Price per perch for land • Price per square foot for building	Rs. 7,500,000 p.p. Rs. 8,350 p.sq.ft.	156,000	37,925	150,000	60,000	(6,000)	22,075
Wellawatte No. 343, Galle Road, Colombo 06	Market comparable method • Price per perch for land • Price per square foot for building	Rs. 15,000,000 p.p. Rs. 22,000 p.sq.ft.	249,520	466,271	650,000	1,100,000	400,480	633,729
W D P Rupananda								
Ja-Ela No. 140, Negombo Road, Ja-Ela	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 2,500,000 p.p. Rs. 5,000 p.sq.ft. 30%	29,000	19,091	33,000	26,000	4,000	6,909
Negombo Nos. 24, 26, Fernando Avenue, Negombo	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 3,000,000 to Rs. 4,000,000 p.p. Rs. 4,000 to Rs. 5,250 p.sq.ft. 30%	73,000	27,280	136,000	36,000	63,000	8,720
Pettah People's Park Shopping Complex, Colombo 11	Investment method • Gross monthly rental • Years purchase (Present value of 1 unit per period) • Void period	Rs. 460,000 p.m. 18.18 4 months p.a.	-	50,091	-	67,000	-	16,909
Pettah People's Park Shopping Complex, Colombo 11	Investment method • Gross monthly rental • Years purchase (Present value of 1 unit per period) • Void period	Rs. 41,500 p.m. 18.18 4 months p.a.	-	4,145	-	5,500	-	1,355
Wennappuwa Nos. 262, 264, Colombo Road, Wennappuwa	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 1,500,000 p.p. Rs. 3,750 to Rs. 5,250 p.sq.ft. 30%	42,000	25,103	54,000	31,000	12,000	5,897
W S Pamaratne								
Galewela No. 49/57, Matale Road, Galewela	Market comparable method • Price per perch for land • Price per square foot for building • Depreciation rate	Rs. 300,000 p.p. Rs. 2,350 to Rs. 4,000 p.sq.ft. 25%	22,275	14,083	29,700	16,300	7,425	2,217

Name of professional valuer/ location and address of property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Kurunegala No. 4, Suratissa Mawatha, Kurunegala	Market comparable method		199,325	32,074	236,800	43,200	37,475	11,126
	• Price per perch for land	Rs. 5,000,000 p.p.						
	• Price per square foot for building	Rs. 3,500 to Rs. 4,750 p.sq.ft.						
	• Depreciation rate	12%						
Narammala No. 55, Negombo Road, Narammala	Market comparable method		53,391	15,703	61,605	19,910	8,214	4,207
	• Price per perch for land	Rs. 1,500,000 p.p.						
	• Price per square foot for building	Rs. 4,000 p.sq.ft.						
	• Depreciation rate	7%						
Total			4,992,622	2,683,276	7,144,134	4,073,978	2,151,512	1,390,702

p.p. – per perch p.sq.ft. – per square foot p.m. – per month p.a. – per annum

39.5 (c) Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Bank

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase (decrease) if; Price per perch would increase (decrease) Price per square foot would increase (decrease) Depreciation rate for building would decrease (increase)
Investment method This method involves the capitalisation of the expected rental income at an appropriate rate of years purchased currently characterised by the real estate market.	Gross Annual Rentals Years purchase (Present value of 1 unit per period) Void period	Estimated fair value would increase (decrease) if; Gross Annual Rentals would increase (decrease) Years purchase would increase (decrease) Void period would decrease (increase)

39.6 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Group/Bank as at the reporting date.

39.7 Property, plant and equipment pledged as security for liabilities – Bank

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

39.8 Compensation from third parties for items of property, plant and equipment – Bank

The compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date of the Bank is as follows:

<i>As at December 31,</i>	2017 Rs. '000	2016 Rs. '000
Total claims lodged	17,096	4,832
Total claims received	(11,573)	(1,643)
Total claims rejected	-	-
Total claims receivable	5,523	3,189

39.9 Fully depreciated property, plant and equipment – Bank

The cost of fully depreciated property, plant and equipment of the Bank which are still in use is as follows:

<i>As at December 31,</i>	2017 Rs. '000	2016 Rs. '000
Computer equipment	1,458,542	1,205,702
Office equipment, furniture and fixtures	2,044,143	1,748,517
Motor vehicles	39,566	20,765

39.10 Temporarily idle property, plant and equipment – Bank

Following property, plant and equipment of the Bank were temporarily idle (until the assets are issued to the business units):

<i>As at December 31,</i>	2017 Rs. '000	2016 Rs. '000
Computer equipment	121,472	128,136
Office equipment, furniture and fixtures	100,175	45,887

39.11 Property, plant and equipment retired from active use – Bank

Following property, plant and equipment of the Bank were retired from active use:

<i>As at December 31,</i>	2017 Rs. '000	2016 Rs. '000
Computer equipment	182,080	160,181
Office equipment, furniture and fixtures	98,637	100,681

39.12 Borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2017 (2016 – Nil).

40. Intangible Assets

The Group's intangible assets include the value of acquired goodwill, trademarks, and computer software.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Useful economic lives, amortisation and impairment of finite and indefinite intangible assets are described below:

- **Intangible assets with finite lives and amortisation**

Intangible assets with finite lives are amortised over the useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates, which require prospective application. The amortisation expense on intangible assets with finite lives is expensed as incurred.

- **Goodwill**

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

- **Computer software**

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally-developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally-developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

- **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Group does not have development costs capitalised as an internally-generated intangible asset.

As at December 31,	Note	Page No.	GROUP		BANK	
			2017	2016	2017	2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Computer software	40.1	259	539,408	506,134	473,390	423,851
Software under development	40.2	260	311,748	226,490	303,420	216,794
Goodwill arising on business combination			400,045	400,045	-	-
Trademarks			25	-	-	-
Total			1,251,226	1,132,669	776,810	640,645

40.1 Computer software

	Note	Page No.	GROUP		BANK	
			2017	2016	2017	2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation						
Balance as at January 1,			1,682,677	1,731,169	1,589,301	1,719,589
Additions during the year			267,071	362,810	259,734	280,986
Disposals/write-off during the year			(8,355)	(413,059)	-	(413,059)
Exchange rate variance			1,522	1,757	(1,450)	1,785
Transfers/adjustments			-	-	-	-
Balance as at December 31,			1,942,915	1,682,677	1,847,585	1,589,301
Accumulated amortisation and impairment losses						
Balance as at January 1,			1,176,543	1,414,305	1,165,450	1,411,058
Amortisation for the year	20	203	229,764	173,790	209,766	165,903
Impairment loss			-	-	-	-
Disposals/write-off during the year			(1,114)	(412,756)	-	(412,756)
Exchange rate variance			(1,686)	1,204	(1,021)	1,245
Transfers/adjustments			-	-	-	-
Balance as at December 31,			1,403,507	1,176,543	1,374,195	1,165,450
Net book value as at December 31,			539,408	506,134	473,390	423,851

40.2 Software under development

	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation				
Balance as at January 1,	226,490	167,125	216,794	157,429
Additions during the year	189,620	135,830	189,620	135,830
Transfers/adjustments	(104,362)	(76,465)	(102,994)	(76,465)
Balance as at December 31,	311,748	226,490	303,420	216,794

There were no restrictions on the title of the intangible assets of the Group as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2017 (2016 – Nil).

The maturity analysis of intangible assets is given in Note 62 on pages 289 and 290.

41. Leasehold Property

	Note	Page No.	GROUP		BANK	
			2017	2016	2017	2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation						
Balance as at January 1,			128,700	128,700	84,840	84,840
Additions during the year			–	–	–	–
Balance as at December 31,			128,700	128,700	84,840	84,840
Accumulated amortisation						
Balance as at January 1,	20	203	22,732	21,280	11,304	10,362
Amortisation for the year			1,452	1,452	942	942
Balance as at December 31,			24,184	22,732	12,246	11,304
Net book value as at December 31,			104,516	105,968	72,594	73,536

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less amortisation is as follows:

As at December 31, 2017	GROUP			BANK		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Leasehold land	101,298	16,573	84,725	14,846	12,245	2,601
Total	101,298	16,573	84,725	14,846	12,245	2,601

As at December 31, 2016	GROUP			BANK		
	Cost	Accumulated amortisation	Net Book value	Cost	Accumulated amortisation	Net book value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Class of asset						
Leasehold land	23,715	6,827	16,888	14,846	3,783	11,063
Total	23,715	6,827	16,888	14,846	3,783	11,063

The maturity analysis of Leasehold Property is given in Note 62 on pages 289 and 290.

42. Other Assets

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Receivables	46,212	36,511	46,171	36,511
Deposits and prepayments	1,530,984	1,481,830	1,563,026	1,490,786
Clearing account balance	6,135,630	6,370,312	6,135,630	6,370,312
Unamortised cost on staff loans (Day 1 difference)	3,676,965	3,373,174	3,676,965	3,373,174
Other accounts	5,973,186	5,220,732	5,876,370	5,167,383
Total	17,362,977	16,482,559	17,298,162	16,438,166

The maturity analysis of other assets is given in Note 62 on pages 289 and 290.

43. Due to Banks

These represent call money borrowings, credit balances in Nostro Accounts and borrowings from banks. Subsequent to initial recognition, these are measured at amortised cost using the EIR method. Interest paid/payable on these borrowings is recognised in profit or loss.

As at December 31,	GROUP		BANK	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Borrowings	54,538,743	58,406,994	51,414,842	54,917,414
Local currency borrowings	8,939,723	3,714,684	5,815,822	225,104
Foreign currency borrowings	45,599,020	54,692,310	45,599,020	54,692,310
Securities sold under repurchase (Repo) agreements (*)	5,706,149	12,691,397	5,706,149	12,691,397
Total	60,244,892	71,098,391	57,120,991	67,608,811

(*) Securities sold under repurchase (Repo) agreements are shown on the face of the Statement of Financial Position except for the Repos with banks.

The maturity analysis of Due to Banks is given in Note 62 on pages 289 and 290.