



NATIONAL SAVINGS BANK

FINANCIAL STATEMENTS

For the year ended 31st December 2018

INCOME STATEMENT - AUDITED

For the year ended 31st December	Bank		Group	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000 Restated
Gross Income	111,902,078	107,995,784	112,760,454	108,234,622
Interest income	110,506,931	103,578,838	111,718,948	104,424,417
Interest expenses	(85,622,275)	(78,444,825)	(86,460,269)	(78,987,596)
Net interest income	24,884,656	25,134,013	25,258,679	25,436,821
Fee and commission income	1,005,262	782,776	1,008,482	785,077
Fee and commission expenses	(141,196)	(109,082)	(144,685)	(113,037)
Net fee and commission income	864,066	673,694	863,797	672,040
Net gains/(losses) from trading	(707,433)	1,206,408	(1,062,421)	1,520,740
Net fair value gains/(losses) on financial assets/liabilities	-	-	-	-
Net gains/(losses) on derecognition of financial assets at fair value through other comprehensive income	6,906	707,491	6,906	707,491
Net other operating income	1,090,412	1,720,272	1,088,539	796,897
Total operating income	26,138,607	29,441,877	26,155,500	29,133,988
Impairment charges	(871,049)	(765,847)	(870,994)	(765,858)
Net operating income	25,267,558	28,676,030	25,284,506	28,368,130
Personnel expenses	(9,262,705)	(6,886,505)	(9,302,548)	(6,918,813)
Depreciation and amortization expenses	(638,795)	(423,547)	(639,779)	(424,352)
Other expenses	(4,194,979)	(3,737,364)	(4,160,782)	(3,682,765)
Operating profit/(loss) before VAT, NBT & DRL on Financial Services	11,171,079	17,628,615	11,181,397	17,342,200
Value Added Tax (VAT) on financial services	(2,577,657)	(3,082,619)	(2,584,220)	(3,168,299)
Nation Building Tax (NBT) on financial services	(343,688)	(411,016)	(344,563)	(422,440)
Debt Repayment Levy (DRL) on financial services	(308,371)	-	(308,371)	-
Operating profit/(loss) after VAT, NBT and DRL on financial services	7,941,364	14,134,980	7,944,243	13,751,461
Share of profits of associates and joint ventures	-	-	-	-
Profit/(loss) before tax	7,941,364	14,134,980	7,944,243	13,751,461
Income tax expenses	(3,441,213)	(4,419,019)	(3,444,056)	(4,595,065)
Profit/(loss) for the year	4,500,151	9,715,961	4,500,187	9,156,396
Profit attributable to:				
Equity holders of the Bank	4,500,151	9,715,961	4,500,187	9,156,396
Non-controlling interests	-	-	-	-
Earnings per share on profit				
Basic Earnings per ordinary share (Rs.)	6.72	15.67	6.72	14.77
Diluted earnings per ordinary share (Rs.)	6.72	15.67	6.72	14.77

STATEMENT OF COMPREHENSIVE INCOME - AUDITED

For the year ended 31st December	Bank		Group	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000 Restated
Profit/(Loss) for the year	4,500,151	9,715,961	4,500,187	9,156,396
Items that will be reclassified to Income Statement				
Exchange differences on translation of foreign operations	-	-	-	-
Net gains/(losses) on cash flow hedges	(291,924)	290,074	(291,924)	290,074
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	-	-	-	-
Debt instruments at fair value through other comprehensive income	(127,741)	693,559	(149,144)	858,802
Net gains/(losses) on investment in debt instruments transferred to income statement	1,370	(690,388)	1,370	(690,388)
Less : Tax expense relating to items that will be reclassified to income statement	-	-	-	-
Total other comprehensive income to be reclassified to Income Statement	(418,295)	293,245	(439,698)	458,488
Items that will not be reclassified to Income Statement				
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	(690,435)	(36,752)	(690,436)	(36,752)
Change in the fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss	-	-	-	-
Re-measurement of post-employment benefit obligations	(210,861)	(2,072,425)	(211,258)	(2,072,155)
Changes in revaluation surplus	-	4,508,480	-	4,508,480
Less : Tax expenses relating to items that will not be reclassified to income statement	-	-	-	-
Total other comprehensive income not to be reclassified to Income Statement	(901,296)	2,399,303	(901,694)	2,399,573
Total other comprehensive income (OCI) for the year, net of taxes	(1,319,591)	2,692,547	(1,341,392)	2,858,060
Total comprehensive income for the year	3,180,560	12,408,508	3,158,795	12,014,456
Attributable to:				
Equity holders of the Bank	3,180,560	12,408,508	3,158,795	12,014,456
Non-controlling interests	-	-	-	-

Explanatory Notes :-

- There are no changes to the accounting policies and methods of computation except the application of SLFRS - 09 since the publication of annual accounts for the year 2017. The Bank has applied SLFRS - 09 effective from 01/01/2018 for the preparation of Financial Statements in replacement of LKAS-39.
- The Bank has restated comparative information for 2017 for financial instruments in the scope of SLFRS 09.
- There are no material events taken place after the reporting period, which requires adjustment or disclosure in these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - BANK - AUDITED

For the year ended 31.12.2017	In Rupees Thousand							
	Stated Capital/Assigned Capital	Statutory Reserve Fund	Revaluation Reserve	Available for Sale Reserve / OCI Reserve	Cash Flow Hedging Reserve	Retained Earnings	Other Reserves	Total Equity
Balance as at 1st January 2017	6,200,000	2,522,467	3,296,565	1,378,818	1,850	2,379,307	16,466,570	32,245,580
Impact of adopting SLFRS 9	-	-	-	-	-	(1,232,348)	-	(1,232,348)
Restated opening balance as at 1st January 2017	6,200,000	2,522,467	3,296,565	1,378,818	1,850	1,146,959	16,466,570	31,013,232
Total comprehensive income for the period								
Net profit for the year	-	-	-	-	-	9,715,961	-	9,715,961
Other comprehensive income net of tax	-	-	4,508,480	(33,581)	290,074	(2,072,425)	-	2,692,547
Total comprehensive income for the period			4,508,480	(33,581)	290,074	7,643,536		12,408,508
Transaction with equity holders, recognized directly in equity								
Transfers to unclaimed deposits reserve/Issued Share Capital	500,000	-	-	-	-	-	392,891	892,891
Contribution to the consolidated fund-Dividend / Levy	-	-	-	-	-	(5,111,114)	-	(5,111,114)
Contribution to national insurance trust fund	-	-	-	-	-	(96,097)	-	(96,097)
Transfers to reserves during the period	-	480,485	(11,728)	-	-	(2,480,485)	2,000,000	(11,728)
Total transactions with equity holders	500,000	480,485	(11,728)			(7,687,696)	2,392,891	(4,326,048)
Balance as at 31.12.2017	6,700,000	3,002,952	7,793,317	1,345,237	291,924	1,102,798	18,859,461	39,095,691

For the year ended 31.12.2018	In Rupees Thousand							
	Stated Capital / Assigned Capital	Statutory Reserve Fund	Revaluation Reserve	OCI Reserve	Cash Flow Hedging Reserve	Retained Earnings	Other Reserves	Total Equity
Balance as at 1st January 2018	6,700,000	3,002,952	7,793,317	1,345,237	291,924	1,102,798	18,859,461	39,095,691
Total comprehensive income for the period								
Net profit for the year	-	-	-	-	-	4,500,151	-	4,500,151
Other comprehensive income net of tax	-	-	4,508,480	(131,662)	290,074	(2,072,155)	-	2,858,060
Net change in fair value of debt instrument of fair value through other comprehensive income	-	-	-	(126,371)	-	-	-	(126,371)
Net change in fair value of equity instrument of fair value through other comprehensive income	-	-	-	(690,436)	-	-	-	(690,436)
Total comprehensive income for the period				(816,807)	(291,924)	4,289,290		3,180,560
Transaction with equity holders, recognised directly in equity								
Transfers to unclaimed deposits reserve / Issued Share Capital	2,700,000	-	-	-	-	-	(698,587)	2,001,413
Contribution to the consolidated fund - Dividend/Levy	-	-	-	-	-	(500,000)	-	(500,000)
Contribution to national insurance trust fund	-	-	-	-	-	(45,002)	-	(45,002)
Transfers to reserves during the period	-	225,008	-	-	-	(225,008)	-	-
Total transactions with equity holders	2,700,000	225,008				(770,009)	(698,587)	1,456,411
Balance as at 31.12.2018	9,400,000	3,227,960	7,793,317	528,430	-	4,622,080	18,160,874	43,732,665

STATEMENT OF CHANGES IN EQUITY - GROUP - AUDITED

For the year ended 31.12.2017	In Rupees Thousand							
	Stated Capital/Assigned Capital	Statutory Reserve Fund	Revaluation Reserve	Available for Sale Reserve / OCI Reserve	Cash Flow Hedging Reserve	Retained Earnings	Other Reserves	Total Equity
Balance as at 1st January 2017	6,200,000	2,522,467	3,296,565	1,096,758	1,850	3,708,614	16,960,532	33,786,788
Impact of adopting SLFRS 9	-	-	-	-	-	(1,232,437)	-	(1,232,437)
Restated opening balance as at 1st January 2017	6,200,000	2,522,467	3,296,565	1,096,758	1,850	2,476,177	16,960,532	32,554,351
Total comprehensive income for the period								
Net profit for the year	-	-	-	-	-	9,156,396	-	9,156,396
Other comprehensive income net of tax	-	-	4,508,480	(131,662)	290,074	(2,072,155)	-	2,858,060
Net change in fair value of debt instrument of fair value through other comprehensive income	-	-	-	(147,774)	-	-	-	(147,775)
Net change in fair value of equity instrument of fair value through other comprehensive income	-	-	-	(690,436)	-	-	-	(690,436)
Total comprehensive income for the period				(838,210)	(291,924)	4,288,929		3,158,795
Transaction with equity holders, recognised directly in equity								
Transfers to unclaimed deposits reserve/Issued Share Capital	2,700,000	-	-	-	-	-	(698,587)	2,001,413
Contribution to the consolidated fund-Dividend/Levy	-	-	-	-	-	(500,000)	-	(500,000)
Contribution to national insurance trust fund	-	-	-	-	-	(45,002)	-	(45,002)
Transfers to reserves during the period	-	225,008	-	-	-	(225,016)	9	-
Total transactions with equity holders	2,700,000	225,008				(770,018)	(698,578)	1,456,411
Balance as at 31.12.2018	9,400,000	3,227,960	7,793,317	390,210	-	5,198,451	18,745,544	44,755,484



NATIONAL SAVINGS BANK

FINANCIAL STATEMENTS

For the year ended 31st December, 2018

ANALYSIS OF FINANCIAL INSTRUMENTS ON MEASUREMENT BASIS

a. Bank - as at 31.12.2018 - Audited				
In Rupees Thousand	AC	FVPL	FVOCI	Total
ASSETS				
Cash and cash equivalents	3,434,524	-	-	3,434,524
Balances with central banks	-	-	-	-
Placements with banks	17,588,445	-	-	17,588,445
Derivative financial instruments	-	-	4,740,106	4,740,106
Loans and advances	423,532,145	-	-	423,532,145
Debt instruments	518,947,969	14,801,463	2,433,915	536,183,347
Equity instruments	-	1,878,919	3,750,515	5,629,434
Total financial assets	963,503,083	16,680,382	10,924,536	991,108,000

b. Bank - as at 31.12.2017 - Audited				
In Rupees Thousand	AC	FVPL	FVOCI	Total
LIABILITIES				
Due to banks	-	77,119,146	-	77,119,146
Derivative financial instruments	-	-	1,533	1,533
Financial liabilities	-	-	-	-
- due to depositors	839,574,411	-	-	839,574,411
- due to debt securities holders	-	-	-	-
- due to other borrowers	14,804,802	-	-	14,804,802
Debt securities issued	52,389,133	-	-	52,389,133
Total financial liabilities	983,887,492	1,533	983,889,025	

c. Group - as at 31.12.2018 - Audited				
In Rupees Thousand	AC	FVPL	FVOCI	Total
ASSETS				
Cash and cash equivalents	3,436,929	-	-	3,436,929
Balances with central banks	177	-	-	177
Placements with banks	17,588,445	-	-	17,588,445
Derivative financial instruments	-	-	4,740,106	4,740,106
Loans and advances	423,557,119	-	-	423,557,119
Debt instruments	522,973,159	24,988,614	4,037,045	551,998,818
Equity instruments	-	1,878,919	3,751,515	5,630,434
Total financial assets	967,555,829	26,867,533	12,528,666	1,006,952,028

d. Group - as at 31.12.2017 - Audited				
In Rupees Thousand	AC	FVPL	FVOCI	Total
LIABILITIES				
Due to banks	-	83,615,264	-	83,615,264
Derivative financial instruments	-	-	1,533	1,533
Financial liabilities	-	-	-	-
- due to depositors	839,574,411	-	-	839,574,411
- due to debt securities holders	-	-	-	-
- due to other borrowers	14,804,802	-	-	14,804,802
Debt securities issued	52,389,133	-	-	52,389,133
Total financial liabilities	983,887,492	1,533	983,889,025	

AC - Financial assets / liabilities measured at amortised cost
 FVPL - Financial assets / liabilities measured at fair value through profit or loss
 FVOCI - Financial assets / liabilities measured at fair value through other comprehensive income

ANALYSIS OF LOANS & ADVANCES AND IMPAIRMENT - AUDITED

In Rupees Thousand	Bank		Group	
	As at 31.12.2018	As at 31.12.2017	As at 31.12.2018	As at 31.12.2017
Product-wise Gross loans and advances				
By product - Domestic currency				
Term loans	367,008,832	313,756,536	367,008,832	313,756,536
Pawning	30,530,726	23,874,051	30,530,726	23,874,051
Other loans				
Loan to Government	2,075,000	2,075,000	2,075,000	2,075,000
Securities purchased under resale agreements	2,357,240	5,592,973	2,382,213	4,305,869
Staff loans	6,103,442	5,057,766	6,103,442	5,057,766
Sub Total	408,075,240	350,356,326	408,100,213	349,069,222
By product - Foreign currency				
Term loans	19,303,215	28,081,751	19,303,215	28,081,751
Gross loans and advances	427,378,455	378,438,504	427,403,428	377,151,400
Stage-wise impairment on loans & advances, Gross Loans & advances				
Less: Accumulated impairment under stage 1	(1,610,731)	(1,127,166)	(1,610,731)	(1,127,166)
Accumulated impairment under stage 2	(272,348)	(128,432)	(272,348)	(128,432)
Accumulated impairment under stage 3	(1,963,230)	(1,479,175)	(1,963,230)	(1,479,175)
Net value of loans & advances	423,532,145	375,703,730	423,557,119	374,416,626

Movement of Impairment during the period				
Under Stage 1				
	As at 31.12.2018	As at 31.12.2017	As at 31.12.2018	As at 31.12.2017
Balance as at 1st January	1,127,166	1,025,110	1,127,166	1,025,110
Charge/(Write back) to Income Statement	483,565	102,056	483,565	102,056
Balance as at 31st December	1,610,731	1,127,166	1,610,731	1,127,166
Under Stage 2				
Balance as at 1st January	128,432	111,702	128,432	111,702
Charge/(Write back) to Income Statement	143,916	16,730	143,916	16,730
Balance as at 31st December	272,348	128,432	272,348	128,432
Under Stage 3				
Balance as at 1st January	1,479,175	968,868	1,479,175	968,868
Charge/(Write back) to Income Statement	503,642	636,971	503,642	636,971
Write-off during the year	(19,587)	(126,664)	(19,587)	(126,664)
Balance as at 31st December	1,963,230	1,479,175	1,963,230	1,479,175
Total Impairment	3,846,309	2,734,773	3,846,309	2,734,773

ANALYSIS OF DEPOSITS - AUDITED

In Rupees Thousand	Bank		Group	
	As at 31.12.2018	As at 31.12.2017	As at 31.12.2018	As at 31.12.2017
By product - Domestic currency				
Savings deposits	194,946,317	185,201,449	194,946,317	185,201,449
Fixed deposits	633,632,405	542,647,417	633,632,405	542,647,417
Sub Total	828,578,722	727,848,866	828,578,722	727,848,866
By product - Foreign currency				
Savings deposits	3,375,609	2,990,433	3,375,609	2,990,433
Fixed deposits	7,620,080	6,373,341	7,620,080	6,373,341
Sub total	10,995,689	9,363,774	10,995,689	9,363,774
Total	839,574,411	737,212,640	839,574,411	737,212,640

STATEMENT OF CASH FLOWS - AUDITED

For the year ended 31st December	Bank		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cash flows from operating activities				
Interest receipts	108,759,712	98,133,606	109,734,424	98,979,184
Interest payments	(85,287,503)	(72,290,143)	(86,068,354)	(72,832,914)
Net commission receipts	864,066	673,694	863,797	672,040
Trading income	546,667	1,044,274	563,393	1,070,689
Payment to employees	(8,944,003)	(6,976,586)	(8,983,846)	(7,008,894)
VAT, NBT & DRL on financial services	(3,372,310)	(3,291,976)	(3,379,748)	(3,389,080)
Receipts from other operating activities	283,187	691,445	281,314	690,422
Payment on other operating activities	(3,731,927)	(3,411,069)	(3,697,730)	(3,356,470)
Operating profit before change in operating assets & liabilities	9,117,889	14,573,245	9,313,250	14,824,977
(Increase) / decrease in operating assets				
Balances with Central Bank of Sri Lanka	-	-	-	-
Placements with banks	6,015,111	(4,455,574)	6,015,111	(4,455,574)
Derivative assets	(3,671,316)	1,657,805	(3,671,316)	1,657,805
Financial assets at FVTPL	(10,995,919)	14,276,771	(18,404,137)	18,659,670
Financial assets at amortised cost - loans & advances	(48,291,029)	(63,124,831)	(49,603,184)	(62,636,549)
Purchase of Financial Investment - debt & other instrument	37,230,245	(34,546,469)	37,060,618	(36,397,298)
Proceeds from the sale and maturity of financial investments	-	-	-	-
Other assets	(4,947,187)	(4,760,511)	(4,989,400)	(4,946,620)
	(24,660,094)	(90,952,809)	(33,592,308)	(88,118,565)
Increase/(decrease) in operating liabilities				
Due to bank	28,385,587	28,770,730	34,111,452	26,783,430
Derivative financial instrument	(956,937)	956,937	(956,937)	956,937
Financial liabilities at amortised cost - due to depositors	101,633,538	75,188,272	101,633,538	75,188,272
Financial liabilities at amortised cost - due to debt securities holders	-	-	-	-
Financial liabilities at amortised cost - due to other borrowers	2,699,945	(21,197,538)	4,894,246	(22,078,851)
Debt securities issued	(107,552,900)	3,480,000	(107,552,900)	3,480,000
Other liabilities	(494,589)	(1,796,670)	(533,749)	(1,760,565)
Net cash generated from operating activities before income tax	23,714,644	85,401,731	31,595,650	82,569,223
Income tax paid	(3,365,813)	(4,328,136)	(3,506,148)	(4,383,328)
Net cash (used in)/from operating activities	4,806,626	4,694,031	3,810,444	4,892,306
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,742,224)	(1,049,920)	(1,742,579)	(1,052,269)
Proceeds from the sale of property, plant and equipment	7,474	7,189	7,474	7,189
Net (increase)/decrease in finance instruments at fair value through other comprehensive income	(1,309,089)	1,232,344	(1,114,522)	1,289,898
Proceeds from the sale and maturity of financial investments	-	-	-	-
Net cash flow from acquisition of investment in subsidiaries and associates	(800,000)	-	-	-
Dividends received from investment in subsidiaries and associates	-	172,350	-	-
Net cash (used in)/from investing activities	(3,843,839)	361,963	(2,849,627)	244,817
Cash flows from financing activities				
Net proceeds from the issue of subordinated debt	-	-	-	-
Repayment of subordinated debt	-	-	-	-
Interest paid on subordinated debt	(780,000)	(780,000)	(780,000)	(780,000)
Dividend paid to shareholders of the parent company	-	-	-	-
Withholding tax on dividend paid	-	-	-	(84,983)
Contribution to consolidated fund-dividend/levy	(500,000)	(5,111,114)	(500,000)	(5,111,114)
Net cash (used in)/from financing activities	(1,280,000)	(5,891,114)	(1,280,000)	(5,976,097)
Net increase/(decrease) in cash & cash equivalents	(317,213)	(835,120)	(319,183)	(838,974)
Cash and cash equivalents at the beginning of the year	3,669,188	4,504,308	3,673,741	4,512,715
Exchange difference in respect of cash & cash equivalent	-	-	-	-
Cash and cash equivalents at the end of the year	3,351,975	3,669,188	3,354,558	3,673,741

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	Bank		Group	
	As at 31.12.2018	As at 31.12.2017	As at 31.12.2018	As at 31.12.2017
Base III				
Regulatory Capital (LKR'000)				
Common Equity Tier 1	30,434,481	25,564,909	32,750,842	27,370,741
Tier 1 Capital	30,434,481	25,564,909	32,750,842	27,370,741
Total Capital	36,859,411	32,808,403	39,102,064	34,605,855
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 2018-7.375 % 2017-6.25 %)	13.325	11.931	14.140	12.651
Tier 1 Capital Ratio (Minimum Requirement, 2018-8.875 %, 2017-7.75 %)	13.325	11.931	14.140	12.651
Total Capital Ratio (Minimum Requirement, 2018-12.875 %, 2017-11.75 %)	16.138	15.311	16.882	15.996
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio, % (Net of Interest in Suspense)	1.44	1.34	NR	NR
Net Non-Performing Advances, % (Net of Interest in Suspense and Provisions)	1.22	1.22	NR	NR
Profitability				
Interest Margin, %	2.43	2.61	2.44	2.62
Return on Assets (before Tax), %	0.78	1.47	0.77	1.42
Return on Equity, %	10.87	27.24	10.60	24.77
Regulatory Liquidity				
Statutory Liquid Assets, Rs. '000 (average)	424,490,106	509,079,407	NR	NR
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20 %)	54.88	73.44	NR	NR
Domestic Banking Unit (%)	NR	NR	NR	NR
Off-Shore Banking Unit (%)	NR	NR	NR	NR
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2018 - 90%, 2017-80 %)	245.06	377.57	NR	NR
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement, 2018 - 90%, 2017-80 %)	321.29	376.18	NR	NR

Note: * NR - Not Relevant

CERTIFICATION:
 I certify that the above Financial Statements give a true and fair view of the State of Affairs of the Bank and its subsidiary as at 31st December 2018 and the profits for the year then ended.

Sgd.
 Kithsiri Wijayarane
 Deputy General Manager (Finance & Planning)

We, the undersigned, being the Chairman and the General Manager / Chief Executive Officer of National Savings Bank certify jointly that:-
 (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;
 (b) the information contained in these statements has been extracted from the audited Financial Statements of the Bank and its subsidiary company.

Sgd.
 Jayaraja Chandrasekera
 Chairman
 14th March 2019, Colombo.

Sgd.
 Dammita Perera
 General Manager / CEO