



# **Hatton National Bank PLC**

**Interim Financial Statements**

**For the nine months ended 30th September 2018**

## FINANCIAL COMMENTARY FOR THE 09 MONTHS ENDED 30TH SEPTEMBER 2018

- HNB 9 months Group PAT at Rs 14.5 Bn
- Cost to Income improves by 360 bps
- Group pays Rs 11.8 Bn in Taxes

Hatton National Bank PLC (HNB) reported a Profit After Tax (PAT) of Rs 14.5 Bn at Group level for the nine months to September 2018 recording a growth of 23% YoY, while the Bank's PAT for the period amounted to Rs 13.1 Bn growing by 21% YoY.

Prudent asset and liability management facilitated a 15.5% YoY growth to Rs 34.2 Bn in Net Interest Income (NII) for the period, despite challenging market conditions.

Net Fee and Commission Income grew moderately by 10.8% YoY to Rs 6.8 Bn in the period to September with Credit Cards, Trade Finance & Remittance businesses contributing to more than 50% of the fee and commission income.

Net losses from trading which reflecting principally the revaluation of forex swaps, reduced significantly by 55% to Rs 1.2 Bn from a higher depreciated rupee and low volumes of swaps compared to the previous year. Other operating income too witnessed a sizable growth of 23% to Rs 3.4 Bn as a result of exchange gains on position revaluations and higher exchange income from forex transactions.

Reflecting on macro and industry conditions which have precipitated delays across the industry in collections; the Bank's Gross NPA ratio as at the end of the third quarter increased to 3.1% from 2.9% reported in June, albeit remaining below industry norms. The resulting increase in provisioning requirements led to impairment on facilities deemed individually significant rising by 49.0% YoY to just under Rs 1.5 Bn for the period ending September whilst collective impairment charges rose to Rs 2.1 Bn, from Rs 1.3 Bn in the commensurate period of 2017.

The sustained pursuit of the Bank's initiatives in centralization and digitalization has yielded a continuous improvement in HNB's Cost to Income ratio, which improved to 36.9% for the nine months ending September 2018, exceeding that recorded during the corresponding period of 2017 by 360 bps. The Total Operating Expenses for the nine months increased to Rs 16.0 Bn with growth being contained at 10.0% YoY.

Bank made a Profit Before Tax (PBT) of Rs 19.3 Bn during the period while the Rs 13.1 Bn PAT generated a Return on Assets (ROA) of 1.76% and Return on Equity (ROE) of 15.57% for the period.

Total advances grew to Rs 717.8 Bn, supported by a nine month growth of 10.7% in the deposit base to Rs 776.3 Bn. The Bank remains strongly capitalized with Tier I Capital at 13.02% and Total Capital ratio at 15.62% , 415 bps and 275 bps above the respective regulatory requirements.

All Group companies were profitable during the period and contributed to HNB Group profitability with PBT rising to Rs 21.5 Bn. The Group PAT of Rs 14.5 Bn represented a Group ROA and ROE of 1.84% and 14.62% respectively. Group assets reported a nine month growth of 8.2% to Rs 1.1 Trillion.

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

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services while maintaining a national long term rating of AA -(Ika) from Fitch Ratings Lanka Ltd. In 2018, HNB had the distinction of becoming the No. 1 Bank in Sri Lanka in the Top 1000 World Banks 2018, ranked by the UK's 'The Banker' magazine and the No. 1 Bank in Business Today rankings for 2017/18.

## STATEMENT OF PROFIT OR LOSS

	BANK						GROUP					
	For the 9 months ended 30th September			For the 3 months ended 30th September			For the 9 months ended 30th September			For the 3 months ended 30th September		
	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)
<b>Gross Income</b>	87,725,967	77,960,011	13	30,772,646	26,663,032	15	100,215,910	88,593,959	13	35,228,373	30,506,587	15
Interest income	78,427,669	71,533,996	10	27,434,121	24,991,986	10	84,676,927	77,132,197	10	29,563,811	26,930,092	10
Less : Interest expenses	44,218,619	41,928,350	5	15,265,045	14,500,682	5	46,005,752	43,244,049	6	15,879,829	15,008,423	6
<b>Net interest income</b>	34,209,050	29,605,646	16	12,169,076	10,491,304	16	38,671,175	33,888,148	14	13,683,982	11,921,669	15
Fee and commission income	6,895,505	6,211,740	11	2,392,389	2,077,304	15	7,478,887	6,850,375	9	2,580,461	2,336,294	10
Less : Fee and commission expenses	102,981	80,347	28	40,606	27,522	48	164,292	156,035	5	59,440	54,301	9
<b>Net fee and commission income</b>	6,792,524	6,131,393	11	2,351,783	2,049,782	15	7,314,595	6,694,340	9	2,521,021	2,281,993	10
<b>Net interest, fee and commission income</b>	41,001,574	35,737,039	15	14,520,859	12,541,086	16	45,985,770	40,582,488	13	16,205,003	14,203,662	14
Net gain/(loss) from trading	(1,234,250)	(2,762,551)	(55)	204,113	(1,873,222)	111	(1,260,299)	(2,746,387)	(54)	189,271	(1,877,155)	110
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) from financial investments	212,552	198,578	7	17,561	14,985	17	299,279	220,914	35	64,730	25,125	158
Net insurance premium income	-	-	-	-	-	-	5,469,820	4,638,295	18	1,955,997	1,632,398	20
Other operating income	3,424,491	2,778,248	23	724,462	1,451,979	(50)	3,551,296	2,498,565	42	874,103	1,459,833	(40)
<b>Total operating income</b>	43,404,367	35,951,314	21	15,466,995	12,134,828	27	54,045,866	45,193,875	20	19,289,104	15,443,863	25
<b>Impairment for loans and other losses</b>												
Individual Impairment	1,456,699	977,434	49	1,114,380	386,095	189	1,456,699	977,434	49	1,114,380	386,095	189
Collective Impairment	2,121,021	1,306,919	62	541,506	452,394	20	2,697,631	1,469,019	84	694,182	546,190	27
Others	19,032	2,560	644	15,471	(3,961)	491	19,032	459,539	(96)	15,470	41,917	(63)
<b>Net operating income</b>	39,807,615	33,664,401	18	13,795,638	11,300,300	22	49,872,504	42,287,883	18	17,465,072	14,469,661	21
<b>Less : Operating expenses</b>												
Personnel expenses	7,219,190	6,725,522	7	2,477,383	2,041,502	21	8,859,989	8,202,948	8	3,046,646	2,546,360	20
Depreciation and amortisation	994,044	830,516	20	340,451	287,492	18	1,311,818	1,169,739	12	448,506	405,770	11
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	4,496,545	4,282,933	5	1,817,578	1,549,727	17
Other expenses	7,803,015	7,003,085	11	2,668,373	2,364,774	13	9,075,120	7,982,263	14	3,137,126	2,690,782	17
<b>Total operating expenses</b>	16,016,249	14,559,123	10	5,486,207	4,693,768	17	23,743,472	21,637,883	10	8,449,856	7,192,639	17
<b>Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services</b>	23,791,366	19,105,278	25	8,309,431	6,606,532	26	26,129,032	20,650,000	27	9,015,216	7,277,022	24
Less : Value added tax (VAT) and nation building tax (NBT) on financial services	4,478,382	3,701,083	21	1,556,401	1,232,258	26	4,796,003	4,017,795	19	1,661,210	1,344,186	24
<b>Operating profit after value added tax (VAT) and nation building tax (NBT) on financial services</b>	19,312,984	15,404,195	25	6,753,030	5,374,274	26	21,333,029	16,632,205	28	7,354,006	5,932,836	24
Share of profit of Joint Venture (net of income tax)	-	-	-	-	-	-	144,936	132,597	9	60,539	68,245	(11)
<b>Profit before income tax</b>	19,312,984	15,404,195	25	6,753,030	5,374,274	26	21,477,965	16,764,802	28	7,414,545	6,001,081	24
Less : Income tax expense	6,174,124	4,506,793	37	2,217,506	1,612,834	37	6,995,534	4,959,556	41	2,486,141	1,726,340	44
<b>Profit for the period</b>	13,138,860	10,897,402	21	4,535,524	3,761,440	21	14,482,431	11,805,246	23	4,928,404	4,274,741	15
<b>Profit attributable to:</b>												
Equity holders of the Bank	13,138,860	10,897,402	21	4,535,524	3,761,440	21	13,880,293	11,311,015	23	4,771,177	4,070,586	17
Non-controlling interests	-	-	-	-	-	-	602,138	494,231	22	157,227	204,155	(23)
<b>Profit for the period</b>	13,138,860	10,897,402	21	4,535,524	3,761,440	21	14,482,431	11,805,246	23	4,928,404	4,274,741	15
<b>Earnings per share on profit</b>												
Basic earnings per ordinary share (Rs)	26.74	24.85	8	9.21	8.15	13	28.25	25.79	10	9.68	8.82	10
Diluted earnings per ordinary share (Rs)	26.74	24.82	8	9.21	8.15	13	28.25	25.76	10	9.68	8.82	10

## STATEMENT OF COMPREHENSIVE INCOME

	BANK						GROUP					
	For the 9 months ended 30th September			For the 3 months ended 30th September			For the 9 months ended 30th September			For the 3 months ended 30th September		
	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)	2018 Rs 000	2017 Rs 000	%Increase/ (Decrease)
<b>Profit for the period</b>	13,138,860	10,897,402	21	4,535,524	3,761,440	21	14,482,431	11,805,246	23	4,928,404	4,274,741	15
<b>Other comprehensive income, net of tax</b>												
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>												
<b>Available-for-sale financial assets:</b>												
Net change in fair value during the period	(2,207,785)	3,077,844	(172)	(1,070,818)	1,472,497	(173)	(2,392,860)	3,511,383	(168)	(1,134,495)	1,743,561	(165)
Transfer from/(to) life policy holder reserve fund	-	-	-	-	-	-	220,064	(398,026)	155	86,489	(246,703)	135
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-	-	-	-	-	(63,007)	13,436	(569)	(29,206)	7,210	(505)
Deferred tax effect on above	256,760	(910,672)	128	122,800	(529,639)	123	261,004	(926,798)	128	123,973	(534,169)	123
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	31,620	(13,841)	(328)	20,938	962	2,077
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	(1,951,025)	2,167,172	(190)	(948,018)	942,858	(201)	(1,943,179)	2,186,154	189	(932,301)	970,861	(196)
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>												
Re-measurement gains/losses on defined benefit plans	-	-	-	-	-	-	15,271	8,793	74	-	-	-
Revaluation of freehold land & buildings	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax effect on above	-	-	-	-	-	-	(4,904)	(2,462)	(99)	-	-	-
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	-	-	-	-	-	-	10,367	6,331	64	-	-	-
<b>Other comprehensive income for the period, net of tax</b>	(1,951,025)	2,167,172	(190)	(948,018)	942,858	(201)	(1,932,812)	2,192,485	(188)	(932,301)	970,861	(196)
<b>Total comprehensive income for the period</b>	11,187,835	13,064,574	(14)	3,587,506	4,704,298	(24)	12,549,619	13,997,731	(10)	3,996,103	5,245,602	(24)
<b>Total comprehensive income attributable to:</b>												
Equity holders of the Bank	11,187,835	13,064,574	(14)	3,587,506	4,704,298	(24)	11,950,594	13,488,429	(11)	3,840,964	5,030,630	(24)
Non-controlling interests	-	-	-	-	-	-	599,025	509,302	18	155,139	214,972	(28)
<b>Total comprehensive income for the period</b>	11,187,835	13,064,574	(14)	3,587,506	4,704,298	(24)	12,549,619	13,997,731	(10)	3,996,103	5,245,602	(24)

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at	As at	% Increase /	As at	As at	% Increase /
	30.09.2018	31.12.2017	(Decrease)	30.09.2018	31.12.2017	(Decrease)
	(Audited)	(Audited)		(Audited)	(Audited)	
	Rs 000	Rs 000		Rs 000	Rs 000	
<b>ASSETS</b>						
Cash and cash equivalents	21,536,640	21,739,800	(1)	21,283,102	21,924,898	(3)
Balances with Central Bank of Sri Lanka	40,997,071	38,610,940	6	40,997,071	38,610,940	6
Placements with banks	5,256,466	3,182,377	65	10,442,013	9,670,125	8
Reverse repurchase agreements	250,149	-	-	805,554	772,002	4
Derivative financial instruments	2,347,691	615,357	282	2,347,691	615,357	282
Financial investments - Fair value through profit or loss	97,164	120,486	(19)	203,250	266,538	(24)
Loans and receivables to customers	717,840,295	639,102,061	12	736,751,613	655,612,938	12
Financial investments - Loans and receivables	144,343,717	122,199,048	18	148,539,223	125,031,671	19
Financial investments - Available-for-sale	68,050,942	95,403,820	(29)	74,562,840	101,742,985	(27)
Financial investments - Held-to-maturity	-	-	-	1,539,805	1,565,603	(2)
Investment in Joint Venture	755,000	755,000	-	1,865,926	1,689,263	10
Investments in Subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	326,230	327,464	-	1,118,500	1,146,564	(2)
Property, plant and equipment	18,066,994	17,905,320	1	34,612,625	34,635,034	-
Intangible assets and goodwill	817,805	815,381	-	1,287,808	1,237,829	4
Other assets	11,843,887	11,083,242	7	13,926,190	13,038,222	7
<b>Total Assets</b>	<b>1,035,547,336</b>	<b>954,877,581</b>	<b>8</b>	<b>1,090,283,211</b>	<b>1,007,559,969</b>	<b>8</b>
<b>LIABILITIES</b>						
Due to banks	63,284,708	62,463,497	1	63,284,708	62,463,497	1
Derivative financial instruments	1,912,589	1,305,900	46	1,912,589	1,305,900	46
Securities sold under repurchase agreements	4,238,096	5,064,360	(16)	4,238,096	5,064,360	(16)
Due to customers	776,275,043	701,519,297	11	792,595,468	718,770,945	10
Dividends payable	1,013,384	975,371	4	1,023,101	986,880	4
Other borrowings	23,839,073	27,258,006	(13)	23,839,073	27,258,006	(13)
Debt securities issued	4,489,040	4,540,259	(1)	5,018,856	5,035,958	-
Current tax liabilities	7,177,782	3,974,624	81	7,515,882	4,066,087	85
Deferred tax liabilities	4,284,607	5,082,636	(16)	6,596,902	7,309,283	(10)
Insurance provision - life	-	-	-	12,211,612	10,915,858	12
Insurance provision - general	-	-	-	2,554,326	2,384,908	7
Other provisions	3,532,724	3,015,875	17	3,852,878	3,416,332	13
Other liabilities	6,321,967	5,720,896	11	8,310,449	7,359,236	13
Subordinated term debts	22,347,267	25,809,261	(13)	22,055,378	25,564,596	(14)
<b>Total Liabilities</b>	<b>918,716,280</b>	<b>846,729,982</b>	<b>9</b>	<b>955,009,318</b>	<b>881,901,846</b>	<b>8</b>

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.09.2018  Rs 000	As at 31.12.2017 (Audited) Rs 000	% Increase / (Decrease)	As at 30.09.2018  Rs 000	As at 31.12.2017 (Audited) Rs 000	% Increase / (Decrease)
<b>EQUITY</b>						
Stated capital	32,338,025	31,409,119	3	32,338,026	31,409,119	3
Statutory reserve	5,460,000	5,460,000	-	5,460,000	5,460,000	-
Retained earnings	24,912,085	15,193,585	64	28,165,137	18,082,284	56
Other reserves	54,120,946	56,084,895	(4)	65,272,516	67,058,017	(3)
<b>Total equity attributable to equity holders of the Bank</b>	<b>116,831,056</b>	<b>108,147,599</b>	<b>8</b>	<b>131,235,679</b>	<b>122,009,420</b>	<b>8</b>
<b>Non - controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,038,214</b>	<b>3,648,703</b>	<b>11</b>
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,273,893</b>	<b>125,658,123</b>	<b>8</b>
<b>Total Liabilities and Equity</b>	<b>1,035,547,336</b>	<b>954,877,581</b>	<b>8</b>	<b>1,090,283,211</b>	<b>1,007,559,969</b>	<b>8</b>
<b>Contingent liabilities and commitments</b>	<b>758,870,091</b>	<b>598,364,726</b>	<b>27</b>	<b>758,870,091</b>	<b>598,364,726</b>	<b>27</b>
Net Assets Value per Share (Rs.)	237.15	221.36	7	266.39	249.74	7
<b>Memorandum Information</b>						
Number of Employees	4,673	4,348				
Number of Branches	251	251				

## CERTIFICATION

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of Hatton National Bank PLC and the Group as at 30th September 2018 and its profit for the nine months ended 30th September 2018.

(Sgd.)

**Anusha Gallage**

Chief Financial Officer

09th November 2018

We the undersigned, being the Director and the Chairman of Hatton National Bank PLC certify jointly that :

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

(Sgd.)

**Rose Cooray**

Director

09th November 2018

(Sgd.)

**Dinesh Weerakkody**

Chairman

09th November 2018

## STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserves	Other Reserves				Retained Earnings	Total Equity
	Voting Shares	Non-Voting Shares	Reserve Fund	Capital Reserve	Available-for-Sale Reserve	General Reserve	ESOP Reserve		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
For the 09 months ended 30th September 2018									
Balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	8,725,542	4,166,167	43,100,000	93,186	15,193,585	108,147,599
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	13,138,860	13,138,860
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(1,951,025)	-	-	-	(1,951,025)
Total comprehensive income for the period	-	-	-	-	(1,951,025)	-	-	13,138,860	11,187,835
Transactions with equity holders, recognised directly in equity									
Final dividend 2017 - Scrip	706,515	173,317	-	-	-	-	-	(977,592)	(97,760)
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	(2,442,768)	(2,442,768)
Issue of shares under ESOP	31,442	4,708	-	-	-	-	-	-	36,150
Total transactions with equity holders	737,957	178,025	-	-	-	-	-	(3,420,360)	(2,504,378)
Transfers during the period	11,478	1,446	-	-	-	-	(12,924)	-	-
Balance as at 30th September 2018	26,649,460	5,688,565	5,460,000	8,725,542	2,215,142	43,100,000	80,262	24,912,085	116,831,056
For the 09 months ended 30th September 2017									
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	8,644,483	1,701,257	37,100,000	147,092	9,524,236	77,017,226
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	10,897,402	10,897,402
Other Comprehensive Income for the period (net of tax)	-	-	-	-	2,167,172	-	-	-	2,167,172
Total comprehensive income for the period	-	-	-	-	2,167,172	-	-	10,897,402	13,064,574
Transactions with equity holders, recognised directly in equity									
Final Dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	(1,451,296)	(145,130)
Final Dividend 2016 - Cash	-	-	-	-	-	-	-	(1,451,296)	(1,451,296)
Proceeds from right issue	12,326,593	2,218,619	-	-	-	-	-	-	14,545,212
Issue of shares under ESOP	135,137	20,495	-	-	-	-	-	-	155,632
Total transactions with equity holders	13,505,803	2,501,207	-	-	-	-	-	(2,902,592)	13,104,418
Transfers during the year 2017	44,605	6,367	-	-	-	-	(50,972)	17,415	17,415
Balance as at 30th September 2017	25,889,142	5,508,998	4,560,000	8,644,483	3,868,429	37,100,000	96,120	17,536,461	103,203,633

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital		Statutory Reserves	Other Reserves								
	Voting Shares	Non-Voting Shares	Reserve Fund	Capital Reserve	Available for Sale Reserve	General Reserve	Life policy holders' reserve fund	ESOP Reserve	Restricted Regulatory Reserve	Retained Earnings	Non Controlling Interests	Total Equity
For the 9 months ended 30th September 2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2018	25,900,025	5,509,095	5,460,000	19,433,829	4,207,731	43,100,000	223,271	93,186	-	18,082,284	3,648,703	125,658,124
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	-	13,880,293	602,138	14,482,431
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(1,933,669)	-	-	-	-	3,970	(3,113)	(1,932,812)
Total comprehensive income for the period	-	-	-	-	(1,933,669)	-	-	-	-	13,884,263	599,025	12,549,619
Transactions with equity holders, recognised directly in equity												
Final dividend 2017 - Scrip	706,515	173,317	-	-	-	-	-	-	-	(977,592)	-	(97,760)
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	-	(2,442,768)	(209,514)	(2,652,282)
Issue of shares under ESOP	31,442	4,708	-	-	-	-	-	-	-	-	-	36,150
Total transactions with equity holders	737,957	178,025	-	-	-	-	-	-	-	(3,420,360)	(209,514)	(2,713,892)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(220,064)	-	-	-	-	(220,064)
Transfers during the period	-	-	-	-	-	-	-	-	381,156	(381,156)	-	-
Deemed disposal gain through Joint Venture	-	-	-	-	-	-	-	-	-	106	-	106
Fair value of the employee share options exercised	11,478	1,446	-	-	-	-	-	(12,924)	-	-	-	-
Balance as at 30th September 2018	26,649,460	5,688,566	5,460,000	19,433,829	2,274,062	43,100,000	3,207	80,262	381,156	28,165,137	4,038,214	135,273,893
For the 9 months ended 30th September 2017												
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	19,771,905	1,741,535	37,100,000	(191,131)	147,092	-	12,821,116	3,021,023	94,311,698
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	-	11,311,015	494,231	11,805,246
Other Comprehensive Income for the period (net of tax)	-	-	-	-	2,178,811	-	-	-	-	(1,396)	15,071	2,192,486
Total comprehensive income for the period	-	-	-	-	2,178,811	-	-	-	-	11,309,619	509,302	13,997,732
Transactions with equity holders, recognised directly in equity												
Final Dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	-	-	(1,451,296)	-	(145,130)
Final Dividend 2016 - Cash	-	-	-	-	-	-	-	-	-	(1,451,296)	(199,461)	(1,650,757)
Proceeds from rights issue	12,326,593	2,218,619	-	-	-	-	-	-	-	-	-	14,545,212
Issue of shares under ESOP	135,137	20,495	-	-	-	-	-	-	-	-	-	155,632
Total transactions with equity holders	13,505,803	2,501,207	-	-	-	-	-	-	-	(2,902,592)	(199,461)	12,904,957
Transfer from life policy holder reserve fund	-	-	-	-	-	-	398,026	-	-	-	-	398,026
Transfers during the period	-	-	-	-	-	-	-	-	-	17,415	-	17,415
Fair value of the employee share options exercised	44,605	6,367	-	-	-	-	-	(50,972)	-	-	-	-
Balance as at 30th September 2017	25,889,142	5,508,998	4,560,000	19,771,905	3,920,346	37,100,000	206,895	96,120	-	21,245,558	3,330,864	121,629,828



## STATEMENT OF CASH FLOWS

For the 9 months ended 30th September	BANK		GROUP	
	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	83,035,227	75,854,264	90,019,407	81,920,159
Interest payments	(45,762,346)	(40,923,348)	(47,457,047)	(42,102,734)
Cash payments to employees	(6,412,972)	(6,344,877)	(8,105,203)	(7,641,608)
Cash payments to other operating activities	(12,209,683)	(10,781,537)	(16,763,016)	(13,956,012)
Receipts from other operating activities	634,241	(104,123)	6,477,070	4,793,714
Recovery of loans written off in previous years	92,339	25,292	92,339	25,292
<b>Operating profit before changes in operating assets and liabilities</b>	<b>19,376,806</b>	<b>17,725,671</b>	<b>24,263,550</b>	<b>23,038,811</b>
<b>Increase/ (decrease) in operating assets</b>				
Deposits held for regulatory or monetary control purpose	(2,386,131)	(2,761,080)	(2,386,131)	(2,761,080)
Loans and receivables to customers	(80,323,059)	(42,315,489)	(83,314,233)	(45,633,870)
Reverse repurchase agreements	(250,000)	(10,509,579)	(135,658)	(10,572,493)
Other short term assets	(1,412,073)	154,478	(1,532,765)	(194,566)
	(84,371,263)	(55,431,670)	(87,368,787)	(59,162,009)
<b>Increase/(decrease) in operating liabilities</b>				
Deposits from customers	76,089,987	74,861,785	75,108,883	78,741,778
Securities sold under repurchase agreements	(818,376)	(8,016,853)	(818,376)	(8,016,853)
Other liabilities	1,488,313	1,101,247	1,635,987	1,238,084
	76,759,924	67,946,179	75,926,494	71,963,009
<b>Net cash generated from operating activities before income tax</b>	<b>11,765,467</b>	<b>30,240,180</b>	<b>12,821,257</b>	<b>35,839,811</b>
Income taxes paid	(3,255,854)	(3,658,164)	(3,715,444)	(4,199,527)
<b>Net cash generated from operating activities</b>	<b>8,509,613</b>	<b>26,582,016</b>	<b>9,105,813</b>	<b>31,640,284</b>
<b>Cash flows from investing activities</b>				
Dividend income	408,538	725,255	191,038	184,384
Net proceeds from sale, maturity and purchase of financial investments	2,521,463	(31,444,550)	773,562	(31,896,847)
Purchase of property, plant and equipment	(934,004)	(1,185,680)	(1,026,620)	(1,381,637)
Purchase of intangible assets	(217,856)	(158,965)	(234,173)	(236,261)
Improvements to investment properties	-	(2,400)	-	(2,400)
Proceeds from sale of property, plant and equipment	4,443	6,303	8,704	22,602
<b>Net cash generated from / (used in) investing activities</b>	<b>1,782,584</b>	<b>(32,060,037)</b>	<b>(287,489)</b>	<b>(33,310,159)</b>
<b>Cash flows from financing activities</b>				
Proceeds from rights issue	-	14,545,212	-	14,545,212
Decrease in subordinated term debts	(4,000,000)	(500,000)	(4,055,658)	(490,500)
Decrease in long term borrowings	(1,954,904)	(1,803,292)	(1,954,904)	(1,757,380)
Dividends paid	(2,502,515)	(1,665,546)	(2,713,821)	(1,867,601)
Proceeds from issue of shares under ESOP	36,151	155,631	36,151	155,631
Share issue expenses	-	(1,176)	-	(1,176)
<b>Net cash generated from / (used in) financing activities</b>	<b>(8,421,268)</b>	<b>10,730,829</b>	<b>(8,688,232)</b>	<b>10,584,186</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,870,929</b>	<b>5,252,808</b>	<b>130,092</b>	<b>8,914,311</b>
Cash and cash equivalents at the beginning of the period	24,922,177	18,264,496	31,595,023	20,867,149
<b>Cash and cash equivalents at the end of the period</b>	<b>26,793,106</b>	<b>23,517,304</b>	<b>31,725,115</b>	<b>29,781,460</b>
<b>Cash and cash equivalents at the end of the period</b>				
Cash and cash equivalents	21,536,640	20,248,891	21,283,102	20,016,824
Placements with banks	5,256,466	3,268,413	10,442,013	9,764,636
	<b>26,793,106</b>	<b>23,517,304</b>	<b>31,725,115</b>	<b>29,781,460</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th September 2018	Fair Value Through Profit or Loss	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>				
Cash and cash equivalents	-	21,536,640	-	21,536,640
Balances with Central Bank of Sri Lanka	-	40,997,071	-	40,997,071
Placements with banks	-	5,256,466	-	5,256,466
Reverse repurchase agreements	-	250,149	-	250,149
Derivative financial instruments	2,347,691	-	-	2,347,691
Financial investments - Fair value through profit or loss	97,164	-	-	97,164
Loans and receivables to customers	-	717,840,295	-	717,840,295
Financial investments - Loans and receivables	-	144,343,717	-	144,343,717
Financial investments - Available-for-sale	-	-	68,050,942	68,050,942
Other assets	-	1,969,753	-	1,969,753
<b>Total financial assets</b>	<b>2,444,855</b>	<b>932,194,091</b>	<b>68,050,942</b>	<b>1,002,689,888</b>
<b>LIABILITIES</b>				
Due to banks	-	63,284,708	-	63,284,708
Derivative financial instruments	1,912,589	-	-	1,912,589
Securities sold under repurchase agreements	-	4,238,096	-	4,238,096
Due to customers	-	776,275,043	-	776,275,043
Dividends payable	-	1,013,384	-	1,013,384
Other borrowings	-	23,839,073	-	23,839,073
Debt securities issued	-	4,489,040	-	4,489,040
Other liabilities	-	23,752	-	23,752
Subordinated term debts	-	22,347,267	-	22,347,267
<b>Total financial liabilities</b>	<b>1,912,589</b>	<b>895,510,363</b>	<b>-</b>	<b>897,422,952</b>
<b>As at 31st December 2017</b>				
	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>				
Cash and cash equivalents	-	21,739,800	-	21,739,800
Balances with Central Bank of Sri Lanka	-	38,610,940	-	38,610,940
Placements with banks	-	3,182,377	-	3,182,377
Reverse repurchase agreements	-	-	-	-
Derivative financial instruments	615,357	-	-	615,357
Financial investments - Fair value through profit or loss	120,486	-	-	120,486
Loans and receivables to customers	-	639,102,061	-	639,102,061
Financial investments - Loans and receivables	-	122,199,048	-	122,199,048
Financial investments - Available for sale	-	-	95,403,820	95,403,820
Other assets	-	2,361,404	-	2,361,404
<b>Total financial assets</b>	<b>735,843</b>	<b>827,195,630</b>	<b>95,403,820</b>	<b>923,335,293</b>
<b>LIABILITIES</b>				
Due to banks	-	62,463,497	-	62,463,497
Derivative financial instruments	1,305,900	-	-	1,305,900
Securities sold under repurchase agreements	-	5,064,360	-	5,064,360
Due to customers	-	701,519,297	-	701,519,297
Dividends payable	-	975,371	-	975,371
Other borrowings	-	27,258,006	-	27,258,006
Debt securities issued	-	4,540,259	-	4,540,259
Other liabilities	-	22,984	-	22,984
Subordinated term debts	-	25,809,261	-	25,809,261
<b>Total financial liabilities</b>	<b>1,305,900</b>	<b>827,653,035</b>	<b>-</b>	<b>828,958,935</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th September 2018	Fair Value Through Profit or Loss	Held to Maturity	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	21,283,102	-	21,283,102
Balances with Central Bank of Sri Lanka	-	-	40,997,071	-	40,997,071
Placements with banks	-	-	10,442,013	-	10,442,013
Reverse repurchase agreements	-	-	805,554	-	805,554
Derivative financial instruments	2,347,691	-	-	-	2,347,691
Financial investments - Fair value through profit or loss	203,250	-	-	-	203,250
Loans and receivables to customers	-	-	736,751,613	-	736,751,613
Financial investments - Loans and receivables	-	-	148,539,223	-	148,539,223
Financial investments - Available-for-sale	-	-	-	74,562,840	74,562,840
Financial investments - Held to maturity	-	1,539,805	-	-	1,539,805
Other assets	-	-	2,849,057	-	2,849,057
<b>Total financial assets</b>	<b>2,550,941</b>	<b>1,539,805</b>	<b>961,667,633</b>	<b>74,562,840</b>	<b>1,040,321,219</b>
<b>LIABILITIES</b>					
Due to banks	-	-	63,284,708	-	63,284,708
Derivative financial instruments	1,912,589	-	-	-	1,912,589
Securities sold under repurchase agreements	-	-	4,238,096	-	4,238,096
Due to customers	-	-	792,595,468	-	792,595,468
Dividends payable	-	-	1,023,101	-	1,023,101
Other borrowings	-	-	23,839,073	-	23,839,073
Debt securities issued	-	-	5,018,856	-	5,018,856
Other liabilities	-	-	1,693,103	-	1,693,103
Subordinated term debts	-	-	22,055,378	-	22,055,378
<b>Total financial liabilities</b>	<b>1,912,589</b>	<b>-</b>	<b>913,747,783</b>	<b>-</b>	<b>915,660,372</b>
<b>As at 31st December 2017</b>					
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	21,924,898	-	21,924,898
Balances with Central Bank of Sri Lanka	-	-	38,610,940	-	38,610,940
Placements with banks	-	-	9,670,125	-	9,670,125
Reverse repurchase agreements	-	-	772,002	-	772,002
Derivative financial instruments	615,357	-	-	-	615,357
Financial investments - Fair value through profit or loss	266,538	-	-	-	266,538
Loans and receivables to customers	-	-	655,612,938	-	655,612,938
Financial investments - Loans and receivables	-	-	125,031,671	-	125,031,671
Financial investments - Available for sale	-	-	-	101,742,985	101,742,985
Financial investments - Held to maturity	-	1,565,603	-	-	1,565,603
Other assets	-	-	3,170,939	-	3,170,939
<b>Total financial assets</b>	<b>881,895</b>	<b>1,565,603</b>	<b>854,793,513</b>	<b>101,742,985</b>	<b>958,983,996</b>
<b>LIABILITIES</b>					
Due to banks	-	-	62,463,497	-	62,463,497
Derivative financial instruments	1,305,900	-	-	-	1,305,900
Securities sold under repurchase agreements	-	-	5,064,360	-	5,064,360
Due to customers	-	-	718,770,945	-	718,770,945
Dividends payable	-	-	986,880	-	986,880
Other borrowings	-	-	27,258,006	-	27,258,006
Debt securities issued	-	-	5,035,958	-	5,035,958
Other liabilities	-	-	1,268,066	-	1,268,066
Subordinated term debts	-	-	25,564,596	-	25,564,596
<b>Total financial liabilities</b>	<b>1,305,900</b>	<b>-</b>	<b>846,412,308</b>	<b>-</b>	<b>847,718,208</b>

## SEGMENT REPORTING 2018

For the 9 months ended 30th September	Banking		Leasing/Hire purchase		Property		Insurance		Others*		Eliminations / Unallocated		Consolidated	
	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000
Total revenue from external customers	82,858,486	73,746,534	4,684,988	4,113,087	222,351	160,937	6,996,455	5,950,868	5,674,724	5,163,404	(221,094)	(540,871)	100,215,910	88,593,959
Inter segment revenue	182,493	100,390	-	-	528,297	574,254	67,614	80,828	54,821	113,854	(833,225)	(869,326)	-	-
Total revenue	83,040,979	73,846,924	4,684,988	4,113,087	750,648	735,191	7,064,069	6,031,696	5,729,545	5,277,258	(1,054,319)	(1,410,197)	100,215,910	88,593,959
Segment result	17,250,258	13,466,480	3,056,820	2,768,231	478,926	584,221	1,057,116	360,493	1,080,245	1,214,536	(278,518)	(592,017)	22,644,847	17,801,944
Unallocated expenses													(1,311,818)	(1,169,739)
Profit from operations													21,333,029	16,632,205
Income from Associates and Joint Venture													144,936	132,597
Taxes													(6,995,534)	(4,959,556)
Profit for the period													14,482,431	11,805,246
Non Controlling Interest													(602,138)	(494,231)
Profit attributable to the Equity holders of the Bank													13,880,293	11,311,015
Profit for the period													14,482,431	11,805,246
Other comprehensive Income, Net of tax	(1,951,025)	2,167,172	-	-	-	-	(26,018)	42,466	12,611	(3,312)	31,620	(13,841)	(1,932,812)	2,192,485
Total Comprehensive income for the period													12,549,619	13,997,731
Non Controlling Interest													(599,025)	(509,302)
Total comprehensive income attributable to the Equity Holders of the Bank													11,950,594	13,488,429
Total assets	987,535,194	911,361,464	48,012,142	41,985,861	10,258,279	10,341,774	20,657,305	17,605,031	27,223,350	25,046,269	(3,403,059)	(2,579,292)	1,090,283,211	1,003,761,107
Total liabilities	870,704,138	808,157,833	48,012,142	41,985,861	1,532,257	649,303	16,475,329	14,435,563	22,618,672	21,169,431	(4,333,220)	(4,266,711)	955,009,318	882,131,280
Cash flow from operating activities	15,727,757	27,604,929	(7,218,144)	(1,022,913)	400,482	611,908	1,052,711	1,188,956	(4,117,560)	4,184,945	3,260,567	(927,541)	9,105,813	31,640,284
Cash flow from Investing activities	1,782,584	(32,060,037)	-	-	584	(36,889)	(878,761)	(1,301,717)	2,539,826	(4,548,499)	(3,731,722)	4,636,983	(287,489)	(33,310,159)
Cash flow from financing activities	(8,421,268)	10,730,829	-	-	(225,820)	(340,000)	(300,000)	(250,000)	1,820,175	(216,200)	(1,561,319)	659,557	(8,688,232)	10,584,186

\* Business of HNB Finance Ltd.

## EXPLANATORY NOTES

- There are no changes in accounting policies and methods of computation since the publication of the annual financial statements for the year 2017.
- SLFRS 9 – “Financial Instruments” standard which replaces LKAS 39 – “Financial Instruments: Recognition & Measurement” is applicable for financial periods beginning on or after 1st January 2018.  
However, these financial statements have been prepared by applying LKAS 39 availing the transitional option granted by CA Sri Lanka.  
Had SLFRS 9 been applied to these financial statements as at 30th September 2018, the approximate impacts (unaudited) would be as follows.  
- the overall cumulative impairment provision would increase by Rs. 5.5 Bn – 6.5 Bn  
- the profits reported for the period ended 30th September 2018 would decrease by Rs 600 Mn – 800 Mn  
- the Total Capital Adequacy Ratio would decrease by 60 to 70 basis points (excluding regulatory forbearance)
- There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
- These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) “Interim Financial Reporting” and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
- Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
- Details of Employee Share Option Plan (ESOP)

	2013 Allocation*	
	Voting	Non voting
No of options brought forward	466,330	112,249
No of options granted during the year	-	-
No of options exercised during the year	(221,160)	(42,788)
No of options expired during the year	(245,170)	(69,461)
No of options remaining	-	-
Allotment price (Rs)	142.17	110.04
Funding granted to employee	None	None

\* These options were allocated on 5th June 2013 and the retention period ended on 4th June 2014. The remaining options expired on 4th June 2018.

- The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Finance Ltd & the Group's interest in joint venture company Acuity Partners (Pvt) Ltd.
- Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given as a note to the financial statements.
- The funds raised through debentures were fully utilized for the objectives mentioned in the prospectus.
- Restricted regulatory reserve – HNB Assurance PLC “Company”  
The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued Direction No 16 on 20th March 2018 on “Identification and Treatment of One-off Surplus” and has instructed all Life Insurance Companies to comply with the new Direction. Based on the new Direction, Life Insurance Companies are allowed to transfer one-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund. The transfer effected by HNB Assurance PLC has been presented as a separate reserve in the Statement of Changes in Equity as “Restricted Regulatory Reserve” under Equity in accordance with the Direction above. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the Company develops appropriate policies and procedures for effective management of its business.
- There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 30.09.2018	As at 31.12.2017	As at 30.09.2018	As at 31.12.2017
	BANK		GROUP	
<b>BASEL III</b>				
<b>Regulatory Capital</b>				
Common Equity Tier 1. Rs. Mn	98,086	92,810	106,260	100,143
Total Tier 1 Capital. Rs. Mn	98,086	92,810	106,260	100,143
Total Capital. Rs. Mn	117,667	115,247	125,714	122,431
<b>Regulatory Capital Ratios</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement 2018 - 7.375%; 2017 - 6.25%)	13.02%	13.70%	13.25%	13.68%
Tier 1 Capital Ratio (Minimum Requirement 2018 - 8.875%; 2017 - 7.75%)	13.02%	13.70%	13.25%	13.68%
Total Capital Ratio (Minimum Requirement 2018 - 12.875%; 2017 - 11.75%)	15.62%	17.02%	15.67%	16.72%
Basel III New guidelines were implemented w.e.f. 1st July 2017.				

	30.09.2018	31.12.2017
	BANK	
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	3.10%	2.28%
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	1.46%	0.77%
<b>Profitability (Annualised)</b>		
Interest Margin, %	4.58%	4.25%
Return on Assets (before Tax), %	2.59%	2.36%
Return on Equity, %	15.65%	17.62%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	181,322	183,290
Off-Shore Banking Unit	35,533	34,670
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	22.57%	24.06%
Off-Shore Banking Unit	41.74%	46.15%
Liquidity Coverage Ratio % - Rupee (Minimum Requirement - 2018 - 90%; 2017 - 80%)	163.81%	182.39%
Liquidity Coverage Ratio % - All currency (Minimum Requirement - 2018 - 90%; 2017 - 80%)	109.61%	124.32%

## LISTED DEBENTURE INFORMATION

Quarter ended 30th September	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		2018	2017
	2018		2017		2018	2017	Quarter ended 30th September			
	Highest	Lowest	Highest	Lowest						
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.				
<b>HNB DEBENTURES 2006</b>							<b>HNB DEBENTURES 2006</b>			
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	15 year Fixed Rate (11.00% p.a.)		N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)		N/T	N/T
<b>HNB DEBENTURES 2007</b>							<b>HNB DEBENTURES 2007</b>			
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	15 year Fixed Rate (16.75% p.a.)		N/T	N/T
<b>HNB DEBENTURES 2011</b>							<b>HNB DEBENTURES 2011</b>			
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (11.50% p.a.)		N/T	N/T
<b>HNB DEBENTURES 2013</b>							<b>HNB DEBENTURES 2013</b>			
5 year Fixed Rate (14.00% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	5 year Fixed Rate (14.00% p.a.)		N/A	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (14.25% p.a.)		N/T	N/T
<b>HNB DEBENTURES 2014</b>							<b>HNB DEBENTURES 2014</b>			
3 year Fixed Rate (6.88% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	3 year Fixed Rate (6.88% p.a.)		N/A	N/T
5 year Fixed Rate (7.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	5 year Fixed Rate (7.75% p.a.)		N/T	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (8.33% p.a.)		N/T	N/T
<b>HNB DEBENTURES 2016</b>							<b>HNB DEBENTURES 2016</b>			
5 year Fixed Rate (11.25% p.a.)	93.80	92.70	89.40	87.50	93.80	88.00	5 year Fixed Rate (11.25% p.a.)	11.99		12.78
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	5 year Fixed Rate (11.75% p.a.)		N/T	N/T
7 year Fixed Rate (13.00% p.a.)	N/T	N/T	99.85	99.85	N/T	99.85	7 year Fixed Rate (13.00% p.a.)		N/T	13.02

N/T – Not Traded as at 30th September, N/A – Not Applicable as at 30th September

N/T – Not Traded as at 30th September, N/A – Not Applicable as at 30th September

### Yield to Maturity of Last Trade Done (% p.a)

Quarter ended 30th September	2018	2017
<b>HNB DEBENTURES 2006</b>		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2007</b>		
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2011</b>		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2013</b>		
5 year Fixed Rate (14.00% p.a.)	N/A	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2014</b>		
3 year Fixed Rate (6.88% p.a.)	N/A	N/T
5 year Fixed Rate (7.75% p.a.)	N/T	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2016</b>		
5 year Fixed Rate (11.25% p.a.)	11.25	11.25
5 year Fixed Rate (11.75% p.a.)	N/T	N/T
7 year Fixed Rate (13.00% p.a.)	N/T	13.00

N/T – Not Traded as at 30th September, N/A – Not Applicable as at 30th September

### RATIOS OF DEBT

	30.09.2018	31.12.2017
Debt Equity Ratio (%)	76.06	90.84
	30.09.2018	30.09.2017
Interest Cover (Times)	5.15	4.25
	30.09.2018	30.09.2017
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	10.22	10.87
2006 series 18 year maturity	10.78	11.23
2007 series 15 year maturity	10.56	11.12
2011 series 10 year maturity	10.22	11.05
2013 series 5 year maturity	N/A	9.23
2013 series 10 year maturity	10.76	10.00
2014 series 3 year maturity	N/A	8.51
2014 series 5 year maturity	9.44	9.43
2014 series 10 year maturity	10.82	10.13
2016 series 5 year maturity	10.22	9.79
2016 series 5 year maturity	10.22	9.94
2016 series 7 year maturity	10.76	10.10

## SHARE INFORMATION

As at	30-Sep-18	31-Dec-17
<b>Number of Shares</b>		
Voting	395,451,248	392,304,558
Non-voting	97,199,341	96,249,132
<b>Last Traded Price per share</b>		
Voting	210.00	249.00
Non-voting	159.50	195.00

For the Quarter Ended	30-Sep-18	30-Sep-17
<b>Highest price per share</b>		
Voting	234.00	244.50
Non-voting	180.00	198.90
<b>Lowest price per share</b>		
Voting	201.00	220.00
Non-voting	159.50	185.00

## PUBLIC SHAREHOLDING

As at	30-Sep-18	
	Number	%
Number of shareholders representing the public holding (Voting)	4,534	69% approx.
Number of shareholders representing the public holding (Non Voting)	10,228	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs. 57 Bn	

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

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

\* Chief Executive Officer

\*\* Retired w.e.f 25.05.2018

\*\*\* Resigned w.e.f 28.06.2018

\*\*\*\* Mr. P.R. Saldin appointed as Alternate Director w.e.f. 26.07.2018 and he does not hold any shares in the capital of the Bank.

On 25th October 2018 Mr. Damien Fernando and Mr. Madu Ratnayake were appointed as directors of HNB PLC.

## 20 MAJOR SHAREHOLDERS (VOTING) AS AT 30TH SEPTEMBER 2018

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	38,544,738	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	32,693,132	8.27
3.	Milford Exports (Ceylon) (Pvt) Limited	31,270,422	*7.91
4.	Stassen Exports (Pvt) Limited	27,104,164	*6.85
5.	Mr.S.E. Captain	25,745,495	6.51
6.	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	21,588,566	5.46
7.	Sonetto Holdings Limited.	19,436,026	4.91
8.	Sri Lanka Insurance Corporation Ltd-General Fund	16,740,449	4.23
9.	Distilleries Company of Sri Lanka Plc	12,126,746	*3.07
10.	National Savings Bank	11,346,652	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,422,269	1.88
12.	Ms.L.A. Captain	7,390,583	1.87
13.	RBC Investor Services Bank-Coeli SICAV-i- Frontier Markets Fund	6,937,459	1.75
14.	BNYM SANV Re-IF Ruffer Total Return Fund	6,220,950	1.57
15.	RBC Investor Services Trust-RBC Emerging Markets Small-CAP Equity Fund	6,193,418	1.57
16.	HSBC Intl Nom Ltd-CMG First state global umbrella Fund PLC-CMG First State Indian Subcontinent Fund	5,638,975	1.43
17.	BNYM SANV Re-IF Ruffer Absolute Return Fund	4,175,684	1.06
18.	Citibank Newyork S/A Norges Bank Account 2	4,046,142	1.02
19.	Mrs. C.S.De Fonseka	3,641,369	0.92
20.	HSBC International Nominees Ltd-JPMCB-Templeton Global Investment Trust-Templeton Emerging Markets s	3,397,647	0.86

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

## 20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 30TH SEPTEMBER 2018

	Name	No. of shares	% on total non-voting capital
1.	Citibank Newyork S/A Norges Bank Account 2	10,094,610	10.39
2.	UBS AG Zurich	8,616,404	8.86
3.	HSBC Intl nominees Ltd-JPMLU-Franklin Templeton Investment Funds	7,010,860	7.21
4.	BNYM SANV Re-Frontaura Global Frontier Fund LLC	5,377,000	5.53
5.	BNYM SANV Re-neon liberty lorikeet master fund lp	3,601,936	3.71
6.	Akbar Brothers Pvt Ltd A/c No 1	3,493,293	3.59
7.	BNYM SANV Re-IF Ruffer total return fund	3,112,064	3.20
8.	BNYM SANV Re-IF Ruffer absolute return fund	2,073,039	2.13
9.	CB Europe plc lux s/a Dunross and Co ab	2,018,848	2.08
10.	Union Assurance plc/no-01a/c	1,516,004	1.56
11.	Mr. S.E. Captain	1,505,120	1.55
12.	Rubber Investment trust limited a/c # 01	1,318,708	1.36
13.	BNYM SANV Re-IF ruffer Investment funds : IF Ruffer Pacific fund	1,230,553	1.27
14.	Employees Trust Fund Board	1,137,429	1.17
15.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,033,965	1.06
16.	Union assurance plc/account no. 05 (unit-linked life insurance fund-equity fund)	976,802	1.00
17.	Hatton National Bank PLC A/c No 2	699,464	0.72
18.	Saboor Chatoor (pvt) ltd	658,500	0.68
19.	HSBC Intl Nom Ltd-JPMCB-Templeton Global Investment Trust-Templeton Frontier Markets Fund	639,704	0.66
20.	The Ceylon Investment PLC A/c # 02	580,065	0.60



## NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	30.09.2018 Rs 000	31.12.2017 Rs 000	30.09.2018 Rs 000	31.12.2017 Rs 000
<b>1) Loans and Receivables to Customers</b>				
Gross loans and receivables	731,863,021	649,547,067	752,061,381	666,768,376
Less : Individual impairment	(6,847,646)	(5,390,947)	(6,847,646)	(5,390,947)
Collective impairment	(7,175,080)	(5,054,059)	(8,462,122)	(5,764,491)
<b>Net loans and receivables</b>	<b>717,840,295</b>	<b>639,102,061</b>	<b>736,751,613</b>	<b>655,612,938</b>
<b>2) Loans and Receivables to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Overdrafts	121,849,020	110,389,156	121,724,392	110,247,496
Bills of exchange	1,062,764	1,194,887	1,062,764	1,194,887
Commercial papers	154,315	154,365	154,315	154,365
Short term loans	72,998,637	47,679,970	73,213,964	47,842,255
Credit Cards	7,492,580	7,072,669	7,492,580	7,072,669
Trust receipts	37,593,208	30,476,959	37,593,208	30,476,959
Packing credit loans	702,606	574,311	702,606	574,311
Staff loans	13,025,812	12,038,721	13,717,917	12,716,383
Term loans	288,917,678	271,323,002	302,027,309	284,037,497
Lease rentals receivable	48,073,924	42,894,674	54,379,849	46,703,201
Housing loans	33,681,014	32,708,620	33,681,014	32,708,620
Pawning advances	16,958,880	15,529,655	16,958,880	15,529,655
Securitized notes	585,700	569,605	585,700	569,605
<b>Sub total</b>	<b>643,096,138</b>	<b>572,606,594</b>	<b>663,294,498</b>	<b>589,827,903</b>
<b>By product-Foreign Currency</b>				
Overdrafts	2,231,627	943,061	2,231,627	943,061
Bills of exchange	1,352,103	1,976,692	1,352,103	1,976,692
Short term loans	1,829,419	3,172,960	1,829,419	3,172,960
Trust receipts	4,185,756	2,261,712	4,185,756	2,261,712
Packing credit loans	15,738,275	13,398,050	15,738,275	13,398,050
Term loans	61,254,193	53,342,311	61,254,193	53,342,311
Lease rentals receivable	230,033	87,997	230,033	87,997
Housing loans	1,945,477	1,757,690	1,945,477	1,757,690
<b>Sub total</b>	<b>88,766,883</b>	<b>76,940,473</b>	<b>88,766,883</b>	<b>76,940,473</b>
<b>Total</b>	<b>731,863,021</b>	<b>649,547,067</b>	<b>752,061,381</b>	<b>666,768,376</b>
<b>3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Customers</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Individual impairment</b>				
Opening balance at 01st January	5,390,947	3,366,278	5,390,947	3,366,278
Charge/(Write back) to income statement	1,572,430	1,048,241	1,572,430	1,048,241
Amounts written off	-	(196,884)	-	(196,884)
Interest accrued on impaired loans and receivables	(115,731)	(70,807)	(115,731)	(70,807)
<b>Closing balance as at 30th September</b>	<b>6,847,646</b>	<b>4,146,828</b>	<b>6,847,646</b>	<b>4,146,828</b>
<b>Collective impairment</b>				
Opening balance at 01st January	5,054,059	7,734,914	5,764,491	8,131,951
Charge/(Write back) to income statement	2,121,021	1,306,919	2,697,631	1,469,019
Amounts written off	-	(423,574)	-	(423,574)
<b>Closing balance as at 30th September</b>	<b>7,175,080</b>	<b>8,618,259</b>	<b>8,462,122</b>	<b>9,177,396</b>
<b>Total impairment</b>	<b>14,022,726</b>	<b>12,765,087</b>	<b>15,309,768</b>	<b>13,324,224</b>
<b>As at</b>	<b>30.09.2018 Rs 000</b>	<b>31.12.2017 Rs 000</b>	<b>30.09.2018 Rs 000</b>	<b>31.12.2017 Rs 000</b>
<b>4) Due to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Current account deposits	37,735,241	35,345,019	37,368,549	34,802,705
Savings deposits	188,701,732	175,798,836	190,718,614	177,757,916
Time deposits	397,906,931	362,618,952	412,758,411	378,518,693
Certificates of deposit	459,029	955,609	459,029	955,609
Margin deposits	3,898,564	1,852,976	3,898,564	1,852,976
<b>Sub total</b>	<b>628,701,497</b>	<b>576,571,392</b>	<b>645,203,167</b>	<b>593,887,899</b>
<b>By product- Foreign Currency</b>				
Current account deposits	2,687,406	3,822,844	2,687,406	3,822,844
Savings deposits	40,257,258	33,951,894	40,189,011	33,943,675
Time deposits	104,606,850	87,154,033	104,493,852	87,097,393
Margin deposits	22,032	19,134	22,032	19,134
<b>Sub total</b>	<b>147,573,546</b>	<b>124,947,905</b>	<b>147,392,301</b>	<b>124,883,046</b>
<b>Total</b>	<b>776,275,043</b>	<b>701,519,297</b>	<b>792,595,468</b>	<b>718,770,945</b>