



YOUR PARTNER IN PROGRESS

Interim Financial Statements

For the nine months ended 30th September 2019

FINANCIAL COMMENTARY FOR THE 09 MONTHS ENDED 30TH SEPTEMBER 2019

- Group PBT of Rs 14.6 Bn
- Total Group taxes of Rs 12.2 Bn
- Bank PAT of Rs 8 Bn for nine months
- Deposit base crosses Rs 800 Bn

Hatton National Bank PLC (HNB) posted a profit after tax (PAT) of Rs 8.0 Bn for the nine month period ended September 2019 while the Group recorded a PAT of Rs 8.7Bn for the same period. The third quarter of 2019 saw HNB's profits improving to Rs 3.2 Bn compared to the previous quarters while the Group PAT for the quarter was Rs 3.6 Bn.

Sluggish economic growth, exacerbated by the prevailing uncertainty continued to impact the banking industry and affect demand for credit. The focus on CASA deposits enabled HNB to grow its CASA base to Rs 270Bn resulting in a 11% YoY growth in Net Interest Income over the corresponding nine month period ended September 2018.

The fee income for the nine months contracted marginally compared to the previous year. The decrease in income from trade finance was a key reason as the country saw a slowdown in import volumes during the year mainly due to lower vehicle imports. The low economic activity and the absence of development projects, resulted in guarantee and loan fees declining as well.

The Rupee which experienced significant volatility between January to September 2018 resulted in an above average exchange gain of Rs 1.8 Bn for 2018. With currency movements not being as pronounced during the first nine months of 2019, only Rs 287 Mn in net exchange gains were booked.

The interest margins of the Sector are under pressure and stressed market conditions along with new SLFRS 9 Accounting Standard have resulted in higher impairment charges hampering internal capital generation of the sector.

The success of the proactive initiatives implemented by the Bank is evident by the fact that HNB has been able to contain its NPAs in the last two quarters despite the Sector experiencing further deterioration due to prevailing adverse market conditions.

Total Operating Expenses for the nine month period up to September 2019 rose by 12.3% YoY to Rs 18 Bn. The Bank was successful in maintaining its Cost to Income ratio under 40% as at end of 3Q 2019 enabling it to record an Operating Profit of Rs 19.3 Bn and a Profit Before Taxes (PBT) of Rs 13.4 Bn for the period. The Rs 8 Bn PAT reflected the total effective tax rate surge from 46.6% in the corresponding period of 2018 to 58.3% for the period ending September 2019 as a result of the introduction of Debt Repayment Levy (DRL) effective from the last quarter of 2018 as well as the removal of exemptions on Sri Lanka Development Bond (SLDB) and Debenture investments which were intact during the first quarter of the previous year.

All Group companies contributed to Group profitability during the nine month period with Group Operating Profit and PBT amounting to Rs 20.8 Bn and Rs 14.6 Bn respectively. Rs 12.2 Bn was paid as Group taxes as the increase in the total effective tax rate mirrored that of the Bank to weigh on Group PAT which was nearly Rs 8.7 Bn.

HNB has been recognized locally and internationally thus far in 2019, being adjudged as the 'Strongest Sri Lankan Bank by Balance Sheet' by the prestigious Asian Banker Magazine. Euromoney Magazine bestowed upon the honour of 'Best Bank in Sri Lanka', an award won for the third time in the Bank's history. Earlier in the year the Asian Banker Magazine recognized HNB as the 'Best Managed Bank in Sri Lanka' for its achievements between 2016 to 2018. The Bank was also recognized by the Asian Banker as the 'Best Bank for SME in Sri Lanka' while Asiamoney awarded HNB as the 'Best Bank' for SME, Trade Finance, Cash Management and Corporate Social Responsibility. HNB was once again acknowledged as one of the 'Top 10 Most Admired Companies' at the second CIMA & ICCSL Most Admired Companies Awards and after a lapse of 22 years HNB was recognized as the No. 1 company in Sri Lanka by Business Today.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the Sovereign from Moody's Investor Services and has a National long term rating of AA -(lka) from Fitch Ratings. The Bank is also ranked amongst the 'Top 1000 World banks' as published by the prestigious Banker Magazine UK, a recognition bestowed upon HNB since 2017.

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		
	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)
Gross Income	94,938,002	87,586,744	8	31,530,740	30,722,117	3	108,788,829	100,076,694	9	36,185,589	35,185,450	3
Interest income	87,214,676	78,288,453	11	28,243,596	27,383,599	3	93,938,485	84,537,711	11	30,305,568	29,513,289	3
Less : Interest expenses	49,382,013	44,218,618	12	16,282,863	15,265,044	7	51,072,676	46,005,752	11	16,674,754	15,879,829	5
Net interest income	37,832,663	34,069,835	11	11,960,733	12,118,555	(1)	42,865,809	38,531,959	11	13,630,814	13,633,460	-
Fee and commission income	6,834,701	6,895,497	(1)	2,294,296	2,392,381	(4)	7,690,423	7,478,887	3	2,569,300	2,580,461	-
Less : Fee and commission expenses	145,779	102,981	42	53,874	40,606	33	273,685	164,292	67	97,774	59,440	64
Net fee and commission income	6,688,922	6,792,516	(2)	2,240,422	2,351,775	(5)	7,416,738	7,314,595	1	2,471,526	2,521,021	(2)
Net interest, fee and commission income	44,521,585	40,862,351	9	14,201,155	14,470,330	(2)	50,282,547	45,846,554	10	16,102,340	16,154,481	-
Net gain/(loss) from trading / Net fair value gains/(losses)												
from financial instruments at fair value through profit or loss	(2,778,339)	(1,234,250)	(125)	(1,915,317)	204,113	(1,038)	(2,780,450)	(1,260,299)	(121)	(1,904,307)	196,869	(1,067)
Net gain from financial investments	187,512	212,551	(12)	22,128	17,560	26	190,048	236,271	(20)	22,722	35,524	(36)
Net insurance premium income	-	-	-	-	-	-	6,086,098	5,469,819	11	2,172,482	1,955,996	11
Net gains / (losses) on derecognition of financial assets	-	-	-	-	-	-	29,109	63,007	(54)	6,448	29,206	(78)
Net other operating income	3,479,452	3,424,493	2	2,886,037	724,464	298	3,635,116	3,551,298	2	3,013,376	874,105	245
Total operating income	45,410,210	43,265,145	5	15,194,003	15,416,467	(1)	57,442,468	53,906,650	7	19,413,061	19,246,181	1
Less : Impairment for loans and other losses	8,112,296	4,794,264	69	1,859,490	1,450,007	28	9,115,818	5,370,875	70	2,097,634	1,602,684	31
Net operating income	37,297,914	38,470,881	(3)	13,334,513	13,966,460	(5)	48,326,650	48,535,775	-	17,315,427	17,643,497	(2)
Less : Operating expenses												
Personnel expenses	8,881,101	7,744,471	15	2,987,211	2,660,704	12	10,757,101	9,385,270	15	3,638,284	3,229,968	13
Depreciation and amortisation	1,151,805	994,043	16	395,190	340,450	16	1,564,593	1,311,817	19	534,788	448,505	19
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	5,608,066	4,496,545	25	2,000,679	1,817,578	10
Other expenses	7,951,059	7,277,736	9	2,658,135	2,485,054	7	9,622,290	8,549,841	13	3,243,481	2,953,806	10
Total operating expenses	17,983,965	16,016,250	12	6,040,536	5,486,208	10	27,552,050	23,743,473	16	9,417,232	8,449,857	11
Operating profit before value added tax (VAT), nation building tax (NBT) and debt repayment levy (DRL) on financial services	19,313,949	22,454,631	(14)	7,293,977	8,480,252	(14)	20,774,600	24,792,302	(16)	7,898,195	9,193,640	(14)
Less : Value Added Tax (VAT) on financial services	3,515,276	3,784,113	(7)	1,275,587	1,394,377	(9)	3,762,216	4,065,836	(7)	1,379,782	1,486,723	(7)
Less : Nation Building Tax (NBT) on financial services	468,704	504,549	(7)	170,078	185,918	(9)	501,731	540,446	(7)	182,340	198,380	(8)
Less : Debt Repayment Levy	1,919,341	-	-	696,470	-	-	2,056,908	-	-	755,811	-	-
Operating profit after value added tax (VAT), nation building tax (NBT) and debt repayment levy (DRL) on financial services	13,410,628	18,165,969	(26)	5,151,842	6,899,957	(25)	14,453,745	20,186,020	(28)	5,580,262	7,508,537	(26)
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	144,545	144,936	-	59,419	60,539	(2)
PROFIT BEFORE INCOME TAX	13,410,628	18,165,969	(26)	5,151,842	6,899,957	(25)	14,598,290	20,330,956	(28)	5,639,681	7,569,076	(25)
Less : Income tax expense	5,363,538	6,174,124	(13)	1,904,910	2,217,506	(14)	5,904,187	6,995,534	(16)	2,074,601	2,486,141	(17)
PROFIT FOR THE PERIOD	8,047,090	11,991,845	(33)	3,246,932	4,682,451	(31)	8,694,103	13,335,422	(35)	3,565,080	5,082,935	(30)
Profit attributable to:												
Equity holders of the Bank	8,047,090	11,991,845	(33)	3,246,932	4,682,451	(31)	8,405,611	12,733,284	(34)	3,485,049	4,922,668	(29)
Non-controlling interests	-	-	-	-	-	-	288,492	602,138	(52)	80,031	160,267	(50)
PROFIT FOR THE PERIOD	8,047,090	11,991,845	(33)	3,246,932	4,682,451	(31)	8,694,103	13,335,422	(35)	3,565,080	5,082,935	(30)
Earnings per share												
Basic earnings per ordinary share (Rs)	16.08	23.97	(33)	6.49	9.36	(31)	16.80	25.45	(34)	6.96	9.84	(29)
Diluted earnings per ordinary share (Rs)	16.08	23.96	(33)	6.49	9.36	(31)	16.80	25.44	(34)	6.96	9.84	(29)

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		
	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)	2019 Rs000	2018 (Restated) Rs000	%Increase/ (Decrease)
PROFIT FOR THE PERIOD	8,047,090	11,991,845	(33)	3,246,932	4,682,451	(31)	8,694,103	13,335,422	(35)	3,565,080	5,082,935	(30)
Other comprehensive income that will be reclassified to profit or loss in subsequent periods												
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	1,731,600	(917,001)	289	(204,369)	(438,573)	53	2,124,591	(1,102,076)	293	(231,878)	(510,385)	55
Reclassification of net gains on de-recognition of debt instruments at fair value through other comprehensive income	-	-	-	-	-	-	(29,109)	(63,007)	54	(6,448)	(29,206)	78
Transfer (to)/ from life policy holder reserve fund	-	-	-	-	-	-	(322,187)	220,064	(246)	29,286	93,029	(69)
Share of other comprehensive income of joint venture	-	-	-	-	-	-	(3,764)	31,620	(112)	10,321	20,938	(51)
Less: Tax expense relating to items that will be reclassified to profit or loss	(484,848)	256,760	(289)	57,223	122,800	(53)	(494,295)	261,004	(289)	58,507	123,973	(53)
Net other comprehensive income that will be reclassified to profit or loss in subsequent periods	1,246,752	(660,241)	289	(147,146)	(315,773)	53	1,275,236	(652,395)	295	(140,212)	(301,651)	54
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods												
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	25,669	(1,290,784)	102	882,131	(632,245)	240	25,669	(1,290,784)	102	882,131	(632,245)	240
Re-measurement of post-employment benefit obligations	-	-	-	-	-	-	9,816	15,271	(36)	-	-	-
Revaluation of freehold land & buildings	-	-	-	-	-	-	225,622	-	-	-	-	-
Share of other comprehensive income of joint venture	-	-	-	-	-	-	-	-	-	-	-	-
Less: Tax expense relating to items that will not be reclassified to profit or loss	-	-	-	-	-	-	(65,922)	(4,904)	(1,244)	-	-	-
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	25,669	(1,290,784)	102	882,131	(632,245)	240	195,185	(1,280,417)	115	882,131	(632,245)	240
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,272,421	(1,951,025)	165	734,985	(948,018)	178	1,470,421	(1,932,812)	176	741,919	(933,896)	179
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,319,511	10,040,820	(7)	3,981,917	3,734,433	7	10,164,524	11,402,610	(11)	4,306,999	4,149,039	4
Total comprehensive income attributable to:												
Equity holders of the Bank	9,319,511	10,040,820	(7)	3,981,917	3,734,433	7	9,765,085	10,803,585	(10)	4,228,322	3,991,498	6
Non-controlling interests	-	-	-	-	-	-	399,439	599,025	(33)	78,677	157,541	(50)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,319,511	10,040,820	(7)	3,981,917	3,734,433	7	10,164,524	11,402,610	(11)	4,306,999	4,149,039	4

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.09.2019	As at 31.12.2018 (Audited)	% Increase / (Decrease)	As at 30.09.2019	As at 31.12.2018 (Audited)	% Increase / (Decrease)
	Rs.000	Rs.000		Rs.000	Rs.000	
ASSETS						
Cash and cash equivalents	24,935,004	25,141,890	(1)	24,908,894	24,966,831	-
Placements with banks	19,147,116	3,292,733	481	26,290,971	8,506,255	209
Balances with Central Bank of Sri Lanka	24,218,819	33,907,057	(29)	24,218,819	33,907,057	(29)
Reverse repurchase agreements	4,953,074	90,094	5,398	5,721,679	1,168,764	390
Derivative financial instruments	338,566	4,507,576	(92)	338,566	4,507,576	(92)
Financial assets recognised through profit or loss						
- measured at fair value	3,405,637	100,342	3,294	3,524,591	264,420	1,233
Financial assets at amortised cost - loans and advances	709,802,737	749,048,820	(5)	736,446,501	770,263,000	(4)
Financial assets at amortised cost - debt and other instruments	153,088,081	160,145,680	(4)	160,077,438	165,821,983	(3)
Financial assets measured at fair value through other comprehensive income	109,080,821	69,436,989	57	116,425,831	76,005,258	53
Investment in joint venture	755,000	755,000	-	2,167,982	2,027,201	7
Investments in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	324,584	325,818	-	927,703	1,107,472	(16)
Property, plant and equipment	21,308,722	21,304,370	-	42,707,392	42,417,126	1
Intangible assets and goodwill	1,139,681	905,653	26	1,641,398	1,377,864	19
Other assets	16,304,414	14,509,951	12	17,716,403	16,273,512	9
Total assets	1,091,819,541	1,086,489,258	-	1,163,114,168	1,148,614,319	1
LIABILITIES						
Due to banks	80,723,765	77,492,582	4	81,756,168	77,976,010	5
Derivative financial instruments	1,254,439	2,519,172	(50)	1,254,439	2,519,172	(50)
Securities sold under repurchase agreements	4,970,548	16,678,946	(70)	4,970,548	16,678,946	(70)
Financial liabilities at amortised cost - due to depositors	801,121,282	799,975,357	-	824,481,927	818,041,962	1
Dividends payable	998,274	994,812	-	1,011,503	1,009,468	-
Financial liabilities at amortised cost - other borrowings	18,257,901	24,894,155	(27)	18,257,901	24,894,155	(27)
Debt securities issued	4,553,946	4,487,763	1	5,093,444	5,030,000	1
Current tax liabilities	7,722,042	9,184,814	(16)	8,062,309	9,559,852	(16)
Deferred tax liabilities	1,583,600	1,808,898	(12)	5,881,830	5,831,673	1
Insurance Provision -life	-	-	-	14,217,094	12,256,686	16
Insurance Provision -general	-	-	-	2,909,821	2,525,095	15
Other provisions	3,775,250	3,559,925	6	4,240,572	4,081,659	4
Other liabilities	10,923,392	6,908,911	58	12,806,432	8,944,789	43
Subordinated term debts	32,827,295	22,229,951	48	32,454,537	21,930,246	48
Total liabilities	968,711,734	970,735,286	-	1,017,398,525	1,011,279,713	1

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.09.2019 Rs.000	As at 31.12.2018 (Audited) Rs.000	% Increase / (Decrease)	As at 30.09.2019 Rs.000	As at 31.12.2018 (Audited) Rs.000	% Increase / (Decrease)
EQUITY						
Stated capital	33,820,904	32,338,026	5	33,820,906	32,338,026	5
Statutory reserve fund	6,260,000	6,260,000	-	6,260,000	6,260,000	-
Retained earnings	20,463,969	15,728,513	30	25,278,373	20,181,416	25
Other reserves	62,562,934	61,427,433	2	75,423,715	73,881,954	2
Total equity attributable to equity holders of the Bank	123,107,807	115,753,972	6	140,782,994	132,661,396	6
Non-controlling interest	-	-	-	4,932,649	4,673,210	6
Total equity	123,107,807	115,753,972	6	145,715,643	137,334,606	6
Total equity and liabilities	1,091,819,541	1,086,489,258	-	1,163,114,168	1,148,614,319	1
Contingent liabilities and commitments	751,202,239	763,214,236	(2)	751,202,239	763,214,236	(2)
Net assets value per share (Rs.)	246.02	231.32	6	281.34	265.11	6
Memorandum information						
Number of employees	4,910	4,781				
Number of branches	250	250				

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 2019 and its profit for the nine months ended 30th September 2019.

(Sgd.)

Anusha Gallage

Chief Financial Officer

08th November 2019

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;
- 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.)

Asoka Pieris

Director

08th November 2019

(Sgd.)

Dinesh Weerakkody

Chairman

08th November 2019

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital			Other Reserves					Retained Earnings	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Capital Reserve	Available for Sale Reserve	Fair value Reserve	General Reserve	ESOP Reserve		
	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000
For the 9 months ended 30th September 2019										
Balance as at 1st January 2019	26,649,460	5,688,566	6,260,000	10,790,994	-	1,536,439	49,100,000	-	15,728,513	115,753,972
Total comprehensive income for the period										
Net profit for the period	-	-	-	-	-	-	-	-	8,047,090	8,047,090
Other Comprehensive Income for the period (net of tax)	-	-	-	-	-	1,272,421	-	-	-	1,272,421
Total comprehensive income for the period	-	-	-	-	-	1,272,421	-	-	8,047,090	9,319,511
Transactions with equity holders, recognised directly in equity										
Final dividend 2018 - Scrip	1,190,308	292,570	-	-	-	-	-	-	(1,724,277)	(241,399)
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	(1,724,277)	(1,724,277)
Total transactions with equity holders	1,190,308	292,570	-	-	-	-	-	-	(3,448,554)	(1,965,676)
Transfers during the period	-	-	-	-	-	(136,920)	-	-	136,920	-
Balance as at 30th September 2019	27,839,768	5,981,136	6,260,000	10,790,994	-	2,671,940	49,100,000	-	20,463,969	123,107,807
For the 9 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
Day 1 impact from the application of SLFRS 9	-	-	-	-	(4,166,167)	4,035,701	-	-	(4,042,519)	(4,172,985)
Restated balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	8,725,542	-	4,035,701	43,100,000	93,186	11,151,066	103,974,614
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	-	11,991,845	11,991,845
Other Comprehensive Income for the period (net of tax)	-	-	-	-	-	(1,951,025)	-	-	-	(1,951,025)
Total comprehensive income for the period	-	-	-	-	-	(1,951,025)	-	-	11,991,845	10,040,820
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	737,958	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	-	2,084,676	43,100,000	80,262	19,722,551	111,511,056

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital			Other Reserves								Retained Earnings	Non Controlling Interest	Total Equity
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Capital Reserve	Available for Sale Reserve	Fair value Reserve	General Reserve	Life policy holder Reserve	Restricted Regulatory Reserve	ESOP Reserve	Exchange Equalization Reserve			
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000			
For the 9 months ended 30th September 2019														
Balance as at 1st January 2019	26,649,460	5,688,566	6,260,000	22,994,510	-	1,537,723	49,100,000	(197,803)	381,156	-	66,368	20,181,416	4,673,210	137,334,606
Total comprehensive income for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	8,405,611	288,492	8,694,103
Other comprehensive income for the period (net of tax)	-	-	-	68,488	-	1,291,770	-	-	-	-	(3,764)	2,980	110,947	1,470,421
Total comprehensive income for the period	-	-	-	68,488	-	1,291,770	-	-	-	-	(3,764)	8,408,591	399,439	10,164,524
Transactions with equity holders, recognised directly in equity														
Final dividend 2018 - Scrip	1,190,309	292,571	-	-	-	-	-	-	-	-	-	(1,724,277)	-	(241,397)
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	-	-	-	(1,724,277)	(140,000)	(1,864,277)
Total transactions with equity holders	1,190,309	292,571	-	-	-	-	-	-	-	-	-	(3,448,554)	(140,000)	(2,105,674)
Transfers during the period	-	-	-	-	-	(136,920)	-	322,187	-	-	-	136,920	-	322,187
Balance as at 30th September 2019	27,839,769	5,981,137	6,260,000	23,062,998	-	2,692,573	49,100,000	124,384	381,156	-	62,604	25,278,373	4,932,649	145,715,643
For the 9 months ended 30th September 2018														
Balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	19,433,829	4,207,731	-	43,100,000	223,271	-	93,186	-	18,082,284	3,648,703	125,658,123
Day 1 impact from the application of SLFRS 9	-	-	-	-	(4,207,731)	4,058,756	-	(4,507)	-	-	-	(4,225,558)	(274,989)	(4,654,029)
Restated balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	19,433,829	-	4,058,756	43,100,000	218,764	-	93,186	-	13,856,726	3,373,714	121,004,094
Total comprehensive income for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	12,733,284	602,138	13,335,422
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)	-	-	-	-	-	12,737,254	599,025	11,402,610
Transactions with equity holders, recognised directly in equity														
Final dividend 2017 - Scrip	706,515	173,317	-	-	-	-	-	-	-	-	-	(977,592)	-	(97,759)
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	-	-	-	-	-	-	-	-	-	(3,420,361)	(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	5,688,565	5,460,000	19,433,829	-	2,125,087	43,100,000	(1,300)	381,156	80,262	-	22,792,464	3,763,225	129,472,749

STATEMENT OF CASH FLOWS

For the 9 months ended 30th September	BANK		GROUP	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Cash flows from operating activities				
Interest receipts	84,283,608	76,249,448	91,324,146	82,746,541
Interest payments	(52,479,613)	(48,649,292)	(53,813,035)	(47,457,047)
Net commission receipts	6,655,262	6,788,166	7,403,213	7,272,866
Trading income	(170,469)	1,271,466	(196,758)	1,200,123
Payments to employees	(8,178,016)	(6,412,972)	(10,021,653)	(8,105,203)
VAT & NBT on financial services & DRL	(5,977,684)	(4,649,819)	(6,443,045)	(4,752,243)
Receipts from other operating activities	3,346,227	2,339,674	9,886,369	5,369,285
Payments on other operating activities	(7,714,620)	(7,559,864)	(12,815,827)	(12,010,773)
Operating profit before change in operating assets & liabilities	19,764,695	19,376,807	25,323,410	24,263,549
(Increase)/decrease in operating assets				
Balances with Central Bank of Sri Lanka	9,688,238	(2,386,131)	9,688,238	(2,386,131)
Financial assets at amortised cost - loans & advances	34,264,411	(80,323,059)	27,813,800	(83,314,233)
Reverse repurchase agreements	(4,862,000)	(250,000)	(4,551,935)	(135,658)
Other assets	3,458,870	(676,136)	2,934,177	(1,532,765)
	42,549,519	(83,635,326)	35,884,280	(87,368,787)
Increase / (decrease) in operating liabilities				
Financial liabilities at amortised cost - due to depositors	1,818,695	76,089,987	6,824,609	75,108,883
Financial liabilities at amortised cost - other borrowings	(3,087,065)	(1,954,073)	(2,538,090)	(1,954,903)
Securities sold under repurchase agreements	(11,713,682)	(818,376)	(11,713,682)	(818,376)
Other liabilities	770,254	1,487,481	1,496,525	1,635,987
	(12,211,798)	74,805,019	(5,930,638)	73,971,591
Net cash generated from operating activities before income tax	50,102,416	10,546,500	55,277,052	10,866,353
Income tax paid	(7,516,860)	(3,255,854)	(7,910,718)	(3,715,444)
Net cash generated from operating activities	42,585,556	7,290,646	47,366,334	7,150,909
Cash flows from investing activities				
Purchase of property, plant & equipment	(917,429)	(934,004)	(1,059,565)	(1,026,620)
Proceeds from the sale of property, plant & equipment	8,323	4,443	9,696	8,704
Net proceeds from sale, maturity and purchase of financial investments	(33,904,736)	1,785,526	(36,064,409)	773,562
Net purchase of intangible assets	(477,918)	(217,856)	(484,607)	(234,173)
Dividends received from investment in subsidiaries	182,338	217,507	-	-
Dividends received from other investments	148,843	191,031	155,878	191,038
Net cash (used in) / generated from investing activities	(34,960,579)	1,046,647	(37,443,007)	(287,489)
Cash flows from financing activities				
Net proceeds from the issue of ordinary share capital	-	36,151	-	36,151
Net proceeds from the issue of subordinated debt	9,984,733	-	9,907,093	-
Repayment of subordinated debt	-	(4,000,000)	-	(4,055,658)
Dividend paid to non controlling interest	-	-	(141,427)	(211,236)
Dividend paid to shareholders of the parent company	(1,962,213)	(2,502,515)	(1,962,214)	(2,502,585)
Net cash (used in) / generated from financing activities	8,022,520	(6,466,364)	7,803,452	(6,733,328)
Net increase in cash & cash equivalents	15,647,497	1,870,929	17,726,779	130,092
Cash and cash equivalents at the beginning of the period	28,434,623	24,922,177	33,473,086	31,595,023
Cash and cash equivalents at the end of the period	44,082,120	26,793,106	51,199,865	31,725,115
Cash and cash equivalents at the end of the period				
Cash and cash equivalents	24,935,004	21,536,640	24,908,894	21,283,102
Placements with banks	19,147,116	5,256,466	26,290,971	10,442,013
	44,082,120	26,793,106	51,199,865	31,725,115

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th September 2019	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	-	24,935,004	-	24,935,004
Placements with banks	-	19,147,116	-	19,147,116
Balances with Central Bank of Sri Lanka	-	24,218,819	-	24,218,819
Reverse repurchase agreements	-	4,953,074	-	4,953,074
Derivative financial instruments	338,566	-	-	338,566
Financial assets recognised through profit or loss	3,405,637	-	-	3,405,637
Financial assets at amortised cost - loans and advances	-	709,802,737	-	709,802,737
Financial assets at amortised cost - debt and other instruments	-	153,088,081	-	153,088,081
Financial assets measured at fair value through other comprehensive income	-	-	109,080,821	109,080,821
Other assets	-	352,965	-	352,965
Total financial assets	3,744,203	936,497,796	109,080,821	1,049,322,820
LIABILITIES				
Due to banks	-	80,723,765	-	80,723,765
Derivative financial instruments	1,254,439	-	-	1,254,439
Securities sold under repurchase agreements	-	4,970,548	-	4,970,548
Financial liabilities at amortised cost - due to depositors	-	801,121,282	-	801,121,282
Dividends payable	-	998,274	-	998,274
Financial liabilities at amortised cost - other borrowings	-	18,257,901	-	18,257,901
Debt securities issued	-	4,553,946	-	4,553,946
Other liabilities	-	67,927	-	67,927
Subordinated term debts	-	32,827,295	-	32,827,295
Total financial liabilities	1,254,439	943,520,938	-	944,775,377
As at 31st December 2018				
	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	-	25,141,890	-	25,141,890
Placements with banks	-	3,292,733	-	3,292,733
Balances with Central Bank of Sri Lanka	-	33,907,057	-	33,907,057
Reverse repurchase agreements	-	90,094	-	90,094
Derivative financial instruments	4,507,576	-	-	4,507,576
Financial assets recognised through profit or loss	100,342	-	-	100,342
Financial assets at amortised cost - loans and advances	-	749,048,820	-	749,048,820
Financial assets at amortised cost - debt and other instruments	-	160,145,680	-	160,145,680
Financial assets measured at fair value through other comprehensive income	-	-	69,436,989	69,436,989
Other assets	-	466,252	-	466,252
Total financial assets	4,607,918	972,092,526	69,436,989	1,046,137,433
LIABILITIES				
Due to banks	-	77,492,582	-	77,492,582
Derivative financial instruments	2,519,172	-	-	2,519,172
Securities sold under repurchase agreements	-	16,678,946	-	16,678,946
Financial liabilities at amortised cost - due to depositors	-	799,975,356	-	799,975,356
Dividends payable	-	994,812	-	994,812
Financial liabilities at amortised cost - other borrowings	-	24,894,155	-	24,894,155
Debt securities issued	-	4,487,763	-	4,487,763
Other liabilities	-	12,951	-	12,951
Subordinated term debts	-	22,229,951	-	22,229,951
Total financial liabilities	2,519,172	946,766,516	-	949,285,688

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th September 2019	Fair Value Through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	-	24,908,894	-	24,908,894
Placements with banks	-	26,290,971	-	26,290,971
Balances with Central Bank of Sri Lanka	-	24,218,819	-	24,218,819
Reverse repurchase agreements	-	5,721,679	-	5,721,679
Derivative financial instruments	338,566	-	-	338,566
Financial assets recognised through profit or loss	3,524,591	-	-	3,524,591
Financial assets at amortised cost - loans and advances	-	736,446,501	-	736,446,501
Financial assets at amortised cost - debt and other instruments	-	160,077,438	-	160,077,438
Financial assets measured at fair value through other comprehensive income	-	-	116,425,831	116,425,831
Other assets	-	1,745,807	-	1,745,807
Total financial assets	3,863,157	979,410,109	116,425,831	1,099,699,097
LIABILITIES				
Due to banks	-	81,756,168	-	81,756,168
Derivative financial instruments	1,254,439	-	-	1,254,439
Securities sold under repurchase agreements	-	4,970,548	-	4,970,548
Financial liabilities at amortised cost - due to depositors	-	824,481,927	-	824,481,927
Dividends payable	-	1,011,503	-	1,011,503
Financial liabilities at amortised cost - other borrowings	-	18,257,901	-	18,257,901
Debt securities issued	-	5,093,444	-	5,093,444
Other liabilities	-	2,516,246	-	2,516,246
Subordinated term debts	-	32,454,537	-	32,454,537
Total financial liabilities	1,254,439	970,542,274	-	971,796,713
As at 31st December 2018	Fair Value Through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	-	24,966,831	-	24,966,831
Placements with banks	-	8,506,255	-	8,506,255
Balances with Central Bank of Sri Lanka	-	33,907,057	-	33,907,057
Reverse repurchase agreements	-	1,168,764	-	1,168,764
Derivative financial instruments	4,507,576	-	-	4,507,576
Financial assets recognised through profit or loss	264,420	-	-	264,420
Financial assets at amortised cost - loans and advances	-	770,263,000	-	770,263,000
Financial assets at amortised cost - debt and other instruments	-	165,821,983	-	165,821,983
Financial assets measured at fair value through other comprehensive income	-	-	76,005,258	76,005,258
Other assets	-	1,322,063	-	1,322,063
Total financial assets	4,771,996	1,005,955,953	76,005,258	1,086,733,207
LIABILITIES				
Due to banks	-	77,976,010	-	77,976,010
Derivative financial instruments	2,519,172	-	-	2,519,172
Securities sold under repurchase agreements	-	16,678,946	-	16,678,946
Financial liabilities at amortised cost - due to depositors	-	818,041,962	-	818,041,962
Dividends payable	-	1,009,468	-	1,009,468
Financial liabilities at amortised cost - other borrowings	-	24,894,155	-	24,894,155
Debt securities issued	-	5,030,000	-	5,030,000
Other liabilities	-	2,124,432	-	2,124,432
Subordinated term debts	-	21,930,246	-	21,930,246
Total financial liabilities	2,519,172	967,685,219	-	970,204,391

SEGMENT REPORTING

	Corporate		Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFI*		Eliminations / Unallocated		Consolidated	
For the 9 months ended 30th September	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Net interest income	8,726,626	8,519,116	13,143,909	12,003,683	10,286,265	10,477,836	858,859	825,725	5,944,994	3,164,546	(66,733)	(114,640)	1,647,752	1,381,395	3,280,641	3,228,885	(956,504)	(954,587)	42,865,809	38,531,959
Foreign Exchange income	137,300	147,635	99,555	166,679	248,515	309,014	2,170	2,430	52,276	1,172,512	-	-	-	-	-	-	(25,249)	(14,602)	514,567	1,783,668
Net fee and commission income	2,272,257	2,141,265	1,583,590	1,574,576	2,819,183	2,975,090	119,836	113,916	686,117	565,353	-	-	133,677	112,958	594,139	409,113	(792,061)	(577,676)	7,416,738	7,314,595
Other operating income	-	-	-	-	-	-	-	-	73,205	(1,645)	736,261	738,099	6,194,440	5,569,717	272,629	109,806	(631,181)	(139,549)	6,645,354	6,276,428
Total operating income	11,136,183	10,808,016	14,827,054	13,744,938	13,353,963	13,761,940	980,865	942,071	6,756,592	4,900,766	669,528	623,459	7,975,869	7,064,070	4,147,409	3,747,804	(2,404,995)	(1,686,414)	57,442,468	53,906,650
Impairment charge for loans and other losses	3,601,551	1,952,558	1,126,367	(1,259,609)	3,033,053	3,803,092	292,009	241,718	59,316	56,505	-	-	11,600	2,797	991,922	573,814	-	-	9,115,818	5,370,875
Net operating income	7,534,632	8,855,458	13,700,687	15,004,547	10,320,910	9,958,848	688,856	700,353	6,697,276	4,844,261	669,528	623,459	7,964,269	7,061,273	3,155,487	3,173,990	(2,404,995)	(1,686,414)	48,326,650	48,535,775
Profit from Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,453,745	20,186,020
Share of profit of Joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	144,545	144,936
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,904,187)	(6,995,534)
Non - controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(288,492)	(602,138)
Net Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,405,611	12,733,284
Segment assets	320,002,451	335,966,429	169,016,446	153,224,113	237,258,599	230,975,795	25,925,005	23,727,251	302,890,415	245,487,460	10,247,823	10,258,279	25,690,056	20,657,305	35,014,618	27,223,350	34,900,773	40,897,302	1,160,946,186	1,088,417,284
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,167,982	1,865,926	2,167,982	1,865,926
Total Assets	320,002,451	335,966,429	169,016,446	153,224,113	237,258,599	230,975,795	25,925,005	23,727,251	302,890,415	245,487,460	10,247,823	10,258,279	25,690,056	20,657,305	35,014,618	27,223,350	37,068,755	42,763,228	1,163,114,168	1,090,283,210
Segment liabilities	103,886,787	133,754,829	518,415,006	472,711,007	160,066,238	150,795,024	6,824,383	6,336,400	77,103,299	60,501,464	10,247,823	10,258,279	25,690,056	20,657,305	35,014,618	27,223,350	225,865,958	208,045,552	1,163,114,168	1,090,283,210
Total liabilities	103,886,787	133,754,829	518,415,006	472,711,007	160,066,238	150,795,024	6,824,383	6,336,400	77,103,299	60,501,464	10,247,823	10,258,279	25,690,056	20,657,305	35,014,618	27,223,350	225,865,958	208,045,552	1,163,114,168	1,090,283,210

* Business of HNB Finance Ltd.

EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2018 except for the initial adoption of SLFRS 16 – “Leases” which became applicable for financial reporting periods beginning on or after 1st January 2019.

SLFRS 16 requires the recognition of lease liabilities and right of use of assets for leases previously classified as operating leases in accordance with LKAS 17 – “Leases”.

2. The comparative financial statements for the period ended 30th September 2018 presented in these financial statements have been restated by incorporating the impact of adopting SLFRS 9 on 1st January 2018. SLFRS 9 – “Financial Instruments” became applicable for financial periods beginning on or after 1st January 2018. However, Bank presented the interim financial statement for the period ended 30th September 2018 by applying LKAS 39 – “Financial Instruments – Recognition and Measurement” as permitted by the “Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements” issued by CA Sri Lanka.
3. 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.
4. 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.
5. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
6. 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 Acuity Partners (Pvt) Ltd.
7. **Funds raised during the period ended 30th September 2019 through issue of debentures**

On 10th September 2019, the Bank opened the issuance of 50,000,000 BASEL III compliant – Tier 2, listed, rated, unsecured, subordinated redeemable debentures with a non-viability conversion at an issue price of Rs. 100/- with the option to issue further 20,000,000 of said debentures, at the discretion of the Bank in the event of an oversubscription of the initial issue, and with a further option to issue up to a further 30,000,000 of the said debentures in the event the first two tranches are oversubscribed to raise a maximum of Rs 10 Bn. The allotment and secondary trading of these debt securities are limited to qualified investors. The total issue of 100,000,000 of the said debentures was oversubscribed on the day of opening. Accordingly, the Bank allotted debentures amounting to Rs 10 Bn on 23rd September 2019 under category A and category B with category A debentures having a maturity period of 5 years with interest payable annually at a rate of 12.30% p.a and category B debentures having a maturity period of 7 years with interest payable annually at a rate of 12.80% p.a. The utilization of funds raised through these debentures are as follows.

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party)
1	Improve the tier II capital of the Bank	LKR 10 Bn	Upon the allotment of the Debentures to include the amount raised via the Debentures under Tier 2 Capital base.	LKR 10 Bn	100%	LKR 10 Bn	100%	N/A
2	Strengthen the balance sheet to support the demand for credit		Within 12 months from the date of Allotment of 23rd September 2019			-	0%	Invested in liquid assets until the funds are on-lent

8. The funds raised through debentures previously issued were fully utilized for the objectives mentioned in the respective prospectuses.
9. 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 30.09.2019	As at 31.12.2018	As at 30.09.2019	As at 31.12.2018
	BANK		GROUP	
BASEL III				
Regulatory Capital				
Common Equity Tier 1.Rs. Mn	107,211	104,029	118,394	114,423
Tier 1 Capital. Rs. Mn	107,211	104,029	118,394	114,423
Total Capital. Rs. Mn	138,385	123,725	149,379	134,012
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2019 - 8.50%; 2018 - 7.375%)	13.84%	12.80%	14.00%	13.16%
Tier 1 Capital Ratio (Minimum Requirement - 2019 - 10.00%; 2018 - 8.875%)	13.84%	12.80%	14.00%	13.16%
Total Capital Ratio (Minimum Requirement 2019 - 14.00%; 2018 - 12.875%)	17.86%	15.22%	17.67%	15.41%
Leverage Ratio (Minimum Requirement - 3%)	8.79%	8.33%	9.16%	8.80%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	4.71%	2.78%		
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	2.28%	1.11%		
Profitability (Annualised)				
Interest Margin, %	4.65%	4.64%		
Return on Assets (before Tax), %	1.65%	2.24%		
Return on Equity, %	9.06%	14.10%		
Regulatory Liquidity				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	237,712	187,213		
Off-Shore Banking Unit	32,182	38,402		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	26.09%	22.03%		
Off-Shore Banking Unit	40.64%	43.52%		
Total Stock of High-Quality Liquid Assets, Rs. Mn	141,351	90,942		
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 2019 -100%, 2018 -90%)	304.72%	153.16%		
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 2019 -100%, 2018 -90%)	206.42%	103.85%		
Net Stable Funding Ratio (Minimum Requirement 90%)	109.31%	100.00%		

LISTED DEBENTURE INFORMATION

Quarter ended 30th September	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2019		2018		2019	2018	Quarter ended 30th September	2019	2018
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.			
HNB DEBENTURES 2006							15 year Fixed Rate (11.00% p.a.)	N/T	N/T
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2007		
HNB DEBENTURES 2007							15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011							HNB DEBENTURES 2011		
15 year Fixed Rate (16.75% 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
HNB DEBENTURES 2011							HNB DEBENTURES 2013		
10 year Fixed Rate (11.50% 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
HNB DEBENTURES 2013							HNB DEBENTURES 2014		
10 year Fixed Rate (14.25% 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
HNB DEBENTURES 2014							10 year Fixed Rate (8.33% p.a.)	N/T	N/T
5 year Fixed Rate (7.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2016		
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	5 year Fixed Rate (11.25% p.a.)	15.46	14.13
HNB DEBENTURES 2016							5 year Fixed Rate (11.75% p.a.)	N/T	N/T
5 year Fixed Rate (11.25% p.a.)	94.50	94.50	93.80	92.70	94.50	93.80	7 year Fixed Rate (13.00% p.a.)	N/T	N/T
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2019		
7 year Fixed Rate (13.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	5 year Fixed Rate (12.30% p.a.)	N/T	N/A
HNB DEBENTURES 2019							7 year Fixed Rate (12.80% p.a.)	N/T	N/A
5 year Fixed Rate (12.30% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A	N/T. Not Traded as at 30th September		
7 year Fixed Rate (12.80% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A			

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

RATIOS OF DEBT		
	30.09.2019	31.12.2018
Debt Equity Ratio (%)	75.36	78.38
	30.09.2019	30.09.2018
Interest Cover (Times)	4.19	4.90
	30.09.2019	30.09.2018
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	8.66	10.22
2006 series 18 year maturity	10.17	10.78
2007 series 15 year maturity	9.24	10.56
2011 series 10 year maturity	8.75	10.22
2013 series 10 year maturity	9.93	10.76
2014 series 5 year maturity	7.61	9.44
2014 series 10 year maturity	10.30	10.82
2016 series 5 year maturity	8.66	10.22
2016 series 5 year maturity	8.84	10.22
2016 series 7 year maturity	9.95	10.76
2019 series 5 year maturity	10.26	N/A
2019 series 7 year maturity	10.41	N/A

Yield to Maturity of Last Trade Done (% p.a)		
Quarter ended 30th September	2019	2018
HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007		
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013		
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
HNB DEBENTURES 2014		
5 year Fixed Rate (7.75% p.a.)	N/T	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
HNB DEBENTURES 2016		
5 year Fixed Rate (11.25% p.a.)	11.25	11.25
5 year Fixed Rate (11.75% p.a.)	N/T	N/T
7 year Fixed Rate (13.00% p.a.)	N/T	N/T
HNB DEBENTURES 2019		
5 year Fixed Rate (12.30% p.a.)	N/T	N/A
7 year Fixed Rate (12.80% p.a.)	N/T	N/A

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

SHARE INFORMATION

As at	30-Sep-19	31-Dec-18
Number of Shares		
Voting	401,343,863	395,451,248
Non-voting	99,062,844	97,199,341
Last Traded Price per share		
Voting	153.90	214.00
Non-voting	135.00	168.50

For the Quarter Ended	30-Sep-19	30-Sep-18
Highest price per share		
Voting	199.00	234.00
Non-voting	160.00	180.00
Lowest price per share		
Voting	133.00	201.00
Non-voting	118.30	159.50

PUBLIC SHAREHOLDING PERCENTAGE

	30-Sep-19	
	Number	%
Number of shareholders representing the public holding (Voting)	5,337	69% approx.
Number of shareholders representing the public holding (Non Voting)	10,346	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs 43 Bn	

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	30-Sep-19	31-Dec-18
1. Mr.D.S.Weerakkody	2,089	2,050
2. Mr.A.J. Alles *	125,452	123,504
3. Ms.M.A.R.C. Cooray **	N/A	7,068
4. Dr.L.R. Karunaratne	1,070	1,055
5. Mr.D.T.S.H. Mudalige***	N/A	-
6. Mr.R.S. Captain	7,379	7,271
7. Mr.D.A. Cabraal	-	-
8. Mr.P.S.C. Pelpola	-	-
9. Mr.E.D.P. Soosaipillai	-	-
10. Mr.A.H.D.A.N. De Silva	102	101
11. Mr.L.U.D. Fernando	624	615
12. Mr.W.M.M.D. Ratnayake	-	-
13. Mr.H.A. Pieris****	-	N/A
14. Dr.L.J.S.H. Cabral*****	-	N/A
Mr.P.R. Saldin (Alternate Director to Mr.Rusi Captain w.e.f. 26.07.2018)	-	-
Dr.T.K.D.A.P. Samarasinghe (Alternate Director to Mr. L.U.D. Fernando w.e.f. 05.07.2019)	-	N/A

* Chief Executive Officer

** Retired w.e.f 15.02.2019

*** Resigned w.e.f 29.03.2019

**** Appointed w.e.f.01.04.2019

***** Appointed w.e.f.26.09.2019

20 MAJOR SHAREHOLDERS (VOTING) AS AT 30TH SEPTEMBER 2019

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	39,119,092	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	33,580,292	8.37
3.	Milford Exports (Ceylon) (Pvt) Limited	31,736,382	*7.91
4.	Stassen Exports (Pvt) Limited	27,508,042	*6.85
5.	Mr.S.E. Captain	26,129,128	6.51
6.	Sonetto Holdings Limited.	19,725,642	4.91
7.	Sri Lanka Insurance Corporation Ltd-General Fund	16,989,898	4.23
8.	Distilleries Company of Sri Lanka Plc	12,307,446	*3.07
9.	JPLMU-Franklin Templeton Investment Funds	11,799,126	2.94
10.	National Savings Bank	11,515,728	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,532,868	1.88
12.	Ms.L.A. Captain	7,500,710	1.87
13.	RBC Investor Services Trust-RBC Emerging Markets Small-CAP Equity Fund	7,102,292	1.77
14.	SSBT-AI Mehwar Commercial Investments L.L.C.	6,684,425	1.67
15.	HSBC Intl Nom Ltd-CMG First state global umbrella Fund PLC-CMG First State Indian Subcontinent Fund	6,386,194	1.59
16.	BNYM SANV Re-IF Ruffer Total Return Fund	6,313,648	1.57
17.	RBC Investor Services Bank-Coeli SICAV i- Frontier Markets Fund	6,016,834	1.50
18.	JPMCB-Scottish Orl SML TR GTI 6018	5,382,872	1.34
19.	Citibank Newyork S/A Norges Bank Account 2	4,750,374	1.18
20.	Morgan Stanley and Co. LLC-RWC Frontier Markets Equity Master Fund	4,374,885	1.09

** 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 2019

	Name	No. of shares	% on total non-voting capital
1.	Citibank Newyork S/A Norges Bank Account 2	10,233,198	10.33
2.	UBS AG Zurich	8,781,597	8.86
3.	JPLMU-Franklin Templeton Investment Funds	7,145,272	7.21
4.	BNYM SANV Re-Frontaura Global Frontier Fund LLC	5,480,087	5.53
5.	Akbar Brothers Pvt Ltd A/c No 1	3,888,374	3.93
6.	BNYM SANV Re-neon liberty lorikeet master fund lp	3,670,992	3.71
7.	BNYM SANV Re-IF Ruffer total return fund	3,171,728	3.20
8.	BNYM SANV Re-IF Ruffer absolute return fund	2,112,783	2.13
9.	CB Europe plc lux s/a Dunross and co ab	2,054,253	2.07
10.	Mr. S.E. Captain	1,533,976	1.55
11.	Rubber Investment trust limited a/c # 01	1,343,990	1.36
12.	BNYM SANV Re-IF ruffer Investment funds : IF Ruffer Pacific and Emerging Markets Fund	1,254,145	1.27
13.	Employees Trust Fund Board	1,159,235	1.17
14.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,053,788	1.06
15.	Union Assurance plc-Universal Life Fund	927,041	0.94
16.	Union assurance plc/account no.05 (unit-linked life insurance fund-equity fund)	909,246	0.92
17.	Hatton National Bank PLC A/c No 2	712,874	0.72
18.	Saboor Chatoor (pvt) ltd	671,124	0.68
19.	JPMCB-Templeton Global Investment Trust-Templeton Frontier Markets Fund	651,968	0.66
20.	Mr. E Chatoor	641,131	0.65

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

As at	BANK		GROUP	
	30.09.2019	31.12.2018 (Audited)	30.09.2019	31.12.2018 (Audited)
	Rs.000	Rs.000	Rs.000	Rs.000
1) Product-wise Gross loans and Receivables to Customers				
By product-Domestic Currency				
Overdrafts	115,033,349	119,831,175	115,033,349	119,621,682
Bills of exchange	877,445	841,909	877,445	841,909
Commercial papers	154,602	154,193	154,602	154,193
Short term loans	65,734,511	86,203,919	66,344,985	86,447,031
Credit Cards	8,618,389	7,926,448	8,618,389	7,926,448
Trust receipts	32,492,287	44,398,097	32,492,287	44,398,097
Packing credit loans	1,285,244	1,652,797	1,285,244	1,652,797
Staff loans	14,593,438	13,139,967	15,277,834	13,830,322
Term loans	303,865,501	301,545,505	321,567,735	316,207,450
Lease rentals receivable	52,293,579	49,608,344	62,072,489	57,244,901
Housing loans	35,552,644	34,106,316	35,552,644	34,106,316
Pawning advances	19,321,961	17,449,986	19,822,323	17,449,986
Securitized notes	605,979	605,111	605,979	605,111
Sub total	650,428,929	677,463,767	679,705,305	700,486,243
By product-Foreign Currency				
Overdrafts	1,265,302	2,751,256	1,265,302	2,751,256
Bills of exchange	2,192,788	1,659,634	2,192,788	1,659,634
Short term loans	2,245,421	1,717,758	2,245,421	1,717,758
Trust receipts	3,644,853	4,628,051	3,644,853	4,628,051
Packing credit loans	14,313,630	16,954,308	14,313,630	16,954,308
Term loans	62,543,021	64,003,962	62,543,021	64,003,962
Lease rentals receivable	238,783	316,345	238,783	316,345
Housing loans	1,967,339	2,197,543	1,967,339	2,197,543
Sub total	88,411,137	94,228,857	88,411,137	94,228,857
Total	738,840,066	771,692,624	768,116,442	794,715,100
2) Product-wise commitments and contingencies				
By Product - Domestic Currency				
Documentary credit	1,322,134	1,450,717	1,322,134	1,450,717
Guarantees	59,124,688	63,566,164	59,124,688	63,566,164
Acceptances	144,802	51,870	144,802	51,870
Bills for collection	249,139	289,156	249,139	289,156
Forward exchange contracts				
Forward exchange sales	-	-	-	-
Forward exchange purchases	38,140,576	56,150,044	38,140,576	56,150,044
Cheques sent on clearing	6,448,656	7,581,336	6,448,656	7,581,336
Undrawn credit lines	375,343,280	357,998,170	375,343,280	357,998,170
Sub total	480,773,275	487,087,457	480,773,275	487,087,457
By Product - Foreign Currency				
Documentary credit	26,637,164	28,310,054	26,637,164	28,310,054
Guarantees	71,032,126	77,786,353	71,032,126	77,786,353
Acceptances	14,814,008	19,014,038	14,814,008	19,014,038
Bills for collection	12,860,069	14,118,765	12,860,069	14,118,765
Forward exchange contracts				
Forward exchange sales	44,923,401	38,199,566	44,923,401	38,199,566
Forward exchange purchases	24,759,603	29,121,059	24,759,603	29,121,059
Cheques sent on clearing	-	23,404	-	23,404
Undrawn credit lines	75,402,593	69,553,540	75,402,593	69,553,540
Sub total	270,428,964	276,126,779	270,428,964	276,126,779
Total	751,202,239	763,214,236	751,202,239	763,214,236
Stage-wise impairment on loans and receivables, commitments and contingencies				
Gross loans and advances, commitments and contingencies	1,490,042,305	1,534,906,860	1,519,318,681	1,557,929,336
Less : Accumulated impairment under stage 1	(4,558,258)	(4,108,454)	(5,201,868)	(4,784,975)
Accumulated impairment under stage 2	(4,235,158)	(3,945,079)	(4,532,186)	(4,171,125)
Accumulated impairment under stage 3	(22,692,304)	(15,866,194)	(24,384,278)	(16,771,922)
Net value of loans and advances, commitments and contingencies	1,458,556,585	1,510,987,133	1,485,200,349	1,532,201,314

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

3) Movements in Stage-wise Impairment during the period

	Bank			
	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000
Opening balance as at 1st January 2018	3,228,383	2,548,157	9,388,896	15,165,436
Net impairment charge for the period	649,678	681,725	3,503,055	4,834,458
Interest accrued on impaired loans and receivables	-	-	(115,731)	(115,731)
Write-offs during the period	-	-	-	-
Other movements	-	-	333,335	333,335
Closing balance as at 30th September 2018	3,878,061	3,229,882	13,109,555	20,217,498
Opening balance as at 1st January 2019	4,108,454	3,945,079	15,866,194	23,919,727
Net impairment charge for the period	449,804	290,079	7,130,837	7,870,720
Interest accrued on impaired loans and receivables	-	-	(288,060)	(288,060)
Write-offs during the period	-	-	-	-
Other movements	-	-	(16,667)	(16,667)
Closing balance as at 30th September 2019	4,558,258	4,235,158	22,692,304	31,485,720

	Group			
	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000
Opening balance as at 1st January 2018	3,958,207	2,719,386	9,850,882	16,528,475
Net impairment charge for the period	758,487	764,658	3,887,923	5,411,068
Interest accrued on impaired loans and receivables	-	-	(115,731)	(115,731)
Write-offs during the period	-	-	-	-
Other movements	-	-	333,335	333,335
Closing balance as at 30th September 2018	4,716,694	3,484,044	13,956,409	22,157,147
Opening balance as at 1st January 2019	4,784,975	4,171,125	16,771,922	25,728,022
Net impairment charge for the period	416,893	361,061	8,075,846	8,853,800
Interest accrued on impaired loans and receivables	-	-	(288,060)	(288,060)
Write-offs during the period	-	-	(158,763)	(158,763)
Other movements	-	-	(16,667)	(16,667)
Closing balance as at 30th September 2019	5,201,868	4,532,186	24,384,278	34,118,332

ANALYSIS OF DEPOSITS

As at	30.09.2019 Rs.000	31.12.2018 (Audited) Rs.000	30.09.2019 Rs.000	31.12.2018 (Audited) Rs.000
4) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	38,203,390	39,706,969	38,077,624	39,220,539
Savings deposits	188,798,134	187,874,484	191,037,548	190,175,309
Time deposits	430,546,836	408,457,298	452,025,636	424,883,991
Certificates of deposit	383,020	407,482	383,020	407,482
Margin deposits	1,491,095	4,034,869	1,491,094	4,034,869
Sub total	659,422,475	640,481,102	683,014,922	658,722,190
By product- Foreign Currency				
Current account deposits	4,486,773	5,234,158	4,486,773	5,234,158
Savings deposits	39,152,127	43,766,109	39,106,131	43,738,792
Time deposits	97,931,211	110,132,027	97,745,405	109,984,861
Margin deposits	128,696	361,961	128,696	361,961
Sub total	141,698,807	159,494,255	141,467,005	159,319,772
Total	801,121,282	799,975,357	824,481,927	818,041,962