



Hatton National Bank PLC

**Interim Financial Statements
for the Six Months ended 30th June 2017**

FINANCIAL COMMENTARY FOR THE 06 MONTHS ENDED 30TH JUNE 2017

- Group PAT Rs 7.5 Bn
- Bank PBT exceeds Rs 10 Bn

Hatton National Bank PLC (HNB) posted a profit before tax (PBT) of Rs 10 Bn recording a year on year (yoy) growth of 10.1% during the first six months of 2017 while post-tax profits (PAT) grew by 11.3% to Rs 7.1 Bn.

The sound performance was driven by the core banking business with interest income, rising by 38.8% yoy to Rs 46.5 bn. This was supported by a 19.3% yoy growth in advances. The growth in CASA deposits to Rs 245.9 Bn in a high interest rate environment enabled HNB to maintain interest margins and record a 20.5% growth in net interest income to Rs 19.1Bn.

Fee and Commission income for the 1H 2017 was recorded at Rs 4.1 Bn representing an increase of 21.5% over the corresponding period of 2016. Fees from the credit card business, trade finance and bank guarantees remained the key contributors towards this growth.

The net loss from trading increased to Rs 889.3 Mn from a loss of Rs 523.3 Mn experienced during 1H 2016. This was mainly due to the relatively higher swap rates and the depreciation of the rupee during the period under review compared to the 1H of 2016. Conversely the positive impact on position revaluation was reported under 'other operating income' which improved to Rs 1.3 Bn from Rs 1.1 Bn in the corresponding period of 2016.

The extreme weather conditions coupled with the high interest rates saw a marginal deterioration in asset quality in line with the industry. As at end of 1H 2017 HNB's NPA ratio stood at 2.2% and continued to be better than the average of 2.7% recorded by the industry. Impairment on individually significant loans increased to Rs 591.3Mn from a reversal of Rs 31.2 Mn in the previous year, which included the impact of the recovery of few large loans in the corresponding period of 2016. The collective impairment for the period also increased to Rs 854.5 Mn from Rs 162.4 Mn in 2016.

The Bank successfully contained the increase in operating expenses to 9.4% through the relentless pursuit of operational excellence initiatives over a period of time. Accordingly, the cost to income ratio of the Bank improved to 41.4% yoy by 380 bps. This is a transformational improvement compared to the cost to income of 54.5% reported five years ago.

Charges for VAT and NBT increased significantly by 47.1% yoy mainly due to the upward revision of the VAT rate to 15% from the 11% which prevailed during the period up to June 2016.

The return on assets (ROA) for the period stood at 1.6% while return on equity (ROE) was at 17.7% for the six months ended June 2017.

The Bank's other comprehensive income for the period under review recorded a gain of Rs 1.2 Bn compared to a loss of Rs. 2.7 Bn in June 2016. This is mainly due to the gain in fair value on equity investments and government securities accounted for as available for sale financial assets, as opposed to the fair value losses incurred in the previous period.

The Bank's loan book expanded to Rs 627 Bn, representing a growth exceeding Rs 100 Bn over the previous 12 month period. The growth in assets was supported by a strong growth of Rs 116 Bn in deposits during the same period.

The tier I capital adequacy ratio for the Bank as at end of H1 2017 stood at 9.8% while the total capital adequacy ratio was at 13.1%. In July 2017, the Bank offered 56,029,966 voting shares and 14,093,547 non-voting shares to its existing voting and non-voting shareholders respectively by way of a rights issue with the objective of supporting balance sheet growth and meeting the stringent Basel III capital adequacy requirements. The funds raised through the rights issue would enable the bank to improve its capital adequacy levels further as required by the Basel III guidelines which are effective from July 2017.

All group companies complimented the performance of the Bank, resulting in Group PBT growing by 7.5% yoy to Rs 10.8 Bn and the Group PAT attributable to equity holders increasing by 8.6% to Rs 7.2 Bn.

During 2017 the Asian Banker adjudged HNB as the 'Best Retail Bank in Sri Lanka' for the 9th time while also recognizing as the 'Best Micro finance Product in the Asia Pacific Region'. The 'AsiaMoney Magazine' awarded HNB as the 'Best Bank for SME' and the 'Best Bank for CSR' in the country'. Most recently, CFA Sri Lanka bestowed HNB with a 'Bronze' award for 'Best Investor Relations' while HNB's Annual Report was adjudged to be among the top 10 integrated reports at the CMA Sri Lanka awards 2017. HNB's leadership in technology was also recognized with the Bank's ATM network being recognized as the 'Best ATM Network of the Year' at the Lanka Pay Technnovation Awards 2017.

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. HNB is also ranked amongst the top 1000 banks in the world by the prestigious Banker Magazine.

STATEMENT OF PROFIT OR LOSS

	BANK						GROUP					
	For the 6 months ended			For the 3 months ended			For the 6 months ended			For the 3 months ended		
	2017	2016	% Increase/	2017	2016	% Increase/	2017	2016	% Increase/	2017	2016	% Increase/
	Rs 000	Rs 000	(Decrease)	Rs 000	Rs 000	(Decrease)	Rs 000	Rs 000	(Decrease)	Rs 000	Rs 000	(Decrease)
Gross Income	51,296,979	37,676,423	36	26,233,914	19,747,695	33	58,087,372	43,092,708	35	29,539,656	22,388,733	32
Interest income	46,542,010	33,541,448	39	23,959,422	18,003,066	33	50,202,105	36,266,673	38	25,804,839	19,397,792	33
Less : Interest expenses	27,427,668	17,682,014	55	14,136,990	9,523,295	48	28,235,626	18,266,968	55	14,560,731	9,828,002	48
Net interest income	19,114,342	15,859,434	21	9,822,432	8,479,771	16	21,966,479	17,999,705	22	11,244,108	9,569,790	17
Fee and commission income	4,134,436	3,406,735	21	2,124,811	1,671,590	27	4,514,081	3,728,256	21	2,306,356	1,829,175	26
Less : Fee and commission expenses	52,825	47,208	12	26,942	24,470	10	101,734	72,281	41	48,671	38,051	28
Net fee and commission income	4,081,611	3,359,527	21	2,097,869	1,647,120	27	4,412,347	3,655,975	21	2,257,685	1,791,124	26
Net interest, fee and commission income	23,195,953	19,218,961	21	11,920,301	10,126,891	18	26,378,826	21,655,680	22	13,501,793	11,360,914	19
Net gain/(loss) from trading	(889,329)	(523,328)	70	(1,431,036)	(2,594,611)	(45)	(869,232)	(564,667)	54	(1,406,706)	(2,579,073)	(45)
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) from financial investments	183,593	106,771	72	394	3,990	(90)	195,789	118,613	65	6,384	15,054	(58)
Net insurance premium income	-	-	-	-	-	-	3,005,897	2,585,523	16	1,494,678	1,268,984	18
Other operating income (net)	1,326,269	1,144,797	16	1,580,323	2,663,660	(41)	1,038,732	958,310	8	1,334,105	2,456,801	(46)
Total operating income	23,816,486	19,947,201	19	12,069,982	10,199,930	18	29,750,012	24,753,459	20	14,930,254	12,522,680	19
Impairment for loans and other losses												
Individual Impairment	591,339	(31,233)	1,993	549,155	(65,933)	933	591,339	(31,233)	1,993	549,155	(65,933)	933
Collective Impairment	854,525	162,423	426	415,448	93,542	344	922,829	224,098	312	525,417	123,886	324
Others	6,521	5,968	9	6,142	3,655	68	417,622	5,968	6,898	417,243	3,655	11,316
Net operating income	22,364,101	19,810,043	13	11,099,237	10,168,666	9	27,818,222	24,554,626	13	13,438,439	12,461,072	8
Operating expenses												
Personnel expenses	4,684,020	4,492,614	4	2,391,364	2,281,668	5	5,656,588	5,262,329	7	2,908,656	2,687,155	8
Depreciation and amortisation	543,024	500,409	9	280,880	253,065	11	763,969	657,972	16	402,638	325,798	24
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	2,733,206	2,372,896	15	1,333,735	1,222,212	9
Other expenses	4,638,311	4,026,913	15	2,276,238	2,042,386	11	5,291,481	4,505,160	17	2,607,384	2,280,980	14
Total operating expenses	9,865,355	9,019,936	9	4,948,482	4,577,119	8	14,445,244	12,798,357	13	7,252,413	6,516,145	11
Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services	12,498,746	10,790,107	16	6,150,755	5,591,547	10	13,372,978	11,756,269	14	6,186,026	5,944,927	4
Value added tax (VAT) and nation building tax (NBT) on financial services	2,468,825	1,678,473	47	1,230,504	866,235	42	2,673,609	1,832,200	46	1,291,811	936,733	38
Operating profit after value added tax (VAT) and nation building tax (NBT) on financial services	10,029,921	9,111,634	10	4,920,251	4,725,312	4	10,699,369	9,924,069	8	4,894,215	5,008,194	(2)
Share of profits of Joint Venture (net of income tax)	-	-	-	-	-	-	64,352	84,763	(24)	56,333	73,167	(23)
Profit before income tax	10,029,921	9,111,634	10	4,920,251	4,725,312	4	10,763,721	10,008,832	8	4,950,548	5,081,361	(3)
Income tax expense	2,893,959	2,702,845	7	1,436,606	1,408,320	2	3,233,216	3,004,188	8	1,460,805	1,548,624	(6)
Profit for the period	7,135,962	6,408,789	11	3,483,645	3,316,992	5	7,530,505	7,004,644	8	3,489,743	3,532,737	(1)
Profit attributable to:												
Equity holders of the Bank	7,135,962	6,408,789	11	3,483,645	3,316,992	5	7,240,429	6,665,001	9	3,410,460	3,359,422	2
Non-controlling interests	-	-	-	-	-	-	290,076	339,643	(15)	79,283	173,315	(54)
Profit for the period	7,135,962	6,408,789	11	3,483,645	3,316,992	5	7,530,505	7,004,644	8	3,489,743	3,532,737	(1)
Earnings per share on profit												
Basic earnings per ordinary share (Rs)	16.86	15.21	11	8.23	7.87	5	17.11	15.81	8	8.05	7.97	1
Diluted earnings per ordinary share (Rs)	16.84	15.17	11	8.22	7.85	5	17.09	15.78	8	8.05	7.95	1

STATEMENT OF COMPREHENSIVE INCOME

	BANK						GROUP					
	For the 6 months ended			For the 3 months ended			For the 6 months ended			For the 3 months ended		
	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)
Profit for the period	7,135,962	6,408,789	11	3,483,645	3,316,992	5	7,530,505	7,004,644	8	3,489,743	3,532,737	(1)
Other comprehensive income, net of tax												
Other comprehensive income to be reclassified to profit or loss												
Available-for-sale financial assets:												
Net change in fair value during the period	1,605,347	(3,168,916)	151	2,292,165	989,935	132	1,767,822	(3,326,336)	153	2,504,427	983,611	155
Transfer to life policy holder reserve fund	-	-	-	-	-	-	(151,323)	148,274	(202)	(191,770)	7,240	(2,749)
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-	-	-	-	-	6,226	-	100	2,993	-	100
Deferred tax effect on above	(381,033)	442,741	(186)	(455,439)	(379,801)	20	(392,629)	442,741	(189)	(467,721)	(379,801)	23
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	(14,803)	(38,962)	62	3,493	(29,771)	112
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,224,314	(2,726,175)	145	1,836,726	610,134	201	1,215,293	(2,774,283)	144	1,851,422	581,279	219
Other comprehensive income not to be reclassified to profit or loss in subsequent periods												
Re-measurement gains/losses on defined benefit plans	-	-	-	-	-	-	8,793	12,922	(32)	-	12,922	-
Revaluation of freehold land & buildings	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax effect on above	-	-	-	-	-	-	(2,462)	(3,618)	(32)	-	(3,618)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-	-	6,331	9,304	(32)	-	9,304	-
Other comprehensive income for the period, net of tax	1,224,314	(2,726,175)	145	1,836,726	610,134	201	1,221,624	(2,764,979)	144	1,851,422	590,583	213
Total comprehensive income for the period	8,360,276	3,682,614	127	5,320,371	3,927,126	35	8,752,129	4,239,665	106	5,341,165	4,123,320	30
Total comprehensive income attributable to:												
Equity holders of the Bank	8,360,276	3,682,614	127	5,320,371	3,927,126	35	8,457,799	3,898,299	117	5,259,121	3,944,257	33
Non-controlling interests	-	-	-	-	-	-	294,330	341,366	(14)	82,044	179,063	(54)
Total comprehensive income for the period	8,360,276	3,682,614	127	5,320,371	3,927,126	35	8,752,129	4,239,665	106	5,341,165	4,123,320	30

STATEMENT OF FINANCIAL POSITION

	As at 30.06.2017	BANK As at 31.12.2016 Audited	% Increase / (Decrease)	As at 30.06.2017	GROUP As at 31.12.2016 Audited	% Increase / (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
ASSETS						
Cash and cash equivalents	20,660,369	17,511,446	18	21,299,223	18,668,703	14
Balances with Central Bank of Sri Lanka	35,387,671	33,777,614	5	35,387,671	33,777,614	5
Placements with banks	-	753,050	(100)	3,528,862	2,198,446	61
Reverse repurchase agreements	90,022	4,303,460	(98)	1,448,295	5,756,794	(75)
Derivative financial instruments	461,173	289,989	59	461,173	289,989	59
Financial investments - Fair value through profit or loss	186,639	544,915	(66)	344,245	716,009	(52)
Non - current assets held for sale	-	-	-	-	-	-
Loans and receivables to customers	627,048,103	584,412,727	7	642,039,828	597,467,460	7
Financial investments - Loans and receivables	122,784,227	99,260,698	24	125,524,728	102,063,229	23
Financial investments - Available-for-sale	85,969,026	89,915,153	(4)	91,875,308	95,797,142	(4)
Financial investments - Held-to-maturity	-	-	-	583,431	465,081	25
Investment in Joint Venture	755,000	755,000	-	1,500,355	1,450,806	3
Investments in Subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	437,295	403,959	8	1,086,864	1,054,300	3
Property, plant and equipment	14,406,163	13,945,002	3	30,216,234	29,844,234	1
Intangible assets and goodwill	782,531	789,648	(1)	1,224,753	1,180,269	4
Other assets	9,452,966	9,193,879	3	11,339,792	10,720,506	6
Total Assets	921,438,470	858,873,825	7	967,860,762	901,450,582	7
LIABILITIES						
Due to banks	63,285,448	69,928,789	(10)	63,292,324	69,964,380	(10)
Derivative financial instruments	151,851	665,890	(77)	151,851	665,890	(77)
Securities sold under repurchase agreements	27,920,063	13,458,127	107	27,920,063	13,458,127	107
Due to customers	672,987,078	623,494,969	8	686,168,330	635,371,097	8
Dividends payable	924,729	1,007,075	(8)	932,377	1,015,463	(8)
Other borrowings	26,379,692	27,130,358	(3)	26,379,692	27,130,358	(3)
Debt securities issued	4,641,178	4,653,057	-	5,117,371	5,115,801	-
Current tax liabilities	7,354,546	6,223,943	18	7,687,158	6,425,379	20
Deferred tax liabilities	388,713	231,364	68	967,497	824,778	17
Insurance provision - life	-	-	-	9,982,854	8,747,856	14
Insurance provision - general	-	-	-	2,485,957	1,921,567	29
Other provisions	2,762,076	3,158,444	(13)	3,021,443	3,407,050	(11)
Other liabilities	4,919,071	5,751,107	(14)	6,518,218	7,190,028	(9)
Subordinated term debts	25,776,535	26,153,476	(1)	25,550,488	25,901,110	(1)
Total Liabilities	837,490,980	781,856,599	7	866,175,623	807,138,884	7

STATEMENT OF FINANCIAL POSITION						
	As at 30.06.2017 Rs 000	BANK As at 31.12.2016 Audited Rs 000	% Increase / (Decrease)	As at 30.06.2017 Rs 000	GROUP As at 31.12.2016 Audited Rs 000	% Increase / (Decrease)
EQUITY						
Stated capital	16,843,957	15,340,158	10	16,843,957	15,340,158	10
Statutory reserve	4,560,000	4,560,000	-	4,560,000	4,560,000	-
Retained earnings	13,775,021	9,524,236	45	17,174,972	12,821,116	34
Other reserves	48,768,512	47,592,832	2	59,890,857	58,569,401	2
Total equity attributable to equity holders of the Bank	83,947,490	77,017,226	9	98,469,786	91,290,675	8
Non - controlling interests	-	-	-	3,215,353	3,021,023	6
Total equity	83,947,490	77,017,226	9	101,685,139	94,311,698	8
Total Liabilities and Equity	921,438,470	858,873,825	7	967,860,762	901,450,582	7
Contingent liabilities and commitments	495,037,497	502,372,909	(1)	495,037,497	502,372,909	(1)
Net Assets Value per Share (Rs.)	199.52	186.11	7	234.04	220.60	6
Memorandum Information						
Number of Employees	4,196	4,190				
Number of Branches	252	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 June 2017 and its profit for the six months ended 30th June 2017.

(Sgd.)

Anusha Gallage
Chief Financial Officer
09th August 2017

We the undersigned, being the Managing Director / Chief Executive Officer and the Director 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, its Joint Venture and Subsidiary Companies unless indicated as audited.

(Sgd.)

Jonathan Alles
Managing Director / Chief Executive Officer
09th August 2017

(Sgd.)

Rose Cooray
Director
09th August 2017

STATEMENT OF CHANGES IN EQUITY - BANK

For the 6 months ended 30th June 2017	Stated Capital		Statutory Reserves	Other Reserves					
	Voting Shares	Non-Voting Shares	Reserve Fund	Capital Reserve	Available for Sale Reserve	General Reserve	ESOP Reserve	Retained Earnings	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	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	-	-	-	-	-	-	-	7,135,962	7,135,962
Other Comprehensive Income for the period (net of tax)	-	-	-	-	1,224,314	-	-	-	1,224,314
Total comprehensive income for the period	-	-	-	-	1,224,314	-	-	7,135,962	8,360,276
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)
Issue of shares under ESOP	129,628	19,372	-	-	-	-	-	-	149,000
Total transactions with equity holders	1,173,701	281,465	-	-	-	-	-	(2,902,592)	(1,447,426)
Transfers during the period	-	-	-	-	-	-	-	17,415	17,415
Fair value of the employee share options exercised	42,611	6,022	-	-	-	-	(48,633)	-	-
Balance as at 30th June 2017	13,555,046	3,288,911	4,560,000	8,644,483	2,925,571	37,100,000	98,459	13,775,021	83,947,490
For the 6 months ended 30th June 2016									
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	6,435,410	4,455,566	31,100,000	202,356	5,270,848	65,051,053
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	6,408,789	6,408,789
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(2,726,175)	-	-	-	(2,726,175)
Total comprehensive income for the period	-	-	-	-	(2,726,175)	-	-	6,408,789	3,682,614
Transactions with equity holders, recognised directly in equity									
Final Dividend 2015 - Scrip	1,022,473	256,607	-	-	-	-	-	(1,421,200)	(142,120)
Final Dividend 2015 - Cash	-	-	-	-	-	-	-	(1,421,200)	(1,421,200)
Issue of shares under ESOP	57,109	6,998	-	-	-	-	-	-	64,107
Total transactions with equity holders	1,079,582	263,605	-	-	-	-	-	(2,842,400)	(1,499,213)
Fair value of the employee share options exercised	17,714	2,174	-	-	-	-	(19,888)	-	-
Balance as at 30th June 2016	12,207,985	2,981,963	3,760,000	6,435,410	1,729,391	31,100,000	182,468	8,837,237	67,234,454

STATEMENT OF CHANGES IN EQUITY - GROUP

For the 6 months ended 30th June 2017	Stated Capital		Statutory Reserves	Other Reserves							
	Voting	Non-Voting	Reserve Fund	Capital Reserve	Available for Sale Reserve	General Reserve	Life policy holder Reserve fund	ESOP Reserve	Retained Earnings	Non Controlling Interests	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	19,771,905	1,741,535	37,100,000	(191,131)	147,092	12,821,116	3,021,023	94,311,698
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	-	7,240,429	290,076	7,530,505
Other Comprehensive Income for the period (net of tax)	-	-	-	-	1,218,766	-	-	-	(1,396)	4,254	1,221,624
Total comprehensive income for the period	-	-	-	-	1,218,766	-	-	-	7,239,033	294,330	8,752,129
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)	(100,000)	(1,551,296)
Issue of shares under ESOP	129,628	19,372	-	-	-	-	-	-	-		149,000
Total transactions with equity holders	1,173,701	281,465	-	-	-	-	-	-	(2,902,592)	(100,000)	(1,547,426)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	151,323	-	-	-	151,323
Transfers during the period	-	-	-	-	-	-	-	-	17,415	-	17,415
Fair value of the employee share options exercised	42,611	6,022	-	-	-	-	-	(48,633)	-	-	-
Balance as at 30th June 2017	13,555,046	3,288,911	4,560,000	19,771,905	2,960,301	37,100,000	(39,808)	98,459	17,174,972	3,215,353	101,685,139
For the 6 months ended 30th June 2016											
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	14,263,234	4,518,441	31,100,000	(56,350)	202,356	7,949,848	2,179,288	77,743,690
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	-	6,665,001	339,643	7,004,644
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(2,770,624)	-	-	-	3,922	1,723	(2,764,979)
Total comprehensive income for the period	-	-	-	-	(2,770,624)	-	-	-	6,668,923	341,366	4,239,665
Transactions with equity holders, recognised directly in equity											
Final Dividend 2015 - Scrip	1,022,473	256,607	-	-	-	-	-	-	(1,421,200)		(142,120)
Final Dividend 2015 - Cash	-	-	-	-	-	-	-	-	(1,421,200)	(89,730)	(1,510,930)
Issue of shares under ESOP	57,109	6,998	-	-	-	-	-	-	-		64,107
Total transactions with equity holders	1,079,582	263,605	-	-	-	-	-	-	(2,842,400)	(89,730)	(1,588,943)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(148,274)	-	-	-	(148,274)
Deemed disposal loss through Joint Venture	-	-	-	-	-	-	-	-	(321)	-	(321)
Fair value of the employee share options exercised	17,714	2,174	-	-	-	-	-	(19,888)	-	-	-
Balance as at 30th June 2016	12,207,985	2,981,963	3,760,000	14,263,234	1,747,817	31,100,000	(204,624)	182,468	11,776,050	2,430,924	80,245,817

STATEMENT OF CASH FLOWS

For the 6 months ended 30th June	BANK		GROUP	
	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
Cash flows from operating activities				
Interest and commission receipts	51,382,613	36,007,057	55,260,377	39,233,455
Interest payments	(28,937,354)	(16,631,119)	(29,681,957)	(17,104,107)
Cash payments to employees	(4,850,489)	(4,514,241)	(5,820,149)	(5,306,911)
Cash payments to other operating activities	(7,019,413)	(5,723,827)	(8,872,691)	(7,300,275)
Receipts from other operating activities	1,841,345	1,416,818	5,142,921	4,293,989
Recovery of loans written off in previous years	17,949	9,950	17,949	9,950
Operating profit before changes in operating assets and liabilities	12,434,651	10,564,638	16,046,450	13,826,101
(Increase) / decrease in operating assets				
Deposits held for regulatory or monetary control purpose	(1,610,057)	(7,634,777)	(1,610,057)	(7,634,777)
Loans and receivables to customers	(44,847,493)	(27,260,313)	(46,857,985)	(29,410,702)
Reverse repurchase agreements	4,211,421	(1,034,846)	3,865,410	459,739
Other short term assets	(167,808)	830,675	(483,284)	44,658
	(42,413,937)	(35,099,261)	(45,085,916)	(36,541,082)
Increase / (decrease) in operating liabilities				
Deposits from customers	48,001,526	28,575,984	49,273,561	29,863,241
Securities sold under repurchase agreements	14,752,082	20,902,228	14,752,082	20,902,228
Other liabilities	(621,796)	(1,265,224)	(559,820)	(1,094,132)
	62,131,812	48,212,988	63,465,823	49,671,337
Net cash generated from operating activities before income tax	32,152,526	23,678,365	34,426,357	26,956,356
Income taxes paid	(1,566,194)	(1,238,849)	(1,722,995)	(1,345,098)
Net cash generated from operating activities	30,586,332	22,439,516	32,703,362	25,611,258
Cash flows from investing activities				
Dividend income	642,911	463,606	171,573	124,289
Net proceeds from sale, maturity and purchase of financial investments	(18,779,549)	(35,469,742)	(18,532,047)	(37,886,980)
Purchase of property, plant and equipment	(877,166)	(370,885)	(1,003,073)	(475,946)
Purchase of intangible assets	(118,239)	(178,963)	(193,928)	(208,621)
Improvements to investment properties	(36,273)	(6,800)	(36,273)	(26,151)
Proceeds from sale of property, plant and equipment	44,898	27,589	47,647	27,933
Net cash used in investing activities	(19,123,418)	(35,535,195)	(19,546,101)	(38,445,476)
Cash flows from financing activities				
Increase in subordinated term debts	-	7,000,000	-	6,750,000
Increase / (decrease) in long term borrowings	(7,554,685)	7,319,180	(7,583,229)	7,315,663
Dividends paid	(1,661,356)	(1,355,129)	(1,762,096)	(1,444,859)
Proceeds from issue of shares under ESOP	149,000	64,107	149,000	64,107
Debenture issue expenses	-	(10,811)	-	(10,811)
Net cash (used in) / generated from financing activities	(9,067,041)	13,017,347	(9,196,325)	12,674,100
Net increase / (decrease) in cash and cash equivalents	2,395,873	(78,332)	3,960,936	(160,118)
Cash and cash equivalents at the beginning of the period	18,264,496	14,936,425	20,867,149	16,593,980
Cash and cash equivalents at the end of the period	20,660,369	14,858,093	24,828,085	16,433,862
Cash and cash equivalents at the end of the period				
Cash and cash equivalents	20,660,369	14,858,093	21,299,223	15,369,029
Placements with banks	-	-	3,528,862	1,064,833
	20,660,369	14,858,093	24,828,085	16,433,862

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th June 2017	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
ASSETS				
Cash and cash equivalents	-	20,660,369	-	20,660,369
Balances with Central Bank of Sri Lanka	-	35,387,671	-	35,387,671
Placements with banks	-	-	-	-
Reverse repurchase agreements	-	90,022	-	90,022
Derivative financial instruments	461,173	-	-	461,173
Financial investments - Fair value through profit or loss	186,639	-	-	186,639
Loans and receivables to customers	-	627,048,103	-	627,048,103
Financial investments - Loans and receivables	-	122,784,227	-	122,784,227
Financial investments - Available-for-sale	-	-	85,969,026	85,969,026
Other assets	-	2,334,039	-	2,334,039
Total financial assets	647,812	808,304,431	85,969,026	894,921,269

	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000
LIABILITIES			
Due to banks	-	63,285,448	63,285,448
Derivative financial instruments	151,851	-	151,851
Securities sold under repurchase agreements	-	27,920,063	27,920,063
Due to customers	-	672,987,078	672,987,078
Dividends payable	-	924,729	924,729
Other borrowings	-	26,379,692	26,379,692
Debt securities issued	-	4,641,178	4,641,178
Other liabilities	-	141,513	141,513
Subordinated term debts	-	25,776,535	25,776,535
Total financial liabilities	151,851	822,056,236	822,208,087

As at 31st December 2016	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
ASSETS				
Cash and cash equivalents	-	17,511,446	-	17,511,446
Balances with Central Bank of Sri Lanka	-	33,777,614	-	33,777,614
Placements with banks	-	753,050	-	753,050
Reverse repurchase agreements	-	4,303,460	-	4,303,460
Derivative financial instruments	289,989	-	-	289,989
Financial investments - Fair value through profit or loss	544,915	-	-	544,915
Loans and receivables to customers	-	584,412,727	-	584,412,727
Financial investments - Loans and receivables	-	99,260,699	-	99,260,699
Financial investments - Available for sale	-	-	89,915,153	89,915,153
Other assets	-	2,308,521	-	2,308,521
Total financial assets	834,904	742,327,517	89,915,153	833,077,574

	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000
LIABILITIES			
Due to banks	-	69,928,789	69,928,789
Derivative financial instruments	665,890	-	665,890
Securities sold under repurchase agreements	-	13,458,127	13,458,127
Due to customers	-	623,494,969	623,494,969
Dividends payable	-	1,007,075	1,007,075
Other borrowings	-	27,130,358	27,130,358
Debt securities issued	-	4,653,057	4,653,057
Other liabilities	-	403,851	403,851
Subordinated term debts	-	26,153,476	26,153,476
Total financial liabilities	665,890	766,229,702	766,895,592

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th June 2017	Fair Value Through Profit or Loss Rs 000	Held to Maturity Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
ASSETS					
Cash and cash equivalents	-	-	21,299,223	-	21,299,223
Balances with Central Bank of Sri Lanka	-	-	35,387,671	-	35,387,671
Placements with banks	-	-	3,528,862	-	3,528,862
Reverse repurchase agreements	-	-	1,448,295	-	1,448,295
Derivative financial instruments	461,173	-	-	-	461,173
Financial investments - fair value through profit or loss	344,245	-	-	-	344,245
Loans and receivables to customers	-	-	642,039,828	-	642,039,828
Financial investments - loans and receivables	-	-	125,524,728	-	125,524,728
Financial investments - available-for-sale	-	-	-	91,875,308	91,875,308
Financial investments - held to maturity	-	583,431	-	-	583,431
Other assets	-	-	3,567,029	-	3,567,029
Total financial assets	805,418	583,431	832,795,636	91,875,308	926,059,793
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000		
LIABILITIES					
Due to banks	-	63,292,324	63,292,324		
Derivative financial instruments	151,851	-	151,851		
Securities sold under repurchase agreements	-	27,920,063	27,920,063		
Due to customers	-	686,168,330	686,168,330		
Dividends payable	-	932,377	932,377		
Other borrowings	-	26,379,692	26,379,692		
Debt securities issued	-	5,117,371	5,117,371		
Other liabilities	-	1,205,840	1,205,840		
Subordinated term debts	-	25,550,488	25,550,488		
Total financial liabilities	151,851	836,566,485	836,718,336		
As at 31st December 2016					
	Fair Value Through Profit or Loss Rs 000	Held to Maturity Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
ASSETS					
Cash and cash equivalents	-	-	18,668,703	-	18,668,703
Balances with Central Bank of Sri Lanka	-	-	33,777,614	-	33,777,614
Placements with banks	-	-	2,198,446	-	2,198,446
Reverse repurchase agreements	-	-	5,756,794	-	5,756,794
Derivative financial instruments	289,989	-	-	-	289,989
Financial investments - fair value through profit or loss	716,009	-	-	-	716,009
Loans and receivables to customers	-	-	597,467,460	-	597,467,460
Financial investments - loans and receivables	-	-	102,063,229	-	102,063,229
Financial investments - available for sale	-	-	-	95,797,142	95,797,142
Financial investments - held to maturity	-	465,081	-	-	465,081
Other assets	-	-	3,175,431	-	3,175,431
Total financial assets	1,005,998	465,081	763,107,677	95,797,142	860,375,898
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000		
LIABILITIES					
Due to banks	-	69,964,380	69,964,380		
Derivative financial instruments	665,890	-	665,890		
Securities sold under repurchase agreements	-	13,458,127	13,458,127		
Due to customers	-	635,371,097	635,371,097		
Dividends payable	-	1,015,463	1,015,463		
Other borrowings	-	27,130,358	27,130,358		
Debt securities issued	-	5,115,801	5,115,801		
Other liabilities	-	1,295,848	1,295,848		
Subordinated term debts	-	25,901,110	25,901,110		
Total financial liabilities	665,890	779,252,184	779,918,074		

SEGMENT REPORTING

	Banking		Leasing and Hirepurchase		Property		Insurance		Others*		Elimination /unallocated		Consolidated	
For the 6 months ended 30th June	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
Total revenue from external customers	48,541,724	35,285,892	2,688,561	2,345,191	106,446	102,014	3,864,078	3,156,181	3,362,192	2,551,148	(475,629)	(347,718)	58,087,372	43,092,708
Inter segment revenue	66,694	45,340	-	-	384,098	361,966	63,740	64,194	62,802	-	(577,334)	(471,500)	-	-
Total revenue	48,608,418	35,331,232	2,688,561	2,345,191	490,544	463,980	3,927,818	3,220,375	3,424,994	2,551,148	(1,052,963)	(819,218)	58,087,372	43,092,708
Segment result	8,862,683	7,935,074	1,710,262	1,676,969	387,383	339,617	270,055	89,707	742,756	913,881	(509,801)	(373,207)	11,463,338	10,582,041
Unallocated expenses													(763,969)	(657,972)
Profit from operations													10,699,369	9,924,069
Income from Joint Venture													64,352	84,763
Taxes													(3,233,216)	(3,004,188)
Profit for the period													7,530,505	7,004,644
Non Controlling Interest													(290,076)	(339,643)
Profit attributable to the Equity holders of the Bank													7,240,429	6,665,001
Profit for the period													7,530,505	7,004,644
Other comprehensive Income,Net of tax	1,224,314	(2,726,175)	-	-	-	-	15,425	(9,146)	(3,312)	9,304	(14,803)	(38,962)	1,221,624	(2,764,979)
Total Comprehensive income for the period													8,752,129	4,239,665
Non Controlling Interest													(294,330)	(341,366)
Total comprehensive income attributable to the Equity Holders of the Bank													8,457,799	3,898,299
Total assets	878,927,889	752,841,602	42,510,581	40,281,899	10,135,860	10,219,455	16,573,172	13,204,241	21,473,304	15,862,155	(1,760,044)	(3,495,836)	967,860,762	828,913,516
Total liabilities	794,980,399	685,607,148	42,510,581	40,281,899	596,510	588,582	13,783,190	11,141,499	17,740,870	13,245,243	(3,435,927)	(2,196,672)	866,175,623	748,667,699
Cash flow from operating activities	32,193,462	23,504,570	(1,607,130)	(1,065,054)	430,442	308,443	932,744	472,213	1,616,749	(61,889)	(862,905)	2,391,086	32,703,362	25,611,258
Cash flow from Investing activities	(19,123,418)	(35,535,195)	-	-	(116,056)	(287,323)	(981,567)	(424,055)	(1,491,162)	264,757	2,166,102	(2,198,903)	(19,546,101)	(38,445,476)
Cash flow from financing activities	(9,067,041)	13,017,347	-	-	(340,000)	-	(250,000)	(100,000)	(162,701)	(115,897)	623,417	(243,247)	(9,196,325)	12,674,100

* Business of HNB Grameen 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 2016.
2. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
3. 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.
4. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
5. Details of Employee Share Option Plan (ESOP)

	2012 Allocation*		2013 Allocation**	
	Voting	Non-voting	Voting	Non-voting
No of options brought forward	432,522	82,151	1,093,810	245,092
No of additional options granted in 2017 due to scrip dividend announced in 2016	16,022	3,057	23,559	5,819
No of options exercised during the period	(336,413)	(61,852)	(566,803)	(130,271)
No of options expired during the period	(110,202)	(23,092)	(403)	(108)
No of options remaining	1,929	264	550,163	120,532
Allotment price (Rs)	145.79	81.43	142.17	110.04
Average market price for the period ended 30th June 2017 (Rs)	231.03	193.00	231.03	193.00

*These options were allocated on 30th March 2012 and the retention period ended on 30th March 2013. The remaining options expired on 30th March 2017. However, the additional options that were granted based on the scrip dividend declared for the year ended 31st December 2015 pertaining to 2012 allotment (3rd allotment) will be expired on 31st August 2017.

**These options were allocated on 5th June 2013 and the retention period ended on 4th June 2014.

The outstanding options can be exercised within four years from the end of retention period or at retirement, resignation or death whichever occurs first.

6. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Grameen Finance Ltd & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
7. Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given in the note to the financial statements.
8. The funds raised through debentures were fully utilized for the objectives mentioned in the prospectuses.
9. At the Extra Ordinary General Meeting held on 5th July 2017, shareholders approved the resolution to issue 56,029,966 voting shares and 14,093,547 non-voting shares by way of a rights issue to the existing shareholders of the Bank in the proportion of one new ordinary share for every six ordinary shares (1 : 6) held as at the end of trading on 5th July 2017. These shares were to be issued at an issue price of Rs 220/- per each ordinary voting share and at an issue price of Rs 190/- per each ordinary non-voting share. The last date for acceptance and payment for rights was on 26th July 2017. The Bank is in the process of finalising the allotment of the new shares with a view to crediting same to the securities accounts of shareholders maintained with the Central Depository Systems (Pvt) Limited (CDS) on 14th August 2017.
10. There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements other than as disclosed above.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at	As at	As at	As at
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	BANK		GROUP	
Regulatory Capital Adequacy				
Core capital (Tier 1 Capital) Rs. Mn	62,943	65,082	69,314	71,295
Total Capital Base, Rs. Mn	83,646	88,569	90,334	95,199
Core capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	9.83%	11.22%	10.13%	11.51%
Total capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	13.07%	15.27%	13.20%	15.37%

	30.06.2017	31.12.2016
	BANK	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio, % (net of Interest in Suspense)	2.20%	1.80%
Net Non-Performing Advances Ratio, % (net of Interest in Suspense and provisions)	0.86%	0.46%
Profitability (Annualised)		
Interest Margin, %	4.28%	4.26%
Return on Assets (before Tax), %	2.24%	2.49%
Return on Equity, %	17.87%	20.24%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	157,645	159,581
Off-Shore Banking Unit	23,226	16,786
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	21.47%	23.49%
Off-Shore Banking Unit	31.97%	26.46%

LISTED DEBENTURE INFORMATION

Quarter ended 30th June	Market Value				Yield as at Last Trade Done	2017	2016
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.			
HNB DEBENTURES 2006							
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	N/T	N/T		N/T	N/T
HNB DEBENTURES 2007							
10 year Fixed Rate (16.00% 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	N/T	N/T		N/T	N/T
HNB DEBENTURES 2011							
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T		N/T	N/T
HNB DEBENTURES 2013							
5 year Fixed Rate (14.00% p.a.)	101.70	101.59	N/T	N/T		13.76	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T		N/T	N/T
HNB DEBENTURES 2014							
3 year Fixed Rate (7.00% p.a.)	N/T	N/T	N/T	N/T		N/T	N/T
5 year Fixed Rate (7.90% p.a.)	N/T	N/T	N/T	N/T		N/T	N/T
10 year Fixed Rate (8.50% p.a.)	N/T	N/T	N/T	N/T		N/T	N/T
HNB DEBENTURES 2016							
5 year Fixed Rate (11.25% p.a.)	91.00	87.00	N/A	N/A		12.50	N/A
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/A	N/A		N/T	N/A
7 year Fixed Rate (13.00% p.a.)	101.00	101.00	N/A	N/A		12.87	N/A

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

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

Quarter ended 30th June	2017	2016
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		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T
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		
5 year Fixed Rate (14.00% p.a.)	11.99	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
HNB DEBENTURES 2014		
3 year Fixed Rate (7.00% p.a.)	N/T	N/T
5 year Fixed Rate (7.90% p.a.)	N/T	N/T
10 year Fixed Rate (8.50% p.a.)	N/T	N/T
HNB DEBENTURES 2016		
5 year Fixed Rate (11.25% p.a.)	14.83	N/A
5 year Fixed Rate (11.75% p.a.)	N/T	N/A
7 year Fixed Rate (13.00% p.a.)	12.72	N/A

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

RATIOS OF DEBT

	30.06.2017	31.12.2016
Debt Equity Ratio (%)	99.23	119.84
	30.06.2017	30.06.2016
Interest Cover (Times)	4.15	5.04
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
	30.06.2017	30.06.2016
2006 series 15 year maturity	12.55	13.10
2006 series 18 year maturity	12.76	13.80
2007 series 10 year maturity	10.13	11.58
2007 series 15 year maturity	12.73	13.34
2011 series 10 year maturity	12.61	13.13
2013 series 5 year maturity	10.44	11.02
2013 series 10 year maturity	11.54	12.14
2014 series 3 year maturity	10.23	10.42
2014 series 5 year maturity	10.97	11.49
2014 series 10 year maturity	11.49	12.19
2016 series 5 year maturity	11.30	11.79
2016 series 5 year maturity	11.35	N/A
2016 series 5 year maturity	11.54	N/A

SHARE INFORMATION

As at	30-Jun-17	31-Dec-16
Number of Shares		
Voting	336,179,795	330,756,782
Non-voting	84,561,277	83,058,692
Last Traded Price per Share		
Voting (Rs.)	241.20	225.00
Non-voting (Rs.)	197.80	190.00

For the Quarter Ended	30-Jun-17	30-Jun-16
Highest Price per Share		
Voting (Rs.)	250.00	216.60
Non-voting (Rs.)	210.00	180.00
Lowest Price per Share		
Voting (Rs.)	220.00	197.00
Non-voting (Rs.)	184.10	169.00

PUBLIC SHARE HOLDING PERCENTAGE

As at	30-Jun-17
Voting	61 % approx.
Non-voting	99 % approx.

NUMBER OF PUBLIC SHAREHOLDERS

As at	30-Jun-17
Voting	4,558
Non-voting	10,314

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHARE HOLDING

	Number of shares	
	30-Jun-17	31-Dec-16
1. Mr. Rienzie Arseculeratne	10,136	-
2. Mr. A.J. Alles *	105,037	101,959
3. Ms. M.A.R.C. Cooray	5,489	5,404
4. Dr. L.R. Karunaratne	1,048	1,034
5. Mr. L.U.D. Fernando **	N/A	517
6. Mr. D.T.S.H. Mudalige	-	-
7. Miss. D.S.C. Jayawardena	514	508
8. Mr. R.S. Captain	6,187	6,104
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	100
13. Mr. D.S. Weerakkody ***	2,031	N/A

* Chief Executive Officer

** Resigned w.e.f. 03.04.2017

*** Appointed w.e.f. 29.06.2017

20 MAJOR SHAREHOLDERS (VOTING) AS AT 30TH JUNE 2017

	Name	No. of shares	% on Voting capital
1.	EMPLOYEES PROVIDENT FUND	32,793,921	9.75
2.	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	32,451,260	9.65
3.	MILFORD EXPORTS (CEYLON) (PVT) LIMITED	26,604,922	*7.91
4.	MR. S.E. CAPTAIN	24,418,023	7.26
5.	STASSEN EXPORTS (PVT) LIMITED	23,060,263	*6.86
6.	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	16,616,599	4.94
7.	SONETTO HOLDINGS LIMITED.	15,139,879	4.50
8.	HSBC INTL. NOMINEES LTD-JPLU-FRANKLIN TEMPLETON INVESTMENT FUNDS	12,426,399	3.70
9.	DISTILLERIES COMPANY OF SRI LANKA PLC	10,317,455	*3.07
10.	NATIONAL SAVINGS BANK	9,653,749	2.87
11.	STANDARD CHARTERED BANK SINGAPORE S/A HL BANK SINGAPORE BRANCH	6,355,721	1.89
12.	BNYMSANV RE-CF RUFFER TOTAL RETURN FUND	5,292,794	1.57
13.	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	3,785,486	1.13
14.	BNYMSANV RE-CF RUFFER ABSOLUTE RETURN FUND	3,552,679	1.06
15.	RBC INVESTOR SERVICES BANK-COELI SICAV I- FRONTIER MARKETS FUND	3,391,332	1.01
16.	MS. L.A. CAPTAIN	2,956,319	0.88
17.	BNYMSANV RE-MAGNA UMBRELLA FUND PLC	2,844,564	0.85
18.	MRS. C.S. DE FONSEKA	2,835,133	0.84
19.	BNYMSANV RE-CF RUFFER INVESTMENT FUNDS : CF RUFFER PACIFIC FUND	2,707,555	0.81
20.	HSBC INT'L NOM LTD - UBS AG ZURICH	2,656,385	0.79

*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 17.84% 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 JUNE 2017

	Name	No. of shares	% on Non-voting capital
1.	HSBC INTL. NOM LTD-UBS AG ZURICH	7,316,538	8.65
2.	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	6,892,715	8.15
3.	HSBC INTL. NOMINEES LTD-JPLU-FRANKLIN TEMPLETON INVESTMENT FUNDS	5,869,358	6.94
4.	BNYMSANV RE-FRONTAURA GLOBAL FRONTIER FUND LLC	4,408,152	5.21
5.	BNYMSANV RE-NEON LIBERTY LORIKEET MASTER FUND LP	2,903,166	3.43
6.	BNYMSANV RE-CF RUFFER TOTAL RETURN FUND	2,642,580	3.13
7.	AKBAR BROTHERS PVT LTD A/C NO 1	2,595,866	3.07
8.	BNYMSANV RE-CF RUFFER ABSOLUTE RETURN FUND	1,760,302	2.08
9.	MR. S.E. CAPTAIN	1,491,069	1.76
10.	UNION ASSURANCE PLC/NO-01A/C	1,270,158	1.50
11.	RUBBER INVESTMENT TRUST LIMITED A/C # 01	1,202,994	1.42
12.	BNYMSANV RE-CF RUFFER INVESTMENT FUNDS : CF RUFFER PACIFIC FUND	1,044,913	1.24
13.	MR. J.D. BANDARANAYAKE	967,859	1.14
14.	EMPLOYEES TRUST FUND BOARD	924,129	1.09
15.	NORTHERN TRUST COMPANY S/A POLAR CAPITAL FUNDS PLC	870,794	1.03
16.	UNION ASSURANCE PLC/ACCOUNT NO.05 (UNIT-LINKED LIFE INSURANCE FUND-EQUITY FUND)	829,443	0.98
17.	THE CEYLON GUARDIAN INVESTMENT TRUST PLC A/C # 02	762,682	0.90
18.	DEUTSCHE BANK AG AS TRUSTEE FOR JB VANTAGE VALUE EQUITY FUND	761,155	0.90
19.	THE CEYLON INVESTMENT PLC A/C # 02	623,901	0.74
20.	CB NY S/A SALIENT INTERNATIONAL DIVIDEND SIGNAL FUND	606,438	0.72

NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	30.06.2017 Rs 000	31.12.2016 Rs 000	30.06.2017 Rs 000	31.12.2016 Rs 000
1) Loans and Receivables to Customers				
Gross loans and receivables	639,398,275	595,513,919	654,855,334	608,965,683
Less : Individual impairment	(3,760,732)	(3,366,278)	(3,760,732)	(3,366,278)
Collective impairment	(8,589,439)	(7,734,914)	(9,054,774)	(8,131,945)
Net loans and receivables	627,048,104	584,412,727	642,039,828	597,467,460
2) Loans and Receivables to Customers - By product				
By product-Domestic Currency				
Overdrafts	99,771,580	90,479,762	99,759,653	90,471,621
Bills of exchange	1,212,097	875,321	1,212,097	875,321
Commercial papers	154,048	153,972	154,048	153,972
Short term loans	53,493,157	56,342,739	53,633,499	56,462,680
Credit Cards	6,630,440	6,061,567	6,630,440	6,061,567
Trust receipts	29,079,014	22,529,322	29,079,014	22,529,322
Packing credit loans	227,524	360,888	227,524	360,888
Staff loans	11,647,482	11,430,637	12,254,377	11,975,374
Term loans	272,229,828	249,690,118	284,700,752	261,318,923
Lease rentals receivable	43,601,641	42,517,424	45,852,466	43,683,846
Housing loans	33,290,970	32,657,439	33,290,970	32,657,439
Pawning advances	14,630,196	14,010,152	14,630,196	14,010,152
Securitised notes	113,861	179,359	113,861	179,359
Sub total	566,081,838	527,288,700	581,538,897	540,740,464
By product-Foreign Currency				
Overdrafts	590,308	613,418	590,308	613,418
Bills of exchange	1,751,391	2,038,299	1,751,391	2,038,299
Short term loans	2,657,254	4,219,372	2,657,254	4,219,372
Trust receipts	4,112,479	2,356,391	4,112,479	2,356,391
Packing credit loans	11,986,255	10,532,884	11,986,255	10,532,884
Term loans	50,725,546	47,051,799	50,725,546	47,051,799
Lease rentals receivable	98,783	104,476	98,783	104,476
Housing loans	1,394,421	1,308,580	1,394,421	1,308,580
Sub total	73,316,437	68,225,219	73,316,437	68,225,219
Total	639,398,275	595,513,919	654,855,334	608,965,683
3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Customers	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
Individual impairment				
Opening balance at 01st January	3,366,278	3,345,714	3,366,278	3,450,410
Charge/(Write back) to income statement	591,339	(31,233)	591,339	(31,233)
Amounts written off	(196,885)	-	(196,885)	-
Interest accrued on impaired loans and receivables	-	-	-	-
Closing balance as at 30th June	3,760,732	3,314,481	3,760,732	3,419,177
Collective impairment				
Opening balance at 01st January	7,734,914	7,838,125	8,131,945	7,894,438
Charge/(Write back) to income statement	854,525	162,423	922,829	224,098
Amounts written off	-	(777)	-	-
Closing balance as at 30th June	8,589,439	7,999,771	9,054,774	8,118,536
Total impairment	12,350,171	11,314,252	12,815,506	11,537,713
As at	30.06.2017 Rs 000	31.12.2016 Rs 000	30.06.2017 Rs 000	31.12.2016 Rs 000
4) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	36,713,191	34,256,113	36,294,324	33,973,012
Savings deposits	169,084,681	159,484,011	170,662,345	160,860,604
Time deposits	344,110,968	325,957,667	356,133,423	336,798,439
Certificates of deposit	964,018	957,804	964,018	957,804
Margin deposits	1,407,288	1,513,014	1,407,288	1,513,014
Sub total	552,280,146	522,168,609	565,461,398	534,102,873
By product- Foreign Currency				
Current account deposits	9,637,710	2,419,687	9,637,710	2,419,687
Savings deposits	30,458,033	29,361,173	30,458,033	29,351,297
Time deposits	80,594,984	69,524,852	80,594,984	69,476,592
Margin deposits	16,205	20,648	16,205	20,648
Sub total	120,706,932	101,326,360	120,706,932	101,268,224
Total	672,987,078	623,494,969	686,168,330	635,371,097