



YOUR PARTNER IN PROGRESS

Interim Financial Statements

For the six months ended 30th June 2020

FINANCIAL COMMENTARY FOR THE 06 MONTHS ENDED 30TH JUNE 2020

- Rs 5.5 Bn 1H Group PAT
- Bank PAT of Rs 4.5 Bn
- Total Deposit grow by Rs 55 Bn
- Maintains stability with CAR at 19% and LAR at 34%

HNB posted resilient financial results during the 1H 2020 amid the unprecedented disruptions of COVID-19 pandemic with Group PAT for 1H increasing by 6.8 % YoY to Rs 5.5 Bn while Bank level PAT declined by 7% YoY to Rs 4.5 Bn.

As a consequence of the low interest rate regime, the prime lending rate (AWPLR) reduced by 130 bps from December 2019, compounded by low demand for credit. This in turn impacted 1H interest income which declined 8.8% YoY to Rs 53.8 Bn. Interest expenses also declined by 5.2% YoY to Rs 31.4 Bn leading to a drop in Net Interest Income (NII) by 13.3% YoY to Rs 22.4 Bn.

The restrictions on non-essential imports, overall decline in exports and marked drop in Card spends due to lifestyle changes resulting from the pandemic, drove Net Fee Income down by 22.2% YoY to Rs 3.5 Bn. However, a strong surge in demand for digital services enabled an increase in fees from digital channels.

Meanwhile, exchange rate movements during the year in tandem with a decline in swap volumes and premiums facilitated an exchange gain of Rs 1.5 Bn as opposed to a loss of Rs 577.2 Mn recorded during 1H 2019.

In line with constrained operating conditions, the non-performing loans ratio increased to 6.4% compared to 5.9% in December 2019. Impairment charges mirrored the NPA increase, rising by 45.3% YoY to Rs 9.1Bn for 1H 2020.

With effective cost management being a key focus area under the 'new normal', the Bank was successful in recording a decline of 6% YoY in Total Operating Expenses to Rs 11.2 Bn in 1H 2020.

The tax benefits provided to the banking sector since end of last year, such as removal of Debt Repayment Levy and Nation Building Tax as well as tax exemption on revenue from investments in Sri Lanka Development Bonds proved to be paramount in maintaining stability of the banking sector. Accordingly, the total tax charge for 1H 2020 declined by 57.1% YoY to Rs 3.1 Bn while the Bank recorded a PAT of Rs 4.5 Bn, representing a decline of 7% YoY.

Gross loans remained flat when compared against December 2019 at Rs 772.5 Bn. Notwithstanding the unprecedented circumstances during the year, HNB's total deposits grew by Rs 55.3 Bn to Rs 865.3 Bn while the low cost CASA base grew by an impressive Rs 34.4 Bn to Rs 319.1 Bn during 1H 2020.

Despite moratoriums offered to the affected customers, the Bank was successful in maintaining a strong liquidity position, through deposit mobilization and prudent asset and liability management measures. Accordingly, the Liquid Asset Ratio for the Bank stood at 34% well above the statutory requirement of 20%.

Total Assets of the Bank grew by 4% to Rs 1.17 Trillion, during 1H 2020 and HNB continued to remain among the best capitalized in the industry, with Tier I Capital and Total Capital Adequacy ratios at 15.25% and 19.07% respectively.

HNB Group recorded a PAT of Rs 5.5 Bn for the period. The YoY growth of 6.8% in Group profits was driven largely by the robust performance of the primary dealership arm of the investment bank, Acuity Partners and HNB Assurance PLC.

Notably, during the period under review, HNB was bestowed with the honour of being the highest ranked privately owned commercial bank in Sri Lanka by the prestigious Banker Magazine Top 1000 global rankings released in July. This marked the fourth successive year in which HNB has been included in the rankings.

The Bank was also recognized by the Asian Banker Magazine as the Best Retail Bank in Sri Lanka for the eleventh occasion. HNB was also the first local bank to obtain an international credit rating and is rated on par with the Sovereign by Moody's Investors Service. Further the National Long Term Rating of HNB by Fitch Ratings Lanka Ltd. was recently revised upwards, by two notches to AA+(Ika).

STATEMENT OF PROFIT OR LOSS

	BANK			BANK			GROUP			GROUP		
	For the 6 months ended 30th June			For the 3 months ended 30th June			For the 6 months ended 30th June			For the 3 months ended 30th June		
	2020 Audited Rs 000	2019 Rs 000	% Increase / (Decrease)	2020 Rs 000	2019 Rs 000	% Increase/ (Decrease)	2020 Rs 000	2019 Rs 000	% Increase / (Decrease)	2020 Rs 000	2019 Rs 000	% Increase/ (Decrease)
Gross Income	59,350,508	63,407,262	(6)	28,700,786	32,035,414	(10)	68,228,339	72,603,240	(6)	32,768,323	36,742,922	(11)
Interest income	53,802,318	58,971,080	(9)	26,571,119	29,616,046	(10)	58,542,005	63,632,917	(8)	28,744,191	32,026,480	(10)
Less : Interest expenses	31,361,996	33,099,150	(5)	15,554,739	16,717,421	(7)	32,679,841	34,425,179	(5)	16,185,655	17,424,796	(7)
Net interest income	22,440,322	25,871,930	(13)	11,016,380	12,898,625	(15)	25,862,164	29,207,738	(11)	12,558,536	14,601,684	(14)
Fee and commission income	3,567,125	4,540,405	(21)	1,422,718	2,271,790	(37)	3,829,011	5,121,123	(25)	1,486,102	2,517,403	(41)
Less : Fee and commission expenses	108,354	91,905	18	34,761	52,288	(34)	173,597	175,911	(1)	56,492	91,587	(38)
Net fee and commission income	3,458,771	4,448,500	(22)	1,387,957	2,219,502	(37)	3,655,415	4,945,212	(26)	1,429,611	2,425,816	(41)
Net interest, fee and commission income	25,899,093	30,320,430	(15)	12,404,337	15,118,127	(18)	29,517,578	34,152,949	(14)	13,988,146	17,027,499	(18)
Net gain/(loss) from trading	(378,491)	(863,022)	56	230,594	(1,498,846)	115	(404,096)	(876,143)	54	246,602	(1,494,048)	117
Net gain from financial investments at fair value through other comprehensive income	167,684	165,384	1	154,660	-	-	168,455	167,326	1	154,386	2,499	6,077
Net insurance premium income	-	-	-	-	-	-	3,873,416	3,913,616	(1)	1,904,944	1,914,680	(1)
Net gains on derecognition of financial assets	-	-	-	-	-	-	12,206	22,661	(46)	12,206	17,565	(31)
Net other operating income	2,191,872	593,415	269	321,695	1,646,424	(80)	2,207,342	621,740	255	219,892	1,758,343	(87)
Total operating income	27,880,158	30,216,207	(8)	13,111,286	15,265,705	(14)	35,374,901	38,002,150	(7)	16,526,176	19,226,539	(14)
Less : Impairment for loans and other losses	9,088,134	6,252,806	45	4,424,278	2,131,905	108	9,280,318	7,018,184	32	4,625,433	2,401,539	93
Net operating income	18,792,024	23,963,401	(22)	8,687,008	13,133,800	(34)	26,094,583	30,983,966	(16)	11,900,743	16,825,000	(29)
Less : Operating expenses												
Personnel expenses	5,704,738	5,893,890	(3)	2,835,083	3,026,154	(6)	6,899,734	7,118,817	(3)	3,478,577	3,690,487	(6)
Depreciation and amortisation	1,086,081	1,211,770	(10)	537,538	606,231	(11)	1,349,776	1,533,957	(12)	676,299	864,789	(22)
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	3,272,114	3,607,387	(9)	1,561,337	1,680,423	(7)
Other expenses	4,439,816	4,837,769	(8)	2,001,486	2,392,524	(16)	5,576,268	5,847,400	(5)	2,501,457	2,837,389	(12)
Total operating expenses	11,230,635	11,943,429	(6)	5,374,107	6,024,909	(11)	17,097,892	18,107,561	(6)	8,217,670	9,073,088	(9)
Operating profit before taxes on financial services	7,561,389	12,019,972	(37)	3,312,901	7,108,891	(53)	8,996,691	12,876,404	(30)	3,683,073	7,751,911	(52)
Less : Value Added Tax (VAT) on financial services	1,705,242	2,239,689	(24)	793,713	1,265,548	(37)	1,858,146	2,382,434	(22)	822,392	1,333,194	(38)
Less : Nation Building Tax (NBT) on financial services	-	298,626	(100)	-	168,741	(100)	-	319,391	(100)	-	179,272	(100)
Less : Debt Repayment Levy	-	1,222,871	(100)	-	675,122	(100)	-	1,301,097	(100)	-	717,571	(100)
Operating profit after taxes on financial services	5,856,147	8,258,786	(29)	2,519,188	4,999,480	(50)	7,138,545	8,873,482	(20)	2,860,681	5,521,874	(48)
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	250,755	85,126	195	215,143	48,601	343
PROFIT BEFORE INCOME TAX	5,856,147	8,258,786	(29)	2,519,188	4,999,480	(50)	7,389,300	8,958,608	(18)	3,075,824	5,570,475	(45)
Less : Income tax expense	1,392,965	3,458,628	(60)	694,063	2,230,719	(69)	1,912,146	3,829,586	(50)	875,366	2,480,233	(65)
PROFIT FOR THE PERIOD	4,463,182	4,800,158	(7)	1,825,125	2,768,761	(34)	5,477,155	5,129,022	7	2,200,459	3,090,242	(29)
Profit attributable to:												
Equity holders of the Bank	4,463,182	4,800,158	(7)	1,825,125	2,768,761	(34)	5,169,172	4,920,562	5	2,121,427	2,973,901	(29)
Non-controlling interests	-	-	-	-	-	-	307,983	208,460	48	79,032	116,341	(32)
PROFIT FOR THE PERIOD	4,463,182	4,800,158	(7)	1,825,125	2,768,761	(34)	5,477,155	5,129,022	7	2,200,459	3,090,242	(29)
Earnings per share												
Basic earnings per ordinary share (Rs)	8.72	9.38	(7)	3.56	5.41	(34)	10.10	9.61	5	4.14	5.81	(29)
Diluted earnings per ordinary share (Rs)	8.72	9.38	(7)	3.56	5.41	(34)	10.10	9.61	5	4.14	5.81	(29)

STATEMENT OF COMPREHENSIVE INCOME

	BANK			BANK			GROUP			GROUP		
	For the 6 months ended 30th June			For the 3 months ended 30th June			For the 6 months ended 30th June			For the 3 months ended 30th June		
	2020 Audited Rs 000	2019 Rs 000	% Increase/ (Decrease)	2020 Rs 000	2019 Rs 000	% Increase/ (Decrease)	2020 Rs 000	2019 Rs 000	% Increase/ (Decrease)	2020 Rs 000	2019 Rs 000	% Increase/ (Decrease)
PROFIT FOR THE PERIOD	4,463,182	4,800,158	(7)	1,825,125	2,768,761	(34)	5,477,155	5,129,022	7	2,200,459	3,090,242	(29)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods												
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income	(1,386,539)	(856,462)	62	(815,103)	(36,152)	2,155	(1,386,539)	(856,462)	62	(815,103)	(36,153)	2,155
Re-measurement of post-employment benefit obligations	-	-	-	-	-	-	(7,507)	9,816	(176)	-	-	-
Revaluation of freehold land & buildings	-	-	-	-	-	-	-	225,622	(100)	-	-	-
Share of other comprehensive income of joint venture that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Less: Tax expense relating to items that will not be reclassified to profit or loss	-	-	-	-	-	-	2,102	(65,922)	103	-	-	-
Total other comprehensive income that will not be reclassified to profit or loss	(1,386,539)	(856,462)	62	(815,103)	(36,152)	2,155	(1,391,944)	(686,946)	103	(815,103)	(36,153)	2,155
Other comprehensive income that will be reclassified to profit or loss in subsequent periods												
Debt instruments at fair value through other comprehensive income:												
Net gains on investments in debt instruments measured at fair value through other comprehensive income	2,598,175	1,935,969	34	2,488,897	1,297,002	92	3,447,982	2,356,469	46	2,627,909	1,571,789	67
Reclassification of net gains on de-recognition of debt instruments at fair value through other comprehensive income to statement of profit or loss	-	-	-	-	-	-	(12,206)	(22,661)	(46)	(12,206)	(17,565)	(31)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	(742,451)	(351,473)	111	(685,974)	(227,547)	201
Share of other comprehensive income of joint venture that will be reclassified to profit or loss	-	-	-	-	-	-	37,418	(14,085)	366	886	6,061	(85)
Less: Tax expense relating to items that will be reclassified to profit or loss	(890,735)	(542,071)	64	(769,430)	(363,160)	112	(899,388)	(552,802)	63	(777,406)	(370,118)	110
Total other comprehensive income that will be reclassified to profit or loss	1,707,440	1,393,898	22	1,719,467	933,842	84	1,831,355	1,415,448	29	1,153,209	962,620	20
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	320,901	537,436	(40)	904,364	897,690	1	439,411	728,502	(40)	338,106	926,467	(64)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,784,083	5,337,594	(10)	2,729,489	3,666,451	(26)	5,916,566	5,857,524	1	2,538,565	4,016,709	(37)
Total comprehensive income attributable to:												
Equity holders of the Bank	4,784,083	5,337,594	(10)	2,729,489	3,666,451	(26)	5,577,110	5,536,762	1	2,427,224	3,891,281	(38)
Non-controlling interests	-	-	-	-	-	-	339,456	320,762	6	111,341	125,428	(11)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,784,083	5,337,594	(10)	2,729,489	3,666,451	(26)	5,916,566	5,857,524	1	2,538,565	4,016,709	(37)

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.06.2020 Audited Rs 000	As at 31.12.2019 Audited Rs 000	% Increase / (Decrease)	As at 30.06.2020 Rs 000	As at 31.12.2019 Audited Rs 000	% Increase / (Decrease)
ASSETS						
Cash and cash equivalents	29,737,017	29,089,189	2	30,711,843	30,263,654	1
Placements with banks	1,260,041	7,602,543	(83)	12,345,402	15,490,267	(20)
Balances with Central Bank of Sri Lanka	6,614,757	22,795,332	(71)	6,614,757	22,795,332	(71)
Reverse repurchase agreements/standing deposit facility	35,886,564	-	-	37,368,753	2,072,482	1,703
Derivative financial instruments	239,409	527,193	(55)	239,409	527,193	(55)
Financial assets measured at fair value through profit or loss	148,642	1,013,374	(85)	263,299	1,155,339	(77)
Financial assets measured at amortised cost - loans and advances to customers	734,019,454	741,769,073	(1)	760,870,359	769,392,169	(1)
Financial assets measured at amortised cost - debt and other instruments	145,536,525	149,720,834	(3)	151,858,514	156,511,277	(3)
Financial assets measured at fair value through other comprehensive income	172,962,321	127,694,982	35	180,485,138	133,953,117	35
Investment in joint venture	755,000	755,000	-	2,425,838	2,137,665	13
Investments in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	477,776	480,444	(1)	1,044,774	1,026,050	2
Property, plant and equipment	20,682,420	21,076,762	(2)	41,953,680	42,452,617	(1)
Right-of-use assets	5,163,107	5,482,679	(6)	1,404,011	1,571,319	(11)
Intangible assets and goodwill	956,045	1,076,641	(11)	1,514,288	1,568,080	(3)
Other assets	12,332,366	12,907,234	(4)	14,660,115	15,467,912	(5)
Total assets	1,169,788,729	1,125,008,565	4	1,243,760,180	1,196,384,473	4
LIABILITIES						
Due to banks	87,300,778	86,396,304	1	88,020,505	87,212,970	1
Derivative financial instruments	499,370	573,365	(13)	499,370	573,365	(13)
Securities sold under repurchase agreements	5,498,735	17,569,394	(69)	5,498,735	17,569,394	(69)
Financial liabilities measured at amortised cost - due to depositors	865,312,643	810,035,114	7	889,294,349	835,060,146	6
Dividends payable	1,017,212	1,449,472	(30)	1,155,658	1,466,959	(21)
Financial liabilities measured at amortised cost - other borrowings	19,880,374	22,604,039	(12)	19,880,374	22,604,039	(12)
Debt securities issued	1,915,293	1,797,644	7	2,483,823	2,368,986	5
Current tax liabilities	6,260,610	5,348,985	17	6,813,421	5,621,389	20
Deferred tax liabilities	946,225	1,381,754	(32)	5,767,804	6,083,293	(5)
Insurance Provision - life	-	-	-	15,769,691	14,468,866	9
Insurance Provision - general	-	-	-	2,925,827	2,871,417	2
Other provisions	3,122,019	3,599,739	(13)	3,392,376	4,171,801	(19)
Other liabilities	14,053,144	14,053,378	-	12,831,448	12,495,406	3
Subordinated term debts	33,445,512	32,695,221	2	34,168,668	33,345,904	2
Total liabilities	1,039,251,915	997,504,409	4	1,088,502,049	1,045,913,935	4

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.06.2020 Audited Rs 000	As at 31.12.2019 Audited Rs 000	% Increase / (Decrease)	As at 30.06.2020 Audited Rs 000	As at 31.12.2019 Audited Rs 000	% Increase / (Decrease)
EQUITY						
Stated capital	35,572,329	33,820,905	5	35,572,329	33,820,905	5
Statutory reserve fund	7,060,000	7,060,000	-	7,060,000	7,060,000	-
Retained earnings	18,357,470	17,980,160	2	24,153,645	23,072,623	5
Other reserves	69,547,015	68,643,091	1	83,290,383	81,554,692	2
Total shareholder's equity	130,536,814	127,504,156	2	150,076,357	145,508,220	3
Non-controlling interests	-	-	-	5,181,774	4,962,318	4
Total equity	-	-	-	155,258,131	150,470,538	3
Total equity and liabilities	1,169,788,729	1,125,008,565	4	1,243,760,180	1,196,384,473	4
Contingent liabilities and commitments	641,926,645	673,230,813	(5)	641,926,645	673,230,813	(5)
Net Assets Value per Share (Rs.)	254.97	254.80	-	293.13	290.78	1
Memorandum Information						
Number of Employees	4,861	4,913				
Number of Branches	252	252				

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 2020 and its profit for the six months ended 30th June 2020.

(Sgd.)

Anuradhi Delage

Head of Finance

12th August 2020

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

(Sgd.)

Dilshan Rodrigo

Director / Chief Operating Officer

12th August 2020

(Sgd.)

Dinesh Weerakkody

Chairman

12th August 2020

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserve Fund	Other Reserves					Retained Earnings	Total
	Voting Shares	Non-Voting Shares		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 6 months ended 30th June 2020										
Balance as at 1st January 2020	27,839,768	5,981,137	7,060,000	10,790,994	-	2,752,097	55,100,000	-	17,980,160	127,504,156
Total comprehensive income for the period										
Net profit for the period	-	-	-	-	-	-	-	-	4,463,180	4,463,180
Other Comprehensive Income for the period, net of tax	-	-	-	-	-	903,924	-	-	(583,023)	320,901
Total comprehensive income for the period	-	-	-	-	-	903,924	-	-	3,880,157	4,784,081
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Dividends to equity holders										
Final dividend 2019 - Scrip	1,404,704	346,720	-	-	-	-	-	-	(1,751,423)	-
Final dividend 2019 - Cash	-	-	-	-	-	-	-	-	(1,751,423)	(1,751,423)
Total contributions by and distributions to equity holders	1,404,704	346,720	-	-	-	-	-	-	(3,502,846)	(1,751,423)
Transfers during the period										
Balance as at 30th June 2020	29,244,472	6,327,857	7,060,000	10,790,994	-	3,656,021	55,100,000	-	18,357,470	130,536,814
For the 6 months ended 30th June 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										
Profit for the period	-	-	-	-	-	-	-	-	4,800,158	4,800,158
Other Comprehensive Income for the period, net of tax	-	-	-	-	-	537,436	-	-	-	537,436
Total comprehensive income for the period	-	-	-	-	-	537,436	-	-	4,800,158	5,337,594
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Dividends to equity holders										
Final dividend 2018 - Scrip	1,190,308	292,571	-	-	-	-	-	-	(1,724,277)	(241,398)
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	(1,724,277)	(1,724,277)
Total contributions by and distributions to equity holders	1,190,308	292,571	-	-	-	-	-	-	(3,448,554)	(1,965,675)
Transfers during the period	-	-	-	-	-	-	-	-	-	-
Balance as at 30th June 2019	27,839,768	5,981,137	6,260,000	10,790,994	-	2,073,875	49,100,000	-	17,080,117	119,125,891

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital		Other Reserves									
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Capital Reserve	Fair value Reserve	General Reserve	Life policy holder Reserve fund	Restricted Regulatory Reserve	Exchange Equalization 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	Rs 000
For the 6 months ended 30th June 2020												
Balance as at 1st January 2020	27,839,768	5,981,137	7,060,000	23,062,998	2,759,863	55,100,000	172,297	381,156	78,378	23,072,623	4,962,318	150,470,538
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	-	5,169,172	307,983	5,477,155
Other Comprehensive Income for the period (net of tax)	-	-	-	-	972,491	-	-	-	20,749	(585,302)	31,473	439,411
Total comprehensive income for the period	-	-	-	-	972,491	-	-	-	20,749	4,583,870	339,456	5,916,566
Transactions with equity holders, recognised directly in equity												
Contributions by and distributions to equity holders												
Dividends to equity holders												
Final dividend 2019 - Scrip	1,404,704	346,720	-	-	-	-	-	-	-	(1,751,424)	-	-
Final dividend 2019 - Cash	-	-	-	-	-	-	-	-	-	(1,751,424)	(120,000)	(1,871,424)
Total contributions by and distributions to equity holders	1,404,704	346,720	-	-	-	-	-	-	-	(3,502,848)	(120,000)	(1,871,424)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	742,451	-	-	-	-	742,451
Transfers during the period	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30th June 2020	29,244,472	6,327,857	7,060,000	23,062,998	3,732,354	55,100,000	914,748	381,156	99,127	24,153,645	5,181,774	155,258,131
For the 6 months ended 30th June 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	-	-	-	-	-	-	-	-	-	4,920,562	208,460	5,129,022
Other comprehensive income for the period (net of tax)	-	-	-	68,488	558,816	-	-	-	(14,085)	2,981	112,302	728,502
Total comprehensive income for the period	-	-	-	68,488	558,816	-	-	-	(14,085)	4,923,543	320,762	5,857,524
Transactions with equity holders, recognised directly in equity												
Contributions by and distributions to equity holders												
Dividends to equity holders												
Final dividend 2018 - Scrip	1,190,308	292,570	-	-	-	-	-	-	-	(1,724,277)	-	(241,399)
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	-	(1,724,277)	(140,000)	(1,864,277)
Total contributions by and distributions to equity holders	1,190,308	292,570	-	-	-	-	-	-	-	(3,448,554)	(140,000)	(2,105,676)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	351,473	-	-	-	-	351,473
Transfers during the period	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30th June 2019	27,839,768	5,981,136	6,260,000	23,062,998	2,096,539	49,100,000	153,670	381,156	52,283	21,656,405	4,853,972	141,437,927

STATEMENT OF CASH FLOWS

For the 6 months ended 30th June	BANK		GROUP	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Cash flows from operating activities				
Interest receipts	57,691,820	60,099,129	62,269,609	64,804,615
Interest payments	(32,698,419)	(33,613,634)	(34,393,634)	(34,677,366)
Net commission receipts	3,355,627	4,439,261	3,659,623	4,937,029
Trading income	369,367	1,118,578	383,243	1,082,797
Payments to employees	(6,300,007)	(5,865,595)	(7,754,475)	(7,060,090)
Taxes on financial services	(1,925,470)	(3,744,111)	(1,981,841)	(4,014,189)
Receipts from other operating activities	1,660,220	937,330	5,787,063	5,087,613
Payments on other operating activities	(4,079,258)	(5,198,926)	(7,180,424)	(8,505,809)
Operating profit before change in operating assets & liabilities	18,073,880	18,172,032	20,789,163	21,654,600
(Increase)/decrease in operating assets				
Balances with Central Bank of Sri Lanka	16,180,575	9,532,475	16,180,575	9,532,475
Financial assets measured at amortised cost - loans & advances to customers	3,191,417	19,210,021	3,963,745	15,901,244
Reverse repurchase agreements / Standing deposit facility	(35,895,128)	(1,000,000)	(35,287,707)	(253,826)
Other assets	210,369	4,032,523	689,834	3,672,361
	(16,312,767)	31,775,019	(14,453,552)	28,852,254
Increase / (decrease) in operating liabilities				
Financial liabilities measured at amortised cost - due to depositors	56,831,796	(7,453,203)	55,869,349	(3,687,717)
Financial liabilities measured at amortised cost - other borrowings	(2,102,085)	(3,541,064)	(2,199,024)	(3,098,241)
Securities sold under repurchase agreements	(12,035,863)	(10,354,246)	(12,035,863)	(10,354,246)
Other liabilities	1,027,903	(158,589)	1,078,153	(232,849)
	43,721,751	(21,507,102)	42,712,615	(17,373,053)
Net cash generated from operating activities before income tax	45,482,864	28,439,949	49,048,227	33,133,801
Income tax paid	(1,641,602)	(2,863,841)	(1,763,383)	(2,978,218)
Net cash generated from operating activities	43,841,262	25,576,108	47,284,844	30,155,583
Cash flows from investing activities				
Purchase of property, plant & equipment	(249,307)	(674,980)	(340,685)	(798,700)
Proceeds from the sale of property, plant & equipment	4,683	7,979	-	12,437
Net proceeds from the sale, maturity and purchase of financial investments	(47,116,625)	(25,965,599)	(47,455,373)	(27,627,714)
Net purchase of intangible assets	(2,338)	(131,543)	(14,072)	(135,215)
Dividends received from investment in subsidiaries	-	182,338	-	-
Dividends received from other investments	11,334	125,047	11,334	131,269
Net cash used in investing activities	(47,352,253)	(26,456,758)	(47,798,796)	(28,417,923)
Cash flows from financing activities				
Dividend paid to shareholders of the parent company	(2,183,683)	(1,958,026)	(2,182,724)	(1,958,026)
Dividend paid to non controlling interest	-	-	-	(141,419)
Net cash used in financing activities	(2,183,683)	(1,958,026)	(2,182,724)	(2,099,445)
Net decrease in cash & cash equivalents	(5,694,674)	(2,838,676)	(2,696,676)	(361,785)
Cash and cash equivalents at the beginning of the period	36,691,732	28,434,623	45,753,921	33,473,086
Cash and cash equivalents at the end of the period	30,997,058	25,595,947	43,057,245	33,111,301
Cash and cash equivalents at the end of the period				
Cash and cash equivalents	29,737,017	22,212,594	30,711,843	22,511,204
Placements with banks	1,260,041	3,383,353	12,345,402	10,600,097
	30,997,058	25,595,947	43,057,245	33,111,301

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th June 2020	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	-	29,737,017	-	29,737,017
Placements with banks	-	1,260,041	-	1,260,041
Balances with Central Bank of Sri Lanka	-	6,614,757	-	6,614,757
Reverse repurchase agreements/Standing deposit facility	-	35,886,564	-	35,886,564
Derivative financial instruments	239,409	-	-	239,409
Financial assets measured at fair value through profit or loss	148,642	-	-	148,642
Financial assets measured at amortised cost	-	734,019,454	-	734,019,454
- loans and advances to customers	-	-	-	-
Financial assets measured at amortised cost	-	145,536,525	-	145,536,525
- debt and other instruments	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	172,962,321	172,962,321
Other financial assets	-	388,131	-	388,131
Total financial assets	388,051	953,442,489	172,962,321	1,126,792,861
LIABILITIES				
Due to banks	-	87,300,778	-	87,300,778
Derivative financial instruments	499,370	-	-	499,370
Securities sold under repurchase agreements	-	5,498,735	-	5,498,735
Financial liabilities measured at amortised cost - due to depositors	-	865,312,643	-	865,312,643
Dividends payable	-	1,017,212	-	1,017,212
Financial liabilities measured at amortised cost - other borrowings	-	19,880,374	-	19,880,374
Debt securities issued	-	1,915,293	-	1,915,293
Other financial liabilities	-	733,104	-	733,104
Subordinated term debts	-	33,445,512	-	33,445,512
Total financial liabilities	499,370	1,015,103,651	-	1,015,603,021
As at 31st December 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	-	29,089,189	-	29,089,189
Placements with banks	-	7,602,543	-	7,602,543
Balances with Central Bank of Sri Lanka	-	22,795,332	-	22,795,332
Derivative financial instruments	527,193	-	-	527,193
Financial assets measured at fair value through profit or loss	1,013,374	-	-	1,013,374
Financial assets measured at amortised cost - loans and advances to customers	-	741,769,073	-	741,769,073
Financial assets measured at amortised cost - debt and other instruments	-	149,720,834	-	149,720,834
Financial assets measured at fair value through other comprehensive income	-	-	127,694,982	127,694,982
Other financial assets	-	692,214	-	692,214
Total financial assets	1,540,567	951,669,185	127,694,982	1,080,904,734
LIABILITIES				
Due to banks	-	86,396,304	-	86,396,304
Derivative financial instruments	573,365	-	-	573,365
Securities sold under repurchase agreements	-	17,569,394	-	17,569,394
Financial liabilities measured at amortised cost - due to depositors	-	810,035,114	-	810,035,114
Dividends payable	-	1,449,472	-	1,449,472
Financial liabilities measured at amortised cost - other borrowings	-	22,604,039	-	22,604,039
Debt securities issued	-	1,797,644	-	1,797,644
Other financial liabilities	-	717,968	-	717,968
Subordinated term debts	-	32,695,221	-	32,695,221
Total financial liabilities	573,365	973,265,156	-	973,838,521

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th June 2020	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	-	30,711,843	-	30,711,843
Placements with banks	-	12,345,402	-	12,345,402
Balances with Central Bank of Sri Lanka	-	6,614,757	-	6,614,757
Reverse repurchase agreements/Standing deposit facility	-	37,368,753	-	37,368,753
Derivative financial instruments	239,409	-	-	239,409
Financial assets measured at fair value through profit or loss	263,299	-	-	263,299
Financial assets measured at amortised cost - loans and advances to customers	-	760,870,359	-	760,870,359
Financial assets measured at amortised cost - debt and other instruments	-	151,858,514	-	151,858,514
Financial assets measured at fair value through other comprehensive income	-	-	180,485,138	180,485,138
Other financial assets	-	2,379,672	-	2,379,672
Total financial assets	502,708	1,002,149,300	180,485,138	1,183,137,146
LIABILITIES				
Due to banks	-	88,020,505	-	88,020,505
Derivative financial instruments	499,370	-	-	499,370
Securities sold under repurchase agreements	-	5,498,735	-	5,498,735
Financial liabilities measured at amortised cost - due to depositors	-	889,294,349	-	889,294,349
Dividends payable	-	1,155,658	-	1,155,658
Financial liabilities measured at amortised cost - other borrowings	-	19,880,374	-	19,880,374
Debt securities issued	-	2,483,823	-	2,483,823
Other financial liabilities	-	2,831,788	-	2,831,788
Subordinated term debts	-	34,168,668	-	34,168,668
Total financial liabilities	499,370	1,043,333,900	-	1,043,833,270
As at 31st December 2019				
	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	-	30,263,654	-	30,263,654
Placements with banks	-	15,490,267	-	15,490,267
Balances with Central Bank of Sri Lanka	-	22,795,332	-	22,795,332
Reverse repurchase agreements	-	2,072,482	-	2,072,482
Derivative financial instruments	527,193	-	-	527,193
Financial assets recognised through profit or loss	1,155,339	-	-	1,155,339
Financial assets at amortised cost - loans and advances	-	769,392,169	-	769,392,169
Financial assets at amortised cost - debt and other instruments	-	156,511,277	-	156,511,277
Financial assets measured at fair value through other comprehensive income	-	-	133,953,117	133,953,117
Other financial assets	-	2,147,894	-	2,147,894
Total financial assets	1,682,532	998,673,075	133,953,117	1,134,308,724
LIABILITIES				
Due to banks	-	87,212,970	-	87,212,970
Derivative financial instruments	573,365	-	-	573,365
Securities sold under repurchase agreements	-	17,569,394	-	17,569,394
Financial liabilities at amortised cost - due to depositors	-	835,060,146	-	835,060,146
Dividends payable	-	1,466,959	-	1,466,959
Financial liabilities at amortised cost - other borrowings	-	22,604,039	-	22,604,039
Debt securities issued	-	2,368,986	-	2,368,986
Other financial liabilities	-	2,835,700	-	2,835,700
Subordinated term debts	-	33,345,904	-	33,345,904
Total financial liabilities	573,365	1,002,464,098	-	1,003,037,463

SEGMENT REPORTING

For the 6 months ended 30th June	Corporate						Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFI*		Eliminations/ Unallocated		Consolidated	
	2020		2019		2020		2020		2020		2020		2020		2020		2020		2020		2020		2020	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Net interest income	4,611,788	5,455,587	6,702,190	8,643,024	6,532,330	6,698,093	624,414	577,859	6,068,200	5,121,185	(13,934)	(53,534)	1,205,294	1,073,316	1,912,008	2,225,283	(1,780,126)	(505,818)	25,862,164	29,234,995				
Foreign Exchange income	64,967	92,640	49,504	62,787	135,897	167,401	1,344	1,416	1,294,603	(652,707)	-	-	-	-	-	-	-	(69,826)	1,546,315	(398,289)				
Net fee and commission income	789,573	1,490,548	821,536	1,069,531	1,022,004	1,922,647	49,549	86,832	162	503,722	-	-	97,213	91,930	99,431	488,413	775,947	(709,411)	3,655,415	4,945,212				
Other operating income	-	-	-	-	-	-	-	-	27,686	59,995	500,714	483,218	3,880,156	3,982,310	78,048	212,638	(175,597)	(490,672)	4,311,007	4,247,489				
Total operating income	5,466,328	7,038,775	7,573,230	9,775,342	7,690,231	8,798,141	675,307	666,107	7,390,651	5,032,195	486,780	429,684	5,182,663	5,147,556	2,089,487	2,927,334	(1,179,776)	(1,775,727)	35,374,901	38,029,407				
Impairment charge for loans and other losses	3,648,114	2,431,949	3,374,577	1,128,403	1,478,009	2,199,517	316,300	534,286	270,535	(41,349)	-	-	79,913	993	112,270	755,443	-	8,942	9,280,318	7,018,184				
Net operating income	1,818,214	4,606,826	4,198,653	8,646,939	6,211,622	6,588,624	359,007	131,821	7,120,116	5,073,544	486,780	429,684	5,102,750	5,146,563	1,977,217	2,171,891	(1,179,776)	(1,784,669)	26,094,583	31,011,223				
Profit from Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,138,545	8,873,483				
Share of profit of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250,755	85,126				
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,912,146)	(3,829,586)				
Non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(307,983)	(208,461)				
Net Profit for the period attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,920,562				
Segment assets	331,870,976	335,669,782	184,622,295	164,770,427	237,933,286	239,761,082	26,442,123	25,870,172	359,819,982	246,834,999	10,380,703	10,237,609	29,531,812	24,547,507	38,767,695	34,973,007	21,965,470	55,612,554	1,241,334,342	1,138,277,139				
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,098,242	2,425,838				
Total Assets	331,870,976	335,669,782	184,622,295	164,770,427	237,933,286	239,761,082	26,442,123	25,870,172	359,819,982	246,834,999	10,380,703	10,237,609	29,531,812	24,547,507	38,767,695	34,973,007	24,391,308	57,710,796	1,243,760,180	1,140,375,381				
Segment liabilities	111,640,073	110,500,770	566,696,639	505,442,188	167,803,947	156,912,056	6,756,433	6,679,764	88,589,636	76,736,083	10,380,703	10,237,609	29,531,812	24,547,507	38,767,695	34,973,007	223,593,242	214,346,397	1,243,760,180	1,140,375,381				
Total liabilities	111,640,073	110,500,770	566,696,639	505,442,188	167,803,947	156,912,056	6,756,433	6,679,764	88,589,636	76,736,083	10,380,703	10,237,609	29,531,812	24,547,507	38,767,695	34,973,007	223,593,242	214,346,397	1,243,760,180	1,140,375,381				

* 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 2019.
2. There are no material changes during the period in the composition of assets, liabilities and contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.

3. Impact of COVID – 19

The Covid 19 outbreak continues to pose challenges due to uncertainties and limitations faced by businesses both locally and globally which in turn has implications on the operations of the Bank/Group. Required adjustments have been made for the potential implications in these financial statements based on the available information as at Reporting date. The Board will continue to monitor the implications and make adjustments, if required.

- **ECL Assessment and computation**

The Bank has reassessed the Probabilities of Default (PD) as at June 2020 and the made required adjustments to probabilities assigned for macro-economic variables by taking into consideration the latest trends in the economy. In respect of the loans subject to moratorium, stage assessment was made based on conditions which prevailed prior to granting of the moratorium unless specific information were available pertaining to a subsequent increase in credit risk.

- **Reclassification of investment in Sovereign Bonds previously measured at Fair Value Through Other Comprehensive Income as measured at Amortized cost category**

The Bank re-classified its Sovereign Bond Portfolio consequent to the changes on the business model of managing the assets with effect from April 01, 2020 as per the Guidance Notes issued by CA Sri Lanka on Accounting Consideration of the Covid 19 Outbreak (updated on May 11, 2020). Accordingly, Sovereign Bond investments amounting to Rs 47 Bn which were previously classified as Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI) were re-classified as Amortized Cost. There was no change to the effective interest rate used and interest revenue recognized for the reclassified assets for the Six months ended 30th June 2020.

4. Reduction of income tax rate w.e.f 1st January 2020

The Cabinet has approved the reduction of the income tax applicable to the Banking Sector income to 24% from 28% with effect from 1st January 2020. The said amendment is yet to be approved by the Parliament and cannot be considered as substantially enacted as at reporting date. As such the Bank continued using 28% in calculating the income tax and deferred tax liabilities/assets as at 30th June 2020. The Bank has a cumulative net deferred tax asset of Rs 4346 Mn recognized through the Statement of Profit or Loss and net deferred tax liability of Rs 5292.2 Mn recognized through OCI.

Had the Bank applied the reduced income tax rate of 24% to calculate deferred tax assets/liabilities as at 30th June 2020, an additional deferred tax expense of Rs 756 Mn and reversal of Rs 609.8 Mn would have got charged to the Statement of Profit or Loss and reversed from OCI respectively for the First six months ended 30th June 2020.

5. 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.
6. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
7. 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.
8. The funds raised through debentures were fully utilized for the objectives mentioned in the prospectuses.
9. Mr. Dilshan Rodrigo was appointed as an executive director of the Bank w.e.f. 1st July 2020 while Mr. Devaka Cooray was appointed as a non-executive director w.e.f. 3rd July 2020. Mr. Asoka Pieris, Director resigned from his post w.e.f. 2nd July 2020.
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 the above.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 30.06.2020	As at 31.12.2019	As at 30.06.2020	As at 31.12.2019
	BANK		GROUP	
BASEL III				
Regulatory Capital				
Common Equity Tier 1. Rs. Mn	118,259	115,072	131,653	126,476
Tier 1 Capital. Rs. Mn	118,259	115,072	131,653	126,476
Total Capital. Rs. Mn	147,829	144,326	161,575	155,544
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2020 - 7.00%; 2019 - 8.00%)	15.25%	14.57%	15.50%	14.74%
Tier 1 Capital Ratio (Minimum Requirement - 2020 - 8.50%; 2019 - 9.50%)	15.25%	14.57%	15.50%	14.74%
Total Capital Ratio (Minimum Requirement - 2020 - 12.50%; 2019 - 13.50%)	19.07%	18.28%	19.02%	18.12%
Leverage Ratio (Minimum Requirement - 3%)	8.46%	8.14%	8.94%	8.51%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	6.40%	5.91%		
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	3.16%	3.27%		
Profitability (Annualised)				
Interest Margin, %	3.91%	4.50%		
Return on Assets (before Tax), %	1.02%	1.69%		
Return on Equity, %	6.90%	11.57%		
Regulatory Liquidity				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	321,136	242,986		
Off-Shore Banking Unit	33,363	42,308		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	32.88%	27.09%		
Off-Shore Banking Unit	36.92%	53.01%		
Total Stock of High-Quality Liquid Assets, Rs. Mn	256,150	140,423		
Liquidity Coverage Ratio (%) - Rupee	279.99%	465.37%		
(Minimum Requirement - 2020 - 90%, 2019 - 100%)				
Liquidity Coverage Ratio (%) - All Currency	254.76%	251.07%		
(Minimum Requirement - 2020 - 90%, 2019 - 100%)				
Net Stable Funding Ratio	117.10%	107.87%		
(Minimum Requirement - 2020 - 90%, 2019 - 100%)				

LISTED DEBENTURE INFORMATION

Quarter ended 30th June	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2020		2019		2020	2019	Quarter ended 30th June	2020	2019
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.	HNB DEBENTURES 2006		
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
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2011		
HNB DEBENTURES 2011							10 year Fixed Rate (11.50% p.a.)	N/T	N/T
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2013		
HNB DEBENTURES 2013							10 year Fixed Rate (14.25% p.a.)	12.12	N/T
10 year Fixed Rate (14.25% p.a.)	89.40	89.40	N/T	N/T	89.40	N/T	HNB DEBENTURES 2014		
HNB DEBENTURES 2014							5 year Fixed Rate (7.75% p.a.)	N/A	N/T
5 year Fixed Rate (7.75% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	10 year Fixed Rate (8.33% p.a.)	N/T	15.18
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	75.00	75.00	N/T	75.00	HNB DEBENTURES 2016		
HNB DEBENTURES 2016							5 year Fixed Rate (11.25% p.a.)	14.05	14.68
5 year Fixed Rate (11.25% p.a.)	100.00	98.00	94.90	94.90	98.00	94.90	5 year Fixed Rate (11.75% 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	7 year Fixed Rate (13.00% p.a.)	N/T	12.94
7 year Fixed Rate (13.00% p.a.)	N/T	N/T	100.00	100.00	N/T	100.00	HNB DEBENTURES 2019		
HNB DEBENTURES 2019							5 year Fixed Rate (12.30% 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	7 year Fixed Rate (12.80% p.a.)	N/T	N/A
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 June		
							N/A – Not Applicable as at 30th June		

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

RATIOS OF DEBT		
	30.06.2020	31.12.2019
Debt Equity Ratio (%)	66.00	69.53
	30.06.2020	30.06.2019
Interest Cover (Times)	3.12	3.86
	30.06.2020	30.06.2019
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	5.33	9.11
2006 series 18 year maturity	6.36	9.94
2007 series 15 year maturity	5.75	9.60
2011 series 10 year maturity	5.40	9.28
2013 series 10 year maturity	6.09	9.85
2014 series 5 year maturity	N/A	8.39
2014 series 10 year maturity	6.44	10.01
2016 series 5 year maturity	5.33	9.11
2016 series 5 year maturity	5.52	9.30
2016 series 7 year maturity	6.18	9.83
2019 series 5 year maturity	6.44	N/A
2019 series 7 year maturity	6.71	N/A

Yield to Maturity of Last Trade Done (% p.a.)		
Quarter ended 30th June	2020	2019
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.)	8.00	N/T
HNB DEBENTURES 2014		
5 year Fixed Rate (7.75% p.a.)	N/A	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	8.33
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	13.00
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 June		
N/A – Not Applicable as at 30th June		

SHARE INFORMATION

As at	30-Jun-20	31-Dec-19
Number of Shares		
Voting	410,319,604	401,343,863
Non-voting	101,656,112	99,062,844
Last Traded Price per share		
Voting	113.30	172.20
Non-voting	87.70	135.50

For the Quarter Ended	30-Jun-20	30-Jun-19
Highest price per share		
Voting	120.00	185.00
Non-voting	91.00	153.00
Lowest price per share		
Voting	90.00	130.50
Non-voting	74.50	122.50

PUBLIC SHAREHOLDING PERCENTAGE

	30-Jun-20	
	Number	%
Number of shareholders representing the public holding (Voting)	8,049	69% approx.
Number of shareholders representing the public holding (Non Voting)	11,849	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs.32.1 Bn	

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	30-Jun-20	31-Dec-19
1. Mr.D.S.Weerakkody	2,143	2,089
2. Mr.A.J.Alles *	128,355	125,452
3. Dr.L.R.Karunaratne	1,093	1,070
4. Mr.R.S. Captain	7,544	7,379
5. Mr.D.A. Cabraal	-	-
6. Mr.P.S.C. Pelpola **	N/A	-
7. Mr.E.D.P. Soosaipillai	-	-
8. Mr.A.H.D.A.N. De Silva	104	102
9. Mr.L.U.D. Fernando	637	624
10. Mr.W.M.M.D. Ratnayake	-	-
11. Mr.H.A. Pieris	-	-
12. Dr.L.J.S.H Cabral	-	-
Mr.P.R. Saldin***	-	-
Dr.T.K.D.A.P. Samarasinghe****	-	-

* Chief Executive Officer

** Retired w.e.f 27.02.2020

*** Alternate Director to Mr. Rusi Captain w.e.f. 26.07.2018

**** Alternate Director to Mr. L.U.D. Fernando w.e.f. 05.07.2019

20 MAJOR SHAREHOLDERS (VOTING) AS AT 30TH JUNE 2020

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	39,993,959	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	34,692,363	8.45
3.	Milford Exports (Ceylon) (Pvt) Limited	32,446,141	*7.91
4.	Stassen Exports (Pvt) Limited	28,123,237	*6.85
5.	Mr.S.E. Captain	26,713,485	6.51
6.	Sonetto Holdings Limited.	20,166,790	4.91
7.	Sri Lanka Insurance Corporation Ltd-General Fund	17,369,863	4.23
8.	Distilleries Company of Sri Lanka Plc	12,582,692	*3.07
9.	National Savings Bank	11,773,268	2.87
10.	Citibank Newyork S/A Norges Bank Account 2	8,850,555	2.16
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,701,334	1.88
12.	Ms.L.A. Captain	7,668,457	1.87
13.	RBC Investor Services Trust-RBC Emerging Markets Small-CAP Equity Fund	7,261,129	1.77
14.	SSBT-AI Mehwar Commercial Investments L.L.C.	6,790,437	1.65
15.	BNYM SANV Re-LF Ruffer Total Return Fund	6,454,847	1.57
16.	BNYM SA NV Re-First State Investments ICVC-First State Asia All-Cap Fund	4,953,694	1.21
17.	BNYM SANV Re-LF Ruffer Absolute Return Fund	4,332,682	1.06
18.	HSBC Intl Nom Ltd-CMG First state global umbrella Fund PLC-CMG First State Indian Subcontinent Fund	3,917,411	0.95
19.	BNYM SANV Re-Magna Umbrella Fund Plc	3,817,030	0.93
20.	BNYM SANV Re-LF Ruffer Investment Funds :LF Ruffer Pacific and emerging markets fund	3,302,008	0.80

* 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 JUNE 2020

	Name	No. of shares	% on total non-voting capital
1.	UBS Switzerland AG	9,011,481	8.86
2.	Citibank Newyork S/A Norges Bank Account 2	5,807,198	5.71
3.	BNYM SANV Re-Frontaura Global Frontier Fund LLC	5,623,544	5.53
4.	Akbar Brothers Pvt Ltd A/c No 1	4,070,215	4.00
5.	BNYM SANV Re-Neon liberty lorikeet master fund lp	3,767,091	3.71
6.	BNYM SANV Re-LF Ruffer total return fund	3,254,757	3.20
7.	BNYM SANV Re-LF Ruffer absolute return fund	2,168,091	2.13
8.	CB Europe plc lux s/a Dunross and co ab	2,101,637	2.07
9.	Seylan Bank PLC/ARRC Capital (Pvt) Ltd	1,699,128	1.67
10.	Mr. S.E. Captain	1,574,132	1.55
11.	Rubber Investment trust limited a/c # 01	1,492,052	1.47
12.	BNYM SANV Re-LF ruffer Investment funds :LF Ruffer Pacific and Emerging Markets Fund	1,286,976	1.27
13.	Employees Trust Fund Board	1,280,000	1.26
14.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,081,374	1.06
15.	Finco Holdings (Pvt) Ltd	1,005,009	0.99
16.	Hatton National Bank PLC A/c No 2	731,535	0.72
17.	Saboor Chatoor (pvt) ltd	689,406	0.68
18.	Mr. E Chatoor	658,304	0.65
19.	The Ceylon Investment PLC A/c # 02	601,427	0.59
20.	The Ceylon Guardian Investment Trust PLC A/c # 02	568,080	0.56

ANALYSIS OF LOANS & ADVANCES AND IMPAIRMENT

As at	BANK		GROUP	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	Rs.000	Rs.000	Rs.000	Rs.000
1) Gross loans and advances to customers	772,524,610	771,939,001	802,637,325	802,707,092
Less: Accumulated impairment under stage 1	5,035,068	3,343,678	5,872,188	4,063,982
Accumulated impairment under stage 2	6,749,260	4,827,329	7,132,293	5,210,362
Accumulated impairment under stage 3	26,720,828	21,998,921	28,762,485	24,040,578
Net loans and advances	734,019,454	741,769,073	760,870,359	769,392,170
Product-wise gross loans and advances to customers				
By product - Domestic currency				
Overdrafts	106,139,786	112,713,896	105,982,124	112,583,348
Bills of exchange	339,758	749,689	339,758	749,689
Commercial papers	160,360	154,658	160,360	154,658
Short term loans	82,081,048	93,003,988	82,444,715	93,329,295
Credit cards	8,950,609	9,365,055	8,950,609	9,365,055
Trust receipts	34,140,564	32,322,448	34,140,564	32,322,448
Packing credit loans	1,667,847	1,747,211	1,667,847	1,747,211
Staff loans	15,563,245	14,713,352	16,452,739	15,679,793
Term loans	313,325,835	307,978,718	330,864,617	326,683,590
Lease rentals receivable	54,608,210	52,420,198	64,972,530	62,451,328
Housing loans	37,394,952	35,825,186	37,394,952	35,825,186
Pawning advances	20,937,115	20,389,354	22,051,229	21,260,331
Securitized notes	2,340,592	2,381,690	2,340,592	2,381,690
Sub total	677,649,921	683,765,443	707,762,636	714,533,622
By product-Foreign Currency				
Overdrafts	1,811,340	1,502,467	1,811,340	1,502,379
Bills of exchange	1,047,660	1,767,664	1,047,660	1,767,664
Short term loans	2,512,352	1,885,191	2,512,352	1,885,191
Trust receipts	4,235,095	3,161,038	4,235,095	3,161,038
Packing credit loans	14,157,597	14,343,465	14,157,597	14,343,465
Term loans	68,254,244	62,706,644	68,254,244	62,706,644
Lease rentals receivable	192,970	214,732	192,970	214,732
Housing loans	2,663,431	2,592,357	2,663,431	2,592,357
Sub total	94,874,689	88,173,558	94,874,689	88,173,470
Total	772,524,610	771,939,001	802,637,325	802,707,092
Movements in stage-wise impairment of loans & advances during the period				
	Bank			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Opening balance as at 1st January 2019	3,336,650	3,714,854	15,592,301	22,643,805
Net impairment charge for the period	470,591	249,360	4,768,902	5,488,854
Write-offs during the period	-	-	-	-
Other movements	-	-	(132,292)	(132,292)
Closing balance as at 30th June 2019	3,807,241	3,964,214	20,228,911	28,000,366
Opening balance as at 1st January 2020	3,343,678	4,827,329	21,998,921	30,169,928
Net impairment charge for the period	1,691,390	1,921,931	4,619,823	8,233,144
Write-offs during the period	-	-	-	-
Other movements	-	-	102,084	102,084
Closing balance as at 30th June 2020	5,035,068	6,749,260	26,720,828	38,505,156
	Group			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Opening balance as at 1st January 2019	4,013,172	3,940,900	16,498,028	24,452,100
Net impairment charge for the period	470,871	407,203	5,367,903	6,245,978
Write-offs during the period	-	-	(158,763)	(158,763)
Other movements	-	-	(132,292)	(132,292)
Closing balance as at 30th June 2019	4,484,043	4,348,103	21,574,876	30,407,022
Opening balance as at 1st January 2020	4,063,982	5,210,362	24,040,578	33,314,922
Net impairment charge for the period	1,808,206	1,921,931	4,619,823	8,349,960
Write-offs during the period	-	-	-	-
Other movements	-	-	102,084	102,084
Closing balance as at 30th June 2020	5,872,188	7,132,293	28,762,485	41,766,966

ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

As at	BANK		GROUP	
	30.06.2020 Rs.000	31.12.2019 Rs.000	30.06.2020 Rs.000	31.12.2019 Rs.000
2) Gross commitments and contingencies	641,926,645	673,230,814	641,926,645	673,230,814
Less : Accumulated impairment under stage 1	1,065,878	810,503	1,065,878	810,503
Accumulated impairment under stage 2	225,594	201,327	225,594	201,327
Accumulated impairment under stage 3	1,293,666	1,123,884	1,293,666	1,123,884
	639,341,506	671,095,100	639,341,506	671,095,100
Product-wise commitments and contingencies				
By Product - Domestic Currency				
Documentary credit	1,537,482	1,313,902	1,537,482	1,313,902
Guarantees	48,919,676	56,898,799	48,919,676	56,898,799
Acceptances	88,361	22,445	88,361	22,445
Bills for collection	528,307	228,467	528,307	228,467
Forward exchange contracts				
Forward exchange purchases	47,698,754	45,514,841	47,698,754	45,514,841
Cheques sent on clearing	3,787,305	5,236,930	3,787,305	5,236,930
Undrawn credit lines	337,323,979	302,373,055	337,323,979	302,373,055
Sub total	439,883,864	411,588,439	439,883,864	411,588,439
By Product - Foreign Currency				
Documentary credit	18,224,146	23,692,559	18,224,146	23,692,559
Guarantees	55,751,507	64,055,869	55,751,507	64,055,869
Acceptances	12,766,823	16,583,808	12,766,823	16,583,808
Bills for collection	17,423,742	13,248,527	17,423,742	13,248,527
Forward exchange contracts				
Forward exchange sales	22,041,218	43,950,802	22,041,218	43,950,802
Forward exchange purchases	26,289,770	23,363,808	26,289,770	23,363,808
Undrawn credit lines	49,545,574	76,747,002	49,545,574	76,747,002
Sub total	202,042,781	261,642,375	202,042,781	261,642,375
Total	641,926,645	673,230,814	641,926,645	673,230,814
Movements in stage-wise impairment of commitments and contingencies during the period				
	Bank / Group			Total
	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	
Opening balance as at 1st January 2019	771,580	230,064	274,280	1,275,924
Net impairment charge for the period	190,499	(64,866)	234,857	360,490
Write-offs during the period	-	-	-	-
Other movements	-	-	-	-
Closing balance as at 30th June 2019	962,079	165,198	509,137	1,636,414
Opening balance as at 1st January 2020	810,503	201,327	1,123,884	2,135,714
Net impairment charge for the period	255,375	24,267	169,782	449,424
Write-offs during the period	-	-	-	-
Other movements	-	-	-	-
Closing balance as at 30th June 2020	1,065,878	225,594	1,293,666	2,585,138

ANALYSIS OF DEPOSITS				
As at	BANK		GROUP	
	30.06.2020 Rs.000	31.12.2019 Rs.000	30.06.2020 Rs.000	31.12.2019 Rs.000
3) Due to Customers				
By product- Domestic Currency				
Current account deposits	45,153,823	42,405,362	44,580,285	42,090,185
Savings deposits	228,766,691	194,914,147	227,210,708	197,711,495
Time deposits	442,895,466	426,439,801	469,296,306	449,220,299
Certificates of deposit	363,989	385,196	363,989	385,196
Margin deposits	1,583,746	1,334,003	1,583,746	1,334,003
Sub total	718,763,715	665,478,509	743,035,034	690,741,178
By product- Foreign Currency				
Current account deposits	4,792,930	7,387,838	4,792,930	7,387,838
Savings deposits	40,432,483	40,084,161	40,406,444	40,032,679
Time deposits	101,250,386	97,003,304	100,986,812	96,817,149
Margin deposits	73,129	81,302	73,129	81,302
Sub total	146,548,928	144,556,605	146,259,315	144,318,968
Total	865,312,643	810,035,114	889,294,349	835,060,146