



YOUR PARTNER IN PROGRESS

Interim Financial Statements

For the year ended 31st December 2021

FINANCIAL COMMENTARY FOR THE YEAR ENDED 31ST DECEMBER 2021

Hatton National Bank PLC (HNB) solidified its position as one of the most sustainable and strongest banks recording a well-rounded performance in 2021. Group Profit After Tax (PAT) increased to Rs 20Bn, representing a growth of 47% YoY while Bank PAT improved to Rs 17.3 Bn as economic activity picked up during the year.

The monetary policy loosening adopted to spur economic growth post the first wave of the COVID-19 pandemic in 2020 continued to be in place upto August 2021. Although the interest rates increased subsequent to the 50bps increase in policy rates in August, the average AWPLR for 2021 was approximately 160bps below the rate for 2020. This resulted in a decline of 5.1% in interest income to Rs 98.6 Bn, despite a strong loan growth in the second half of the year. Similarly interest expense reduced by 17.2% to Rs 49Bn, resulting in a Net Interest Income (NII) growth of 10.8% YoY to Rs 49.6 Bn.

Net Fee and Commission income of the Bank grew by 27.5% YoY to Rs 9.6 Bn driven by higher card and trade business volumes as economic activity rebounded. Other non-interest income grew by 61% to Rs 6.5Bn, largely due to the position revaluations on account of the depreciation of the LKR by 8% during 2021.

Improvements made with regard to credit underwriting standards, approval processes and recovery action has resulted in further improvements in asset quality reflected by the NPA ratio which improved to 3.38% from 4.31% in 2020 to record one of the best NPA ratios in the industry. The Net Stage III loans ratio also improved by 85 bps to 2.55% as at end of 2021. The impairment charge for the year increased to Rs 18.8 Bn as significant management overlays were recognized on account of elevated risk industries and a provision of Rs 6.9Bn was made on account of foreign currency denominated government securities as the sovereign was downgraded to CC by Fitch Ratings.

Total operating expenses increased by only 2.3% YoY mainly due to a 6.1% reduction in personnel costs. The Bank continued its policy of not laying off or cutting salaries due to the pandemic and concluded a very successful collective agreement for the non-executive staff. However, the extension of retirement age to 60 years resulted in a reversal of Rs 2.3 Bn on provision for pension and retirement benefits which led to the drop in personnel expenses. Other operating expenses which account for 52% of total operating expenses increased by 11.4% YoY. However, this was still 3.9% below the pre-pandemic level.

The growth in Total Operating Income at a higher rate of 16.7%, resulted in the cost to income ratio improving considerably to 34.4% compared to 39.3% in 2020.

Profit Before Tax (PBT) amounted to Rs 19.8 Bn, a 31.5% YoY increase from the PBT reported in 2020. The total effective tax rate for 2021 was at 28.9% as the income tax rate reduced to 24% from 28% as well as due to reversals of excess provisions from previous years. Resulting PAT of Rs 17.3 Bn generated a ROA of 1.3% and a ROE of 12.1% respectively.

Robust growth in the last two quarters of 2021 led to a gross loan book growth of 14% during 2021, to Rs 929 Bn. On the funding side of the balance sheet deposits grew by 11.1% YoY to Rs 1.1 Trillion. CASA grew at a higher pace of 15% YoY improving the CASA ratio to 41.0%. Total Assets of the Bank improved to Rs 1.4 Trillion while the equity capital improved to Rs 152 Bn.

With industry leading Tier I and Total Capital Adequacy ratios of 14.53% and 18.16% respectively HNB is very well capitalized. Liquidity levels also remain strong with Liquid Asset Ratios at 28% and Liquidity Coverage Ratio at 207% against the regulatory requirements of 20% and 90% respectively.

All Group Subsidiaries complemented the Bank's results as the Group recorded a PBT of Rs 23.1 Bn, a 31.1% YoY increase compared to 2020. The Group PAT of Rs 20.1 Bn enabled a ROA of 1.42% while Profit Attributable to Shareholders, which rose by 45.3% YoY to Rs 19 Bn delivered a ROE of 11.50%. Total Group Assets improved to Rs 1.5 Trillion, recording a 6% YoY expansion.

The Board of Directors declared a final dividend of Rs 9.00 per share which is the highest dividend declared over the past few decades, consisting of a cash dividend of Rs 6.50 per share and a scrip dividend of Rs 2.50 per share.

HNB is rated AA- (Ika) by Fitch Ratings and has been ranked among the Top 1000 Banks in the World over five consecutive years by the acclaimed UK based "The Banker Magazine". HNB was once again recognised among the Top 10 'Most Admired Corporates of Sri Lanka' at the CIMA/ICCSL awards, a recognition bestowed for the fourth successive year. HNB is also a 11 time winner of the 'Best Retail Bank in Sri Lanka' award by the Asian Banker Magazine and is ranked as a Top 10 company in Sri Lanka by the 'Business Today' Magazine.

INCOME STATEMENT

	BANK			BANK			GROUP			GROUP		
	For the year ended 31st December			For the 3 months ended 31st December			For the year ended 31st December			For the 3 months ended 31st December		
	2021 (Audited) Rs 000	2020 (Audited) Rs 000	% Increase / (Decrease)	2021 Rs 000	2020 Rs 000	% Increase/ (Decrease)	2021 (Audited) Rs 000	2020 (Audited) Rs 000	% Increase / (Decrease)	2021 Rs 000	2020 Rs 000	% Increase/ (Decrease)
Gross income	115,047,325	115,813,618	(1)	30,444,876	28,274,023	8	135,710,455	134,436,232	1	35,930,721	33,260,714	8
Interest income	98,600,557	103,944,602	(5)	26,065,178	24,337,276	7	107,407,723	112,825,455	(5)	28,128,247	26,608,357	6
Less: Interest expenses	49,041,200	59,235,456	(17)	12,084,991	13,441,406	(10)	50,945,355	61,988,268	(18)	12,495,467	14,201,659	(12)
Net interest income	49,559,357	44,709,146	11	13,980,187	10,895,870	28	56,462,368	50,837,187	11	15,632,780	12,406,698	26
Fee and commission income	9,893,263	7,794,929	27	3,046,909	2,179,642	40	10,676,982	8,399,641	27	3,319,442	2,306,023	44
Less: Fee and commission expenses	270,702	249,880	8	85,809	60,138	43	360,771	374,084	(4)	118,276	84,961	39
Net fee and commission income	9,622,561	7,545,049	28	2,961,100	2,119,504	40	10,316,211	8,025,557	29	3,201,166	2,221,062	44
Net interest, fee and commission income	59,181,918	52,254,195	13	16,941,287	13,015,374	30	66,778,579	58,862,744	13	18,833,946	14,627,760	29
Net gains/(losses) from trading	(522,039)	(837,108)	(38)	886,863	580,103	53	(383,772)	(816,896)	(53)	946,088	606,996	56
Net gain from financial investments at fair value through other comprehensive income	195,927	207,321	(5)	12,720	-	-	196,167	209,217	(6)	10,280	680	1,412
Net gains arising on de-recognition of financial assets	-	1,053,543	(100)	-	1,053,543	(100)	5,874	1,106,649	(99)	(3,616)	1,080,846	(100)
Net insurance premium income	-	-	-	-	-	-	10,641,842	8,907,731	19	2,990,805	2,493,833	20
Net other operating income	6,879,617	3,650,331	88	433,206	123,459	251	7,165,639	3,804,435	88	539,475	163,979	229
Total operating income	65,735,423	56,328,282	17	18,274,076	14,772,479	24	84,404,329	72,073,880	17	23,316,978	18,974,094	23
Less: Impairment charge for loans and other losses	18,778,047	15,258,468	23	7,584,686	3,446,941	120	19,534,309	16,046,578	22	7,701,561	3,944,000	95
Net operating income	46,957,376	41,069,814	14	10,689,390	11,325,538	(6)	64,870,020	56,027,302	16	15,615,417	15,030,094	4
Less: Operating expenses												
Personnel expenses	10,757,563	11,459,352	(6)	1,298,590	2,798,003	(54)	13,676,004	13,903,432	(2)	2,052,471	3,420,995	(40)
Depreciation and amortisation	2,442,963	2,359,326	4	650,545	735,601	(12)	2,905,296	2,837,073	2	771,543	923,614	(16)
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	8,955,217	7,374,868	21	1,945,539	1,682,805	16
Other expenses	9,433,001	8,300,307	14	2,723,304	1,922,061	42	11,812,874	10,690,354	11	3,380,963	2,438,091	39
Total operating expenses	22,633,527	22,118,985	2	4,672,439	5,455,665	(14)	37,349,391	34,805,727	7	8,150,516	8,465,505	(4)
Operating profit before taxes on financial services	24,323,849	18,950,829	28	6,016,951	5,869,873	3	27,520,629	21,221,575	30	7,464,901	6,564,589	14
Less: Value Added Tax (VAT) on financial services	4,498,822	3,869,649	16	929,654	1,096,466	(15)	4,759,882	4,048,466	18	1,002,267	1,087,364	(8)
Operating profit after taxes on financial services	19,825,027	15,081,180	31	5,087,297	4,773,407	7	22,760,747	17,173,109	33	6,462,634	5,477,225	18
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	292,837	407,215	(28)	148,362	128,835	15
PROFIT BEFORE INCOME TAX	19,825,027	15,081,180	31	5,087,297	4,773,407	7	23,053,584	17,580,324	31	6,610,996	5,606,060	18
Less: Income tax expense	2,525,260	3,618,544	(30)	22,321	1,049,728	(98)	2,969,222	3,918,061	(24)	(85,265)	744,269	(111)
PROFIT FOR THE YEAR	17,299,767	11,462,636	51	5,064,976	3,723,679	36	20,084,362	13,662,263	47	6,696,261	4,861,791	38
Profit attributable to:												
Equity holders of the Bank	17,299,767	11,462,636	51	5,064,976	3,723,679	36	19,024,882	13,095,420	45	6,051,559	4,489,939	35
Non-controlling interests	-	-	-	-	-	-	1,059,480	566,843	87	644,702	371,852	73
PROFIT FOR THE YEAR	17,299,767	11,462,636	51	5,064,976	3,723,679	36	20,084,362	13,662,263	47	6,696,261	4,861,791	38
Earnings per share												
Basic earnings per ordinary share (Rs)	32.90	21.80	51	9.63	7.08	36	36.18	24.90	45	11.51	8.54	35
Diluted earnings per ordinary share (Rs)	32.90	21.80	51	9.63	7.08	36	36.18	24.90	45	11.51	8.54	35

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	BANK			BANK			GROUP			GROUP		
	For the year ended 31st December			For the 3 months ended 31st December			For the year ended 31st December			For the 3 months ended 31st December		
	2021 (Audited) Rs 000	2020 (Audited) Rs 000	% Increase/ (Decrease)	2021 Rs 000	2020 Rs 000	% Increase/ (Decrease)	2021 (Audited) Rs 000	2020 (Audited) Rs 000	% Increase/ (Decrease)	2021 Rs 000	2020 Rs 000	% Increase/ (Decrease)
PROFIT FOR THE YEAR	17,299,767	11,462,636	51	5,064,976	3,723,679	36	20,084,362	13,662,263	47	6,696,261	4,861,791	38
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	(257,524)	(1,372,363)	(81)	2,300	(238,907)	(101)	(257,524)	(1,372,363)	(81)	2,300	(238,907)	(101)
Remeasurement of post-employment benefit obligations	1,030,928	(1,556,496)	(166)	1,030,928	(1,556,496)	(166)	1,100,788	(1,608,998)	(168)	1,075,068	(1,601,491)	(167)
Revaluation gain on freehold land and buildings	4,878,773	-	-	4,878,773	-	-	8,547,116	-	-	8,547,116	-	-
Share of other comprehensive income of joint venture that will not be reclassified to profit or loss	-	-	-	-	-	-	1,108	483	129	1,108	483	129
Less: Tax expense relating to items that will not be reclassified to profit or loss	(576,923)	-	-	(1,155,785)	-	-	(786,036)	2,102	(37,495)	(2,033,270)	-	-
Total other comprehensive income that will not be reclassified to profit or loss	5,075,254	(2,928,859)	273	4,756,216	(1,795,403)	365	8,605,452	(2,978,776)	389	7,592,322	(1,839,915)	513
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 / (losses) on investments in debt instruments measured at fair value through other comprehensive income	(2,972,433)	833,584	457	(840,501)	(1,278,972)	(34)	(3,916,786)	1,528,985	356	(1,104,680)	(1,429,401)	(23)
Reclassification of net gains on de-recognition of debt instruments at fair value through other comprehensive income to income statement	-	(1,053,543)	(100)	-	(1,053,543)	(100)	(5,874)	(1,106,649)	(99)	3,616	(1,080,846)	(100)
Net change in expected credit losses of debt securities measured at fair value through other comprehensive income	186,758	(150,378)	224	160,437	358,515	(55)	186,758	(150,378)	224	160,437	358,515	(55)
Transfer (to) / from life policy holder reserve fund	-	-	-	-	-	-	851,693	(576,094)	248	236,838	153,418	54
Share of other comprehensive income of joint venture that will be reclassified to profit or loss	-	-	-	-	-	-	61,665	26,448	133	3,445	4,113	(16)
Less: Tax expense relating to items that will be reclassified to profit or loss	754,541	61,588	1,125	201,720	653,104	(69)	763,270	54,565	1,299	196,823	654,309	(70)
Total other comprehensive income that will be reclassified to profit or loss	(2,031,134)	(308,749)	558	(478,344)	(1,320,896)	(64)	(2,059,274)	(223,123)	823	(503,521)	(1,339,892)	(62)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	3,044,120	(3,237,608)	(194)	4,277,872	(3,116,299)	237	6,546,178	(3,201,899)	304	7,088,801	(3,179,807)	323
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	20,343,887	8,225,028	147	9,342,848	607,380	1,438	26,630,540	10,460,364	155	13,785,062	1,681,984	720
Total comprehensive income attributable to:												
Equity holders of the Bank	20,343,887	8,225,028	147	9,342,848	607,380	1,438	25,574,417	9,892,718	159	13,135,770	1,339,117	881
Non-controlling interests	-	-	-	-	-	-	1,056,123	567,646	86	649,292	342,867	89
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	20,343,887	8,225,028	147	9,342,848	607,380	1,438	26,630,540	10,460,364	155	13,785,062	1,681,984	720

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2021	As at 31.12.2020	% Increase / (Decrease)	As at 31.12.2021	As at 31.12.2020	% Increase / (Decrease)
	Audited Rs 000	Audited Rs 000		Audited Rs 000	Audited Rs 000	
ASSETS						
Cash and cash equivalents	38,185,254	34,123,562	12	40,900,372	34,898,957	17
Placements with banks	-	-	-	6,371,273	12,126,434	(47)
Balances with Central Bank of Sri Lanka	25,820,489	7,212,395	258	25,820,489	7,212,395	258
Reverse repurchase agreements	-	-	-	6,246,276	2,827,050	121
Derivative financial instruments	927,487	1,032,318	(10)	927,487	1,032,318	(10)
Financial assets measured at fair value through profit or loss	103,365	84,499	22	862,641	1,094,827	(21)
Financial assets measured at amortised cost - loans and advances to customers	876,254,693	772,580,720	13	911,253,345	800,815,971	14
Financial assets measured at amortised cost - debt and other financial instruments	160,677,520	186,605,516	(14)	171,930,640	193,349,496	(11)
Financial assets measured at fair value through other comprehensive income	203,426,433	249,271,658	(18)	210,804,487	256,394,644	(18)
Investment in joint venture	755,000	755,000	-	2,877,420	2,521,811	14
Investment in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	469,774	475,109	(1)	964,854	1,028,956	(6)
Property, plant and equipment	24,953,738	20,705,056	21	49,724,473	41,827,384	19
Right-of-use assets	5,439,384	5,356,868	2	2,177,902	1,827,832	19
Intangible assets and goodwill	1,429,544	1,309,172	9	1,989,134	1,749,994	14
Deferred tax assets	4,461,561	806,539	453	4,941,105	1,728,958	186
Other assets	12,415,094	8,515,839	46	15,858,665	11,045,479	44
Total assets	1,358,336,621	1,291,851,536	5	1,453,650,563	1,371,482,506	6
LIABILITIES						
Due to banks	17,075,502	89,746,709	(81)	17,075,502	89,746,709	(81)
Derivative financial instruments	353,356	337,014	5	353,356	337,014	5
Securities sold under repurchase agreements	33,524,226	10,361,383	224	33,524,226	10,361,383	224
Financial liabilities measured at amortised cost - due to depositors	1,075,709,287	967,821,404	11	1,107,065,820	994,948,912	11
Dividends payable	989,212	962,185	3	1,013,629	980,507	3
Financial liabilities measured at amortised cost - other borrowings	24,747,869	30,526,261	(19)	25,555,834	30,526,261	(16)
Debt securities issued	1,962,749	1,875,042	5	2,465,085	2,411,408	2
Current tax liabilities	10,051,689	7,725,731	30	10,518,569	8,093,584	30
Deferred tax liabilities	-	-	-	5,157,978	5,371,390	(4)
Insurance provision - life	-	-	-	20,378,015	17,073,033	19
Insurance provision - non life	-	-	-	3,735,921	3,309,150	13
Other provisions	3,928,598	3,917,784	-	4,550,802	4,266,262	7
Other liabilities	14,400,456	16,278,033	(12)	14,596,651	15,451,997	(6)
Subordinated term debts	23,552,323	28,298,365	(17)	24,391,912	28,945,457	(16)
Total liabilities	1,206,295,267	1,157,849,911	4	1,270,383,300	1,211,823,067	5

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2021 Audited Rs 000	As at 31.12.2020 Audited Rs 000	% Increase / (Decrease)	As at 31.12.2021 Audited Rs 000	As at 31.12.2020 Audited Rs 000	% Increase / (Decrease)
EQUITY						
Stated capital	37,364,244	35,572,329	5	37,364,244	35,572,329	5
Statutory reserve fund	8,560,000	7,660,000	12	8,560,000	7,660,000	12
Retained earnings	35,186,607	22,665,227	55	43,643,800	29,361,200	49
Other reserves	70,930,503	68,104,069	4	87,099,997	81,655,946	7
Total shareholders' equity	152,041,354	134,001,625	13	176,668,041	154,249,475	15
Non-controlling interests	-	-	-	6,599,222	5,409,964	22
Total equity	152,041,354	134,001,625	13	183,267,263	159,659,439	15
Total equity and liabilities	1,358,336,621	1,291,851,536	5	1,453,650,563	1,371,482,506	6
Contingent liabilities and commitments	676,242,350	631,948,229	7	676,242,350	631,948,229	7
Net assets value per ordinary share (Rs.)	289.10	254.80	13	335.93	293.30	15
Memorandum Information						
Number of Employees	5,042	4,836				
Number of Customer Centers	254	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 31st December 2021 and its profit for the year ended 31st December 2021.

(Sgd.)

Rajive Dissanayake

Chief Financial Officer

18th February 2022

We the undersigned, being the Managing Director / Chief Executive Officer and the Chairperson 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 audited financial statements of the Bank, its Joint Venture and Subsidiary Companies.

(Sgd.)

Jonathan Alles

Managing Director / Chief Executive Officer

18th February 2022

(Sgd.)

Aruni Goonetilleke

Chairperson

18th February 2022

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserve Fund	Other Reserves			Retained Earnings	Total Equity
	Voting Shares	Non-Voting Shares		Capital Reserve	Fair value Reserve	General Reserve		
	Rs000	Rs000		Rs000	Rs000	Rs000		
For the year ended 31st December 2021 (Audited)								
Balance as at 1st January 2021	29,244,472	6,327,857	7,660,000	10,782,706	1,221,363	56,100,000	22,665,227	134,001,625
Total comprehensive income for the year								
Net profit for the year 2021	-	-	-	-	-	-	17,299,767	17,299,767
Other comprehensive income, net of tax	-	-	-	4,301,850	(2,475,416)	-	1,217,686	3,044,120
Total comprehensive income for the year	-	-	-	4,301,850	(2,475,416)	-	18,517,453	20,343,887
Transactions with equity holders, recognised directly in equity								
Contributions by and distributions to equity holders								
Dividends to equity holders								
Final dividend 2020 - Cash	-	-	-	-	-	-	(2,303,891)	(2,303,891)
Final dividend 2020 - Scrip	1,436,119	355,796	-	-	-	-	(1,791,915)	-
Total contributions by and distributions to equity holders	1,436,119	355,796	-	-	-	-	(4,095,806)	(2,303,891)
Transfer of/(subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	(267)	(267)
Transfers during the year 2021	-	-	900,000	-	-	1,000,000	(1,900,000)	-
Balance as at 31st December 2021	30,680,591	6,683,653	8,560,000	15,084,556	(1,254,053)	57,100,000	35,186,607	152,041,354
For the year ended 31st December 2020 (Audited)								
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 year								
Net profit for the year 2020	-	-	-	-	-	-	11,462,636	11,462,636
Other comprehensive income, net of tax	-	-	-	-	(1,530,734)	-	(1,706,874)	(3,237,608)
Total comprehensive income for the year	-	-	-	-	(1,530,734)	-	9,755,762	8,225,028
Transactions with equity holders, recognised directly in equity								
Contributions by and distributions to equity holders								
Dividends to equity holders								
Final dividend 2019 - Cash	-	-	-	-	-	-	(1,751,424)	(1,751,424)
Final dividend 2019 - Scrip	1,404,704	346,720	-	-	-	-	(1,751,424)	-
Total contributions by and distributions to equity holders	1,404,704	346,720	-	-	-	-	(3,502,848)	(1,751,424)
Transfer of unclaimed dividends	-	-	-	-	-	-	32,153	32,153
Transfers during the year 2020	-	-	600,000	(8,288)	-	1,000,000	(1,600,000)	(8,288)
Balance as at 31st December 2020	29,244,472	6,327,857	7,660,000	10,782,706	1,221,363	56,100,000	22,665,227	134,001,625

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital			Other Reserves									Total Equity
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Capital Reserve	General Reserve	Fair value Reserve	Life policy holder Reserve fund	Restricted Regulatory Reserve	Exchange Equalization Reserve	Retained Earnings	Shareholders' Funds	Non Controlling Interests	
	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 year ended 31st December 2021 (Audited)													
Balance as at 1st January 2021	29,244,472	6,327,857	7,660,000	23,054,710	56,100,000	1,270,055	748,391	381,156	101,634	29,361,200	154,249,475	5,409,964	159,659,439
Acquisition of subsidiary through HNB Finance PLC	-	-	-	-	-	-	-	-	-	-	-	301,135	301,135
Total comprehensive income for the year													
Net profit for the year 2021	-	-	-	-	-	-	-	-	-	19,024,882	19,024,882	1,059,480	20,084,362
Other comprehensive income, net of tax	-	-	-	7,762,270	-	(2,528,094)	-	-	61,568	1,253,791	6,549,535	(3,357)	6,546,178
Total comprehensive income for the year	-	-	-	7,762,270	-	(2,528,094)	-	-	61,568	20,278,673	25,574,417	1,056,123	26,630,540
Transactions with equity holders, recognised directly in equity													
Contributions by and distributions to equity holders													
Dividends to equity holders													
Final dividend 2020 - Scrip	1,436,119	355,796	-	-	-	-	-	-	-	(1,791,915)	-	-	-
Final dividend 2020 - Cash	-	-	-	-	-	-	-	-	-	(2,303,891)	(2,303,891)	(168,000)	(2,471,891)
Total contributions by and distributions to equity holders	1,436,119	355,796	-	-	-	-	-	-	-	(4,095,806)	(2,303,891)	(168,000)	(2,471,891)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(851,693)	-	-	-	(851,693)	-	(851,693)
Transfer of / (subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	-	-	-	(267)	(267)	-	(267)
Transfers during the year 2021	-	-	900,000	-	1,000,000	-	-	-	-	(1,900,000)	-	-	-
Balance as at 31st December 2021	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	43,643,800	176,668,041	6,599,222	183,267,263
For the year ended 31st December 2020 (Audited)													
Balance as at 1st January 2020	27,839,768	5,981,137	7,060,000	23,062,998	55,100,000	2,759,863	172,297	381,156	78,378	23,072,623	145,508,220	4,962,318	150,470,538
Total comprehensive income for the year													
Net profit for the year 2020	-	-	-	-	-	-	-	-	-	13,095,420	13,095,420	566,843	13,662,263
Other comprehensive income, net of tax	-	-	-	-	-	(1,489,808)	-	-	23,256	(1,736,150)	(3,202,702)	803	(3,201,899)
Total comprehensive income for the year	-	-	-	-	-	(1,489,808)	-	-	23,256	11,359,270	9,892,718	567,646	10,460,364
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)	(1,751,424)	(120,000)	(1,871,424)
Total contributions by and distributions to equity holders	1,404,704	346,720	-	-	-	-	-	-	-	(3,502,848)	(1,751,424)	(120,000)	(1,871,424)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	576,094	-	-	-	576,094	-	576,094
Transfer of unclaimed dividends	-	-	-	-	-	-	-	-	-	32,155	32,155	-	32,155
Transfers during the year 2020	-	-	600,000	(8,288)	1,000,000	-	-	-	-	(1,600,000)	(8,288)	-	(8,288)
Balance as at 31st December 2020	29,244,472	6,327,857	7,660,000	23,054,710	56,100,000	1,270,055	748,391	381,156	101,634	29,361,200	154,249,475	5,409,964	159,659,439

STATEMENT OF CASH FLOWS

For year ended 31st December	BANK		GROUP	
	2021 (Audited) Rs 000	2020 (Audited) Rs 000	2021 (Audited) Rs 000	2020 (Audited) Rs 000
Cash flows from operating activities				
Interest receipts	99,044,623	103,914,685	107,874,546	112,847,904
Interest payments	(50,890,505)	(59,963,150)	(53,610,605)	(63,196,160)
Net commission receipts	9,948,665	7,326,950	10,727,319	7,823,066
Trading income	(600,577)	1,130,075	(608,174)	1,130,075
Payments to employees	(12,327,246)	(11,531,908)	(15,803,751)	(14,103,280)
Taxes on financial services	(4,824,723)	(3,466,833)	(5,069,260)	(3,683,378)
Receipts from other operating activities	4,974,996	1,886,621	16,396,591	11,398,266
Payments on other operating activities	(10,978,088)	(9,355,244)	(17,151,493)	(15,584,316)
Operating profit before change in operating assets and liabilities	34,347,145	29,941,196	42,755,173	36,632,177
(Increase)/decrease in operating assets				
Balances with Central Bank of Sri Lanka	(18,608,094)	15,582,937	(18,608,094)	15,582,937
Financial assets measured at amortised cost - loans and advances to customers	(114,928,093)	(43,396,238)	(117,923,219)	(44,707,864)
Reverse repurchase agreements	-	-	(3,419,226)	(754,568)
Other assets	(1,266,482)	2,396,134	(1,203,262)	2,247,607
	(134,802,669)	(25,417,167)	(141,153,801)	(27,631,888)
Increase/(decrease) in operating liabilities				
Financial liabilities measured at amortised cost - due to depositors	108,560,558	158,515,740	109,856,977	160,540,508
Financial liabilities measured at amortised cost - other borrowings	(77,713,587)	5,763,038	(77,614,427)	4,946,372
Securities sold under repurchase agreements	23,193,118	(7,228,435)	23,193,118	(7,228,435)
Other liabilities	1,100,303	1,034,401	1,365,904	1,180,094
	55,140,392	158,084,744	56,801,572	159,438,539
Net cash generated from / (used in) operating activities before income tax	(45,315,132)	162,608,773	(41,597,056)	168,438,828
Income tax paid	(3,545,047)	(3,202,642)	(3,958,612)	(3,665,332)
Net cash generated from / (used in) operating activities	(48,860,179)	159,406,131	(45,555,668)	164,773,496
Cash flows from investing activities				
Purchase of property, plant and equipment	(706,891)	(890,286)	(1,063,001)	(1,088,528)
Proceeds from the sale of property, plant and equipment	12,801	6,188	10,622	31,596
Net proceeds from sale, maturity and purchase of financial investments	60,084,178	(158,797,770)	55,066,382	(159,791,890)
Net purchase of intangible assets	(504,339)	(507,094)	(661,046)	(550,861)
Net cash effect on acquisition of subsidiary through HNB Finance PLC	-	-	(1,300,092)	-
Dividends received from joint venture	-	50,000	-	50,000
Dividends received from investment in subsidiaries	251,941	179,958	-	-
Dividends received from other investments	60,778	191,261	70,809	206,630
Net cash generated from / (used in) investing activities	59,198,468	(159,767,743)	52,123,674	(161,143,053)
Cash flows from financing activities				
Proceeds from the issue of subordinated debt	7,000,000	-	7,000,000	-
Repayment of subordinated debt/debt securities issued	(11,000,000)	-	(10,883,250)	(33,250)
Dividend paid to non controlling interest	-	-	(161,905)	(119,164)
Dividend paid to shareholders of the parent company	(2,276,597)	(2,206,558)	(2,276,597)	(2,206,559)
Net cash used in financing activities	(6,276,597)	(2,206,558)	(6,321,752)	(2,358,973)
Net increase / (decrease) in cash and cash equivalents	4,061,692	(2,568,170)	246,254	1,271,470
Cash and cash equivalents at the beginning of the year	34,123,562	36,691,732	47,025,391	45,753,921
Cash and cash equivalents at the end of the year	38,185,254	34,123,562	47,271,645	47,025,391
Cash and cash equivalents at the end of the year				
Cash and cash equivalents	38,185,254	34,123,562	40,900,372	34,898,957
Placements with banks	-	-	6,371,273	12,126,434
	38,185,254	34,123,562	47,271,645	47,025,391

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31st December 2021 (Audited)	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	-	38,185,254	-	38,185,254
Balances with Central Bank of Sri Lanka	-	25,820,489	-	25,820,489
Derivative financial instruments	927,487	-	-	927,487
Financial assets measured at fair value through profit or loss	103,365	-	-	103,365
Financial assets measured at amortised cost				
- loans and advances to customer	-	876,254,693	-	876,254,693
Financial assets measured at amortised cost - debt and other financial instruments	-	160,677,520	-	160,677,520
Financial assets measured at fair value through other comprehensive income	-	-	203,426,433	203,426,433
Other financial assets	-	4,874,473	-	4,874,473
Total financial assets	1,030,852	1,105,812,429	203,426,433	1,310,269,714
Liabilities				
Due to banks	-	17,075,502	-	17,075,502
Derivative financial instruments	353,356	-	-	353,356
Securities sold under repurchase agreements	-	33,524,226	-	33,524,226
Financial liabilities measured at amortised cost - due to depositors	-	1,075,709,287	-	1,075,709,287
Dividends payable	-	989,212	-	989,212
Financial liabilities measured at amortised cost - other borrowings	-	24,747,869	-	24,747,869
Debt securities issued	-	1,962,749	-	1,962,749
Other financial liabilities	-	2,372,172	-	2,372,172
Subordinated term debts	-	23,552,323	-	23,552,323
Total financial liabilities	353,356	1,179,933,340	-	1,180,286,696
As at 31st December 2020 (Audited)				
	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	-	34,123,562	-	34,123,562
Balances with Central Bank of Sri Lanka	-	7,212,395	-	7,212,395
Derivative financial instruments	1,032,318	-	-	1,032,318
Financial assets measured at fair value through profit or loss	84,499	-	-	84,499
Financial assets measured at amortised cost - loans and advances to customer	-	772,580,720	-	772,580,720
Financial assets measured at amortised cost - debt and other financial instruments	-	186,605,516	-	186,605,516
Financial assets measured at fair value through other comprehensive income	-	-	249,271,658	249,271,658
Other financial assets	-	2,279,834	-	2,279,834
Total financial assets	1,116,817	1,002,802,027	249,271,658	1,253,190,502
Liabilities				
Due to banks	-	89,746,709	-	89,746,709
Derivative financial instruments	337,014	-	-	337,014
Securities sold under repurchase agreements	-	10,361,383	-	10,361,383
Financial liabilities measured at amortised cost - due to depositors	-	967,821,404	-	967,821,404
Dividends payable	-	962,185	-	962,185
Financial liabilities measured at amortised cost - other borrowings	-	30,526,261	-	30,526,261
Debt securities issued	-	1,875,042	-	1,875,042
Other financial liabilities	-	2,377,854	-	2,377,854
Subordinated term debts	-	28,298,365	-	28,298,365
Total financial liabilities	337,014	1,131,969,203	-	1,132,306,217

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 31st December 2021 (Audited)	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	-	40,900,372	-	40,900,372
Placements with banks	-	6,371,273	-	6,371,273
Balances with Central Bank of Sri Lanka	-	25,820,489	-	25,820,489
Reverse repurchase agreements	-	6,246,276	-	6,246,276
Derivative financial instruments	927,487	-	-	927,487
Financial assets measured at fair value through profit or loss	862,641	-	-	862,641
Financial assets measured at amortised cost	-	-	-	-
- loans and advances to customers	-	911,253,345	-	911,253,345
Financial assets measured at amortised cost - debt and other financial instruments	-	171,930,640	-	171,930,640
Financial assets measured at fair value through other comprehensive income	-	-	210,804,487	210,804,487
Other financial assets	-	6,786,172	-	6,786,172
Total financial assets	1,790,128	1,169,308,567	210,804,487	1,381,903,182
Liabilities				
Due to banks	-	17,075,502	-	17,075,502
Derivative financial instruments	353,356	-	-	353,356
Securities sold under repurchase agreements	-	33,524,226	-	33,524,226
Financial liabilities measured at amortised cost - due to depositors	-	1,107,065,820	-	1,107,065,820
Dividends payable	-	1,013,629	-	1,013,629
Financial liabilities measured at amortised cost - other borrowings	-	25,555,834	-	25,555,834
Debt securities issued	-	2,465,085	-	2,465,085
Other financial liabilities	-	4,692,214	-	4,692,214
Subordinated term debts	-	24,391,912	-	24,391,912
Total financial liabilities	353,356	1,215,784,222	-	1,216,137,578
As at 31st December 2020 (Audited)				
	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	-	34,898,957	-	34,898,957
Placements with banks	-	12,126,434	-	12,126,434
Balances with Central Bank of Sri Lanka	-	7,212,395	-	7,212,395
Reverse repurchase agreements	-	2,827,050	-	2,827,050
Derivative financial instruments	1,032,318	-	-	1,032,318
Financial assets measured at fair value through profit or loss	1,094,827	-	-	1,094,827
Financial assets measured at amortised cost - loans and advances to customers	-	800,815,971	-	800,815,971
Financial assets measured at amortised cost - debt and other financial instruments	-	193,349,496	-	193,349,496
Financial assets measured at fair value through other comprehensive income	-	-	256,394,644	256,394,644
Other financial assets	-	3,851,392	-	3,851,392
Total financial assets	2,127,145	1,055,081,695	256,394,644	1,313,603,484
Liabilities				
Due to banks	-	89,746,709	-	89,746,709
Derivative financial instruments	337,014	-	-	337,014
Securities sold under repurchase agreements	-	10,361,383	-	10,361,383
Financial liabilities measured at amortised cost - due to depositors	-	994,948,912	-	994,948,912
Dividends payable	-	980,507	-	980,507
Financial liabilities measured at amortised cost - other borrowings	-	30,526,261	-	30,526,261
Debt securities issued	-	2,411,408	-	2,411,408
Other financial liabilities	-	4,652,548	-	4,652,548
Subordinated term debts	-	28,945,457	-	28,945,457
Total financial liabilities	337,014	1,162,573,185	-	1,162,910,199

SEGMENT REPORTING (AUDITED)

For the year ended 31st December	Corporate		Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFI		Eliminations / Unallocated		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	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
Net interest income	5,881,015	11,408,567	14,298,239	13,162,875	7,772,862	10,284,251	857,464	1,058,418	18,440,948	12,401,203	(15,209)	(24,071)	2,496,287	2,443,101	3,802,744	3,075,333	2,928,018	(2,972,490)	56,462,368	50,837,187
Foreign exchange income	361,573	141,001	150,180	302,708	271,604	174,080	1,865	1,895	2,837,153	686,505	-	-	-	-	-	-	1,582,347	536,071	5,204,722	1,842,260
Net fee and commission income	3,329,351	2,049,347	4,365,300	2,120,768	2,339,534	1,914,798	159,806	103,971	1,879	194	-	-	225,740	140,843	467,911	339,664	(573,310)	1,355,972	10,316,211	8,025,557
Other operating income	-	-	-	-	-	-	-	-	12,222	1,062,258	1,017,160	997,063	10,937,322	9,023,037	258,896	162,893	195,428	123,625	12,421,028	11,368,876
Total operating income	9,571,939	13,598,915	18,813,719	15,586,351	10,384,000	12,373,129	1,019,135	1,164,284	21,292,202	14,150,160	1,001,951	972,992	13,659,349	11,606,981	4,529,551	3,577,890	4,132,483	(956,822)	84,404,329	72,073,880
Impairment charge for loans and other losses	6,228,846	6,809,032	1,272,391	3,164,742	3,587,920	2,459,902	696,707	240,984	6,964,860	2,583,799	-	-	1,890	13,853	754,372	774,256	27,323	10	19,534,309	16,046,578
Net operating income	3,343,093	6,789,883	17,541,328	12,421,609	6,796,080	9,913,227	322,428	923,300	14,327,342	11,566,361	1,001,951	972,992	13,657,459	11,593,128	3,775,179	2,803,634	4,105,160	(956,832)	64,870,020	56,027,302
Profit from operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,760,747	17,173,109
Share of profit of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	292,837	407,215
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,969,222)	(3,918,061)
Non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,059,480)	(566,843)
Net Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,024,882	13,095,420
As at 31st December	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	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
Segment assets	445,909,400	382,560,873	238,392,204	205,465,205	228,282,039	208,950,182	29,076,531	25,938,834	394,285,880	441,699,725	10,954,225	10,461,958	35,851,889	31,725,478	44,386,340	37,414,117	23,634,635	24,744,323	1,450,773,143	1,368,960,695
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,877,420	2,521,811	2,877,420	2,521,811
Total assets	445,909,400	382,560,873	238,392,204	205,465,205	228,282,039	208,950,182	29,076,531	25,938,834	394,285,880	441,699,725	10,954,225	10,461,958	35,851,889	31,725,478	44,386,340	37,414,117	26,512,055	27,266,134	1,453,650,563	1,371,482,506
Segment liabilities	171,902,142	164,499,393	688,395,688	614,340,708	197,715,739	175,585,198	10,903,678	7,444,919	41,693,276	87,457,891	10,954,225	10,461,958	35,851,889	31,725,478	44,386,340	37,414,117	251,847,586	242,552,844	1,453,650,563	1,371,482,506
Total liabilities	171,902,142	164,499,393	688,395,688	614,340,708	197,715,739	175,585,198	10,903,678	7,444,919	41,693,276	87,457,891	10,954,225	10,461,958	35,851,889	31,725,478	44,386,340	37,414,117	251,847,586	242,552,844	1,453,650,563	1,371,482,506
For the year ended 31st December	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	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
Information on cash flows																				
Cash flows from operating activities	(41,673,839)	60,251,523	59,941,700	73,188,785	13,182,684	28,539,790	1,340,197	1,769,649	(43,215,524)	28,267,700	647,986	550,225	3,141,494	2,371,954	494,123	2,047,581	(39,414,489)	(32,213,711)	(45,555,668)	164,773,496
Cash flows from investing activities	(4,700,000)	5,500,000	-	-	-	-	-	-	59,766,382	(164,297,770)	(900,454)	(505)	(1,176,386)	(2,058,169)	(3,365,819)	423,492	2,499,951	(710,101)	52,123,674	(161,143,053)
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	-	(258,020)	(550,835)	(461,317)	(311,253)	(195,960)	(5,459,664)	(1,443,676)	(6,321,752)	(2,358,973)
Net cash flow generated / (used in) during the year	(46,373,839)	65,751,523	59,941,700	73,188,785	13,182,684	28,539,790	1,340,197	1,769,649	16,550,858	(136,030,070)	(252,468)	291,700	1,414,273	(147,532)	(3,182,949)	2,275,113	(42,374,202)	(34,367,488)	246,254	1,271,470
Capital expenditure																				
- Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	(986)	(505)	(177,280)	(82,901)	(170,590)	(114,836)	(714,145)	(890,286)	(1,063,001)	(1,088,528)
- Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	(16,904)	(36,702)	(139,802)	(7,065)	(504,340)	(507,094)	(661,046)	(550,861)
Total Capital Expenditure	-	-	-	-	-	-	-	-	-	-	(986)	(505)	(194,184)	(119,603)	(310,392)	(121,901)	(1,218,485)	(1,397,380)	(1,724,047)	(1,639,389)

EXPLANATORY NOTES

1. The figures are extracted from the audited financial statements for the year ended 31st December 2021. External Auditors of the Group/Bank, M/s KPMG carried out an audit for the year ended 31st December 2021 and expressed an unqualified opinion on the financial statements of the Bank and the Group for the year ended 31st December 2021.

Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.

2. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2020.
3. 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.
4. **Impact of COVID – 19**

The Covid 19 outbreak in March 2020 followed by the second and the third waves continued to pose challenges to businesses and industries both locally and globally due to uncertainties, restrictions and limitations associated with the pandemic. This in turn continued to impact the operations of the Bank/Group.

ECL Assessment and computation

The Bank reassessed the Probabilities of Default (PD), Loss given Default and Economic factor adjustment used in collective impairment assessment as at December 2021. Stage assessment was carried out after stress testing to address potential significant increase in credit risk (SICR) based on the conditions which prevailed prior to granting of moratoriums unless specific information were available indicating subsequent increase in credit risk. The Bank continued to make additional provisions for impairment of Loans and Advances, outside the Expected Credit Loss model in these financial statements, by using stress testing techniques to address the potential implications due to COVID 19 and resultant moratorium schemes. Substantial management overlays were recognised in respect of exposures to specific industries where an elevated level of risk was identified and the exposures which have been enjoying moratoriums for an extended period of time. Bank has made adequate provisions for expected credit losses in the financial statements as at 31st December 2021 to ensure that the potential impact to its loan portfolio is adequately covered. The Board will continue to monitor the implications and make adjustments, if required.

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. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Finance PLC & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.

HNB Finance PLC acquired 87.27% stake in Prime Finance PLC on 23rd December 2021 for a purchase consideration of Rs 2.1 Bn. When preparing the consolidated financial statements effective date of acquisition of Prime Finance PLC has been considered as 31st December 2021.

7. Mr. Kithsiri Gunawardene was appointed as a Non Executive /Non Independent Director and Mr. Rasitha Gunawardana was appointed as a Non Executive/ Independent Director w.e.f. 21st January 2022.
8. The Bank reassessed the pension fund liability taking into consideration the retirement age revision under the 'Minimum Retirement Age of Workers Act No. 28 of 2021'. This reassessment resulted in a net reversal of liability by Rs 2.2 Bn which was immediately reversed to the statement of profit or loss as it is considered as a plan amendment in compliance with the Sri Lanka Accounting Standard 'LKAS 19 – Employee Benefits'. The reduction in the pension fund liability due to change in assumptions (amounting to Rs 1 Bn) was reversed through 'Other Comprehensive Income' to the Retained Earnings.

9. Corporate income tax rate

The Inland Revenue (Amendment) Act was passed in Parliament on 4th May 2021 and certified by the Hon. Speaker on 13th May 2021. Accordingly, the income tax rate of 28% was reduced to 24%. Both income tax and deferred tax provisions for the year ended 31st December 2020 were calculated at the rate of 28% on the basis that the said amendment was not considered to be substantively enacted as per LKAS 12 as at 31st December 2020.

Accordingly, the Bank/ Group has applied 24% for the computation of current and deferred tax for the year ended 31st December 2021. Further the current tax liability for 2020 and the net deferred tax asset outstanding as at 31st December 2020 were also reassessed at 24%.

10. Debenture issue 2021/2031

The Bank issued 50,000,000 Basel III Compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 10 year debentures (2021/2031) on 15th July 2021 with a Non-Viability Conversion, with an option to issue up to a further Twenty Million (20,000,000) of said Debentures at the discretion of the Bank in the event of an over subscription of the initial issue. The debentures issue was fully subscribed and the allotment took place on 28th July 2021.

Utilization of funds raised through the debenture issue 2021/2031

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)
1	Refinancing the debentures maturing in 2021	LKR 4 Bn	LKR 2 Bn – 04th Sept 2021 LKR 2 Bn – 01st Nov. 2021	LKR 4 Bn	57.1%	LKR 4 Bn	100%
2	Strengthen the balance sheet to support the demand for credit	LKR 3 Bn	Within 12 months from the date of Allotment	LKR 3 Bn	42.9%	LKR 3 Bn	100%

11. The funds raised through debentures previously issued were fully utilized for the objectives mentioned in the respective prospectuses.

12. Events after the reporting period

There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements other than disclosed below.

12.1 Proposed dividends

The Directors recommend that a final dividend of Rs. 9.00 per share (Rs. 6.50 in the form of cash and Rs. 2.50 in the form of scrip) on both voting and non voting shares of the Bank, be paid for the financial year ended 31st December 2021. The final dividend is to be approved at the Annual General Meeting to be held on 30th March 2022. In accordance with Sri Lanka Accounting Standard LKAS 10 "Events after the reporting period", this proposed final dividend has not been recognised as a liability as at 31st December 2021.

12.2 Surcharge Tax

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as surcharge tax. The Bill governing the imposition and administration of the Surcharge Tax was published in the Gazette on 7th February 2022. Surcharge tax is payable by any individual, partnership, company or each company of a group of companies (holding and subsidiaries) whose taxable income exceeds Rs 2,000 Mn for the Y/A 2020/2021, at the rate of 25% on the taxable income for such year of assessment. The proposed surcharge tax has not been accounted for in the consolidated financial statements as at 31st December 2021 as the said Bill is not considered to be substantively enacted as per Sri Lanka Accounting Standard LKAS – 12 – "Income Taxes" as at the Reporting date.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020
	BANK		GROUP	
BASEL III				
Regulatory Capital				
Common Equity Tier 1. Rs. Mn	122,798	117,243	134,611	130,836
Tier 1 Capital. Rs. Mn	122,798	117,243	134,611	130,836
Total Capital. Rs. Mn	153,484	143,172	165,800	157,269
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2021 - 7.00%:2020 - 7.00%)	14.53%	14.73%	14.45%	14.99%
Tier 1 Capital Ratio (Minimum Requirement - 2021 - 8.50%:2020 - 8.50%)	14.53%	14.73%	14.45%	14.99%
Total Capital Ratio (Minimum Requirement 2021 - 12.50%:2020 - 12.50%)	18.16%	17.98%	17.80%	18.02%
Leverage Ratio (Minimum Requirement- 3.00%)	7.97%	7.73%	8.22%	8.20%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	3.38%	4.31%		
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	0.15%	0.90%		
Impaired Loans (Stage 3) Ratio, %	2.55%	3.40%		
Impairment (Stage 3) to Stage 3 loans Ratio, %	56.11%	48.39%		
Profitability (Annualised)				
Interest Margin, %	3.70%	3.68%		
Return on Assets (before Tax), %	1.48%	1.24%		
Return on Equity, %	12.09%	8.68%		
Regulatory Liquidity				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	311,795	407,527		
Off-Shore Banking Unit	22,254	31,283		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	27.51%	38.95%		
Off-Shore Banking Unit	24.95%	35.92%		
Total Stock of High-Quality Liquid Assets, Rs. Mn	248,266	314,678		
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 2021 -100%, 2020 - 100%)	191.38%	285.50%		
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 2021 - 100%, 2020 - 100%)	207.99%	290.29%		
Net Stable Funding Ratio(Minimum Requirement - 2021 - 100%, 2020 - 100%)	117.57%	112.61%		

LISTED DEBENTURE INFORMATION

Quarter ended 31st December	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2021		2020		2021	2020	2021		2020
	Highest	Lowest	Highest	Lowest					
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			
HNB DEBENTURES 2006									
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
HNB DEBENTURES 2007									
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	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		N/T	N/T
HNB DEBENTURES 2013									
10 year Fixed Rate (8.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
HNB DEBENTURES 2014									
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
HNB DEBENTURES 2016									
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
7 year Fixed Rate (13.00% p.a.)	N/T	N/T	107.19	100.00	N/T	107.019		N/T	10.00
HNB DEBENTURES 2019									
5 year Fixed Rate (12.30% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
7 year Fixed Rate (12.80% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
HNB DEBENTURES 2021									
10 year Fixed Rate (9.50% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A		N/T	N/A

N/T – Not Traded as at 31st December, N/A – Not Applicable as at 31st December

Quarter ended 31st December	Yield to Maturity of Last Trade Done (% p.a)		
	2021	2020	
HNB DEBENTURES 2006			
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 (8.00% p.a.)	N/T	N/T	
HNB DEBENTURES 2014			
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	
HNB DEBENTURES 2016			
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/T	
7 year Fixed Rate (12.80% p.a.)	N/T	N/T	
HNB DEBENTURES 2021			
10 year Fixed Rate (9.50% p.a.)	N/T	N/A	

N/T – Not Traded as at 31st December, N/A – Not Applicable as at 31st December

RATIOS OF DEBT		
	31.12.2021	31.12.2020
Debt Equity Ratio (%)	28.27	67.56
	31.12.2021	31.12.2020
Interest Cover (Times)	5.12	3.95
	31.12.2021	31.12.2020
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	N/A	4.69
2006 series 18 year maturity	9.13	6.24
2007 series 15 year maturity	7.88	5.55
2011 series 10 year maturity	N/A	4.85
2013 series 10 year maturity	8.58	5.95
2014 series 10 year maturity	9.50	6.45
2016 series 5 year maturity	N/A	4.69
2016 series 5 year maturity	N/A	4.98
2016 series 7 year maturity	8.75	5.98
2019 series 5 year maturity	9.32	6.42
2019 series 7 year maturity	10.65	6.82
2021 series 10 year maturity	11.79	N/A

SHARE INFORMATION

As at	31-Dec-21	31-Dec-20
Number of Shares		
Voting	420,859,924	410,319,604
Non-voting	105,044,649	101,656,112
Last Traded Price per share		
Voting	135.00	126.50
Non-voting	122.25	100.60

For the Quarter Ended	31-Dec-21	31-Dec-20
Highest price per share		
Voting	171.00	135.30
Non-voting	147.75	105.50
Lowest price per share		
Voting	133.00	110.00
Non-voting	120.25	80.10

PUBLIC SHAREHOLDING PERCENTAGE

	31-Dec-21	
	Number	%
Number of shareholders representing the public holding (Voting)	7,662	69% approx.
Number of shareholders representing the public holding (Non Voting)	11,300	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs. 39.2 Bn	

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-21	31-Dec-20
1. Mrs. Aruni Goonetilleke (Appointed as Chairperson w.e.f. 29th September 2021)	-	N/A
2. Dr. L.J.S.H. Cabral (Resigned w.e.f. 5th July 2021)	N/A	-
3. Mr. D.S. Weerakkody (Resigned w.e.f. 30th March 2021)	N/A	2,143
4. Mr. A.J. Alles (Chief Executive Officer)	131,855	128,355
5. Mr. R.S. Captain (Resigned w.e.f. 2nd April 2021)	N/A	7,544
6. Mr. D.A. Cabraal	-	-
7. Mr. E.D.P. Soosaipillai (Resigned w.e.f. 30th March 2021)	N/A	-
8. Late Mr. A.H.D.A.N. De Silva (Demised on 29th September 2021)	N/A	104
9. Mr. L.U.D. Fernando	3,480	637
10. Mr. W.M.M.D. Ratnayake	-	-
11. Mr. M.P.D. Cooray	8,607	8,330
12. Mr. D.P.N. Rodrigo (Chief Operating Officer)	25,702	153,700
13. Mr. O.H.S. Chandrawansa (Appointed w.e.f. 1st April 2021)	-	N/A
14. Mr. P.R. Saldin (Appointed w.e.f. 30th April 2021 (Alternate Director to Mr. R.S. Captain as at 31st December 2020))	3,180	3,078
15. Mr. N. Jayawardena (Appointed w.e.f. 17th August 2021)	-	N/A
Dr. T.K.D.A.P. Samarasinghe (Alternate Director to Mr. L.U.D. Fernando w.e.f. 5th July 2019)	-	-

20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST DECEMBER 2021

	Name	No. of shares	% on total voting capital
1.	EMPLOYEE'S PROVIDENT FUND	41,021,326	9.75
2.	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	34,793,743	8.27
3.	MILFORD EXPORTS (CEYLON) (PVT) LIMITED	33,279,619	* 7.91
4.	STASSEN EXPORTS (PVT) LIMITED	28,845,668	* 6.85
5.	MR. S.E. CAPTAIN	27,399,702	6.51
6.	LOLC FINANCE PLC/BROWNS INVESTMENTS PLC	21,043,977	5.00
7.	BROWNS INVESTMENTS PLC	20,980,055	4.99
8.	SONETTO HOLDINGS LIMITED	20,684,835	4.91
9.	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	17,875,190	4.25
10.	DISTILLERIES COMPANY OF SRI LANKA PLC	12,905,917	* 3.07
11.	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	12,425,090	2.95
12.	NATIONAL SAVINGS BANK	12,075,700	2.87
13.	PEOPLE'S LEASING & FINANCE PLC / DON AND DON HOLDINGS (PRIVATE) LIMITED	10,700,848	2.54
14.	RBC INVESTOR SERVICES TRUST-RBC EMERGING MARKETS SMALL-CAP EQUITY FUND	8,853,176	2.10
15.	MR. D.N.N. LOKUGE	8,752,193	2.08
16.	STANDARD CHARTERED BANK SINGAPORE S/A HL BANK SINGAPORE BRANCH	7,899,166	1.88
17.	MS. L.A. CAPTAIN	7,865,444	1.87
18.	EMPLOYEES TRUST FUND BOARD	3,106,188	0.74
19.	BNYMSANV RE-FIRST SENTIER INVESTORS ICVC - FSSA ASIA ALL-CAP FUND	3,036,462	0.72
20.	CEI PLASTICS LTD	2,278,390	0.54

* 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 31ST DECEMBER 2021

	Name	No. of shares	% on total non-voting capital
1.	BROWNS INVESTMENTS PLC	36,638,886	34.88
2.	LOLC FINANCE PLC/BROWNS INVESTMENTS PLC	9,964,516	9.49
3.	ACUITY PARTNERS (PVT) LIMITED/MR.ELAYATHAMBY THAVAGNANASOORIYAM / MR.ELAYATHAMBY THAVAGNANASUNDARAM	5,368,439	5.11
4.	AKBAR BROTHERS PVT LTD A/C NO 1	4,653,891	4.43
5.	MR. S.E. CAPTAIN	1,626,603	1.55
6.	EMPLOYEES TRUST FUND BOARD	1,550,673	1.48
7.	DEUTSCHE BANK AG AS TRUSTEE FOR JB VANTAGE VALUE EQUITY FUND	824,919	0.79
8.	HATTON NATIONAL BANK PLC A/C NO 2	755,919	0.72
9.	SABOOR CHATOOR (PVT) LTD	719,303	0.68
10.	MR. E. CHATOOR	680,966	0.65
11.	MR. J.D. BANDARANAYAKE (JOINT - 1 : DR. V. BANDARANAYAKE VASANTHY & JOINT 2 : MISS I. BANDARANAYAKE ISHANI)	577,258	0.55
12.	MR. J.D. BANDARANAYAKE (JOINT - 1 : MISS N. BANDARANAYAKE NILUKA & JOINT 2 : DR. V. BANDARANAYAKE VASANTHA)	577,160	0.55
13.	E.W. BALASURIYA & CO. (PVT) LTD	524,717	0.50
14.	PEOPLE'S LEASING & FINANCE PLC/MR. I.D.R. PERERA	509,997	0.49
15.	MISS R.H. ABDULHUSSEIN	452,428	0.43
16.	MR. M.J. FERNANDO	430,043	0.41
17.	SAM INNOVATORS (PVT) LTD	417,823	0.40
18.	DR. R.D. BANDARANAIKE	406,545	0.39
19.	LANKA SYNTHETIC FIBRE CO LTD	382,668	0.36
20.	MR. Y.H. ABDULHUSSEIN	373,418	0.36

ANALYSIS OF LOANS & ADVANCES AND IMPAIRMENT (AUDITED)

As at	BANK		GROUP	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Rs.000	Rs.000	Rs.000	Rs.000
1) Gross loans and advances to customers	928,971,730	814,543,456	968,907,254	846,720,969
Less : Accumulated impairment under stage 1	6,494,958	3,091,724	7,653,405	3,799,786
Accumulated impairment under stage 2	10,188,641	8,058,780	10,754,926	8,284,622
Accumulated impairment under stage 3	36,033,438	30,812,232	39,245,578	33,820,590
Net loans and receivables	876,254,693	772,580,720	911,253,345	800,815,971
Product-wise Gross loans and advances to customers				
By product-Domestic Currency				
Overdrafts	113,600,698	91,586,773	113,481,699	91,460,567
Bills of exchange	365,386	380,375	365,386	380,375
Commercial papers	153,705	153,821	153,705	153,821
Short term loans	114,458,781	96,655,676	114,862,283	97,039,374
Credit Cards	12,136,458	9,155,433	12,136,458	9,155,433
Trust receipts	18,489,245	19,864,641	18,489,245	19,864,641
Packing credit loans	7,069,426	2,563,792	7,069,426	2,563,792
Staff loans	18,504,857	17,208,143	19,087,913	18,065,918
Term loans	397,395,537	356,319,811	421,361,659	374,995,216
Lease rentals receivable	67,614,665	60,277,415	80,655,937	71,204,307
Housing loans	48,160,735	39,441,387	48,160,735	39,441,387
Pawning advances	28,085,905	22,947,790	30,146,476	24,407,738
Securitized notes	1,351,560	2,146,677	1,351,560	2,146,677
Sub total	827,386,958	718,701,734	867,322,482	750,879,246
By product-Foreign Currency				
Overdrafts	2,426,175	2,061,130	2,426,175	2,061,130
Bills of exchange	963,469	1,665,353	963,469	1,665,353
Short term loans	1,563,249	1,742,502	1,563,249	1,742,502
Trust receipts	5,087,604	3,903,480	5,087,604	3,903,480
Packing credit loans	14,013,242	14,954,506	14,013,242	14,954,506
Term loans	75,110,537	68,778,089	75,110,537	68,778,090
Lease rentals receivable	220,958	204,113	220,958	204,113
Housing loans	2,199,538	2,532,549	2,199,538	2,532,549
Sub total	101,584,772	95,841,722	101,584,772	95,841,723
Total	928,971,730	814,543,456	968,907,254	846,720,969
Movements in stage-wise impairment of loans & advances during the year				
	BANK			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Opening balance as at 1st January 2020	3,343,678	4,827,329	21,998,921	30,169,928
Net impairment (reversal) / charge for the year	(251,954)	3,231,451	9,381,709	12,361,206
Write-offs during the year	-	-	(692,654)	(692,654)
Other movements	-	-	124,256	124,256
Closing balance as at 31st December 2020	3,091,724	8,058,780	30,812,232	41,962,736
Opening balance as at 1st January 2021	3,091,724	8,058,780	30,812,232	41,962,736
Net impairment charge for the year	3,403,234	2,129,861	6,149,015	11,682,110
Write-offs during the year	-	-	(1,240,831)	(1,240,831)
Other movements	-	-	313,022	313,022
Closing balance as at 31st December 2021	6,494,958	10,188,641	36,033,438	52,717,037
	GROUP			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Opening balance as at 1st January 2020	4,063,982	5,210,363	24,040,578	33,314,923
Net impairment (reversal) / charge for the year	(264,196)	3,074,259	10,348,410	13,158,473
Write-offs during the year	-	-	(692,654)	(692,654)
Other movements	-	-	124,256	124,256
Closing balance as at 31st December 2020	3,799,786	8,284,622	33,820,590	45,904,998
Opening balance as at 1st January 2021	3,799,786	8,284,622	33,820,590	45,904,998
Acquisition of subsidiary through HNB Finance PLC	68,970	44,711	675,812	789,493
Net impairment charge for the year	3,784,649	2,425,593	6,224,164	12,434,406
Write-offs during the year	-	-	(1,788,010)	(1,788,010)
Other movements	-	-	313,022	313,022
Closing balance as at 31st December 2021	7,653,405	10,754,926	39,245,578	57,653,909

ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT (AUDITED)

As at	BANK		GROUP	
	31.12.2021 Rs.000	31.12.2020 Rs.000	31.12.2021 Rs.000	31.12.2020 Rs.000
2) Gross commitments and contingencies	676,242,350	631,948,229	676,242,350	631,948,229
Less : Accumulated impairment under stage 1	789,147	810,503	789,147	810,503
Accumulated impairment under stage 2	154,772	201,327	154,772	201,327
Accumulated impairment under stage 3	1,249,055	1,123,884	1,249,055	1,123,884
	674,049,376	629,812,515	674,049,376	629,812,515
Product-wise commitments and contingencies				
By Product - Domestic Currency				
Documentary credit	668,552	831,794	668,552	831,794
Guarantees	59,686,884	55,658,375	59,686,884	55,658,375
Acceptances	237,321	227,023	237,321	227,023
Bills for collection	644,150	494,881	644,150	494,881
Forward exchange contracts				
Forward exchange sales	-	-	-	-
Forward exchange purchases	18,584,454	40,848,058	18,584,454	40,848,058
Cheques sent on clearing	4,069,632	3,851,339	4,069,632	3,851,339
Undrawn credit lines	420,416,157	334,295,507	420,416,157	334,295,507
Sub total	504,307,150	436,206,977	504,307,150	436,206,977
By Product - Foreign Currency				
Documentary credit	31,899,247	27,502,654	31,899,247	27,502,654
Guarantees	41,087,552	48,811,988	41,087,552	48,811,988
Acceptances	22,099,563	25,986,688	22,099,563	25,986,688
Bills for collection	20,236,767	15,633,015	20,236,767	15,633,015
Forward exchange contracts				
Forward exchange sales	12,150,970	28,293,790	12,150,970	28,293,790
Forward exchange purchases	25,740,382	22,911,210	25,740,382	22,911,210
Cheques sent on clearing	-	-	-	-
Undrawn credit lines	18,720,719	26,601,907	18,720,719	26,601,907
Sub total	171,935,200	195,741,252	171,935,200	195,741,252
Total	676,242,350	631,948,229	676,242,350	631,948,229

Movements in stage-wise impairment of commitments and contingencies during the year

	BANK / GROUP			Total Rs.000
	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	
Opening balance as at 1st January 2020	810,503	201,327	1,123,884	2,135,714
Net impairment (reversal) / charge for the year	(74,708)	54,939	94,301	74,532
Closing balance as at 31st December 2020	735,795	256,266	1,218,185	2,210,246
Opening balance as at 1st January 2021	735,795	256,266	1,218,185	2,210,246
Net impairment (reversal) / charge for the year	53,352	(101,494)	30,870	(17,272)
Closing balance as at 31st December 2021	789,147	154,772	1,249,055	2,192,974

ANALYSIS OF DEPOSITS (AUDITED)

As at	BANK		GROUP	
	31.12.2021 Rs.000	31.12.2020 Rs.000	31.12.2021 Rs.000	31.12.2020 Rs.000
3) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	67,433,359	59,483,315	67,180,885	58,785,686
Savings deposits	315,592,442	276,530,585	318,074,247	278,833,827
Time deposits	462,006,964	446,100,129	491,465,520	471,916,612
Certificates of deposit	322,715	338,098	322,715	338,098
Margin deposits	1,844,970	1,532,608	1,844,970	1,532,608
Sub total	847,200,450	783,984,735	878,888,337	811,406,831
By product- Foreign Currency				
Current account deposits	5,770,679	4,515,956	5,770,679	4,515,956
Savings deposits	52,156,901	43,134,411	52,113,034	43,134,411
Time deposits	170,192,821	136,047,089	169,905,334	135,752,501
Margin deposits	388,436	139,213	388,436	139,213
Sub total	228,508,837	183,836,669	228,177,483	183,542,081
Total	1,075,709,287	967,821,404	1,107,065,820	994,948,912

FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (AUDITED)

The Group measures the fair values of financial instruments using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Fair value measurement using unadjusted quoted market prices

When available, the fair values of financial instruments are determined using quoted market prices (unadjusted) in active markets for identical instruments. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Accordingly, the fair values of treasury bills and bonds have been derived using the market yields and market prices published by Central Bank of Sri Lanka while fair value of quoted equity securities and Sri Lanka Sovereign Bonds have been valued using the quoted market prices as at the reporting date.

Level 2: Fair value measurement using significant observable inputs

In the absence of an active market for a financial instrument, the fair value is determined using quoted market prices in active markets for similar instruments or quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The spot and forward premiums available as at the reporting date have been used to estimate the fair value of derivative financial instruments while the fair value of unquoted units have been measured using manager's selling prices. The fair values of financial assets and financial liabilities carried at amortised cost have been estimated by comparing the interest rates when they were first recognised with the current market rates of similar instruments.

Level 3: Fair value measurement using significant unobservable inputs

Financial instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation.

There are no material changes in the fair value of financial assets categorised under Level 3 compared to the values reported as at 31st December 2020. The Group has not changed the valuation models and assumptions used to measure the fair values of Level 3 financial instruments during the year ended 31st December 2021.

FINANCIAL ASSETS & LIABILITIES MEASURED AT FAIR VALUE - FAIR VALUE HIERARCHY

As at 31st December 2021	BANK				GROUP			
	Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000	Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000
Financial assets measured at fair value								
Derivative financial instruments	-	927,487	-	927,487	-	927,487	-	927,487
Financial assets measured at fair value through profit or loss	103,365	-	-	103,365	669,056	193,585	-	862,641
Financial assets measured at fair value through other comprehensive income	202,863,849	534,745	27,839	203,426,433	210,239,191	534,745	30,551	210,804,487
Total financial assets measured at fair value	202,967,214	1,462,232	27,839	204,457,285	210,908,247	1,655,817	30,551	212,594,615
Financial liabilities measured at fair value								
Derivative financial instruments	-	353,356	-	353,356	-	353,356	-	353,356
Total financial liabilities measured at fair value	-	353,356	-	353,356	-	353,356	-	353,356

As at 31st December 2020	BANK				GROUP			
	Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000	Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000
Financial assets measured at fair value								
Derivative financial instruments	-	1,032,318	-	1,032,318	-	1,032,318	-	1,032,318
Financial assets measured at fair value through profit or loss	84,499	-	-	84,499	252,133	842,694	-	1,094,827
Financial assets measured at fair value through other comprehensive income	248,801,119	442,700	27,839	249,271,658	255,921,450	442,700	30,494	256,394,644
Total financial assets measured at fair value	248,885,618	1,475,018	27,839	250,388,475	256,173,583	2,317,712	30,494	258,521,789
Financial liabilities measured at fair value								
Derivative financial instruments	-	337,014	-	337,014	-	337,014	-	337,014
Total financial liabilities measured at fair value	-	337,014	-	337,014	-	337,014	-	337,014

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

As at 31st December 2021	BANK					GROUP				
	Carrying Value Rs.000	Fair Value			Total Rs.000	Carrying Value Rs.000	Fair Value			Total Rs.000
		Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000			Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	
Financial Assets										
Financial assets measured at amortised cost										
Loans and advances to customers	876,254,693	-	876,098,776	-	876,098,776	911,253,345	-	911,197,915	-	911,197,915
Debt and other financial instruments	160,677,520	70,059,563	48,960,905	-	119,020,468	171,930,640	74,513,315	54,992,275	814,264	130,319,854
Total financial assets measured at amortised cost	1,036,932,213	70,059,563	925,059,681	-	995,119,244	1,083,183,985	74,513,315	966,190,190	814,264	1,041,517,769
Financial Liabilities										
Financial liabilities measured at amortised cost										
Due to depositors	1,075,709,287	-	1,076,410,109	-	1,076,410,109	1,107,065,820	-	1,107,178,468	-	1,107,178,468
Other borrowings	24,747,869	-	24,747,869	-	24,747,869	25,555,834	-	25,555,834	-	25,555,834
Debt securities issued	1,962,749	-	2,067,803	-	2,067,803	2,465,085	-	2,565,609	-	2,565,609
Subordinated term debts	23,552,323	-	24,436,735	-	24,436,735	24,391,912	-	25,362,475	-	25,362,475
Total financial liabilities measured at amortised cost	1,125,972,228	-	1,127,662,516	-	1,127,662,516	1,159,478,651	-	1,160,662,386	-	1,160,662,386

As at 31st December 2020	BANK					GROUP				
	Carrying Value Rs.000	Fair Value			Total Rs.000	Carrying Value Rs.000	Fair Value			Total Rs.000
		Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000			Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	
Financial Assets										
Financial assets measured at amortised cost										
Loans and advances to customers	772,580,720	-	779,658,245	-	779,658,245	800,815,971	-	809,129,736	-	809,129,736
Debt and other financial instruments	186,605,516	85,006,457	71,807,181	-	156,813,638	193,349,496	86,677,526	77,564,609	-	164,242,135
Total financial assets measured at amortised cost	959,186,236	85,006,457	851,465,426	-	936,471,883	994,165,467	86,677,526	886,694,345	-	973,371,871
Financial Liabilities										
Financial liabilities measured at amortised cost										
Due to depositors	967,821,404	-	969,378,444	-	969,378,444	994,948,912	-	997,913,620	-	997,913,620
Other borrowings	30,526,261	-	30,526,261	-	30,526,261	30,526,261	-	30,526,261	-	30,526,261
Debt securities issued	1,875,042	-	2,158,836	-	2,158,836	2,411,408	-	2,690,447	-	2,690,447
Subordinated term debts	28,298,365	-	30,422,356	-	30,422,356	28,945,457	-	31,186,685	-	31,186,685
Total financial liabilities measured at amortised cost	1,028,521,072	-	1,032,485,897	-	1,032,485,897	1,056,832,038	-	1,062,317,013	-	1,062,317,013

The carrying values of assets and liabilities listed below are reasonable approximation of their fair values since, those are short term in nature or re-priced to current market rates frequently:

Assets	Liabilities
Cash and cash equivalents	Due to banks
Balances with Central Bank of Sri Lanka	Securities sold under repurchase agreements
Placements with banks	Other borrowings
Securities purchased under resale agreements	Dividends payable
Other financial assets	Other financial liabilities