



Hatton **N**ational **B**ank PLC

**Interim Financial Statements
for the Twelve Months ended 31st December 2017**

FINANCIAL COMMENTARY FOR THE 12 MONTHS ENDED 31ST DECEMBER 2017

- HNB Group PAT improves to Rs 16.7 Bn in 2017
- Bank PAT Rs 16.5 Bn
- Lowest recorded cost to income ratio of 39.4%
- Group Assets cross Rs 1 Trillion
- Deposits surpass Rs 700 Bn
- Strong capital position with a CAR of 17%

HNB successfully weathered the challenges that arose in 2017 while leveraging upon new growth opportunities to post a profit after tax (PAT) of Rs 16.5 Bn reflecting growth of 16.4% Year-on-Year (YoY). Group PAT improved to Rs 16.7 Bn while the Group's asset base crossed the Rs 1 trillion milestone, during the year.

In 2017 HNB was recognized domestically and internationally for its outstanding performance and was crowned the 'Best Bank in Sri Lanka' by the coveted Banker Magazine UK.

CASA growth of Rs 23.4 Bn during the year was a key achievement given the industry wide decline in CASA ratios as high interest rates attracted funds into fixed deposits. Nevertheless through concerted efforts HNB successfully maintained its CASA ratio while focusing on profitable business segments. As a result the Bank's Net Interest Margins (NIM) increased from 4.80% in 2016 to 4.87% in 2017.

The bank's Fee & Commission income grew by 18% YoY in 2017, strongly supported by rapid growth in digital payments and channels in addition to the growth in Trade Finance. During the period under review, the revenue from digital payment platforms and channels accounted for 30% of the total Net Fee & Commission income of the Bank. This included fees associated with cards, ATM and electronic banking transactions.

Net losses from trading doubled in 2017 to Rs 3.7 Bn on account of higher swap costs. This loss was however offset by balance sheet translation gains, which together with foreign exchange income amounted to Rs 3.2 Bn and reflected under 'other operating income'. Further supported by an increase in dividends from group companies, other operating income grew by 58.3% YoY to Rs 5.2 Bn during 2017.

The NPA ratio increased marginally to 2.28% compared to 1.8% reported as at end of 2016, however it was an improvement from 2.64% reported as at third quarter of 2017. The impairment charge for 2017 also increased to Rs 3 Bn from a very low base of Rs 237.2 Mn in 2016 which was a year where several large overdue loans were recovered.

HNB leads the industry with the lowest cost to income ratio among peers which improved further to 39.4% in 2017 from 42.5% in 2016 as the bank was able to reap the benefits of the extensive business process re-engineering, lean and digitization efforts undertaken over the past few years. The ratio has improved by more than 13 percentage points since 2012.

HNB's profit before taxes and financial VAT was reported at Rs 27.1 Bn amounting to growth of 10.5% YoY while total tax charge for the Bank and the group stood at Rs 10.6 Bn and Rs 11.8 Bn respectively. The Bank's ROA remained at 1.8% while the ROE declined to 17.8% for 2017 due to the increase in equity through the rights issue.

Meanwhile, HNB's total assets grew by 11.2% YoY to Rs 954.9 Bn while loans and advances grew by 9.4% YoY to Rs 639 Bn. The Bank consciously maintained low growth in advances in order to focus on profitable balance sheet growth and portfolio quality. HNB's deposit base grew by 12.5% YoY and exceeded the Rs 700 Bn mark with the Bank's CASA growth of 10.4% YoY outpacing industry average.

HNB's Capital adequacy ratios were bolstered significantly in 2017 with the Rs 14.5 Bn rights issue to fund growth enabling the Bank to keep well abreast of more stringent capital requirements under the Basel III regime. HNB's Tier I and Total Capital Adequacy ratios were computed at 13.7% and 17% respectively as at the end of 2017 against the regulatory requirements of 6% and 11.75%.

All group companies reported profits during the period in review, and contributed towards a total group PAT of Rs 16.7 Bn which reflected growth of 6.9% YoY. Group ROA and ROE were recorded at 1.75% and 14.95% respectively.

The bank's ability to innovate garnered numerous accolades, including Best Retail Bank in Sri Lanka by the Asian Banker Magazine which also recognized HNB for the Best Micro Finance Product in Asia Pacific. Similarly, Asiamoney awarded HNB as the Best Bank for SME and CSR while the Bank's Islamic Banking business was recognized with multiple awards at both Islamic Finance Forum South Asia and the Sri Lanka Islamic Banking and Finance Awards.

These remarkable achievements were reflected in HNB's move to No. 3 in the LMD Top 100 Companies ranking and to the second position in Business Today top 30 rankings, which places HNB as the highest ranked bank in Sri Lanka in both categories. The bank won significant recognition at the Best Corporate Citizens awards organized by the Ceylon Chamber of Commerce where HNB bagged five awards including the Overall - Runner up award and the Banking Sector Gold Award.

HNB's leadership in technology was further validated by being awarded the 'Best ATM Network of the Year' at the Lanka Pay Technovation Awards 2017 while the HNB Fit account was recognized at the Emerging Technologies Led Innovation award organized by Infosys India. CFA Sri Lanka bestowed HNB with a 'Bronze' award for Investor Relations while HNB's Annual Report was adjudged to be among the top 10 integrated reports at the CMA Sri Lanka awards 2017. CA Sri Lanka recognized HNB's Annual Report with a Banking sector Silver award and a Bronze award in Corporate Governance.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services while maintaining a national long term rating of AA - (Ika) from Fitch Ratings Lanka Ltd. HNB is also ranked amongst the top 1,000 banks in the world by the Banker.

STATEMENT OF PROFIT OR LOSS

	BANK						GROUP					
	For the 12 months ended 31st			For the 3 months ended 31st			For the 12 months ended 31st			For the 3 months ended 31st		
	December			December			December			December		
	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)
Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		
Gross Income	106,295,194	84,350,823	26	28,335,183	24,617,528	15	119,759,106	95,990,771	25	31,165,147	27,593,375	13
Interest income	96,175,453	75,608,193	27	24,641,457	22,039,225	12	103,908,195	81,533,502	27	26,775,998	23,639,746	13
Less : Interest expenses	56,526,138	41,236,605	37	14,597,788	12,608,008	16	58,446,928	42,444,643	38	15,202,879	12,900,901	18
Net interest income	39,649,315	34,371,588	15	10,043,669	9,431,217	6	45,461,267	39,088,859	16	11,573,119	10,738,845	8
Fee and commission income	8,415,579	7,139,253	18	2,203,839	1,976,392	12	9,227,529	7,905,879	17	2,377,154	2,261,687	5
Less : Fee and commission expenses	105,482	90,594	16	25,135	21,894	15	213,143	180,531	18	57,108	68,929	(17)
Net fee and commission income	8,310,097	7,048,659	18	2,178,704	1,954,498	11	9,014,386	7,725,348	17	2,320,046	2,192,758	6
Net interest, fee and commission income	47,959,412	41,420,247	16	12,222,373	11,385,715	7	54,475,653	46,814,207	16	13,893,165	12,931,603	7
Net gain/(loss) from trading	(3,711,203)	(1,795,691)	(107)	(948,652)	(544,869)	(74)	(3,695,658)	(1,824,452)	(103)	(949,271)	(551,929)	(72)
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain from financial investments	212,129	111,713	90	13,551	4,600	195	247,166	103,165	140	26,252	(8,080)	425
Net insurance premium income	-	-	-	-	-	-	6,326,292	5,490,712	15	1,687,997	1,453,052	16
Other operating income	5,203,236	3,287,355	58	2,424,988	1,142,180	112	3,745,582	2,781,965	35	1,247,017	798,899	56
Total operating income	49,663,574	43,023,624	15	13,712,260	11,987,626	14	61,099,035	53,365,597	14	15,905,160	14,623,545	9
Impairment for loans and other losses												
Individual Impairment	4,397,848	250,783	1,654	3,420,414	270,043	1,167	4,397,848	250,783	1,654	3,420,414	270,043	1,167
Collective Impairment	(1,470,163)	12,333	(12,021)	(2,777,082)	(137,158)	(1,925)	(1,047,317)	278,959	(475)	(2,516,336)	18,485	(13,713)
Others	107,783	(25,956)	515	105,223	(42,563)	347	575,618	(21,583)	2,767	116,079	(38,190)	404
Net operating income	46,628,106	42,786,464	9	12,963,705	11,897,304	9	57,172,886	52,857,438	8	14,885,003	14,373,207	4
Operating expenses												
Personnel expenses	8,866,642	8,703,575	2	2,141,120	1,934,196	11	10,916,284	10,416,099	5	2,713,336	2,468,753	10
Depreciation and amortisation	1,128,802	1,035,930	9	298,286	272,937	9	1,528,444	1,393,828	10	358,705	364,802	(2)
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	5,485,864	4,571,389	20	1,202,931	886,260	36
Other expenses	9,561,005	8,548,374	12	2,557,920	2,537,465	1	10,879,270	9,391,316	16	2,897,007	2,657,293	9
Total operating expenses	19,556,449	18,287,879	7	4,997,326	4,744,598	5	28,809,862	25,772,632	12	7,171,979	6,377,108	12
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	27,071,657	24,498,585	11	7,966,379	7,152,706	11	28,363,024	27,084,806	5	7,713,024	7,996,099	(4)
Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	5,021,446	4,352,756	15	1,320,363	1,497,985	(12)	5,435,628	4,734,949	15	1,417,833	1,629,360	(13)
Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	22,050,211	20,145,829	9	6,646,016	5,654,721	18	22,927,396	22,349,857	3	6,295,191	6,366,739	(1)
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	175,616	148,790	18	43,019	8,770	391
Profit before income tax	22,050,211	20,145,829	9	6,646,016	5,654,721	18	23,103,012	22,498,647	3	6,338,210	6,375,509	(1)
Income tax expense	5,583,421	6,002,423	(7)	1,076,628	1,608,625	(33)	6,361,616	6,833,685	(7)	1,402,060	1,942,106	(28)
Profit for the year	16,466,790	14,143,406	16	5,569,388	4,046,096	38	16,741,396	15,664,962	7	4,936,150	4,433,403	11
Profit attributable to:												
Equity holders of the Bank	16,466,790	14,143,406	16	5,569,388	4,046,096	38	15,946,989	14,755,634	8	4,635,974	4,078,025	14
Non-controlling interests	-	-	-	-	-	-	794,407	909,328	(13)	300,176	355,378	(16)
Profit for the year	16,466,790	14,143,406	16	5,569,388	4,046,096	38	16,741,396	15,664,962	7	4,936,150	4,433,403	11
Earnings per share on profit												
Basic earnings per ordinary share (Rs)	36.66	33.53	9	11.32	9.58	18	35.50	34.99	1	9.42	9.66	(2)
Diluted earnings per ordinary share (Rs)	36.62	33.46	9	11.31	9.56	18	35.47	34.91	2	9.42	9.64	(2)

STATEMENT OF COMPREHENSIVE INCOME

	BANK						GROUP					
	For the 12 months ended 31st December			For the 3 months ended 31st December			For the 12 months ended 31st December			For the 3 months ended 31st December		
	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000	
Profit for the year	16,466,790	14,143,406	16	5,569,388	4,046,096	38	16,741,396	15,664,962	7	4,936,150	4,433,403	11
Other comprehensive income for the year, net of tax												
Other comprehensive income to be reclassified to profit or loss in subsequent periods												
Available-for-sale financial assets:												
Net change in fair value during the year	3,308,142	(3,158,637)	205	230,298	(1,425,771)	116	3,797,637	(3,312,113)	215	286,254	(1,581,518)	118
Transfer to life policy holder reserve fund	-	-	-	-	-	-	(414,402)	134,781	(407)	(16,376)	133,116	(112)
Net amount transferred to profit or loss (available-for-sale financial assets)	83,249	-	-	83,249	-	-	52,764	14,466	265	39,328	14,466	172
Deferred tax effect on above	(926,481)	404,328	(329)	(15,809)	324,771	(105)	(933,251)	406,153	(330)	(6,453)	326,596	(102)
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	(21,417)	(21,154)	(1)	(7,576)	5,713	(233)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	2,464,910	(2,754,309)	189	297,738	(1,101,000)	127	2,481,331	(2,777,867)	189	295,177	(1,101,627)	127
Other comprehensive income not to be reclassified to profit or loss in subsequent periods												
Re-measurement gains / (losses) on defined benefit plans	(284,960)	361,720	(179)	(284,960)	361,720	(179)	(292,000)	377,525	(177)	(300,793)	364,603	(182)
Revaluation of freehold land & buildings	2,981,379	2,273,397	31	2,981,379	2,273,397	31	4,211,932	5,748,917	(27)	4,211,932	5,748,917	(27)
Deferred tax effect on above	(2,900,320)	(54,489)	(5,223)	(2,900,320)	(54,489)	(5,223)	(4,531,227)	(157,789)	(2,772)	(4,528,765)	(154,171)	(2,837)
Deferred tax effect on realisation of revaluation surplus	-	1,214	(100)	-	1,214	(100)	-	1,214	(100)	-	1,214	(100)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(203,901)	2,581,842	(108)	(203,901)	2,581,842	(108)	(611,295)	5,969,867	(110)	(617,626)	5,960,563	(110)
Other comprehensive income for the year, net of tax	2,261,009	(172,467)	1,411	93,837	1,480,842	(94)	1,870,036	3,192,000	(41)	(322,449)	4,858,936	(107)
Total comprehensive income for the year	18,727,799	13,970,939	34	5,663,225	5,526,938	2	18,611,432	18,856,962	(1)	4,613,701	9,292,339	(50)
Total comprehensive income attributable to:												
Equity holders of the Bank	18,727,799	13,970,939	34	5,663,225	5,526,938	2	17,784,291	17,865,820	-	4,295,862	8,862,102	(52)
Non-controlling interests	-	-	-	-	-	-	827,141	991,142	(17)	317,839	430,237	(26)
Total comprehensive income for the year	18,727,799	13,970,939	34	5,663,225	5,526,938	2	18,611,432	18,856,962	(1)	4,613,701	9,292,339	(50)

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2017	As at 31.12.2016	% Increase / (Decrease)	As at 31.12.2017	As at 31.12.2016	% Increase / (Decrease)
	Rs.000	Rs.000 (Audited)		Rs.000	Rs.000 (Audited)	
ASSETS						
Cash and cash equivalents	21,739,800	17,511,446	24	21,924,898	18,668,703	17
Balances with Central Bank of Sri Lanka	38,610,940	33,777,614	14	38,610,940	33,777,614	14
Placements with banks	3,182,377	753,050	323	9,670,125	2,198,446	340
Reverse repurchase agreements	-	4,303,460	(100)	772,002	5,756,794	(87)
Derivative financial instruments	615,357	289,989	112	615,357	289,989	112
Financial investments - fair value through profit or loss	120,486	544,915	(78)	266,538	716,009	(63)
Loans and receivables to customers	639,102,061	584,412,727	9	655,612,938	597,467,460	10
Financial investments - loans and receivables	122,199,048	99,260,698	23	125,031,671	102,063,229	23
Financial investments - available-for-sale	95,403,820	89,915,153	6	101,742,985	95,797,142	6
Financial investments - held to maturity	-	-	-	1,565,603	465,081	237
Investment in joint venture	755,000	755,000	-	1,689,263	1,450,806	16
Investment in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	327,464	403,959	(19)	1,146,564	1,054,300	9
Property, plant and equipment	17,905,320	13,945,002	28	34,635,034	29,844,234	16
Intangible assets and goodwill	815,381	789,648	3	1,237,829	1,180,269	5
Other assets	11,083,242	9,283,490	19	13,038,222	10,810,117	21
Total assets	954,877,581	858,963,436	11	1,007,559,969	901,540,193	12
LIABILITIES						
Due to banks	62,463,497	69,219,302	(10)	62,464,391	69,254,893	(10)
Derivative financial instruments	1,305,900	665,890	96	1,305,900	665,890	96
Securities sold under repurchase agreements	5,064,360	13,458,127	(62)	5,064,360	13,458,127	(62)
Due to customers	701,519,297	623,494,969	13	718,770,051	635,371,097	13
Dividends payable	975,371	1,007,075	(3)	986,880	1,015,463	(3)
Other borrowings	27,258,006	27,839,845	(2)	27,258,006	27,839,845	(2)
Debt securities issued	4,540,259	4,653,057	(2)	5,035,958	5,115,801	(2)
Current tax liabilities	3,974,624	6,223,943	(36)	4,066,087	6,425,379	(37)
Deferred tax liabilities	5,082,636	231,364	2,097	7,309,283	824,778	786
Insurance provision - life	-	-	-	10,915,858	8,747,856	25
Insurance provision - general	-	-	-	2,384,908	1,921,567	24
Other provisions	3,015,875	3,158,444	(5)	3,416,332	3,407,050	-
Other liabilities	5,720,896	5,840,718	(2)	7,359,236	7,279,639	1
Subordinated term debts	25,809,261	26,153,476	(1)	25,564,596	25,901,110	(1)
Total liabilities	846,729,982	781,946,210	8	881,901,846	807,228,495	9

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2017	As at 31.12.2016 (Audited)	% Increase / (Decrease)	As at 31.12.2017	As at 31.12.2016 (Audited)	% Increase / (Decrease)
	Rs.000	Rs.000		Rs.000	Rs.000	
EQUITY						
Stated capital	31,409,119	15,340,158	105	31,409,119	15,340,158	105
Statutory reserve	5,460,000	4,560,000	20	5,460,000	4,560,000	20
Other reserves	56,084,895	47,592,832	18	67,058,017	58,569,401	14
Retained earnings	15,193,585	9,524,236	60	18,082,284	12,821,116	41
Total equity attributable to equity holders of the Bank	108,147,599	77,017,226	40	122,009,420	91,290,675	34
Non-controlling interests	-	-	-	3,648,703	3,021,023	21
Total equity	108,147,599	77,017,226	40	125,658,123	94,311,698	33
Total liabilities and equity	954,877,581	858,963,436	11	1,007,559,969	901,540,193	12
Contingent liabilities and commitments	598,434,964	502,372,909	19	598,434,964	502,372,909	19
Net assets value per share (Rs)	221.36	186.11	19	249.74	220.61	13
Memorandum Information						
Number of Employees	4,348	4,190				
Number of Branches	252	251				

CERTIFICATION

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of Hatton National Bank PLC and the Group as at 31st December 2017 and its profit for the year ended 31st December 2017.

(Sgd.)

Anusha Gallage
Chief Financial Officer
20th February 2018

We the undersigned, being the Managing Director / Chief Executive Officer and the Chairman of Hatton National Bank PLC certify jointly that :

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

(Sgd.)

Jonathan Alles
Managing Director / Chief Executive Officer
20th February 2018

(Sgd.)

Rienzie Arseculeratne
Chairman
20th February 2018

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserves	Other Reserves					Retained Earnings	Total Equity
	Voting Shares	Non-Voting Shares	Reserve Fund	Capital Reserve	Available for Sale Reserve	General Reserve	ESOP Reserve			
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	6,435,410	4,455,566	31,100,000	202,356	5,270,848	65,051,053	
Total comprehensive income for the year										
Net profit for the year 2016	-	-	-	-	-	-	-	14,143,406	14,143,406	
Other comprehensive income, net of tax	-	-	-	2,218,908	(2,754,309)	-	-	362,934	(172,467)	
Total comprehensive income for the year	-	-	-	2,218,908	(2,754,309)	-	-	14,506,340	13,970,939	
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend 2015 - Cash	-	-	-	-	-	-	-	(1,421,200)	(1,421,200)	
Final dividend 2015 - Scrip	1,022,473	256,607	-	-	-	-	-	(1,421,200)	(142,120)	
Interim dividend 2016 - Cash	-	-	-	-	-	-	-	(620,387)	(620,387)	
Issue of shares under ESOP	157,128	21,813	-	-	-	-	-	-	178,941	
Total contributions by and distributions to equity holders	1,179,601	278,420	-	-	-	-	-	(3,462,787)	(2,004,766)	
Transfers during the year 2016	48,444	6,820	800,000	(9,835)	-	6,000,000	(55,264)	(6,790,165)	-	
Balance as at 31st December 2016	12,338,734	3,001,424	4,560,000	8,644,483	1,701,257	37,100,000	147,092	9,524,236	77,017,226	
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	8,644,483	1,701,257	37,100,000	147,092	9,524,236	77,017,226	
Total comprehensive income for the year										
Net profit for the year 2017	-	-	-	-	-	-	-	16,466,790	16,466,790	
Other comprehensive income, net of tax	-	-	-	81,059	2,464,910	-	-	(284,960)	2,261,009	
Total comprehensive income for the year	-	-	-	81,059	2,464,910	-	-	16,181,830	18,727,799	
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend 2016 - Cash	1,044,073	262,093	-	-	-	-	-	(1,451,296)	(145,130)	
Final dividend 2016 - Scrip	-	-	-	-	-	-	-	(1,451,296)	(1,451,296)	
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	(732,745)	(732,745)	
Proceeds from rights issue	12,326,592	2,218,619	-	-	-	-	-	-	14,545,211	
Issue of shares under ESOP	143,110	20,568	-	-	-	-	-	-	163,678	
Total contributions by and distributions to equity holders	13,513,775	2,501,280	-	-	-	-	-	(3,635,337)	12,379,718	
Transfer of unclaimed dividends	-	-	-	-	-	-	-	22,856	22,856	
Transfers during the year 2017	47,516	6,390	900,000	-	-	6,000,000	(53,906)	(6,900,000)	-	
Balance as at 31st December 2017	25,900,025	5,509,094	5,460,000	8,725,542	4,166,167	43,100,000	93,186	15,193,585	108,147,599	

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital		Statutory Reserves	Other Reserves							Total Equity
	Voting	Non-Voting	Reserve Fund	Capital Reserve	Available for Sale Reserve	General Reserve	Life policy holder Reserve fund	ESOP Reserve	Retained Earnings	Non Controlling Interests	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	14,263,234	4,518,441	31,100,000	(56,350)	202,356	7,949,848	2,179,288	77,743,690
Total comprehensive income for the year											
Net profit for the year 2016	-	-	-	-	-	-	-	-	14,755,634	909,328	15,664,962
Other comprehensive income, net of tax	-	-	-	5,518,506	(2,776,906)	-	-	-	368,586	81,814	3,192,000
Total comprehensive income for the year	-	-	-	5,518,506	(2,776,906)	-	-	-	15,124,220	991,142	18,856,962
Transactions with equity holders, recognised directly in equity											
Contributions by and distributions to equity holders											
Final dividend 2015 - Cash	-	-	-	-	-	-	-	-	(1,421,200)	(149,407)	(1,570,607)
Final dividend 2015 - Scrip	1,022,473	256,607	-	-	-	-	-	-	(1,421,200)	-	(142,120)
Interim dividend 2016 - Cash	-	-	-	-	-	-	-	-	(620,387)	-	(620,387)
Issue of shares under ESOP	157,128	21,813	-	-	-	-	-	-	-	-	178,941
Total contributions by and distributions to equity holders	1,179,601	278,420	-	-	-	-	-	-	(3,462,787)	(149,407)	(2,154,173)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	(134,781)	-	-	-	(134,781)
Transfers during the year 2016	48,444	6,820	800,000	(9,835)	-	6,000,000	-	(55,264)	(6,790,165)	-	-
Balance as at 31st December 2016	12,338,734	3,001,424	4,560,000	19,771,905	1,741,535	37,100,000	(191,131)	147,092	12,821,116	3,021,023	94,311,698
Balance as at 1st January 2017	12,338,734	3,001,424	4,560,000	19,771,905	1,741,535	37,100,000	(191,131)	147,092	12,821,116	3,021,023	94,311,698
Total comprehensive income for the year											
Net profit for the year 2017	-	-	-	-	-	-	-	-	15,946,989	794,407	16,741,396
Other comprehensive income, net of tax	-	-	-	(338,076)	2,466,196	-	-	-	(290,818)	32,734	1,870,036
Total comprehensive income for the year	-	-	-	(338,076)	2,466,196	-	-	-	15,656,171	827,141	18,611,432
Transactions with equity holders, recognised directly in equity											
Contributions by and distributions to equity holders											
Final dividend 2016 - Cash	-	-	-	-	-	-	-	-	(1,451,296)	(199,461)	(1,650,757)
Final dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	-	(1,451,296)	-	(145,130)
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	(732,745)	-	(732,745)
Proceeds from rights issue	12,326,592	2,218,619	-	-	-	-	-	-	-	-	14,545,211
Issue of shares under ESOP	143,110	20,568	-	-	-	-	-	-	-	-	163,678
Total contributions by and distributions to equity holders	13,513,775	2,501,280	-	-	-	-	-	-	(3,635,337)	(199,461)	12,180,257
Transfer to life policy holder reserve fund	-	-	-	-	-	-	414,402	-	-	-	414,402
Deemed disposal gain through joint venture	-	-	-	-	-	-	-	-	117,478	-	117,478
Transfer of unclaimed dividends	-	-	-	-	-	-	-	-	22,856	-	22,856
Transfers during the year 2017	47,516	6,390	900,000	-	-	6,000,000	-	(53,906)	(6,900,000)	-	-
Balance as at 31st December 2017	25,900,025	5,509,094	5,460,000	19,433,829	4,207,731	43,100,000	223,271	93,186	18,082,284	3,648,703	125,658,123

STATEMENT OF CASH FLOWS

For the year ended 31st December	BANK		GROUP	
	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
Cash flows from operating activities				
Interest and commission receipts	103,092,069	77,766,617	111,625,788	84,142,896
Interest payments	(52,956,382)	(36,874,859)	(54,672,229)	(37,989,919)
Cash payments to employees	(8,427,884)	(8,610,079)	(10,224,168)	(10,255,904)
Cash payments to other operating activities	(14,491,891)	(12,385,159)	(19,115,380)	(16,156,447)
Receipts from other operating activities	(501,325)	3,152,693	6,287,183	9,035,322
Recovery of loans written off in prior years	34,082	34,014	34,082	52,881
Operating profit before changes in operating assets and liabilities	26,748,669	23,083,227	33,935,276	28,828,829
(Increase) / decrease in operating assets				
Deposits held for regulatory or monetary control purpose	(4,833,326)	(13,681,524)	(4,833,326)	(13,681,524)
Loans and receivables to customers	(58,931,158)	(85,148,644)	(62,659,442)	(89,595,887)
Reverse repurchase agreements	4,301,421	567,579	4,167,210	2,043,130
Other short term assets	(1,383,507)	(343,355)	(1,765,867)	(1,090,556)
	(60,846,570)	(98,605,944)	(65,091,425)	(102,324,837)
Increase / (decrease) in operating liabilities				
Deposits from customers	74,318,613	91,722,310	79,519,452	94,514,994
Securities sold under repurchase agreements	(8,106,159)	(3,446,549)	(8,106,159)	(3,446,549)
Other liabilities	28,301	(621,447)	(66,004)	(434,220)
	66,240,755	87,654,314	71,347,289	90,634,225
Net cash generated from operating activities before income tax	32,142,854	12,131,597	40,191,140	17,138,217
Income taxes paid	(5,897,548)	(3,447,705)	(6,673,342)	(3,949,092)
Net cash generated from operating activities	26,245,306	8,683,892	33,517,798	13,189,125
Cash flows from investing activities				
Dividend income	2,022,028	886,229	206,706	145,082
Dividend income received from joint venture	-	-	-	30,200
Net proceeds from sale, maturity and purchase of financial investments	(24,124,865)	(28,227,265)	(25,129,232)	(30,271,537)
Proceeds from deemed disposal of subsidiary company by joint venture	-	-	117,478	-
Investment in joint venture company	-	(100,000)	-	(100,000)
Proceeds from sale of non-current assets held for sale	-	23,734	-	23,734
Proceeds from sale of property, plant and equipment	2,600	12,151	23,801	11,577
Purchase of intangible assets	(281,739)	(350,477)	(367,328)	(441,837)
Purchase of property, plant and equipment	(1,712,689)	(975,198)	(1,889,310)	(1,285,867)
Proceeds from sale of investment properties	-	-	-	3,650
Improvements to investment properties	(2,400)	(22,787)	(39,940)	(21,516)
Net cash used in investing activities	(24,097,065)	(28,753,613)	(27,077,825)	(31,906,514)
Cash flows from financing activities				
Proceeds from rights issue	14,545,212	-	14,545,212	-
Share issue expenses	(6,346)	-	(6,346)	-
Dividends paid	(2,338,018)	(1,799,283)	(2,534,359)	(1,948,690)
Debenture issue expenses	-	(35,233)	-	(35,233)
Increase / (decrease) in subordinated term debts	(500,000)	13,000,000	(490,500)	12,750,000
Increase / (decrease) in long term borrowings	(7,355,086)	12,053,368	(7,389,784)	12,045,541
Proceeds from issue of shares under ESOP	163,678	178,940	163,678	178,940
Net cash generated from financing activities	4,509,440	23,397,792	4,287,901	22,990,558
Net increase in cash and cash equivalents	6,657,681	3,328,071	10,727,874	4,273,169
Cash and cash equivalents at the beginning of the year	18,264,496	14,936,425	20,867,149	16,593,980
Cash and cash equivalents at the end of the year	24,922,177	18,264,496	31,595,023	20,867,149
Cash and cash equivalents at the end of the year				
Cash and cash equivalents	21,739,800	17,511,446	21,924,898	18,668,703
Placements with banks	3,182,377	753,050	9,670,125	2,198,446
	24,922,177	18,264,496	31,595,023	20,867,149

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31st December 2017	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
Assets				
Cash and cash equivalents	-	21,739,800	-	21,739,800
Balances with Central Bank of Sri Lanka	-	38,610,940	-	38,610,940
Placements with banks	-	3,182,377	-	3,182,377
Derivative financial instruments	615,357	-	-	615,357
Financial investments - fair value through profit or loss	120,486	-	-	120,486
Loans and receivables to customers	-	639,102,061	-	639,102,061
Financial investments - loans and receivables	-	122,199,048	-	122,199,048
Financial investments - available-for-sale	-	-	95,403,820	95,403,820
Other assets	-	2,361,404	-	2,361,404
Total financial assets	735,843	827,195,630	95,403,820	923,335,293
Liabilities				
Due to banks	-	62,463,497	-	62,463,497
Derivative financial instruments	1,305,900	-	-	1,305,900
Securities sold under repurchase agreements	-	5,064,360	-	5,064,360
Due to customers	-	701,519,297	-	701,519,297
Dividends payable	-	975,371	-	975,371
Other borrowings	-	27,258,006	-	27,258,006
Debt securities issued	-	4,540,259	-	4,540,259
Other liabilities	-	22,984	-	22,984
Subordinated term debts	-	25,809,261	-	25,809,261
Total financial liabilities	1,305,900	827,653,035	-	828,958,935
As at 31st December 2016				
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
Assets				
Cash and cash equivalents	-	17,511,446	-	17,511,446
Balances with Central Bank of Sri Lanka	-	33,777,614	-	33,777,614
Placements with banks	-	753,050	-	753,050
Reverse repurchase agreements	-	4,303,460	-	4,303,460
Derivative financial instruments	289,989	-	-	289,989
Financial investments - fair value through profit or loss	544,915	-	-	544,915
Loans and receivables to customers	-	584,412,727	-	584,412,727
Financial investments - loans and receivables	-	99,260,698	-	99,260,698
Financial investments - available-for-sale	-	-	89,915,153	89,915,153
Other assets	-	2,308,521	-	2,308,521
Total financial assets	834,904	742,327,516	89,915,153	833,077,573
Liabilities				
Due to banks	-	69,928,789	-	69,928,789
Derivative financial instruments	665,890	-	-	665,890
Securities sold under repurchase agreements	-	13,458,127	-	13,458,127
Due to customers	-	623,494,969	-	623,494,969
Dividends payable	-	1,007,075	-	1,007,075
Other borrowings	-	27,130,358	-	27,130,358
Debt securities issued	-	4,653,057	-	4,653,057
Other liabilities	-	403,851	-	403,851
Subordinated term debts	-	26,153,476	-	26,153,476
Total financial liabilities	665,890	766,229,702	-	766,895,592

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 31st December 2017	Fair Value Through Profit or Loss Rs 000	Held to Maturity Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
Assets					
Cash and cash equivalents	-	-	21,924,898	-	21,924,898
Balances with Central Bank of Sri Lanka	-	-	38,610,940	-	38,610,940
Placements with banks	-	-	9,670,125	-	9,670,125
Reverse repurchase agreements	-	-	772,002	-	772,002
Derivative financial instruments	615,357	-	-	-	615,357
Financial investments - fair value through profit or loss	266,538	-	-	-	266,538
Loans and receivables to customers	-	-	655,612,938	-	655,612,938
Financial investments - loans and receivables	-	-	125,031,671	-	125,031,671
Financial investments - available-for-sale	-	-	-	101,742,985	101,742,985
Financial investments - held to maturity	-	1,565,603	-	-	1,565,603
Other assets	-	-	3,407,396	-	3,407,396
Total financial assets	881,895	1,565,603	855,029,970	101,742,985	959,220,453
Liabilities					
Due to banks	-	-	62,464,391	-	62,464,391
Derivative financial instruments	1,305,900	-	-	-	1,305,900
Securities sold under repurchase agreements	-	-	5,064,360	-	5,064,360
Due to customers	-	-	718,770,051	-	718,770,051
Dividends payable	-	-	986,880	-	986,880
Other borrowings	-	-	27,258,006	-	27,258,006
Debt securities issued	-	-	5,035,958	-	5,035,958
Other liabilities	-	-	1,268,066	-	1,268,066
Subordinated term debts	-	-	25,564,596	-	25,564,596
Total financial liabilities	1,305,900	-	846,412,308	-	847,718,208
As at 31st December 2016					
	Fair Value Through Profit or Loss Rs 000	Held to Maturity Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
Assets					
Cash and cash equivalents	-	-	18,668,703	-	18,668,703
Balances with Central Bank of Sri Lanka	-	-	33,777,614	-	33,777,614
Placements with banks	-	-	2,198,446	-	2,198,446
Reverse repurchase agreements	-	-	5,756,794	-	5,756,794
Derivative financial instruments	289,989	-	-	-	289,989
Financial investments - fair value through profit or loss	716,008	-	-	-	716,008
Loans and receivables to customers	-	-	597,467,460	-	597,467,460
Financial investments - loans and receivables	-	-	102,063,229	-	102,063,229
Financial investments - available-for-sale	-	-	-	95,797,141	95,797,141
Financial investments - held to maturity	-	465,081	-	-	465,081
Other assets	-	-	3,175,431	-	3,175,431
Total financial assets	1,005,997	465,081	763,107,677	95,797,141	860,375,896
LIABILITIES					
Due to banks	-	-	69,964,380	-	69,964,380
Derivative financial instruments	665,890	-	-	-	665,890
Securities sold under repurchase agreements	-	-	13,458,127	-	13,458,127
Due to customers	-	-	635,371,097	-	635,371,097
Dividends payable	-	-	1,015,463	-	1,015,463
Other borrowings	-	-	27,130,358	-	27,130,358
Debt securities issued	-	-	5,115,801	-	5,115,801
Other liabilities	-	-	1,295,848	-	1,295,848
Subordinated term debts	-	-	25,901,110	-	25,901,110
Total financial liabilities	665,890	-	779,252,184	-	779,918,074

SEGMENT REPORTING

For the 12 months ended 31st December	Banking		Leasing/Hire purchase		Property		Insurance		Others*		Eliminations / Unallocated		Consolidated	
	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
Net interest income	37,461,688	32,246,731	2,286,276	2,185,546	-	-	1,636,150	1,130,726	4,116,056	3,559,806	(38,903)	(33,950)	45,461,267	39,088,859
Net fee and commission income	8,307,391	7,046,721	-	-	-	-	129,099	139,815	577,895	538,812	-	-	9,014,385	7,725,348
Net gain/(loss) from trading	(3,711,203)	(1,795,691)	-	-	-	-	14,360	(17,761)	1,185	(11,000)	-	-	(3,695,658)	(1,824,452)
Net gain/(loss) from financial investments	212,129	111,713	-	-	-	-	34,772	(8,548)	265	-	-	-	247,166	103,165
Net insurance premium income	-	-	-	-	-	-	6,326,292	5,490,712	-	-	-	-	6,326,292	5,490,712
Other operating income	5,193,106	3,251,305	-	-	217,902	193,836	50,792	19,063	238,423	238,122	(1,954,640)	(920,361)	3,745,583	2,781,965
Operating income by segment	47,463,111	40,860,779	2,286,276	2,185,546	217,902	193,836	8,191,465	6,754,007	4,933,824	4,325,740	(1,993,543)	(954,311)	61,099,035	53,365,597
Inter-segment revenue	(85,810)	(22,701)	-	-	769,307	746,739	114,324	142,809	81,618	63,050	(879,439)	(929,897)	-	-
Total operating income	47,377,301	40,838,078	2,286,276	2,185,546	987,209	940,575	8,305,789	6,896,816	5,015,442	4,388,790	(2,872,982)	(1,884,208)	61,099,035	53,365,597
Impairment charge for loans and other losses	3,035,468	278,785	-	(41,625)	-	-	(1,114)	4,434	891,795	266,565	-	-	3,926,149	508,159
Net operating income	44,341,833	40,559,293	2,286,276	2,227,171	987,209	940,575	8,306,903	6,892,382	4,123,647	4,122,225	(2,872,982)	(1,884,208)	57,172,886	52,857,438
Segment result	20,532,754	19,004,565	2,646,262	2,177,194	697,242	726,669	997,734	770,509	1,624,538	2,031,957	(2,042,690)	(967,209)	24,455,840	23,743,685
Unallocated operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,528,444)	(1,393,828)
Operating profit	-	-	-	-	-	-	-	-	-	-	-	-	22,927,396	22,349,857
Share of profit of associates and joint venture	-	-	-	-	-	-	-	-	-	-	-	-	175,616	148,790
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(6,361,616)	(6,833,685)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	16,741,396	15,664,962
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(794,407)	(909,328)
Profit attributable to the Equity	-	-	-	-	-	-	-	-	-	-	-	-	15,946,989	14,755,634
Holders of the Bank	-	-	-	-	-	-	-	-	-	-	-	-	15,946,989	14,755,634
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	16,741,396	15,664,962
Other comprehensive income, net of tax	2,261,009	(172,467)	-	-	-	-	25,288	479	39,106	141,117	(455,367)	3,222,871	1,870,036	3,192,000
Total Comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	18,611,432	18,856,962
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(827,141)	(991,142)
Total comprehensive income attributable to the Equity	-	-	-	-	-	-	-	-	-	-	-	-	17,784,291	17,865,820
Holders of the Bank	-	-	-	-	-	-	-	-	-	-	-	-	17,784,291	17,865,820
Segment assets	878,273,014	789,151,149	42,700,875	41,617,904	10,142,140	10,203,235	18,648,935	14,528,854	25,486,912	18,614,934	1,421,686	2,247,019	976,673,562	876,363,095
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	1,689,263	1,450,806
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	29,197,144	23,726,292
Total Assets	-	-	-	-	-	-	-	-	-	-	-	-	1,007,559,969	901,540,193
Segment liabilities	785,259,705	723,866,762	42,700,875	41,617,904	1,626,680	625,296	14,852,436	11,831,797	21,212,569	15,292,385	(2,519,821)	(2,467,193)	863,132,444	790,766,951
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	18,769,402	16,461,544
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	881,901,846	807,228,495
Cash flows from operating activities	18,389,344	11,575,535	7,855,962	(2,891,643)	639,616	717,134	1,509,809	1,292,190	3,176,020	(248,916)	1,947,047	2,744,825	33,517,798	13,189,125
Cash flows from investing activities	(24,097,065)	(28,753,613)	-	-	24,964	(84,534)	(1,385,046)	(953,592)	(3,862,606)	992,446	(1,818,630)	(3,107,221)	(27,077,825)	(31,906,514)
Cash flows from financing activities	4,509,440	23,397,792	-	-	(590,000)	(600,000)	(250,000)	(100,000)	(322,130)	382,056	(559,185)	(89,290)	4,287,901	22,990,558
Capital Expenditure	1,860,781	1,344,022	136,392	4,440	38,300	12,775	80,839	111,362	180,268	204,865	-	71,756	2,296,580	1,749,220
Depreciation	872,654	815,620	140	172	163,281	165,445	51,770	44,882	122,595	104,156	8,236	3,196	1,218,676	1,133,471
Amortization	236,381	200,413	19,627	19,725	67	67	18,937	20,106	34,756	20,046	-	-	309,768	260,357

* Business of HNB Grameen Finance Limited

EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2016.
2. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
3. There are no material events that took place after the Balance Sheet date, which require adjustment or disclosure in the financial statements, other than those disclosed below.
 - (a) The Directors recommend that a second interim dividend of Rs 5.00 per share (cash) and a final dividend of Rs. 2.00 per share (in the form of scrip) on both voting and non-voting shares of the Bank, be paid for the financial year ended 31st December 2017.

The final dividend is to be approved at the Annual General Meeting to be held on 28th March 2018. 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 2017.
4. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
5. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
6. Details of Employee Share Option Plan (ESOP)

	2012 Allocation*		2013 Allocation**	
	Voting	Non-voting	Voting	Non-voting
No of options brought forward	432,522	82,151	1,093,810	245,092
No of additional options granted in 2017 due to scrip dividend announced in 2016	16,022	3,057	23,559	5,819
No of additional options granted in 2017 due to scrip dividend announced in 2017	-	-	9,839	2,493
No of options exercised during the period	(337,621)	(61,984)	(660,392)	(141,047)
No of options expired during the period	(110,923)	(23,224)	(486)	(108)
No of options remaining	-	-	466,330	112,249
Allotment price (Rs)	145.79	81.43	142.17	110.04
Average market price for the period ended 31st December 2017 (Rs)	238.30	194.57	238.30	194.57

- * These options were allocated on 30th March 2012 and the retention period ended on 30th March 2013. The remaining options expired on 30th March 2017. Further, the additional options that were granted based on the scrip dividend declared for the year ended 31st December 2015 pertaining to 2012 allotment (3rd allotment) expired on 31st August 2017.
- ** These options were allocated on 5th June 2013 and the retention period ended on 4th June 2014. The outstanding options can be exercised within four years from the end of retention period or at retirement, resignation or death whichever occurs first.
7. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Grameen Finance Ltd & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
 8. Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given in the note to the financial statements.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at	As at	As at	As at
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	BANK		GROUP	
BASEL III *				
Regulatory Capital				
Common Equity Tier 1 (Rs. Mn)	92,877	N/A	100,246	N/A
Tier 1 Capital (Rs. Mn)	92,877	N/A	100,246	N/A
Total Capital (Rs. Mn)	115,341	N/A	122,650	N/A
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.25%)	13.72%	N/A	13.74%	N/A
Tier 1 Capital Ratio (Minimum Requirement - 7.75%)	13.72%	N/A	13.74%	N/A
Total Capital Ratio (Minimum Requirement - 11.75%)	17.04%	N/A	16.80%	N/A
BASEL II				
Regulatory Capital (Rs. Mn)				
Core capital (Tier 1 Capital) (Rs. Mn)	N/A	65,082	N/A	71,295
Total Capital Base (Rs. Mn)	N/A	88,569	N/A	95,199
Regulatory Capital Ratios (% of Risk Weighted Assets)				
Core capital adequacy Ratio (Minimum Requirement, 5%)	N/A	11.22%	N/A	11.51%
Total capital adequacy Ratio (Minimum Requirement, 10%)	N/A	15.27%	N/A	15.37%

* Basel III new guidelines were implemented w.e.f. 01st July 2017.

	31.12.2017	31.12.2016
	BANK	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio, % (net of Interest in Suspense)	2.28%	1.80%
Net Non-Performing Advances Ratio, % (net of Interest in Suspense and provisions)	0.77%	0.46%
Profitability (Annualised)		
Interest Margin, %	4.25%	4.26%
Return on Assets (before Tax), %	2.36%	2.49%
Return on Equity, %	17.62%	20.24%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	183,290	159,581
Off-Shore Banking Unit	34,670	16,786
Statutory Liquid Assets Ratio (Minimum requirement 20%)		
Domestic Banking unit	24.06%	23.49%
Off-Shore Banking Unit	46.15%	26.46%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 2017 - 80%, 2016 - 70%)	182.39%	176.48%
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 2017 - 80%, 2016 - 70%)	124.32%	118.45%

LISTED DEBENTURE INFORMATION

Quarter ended 31st December	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		2017	2016
	2017	2016	2017	2016	2017	2016	2017	2016		
	Highest	Lowest	Highest	Lowest	Rs.	Rs.				
HNB DEBENTURES 2006										
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T			N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T			N/T	N/T
HNB DEBENTURES 2007										
10 year Fixed Rate (16.00% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T			N/A	N/T
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										
5 year Fixed Rate (14.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T			N/T	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T			N/T	N/T
HNB DEBENTURES 2014										
3 year Fixed Rate (6.88% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T			N/T	N/T
5 year Fixed Rate (7.75% p.a.)	85.00	85.00	N/T	N/T	85.00	N/T			9.12	N/T
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 (11.25% p.a.)	88.00	87.50	91.50	91.00	88.00	91.50			12.78	12.30
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.)	100.00	100.00	100.00	99.80	100.00	100.00			13.00	13.00

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

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

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

Quarter ended 31st December	2017	2016
HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/A	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013		
5 year Fixed Rate (14.00% p.a.)	N/T	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
HNB DEBENTURES 2014		
3 year Fixed Rate (6.88% p.a.)	N/T	N/T
5 year Fixed Rate (7.75% p.a.)	16.87	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
HNB DEBENTURES 2016		
5 year Fixed Rate (11.25% p.a.)	16.12	13.98
5 year Fixed Rate (11.75% p.a.)	N/T	N/T
7 year Fixed Rate (13.00% p.a.)	12.99	12.98

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

RATIOS OF DEBT

	31.12.2017	31.12.2016
Debt Equity Ratio (%)	90.84	119.84
Interest Cover (Times)	4.46	5.06%
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	10.78	13.37
2006 series 18 year maturity	11.15	13.76
2007 series 10 year maturity	N/A	11.27
2007 series 15 year maturity	11.02	13.64
2011 series 10 year maturity	10.78	12.46
2013 series 5 year maturity	8.51	11.17
2013 series 10 year maturity	10.03	12.35
2014 series 3 year maturity	N/A	10.15
2014 series 5 year maturity	9.26	11.85
2014 series 10 year maturity	10.04	12.49
2016 series 5 year maturity	9.71	12.04
2016 series 5 year maturity	9.75	12.15
2016 series 7 year maturity	10.03	12.51

SHARE INFORMATION

As at	31-Dec-17	31-Dec-16
Number of Shares		
Voting	392,304,558	330,756,782
Non-voting	96,249,132	83,058,692
Last Traded Price per share		
Voting	249.00	225.00
Non-voting	195.00	190.00

For the Quarter Ended	31-Dec-17	31-Dec-16
Highest price per share		
Voting	259.80	235.00
Non-voting	205.00	202.00
Lowest price per share		
Voting	247.00	185.00
Non-voting	192.60	165.50

PUBLIC SHAREHOLDING PERCENTAGE

As at	31-Dec-17
Voting	64% approx.
Non-voting	99% approx.

NUMBER OF PUBLIC SHAREHOLDERS

As at	31-Dec-17
Voting	4,483
Non-voting	10,358

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-17	31-Dec-16
1. Mr. Rienzie Arseculeratne	11,825	-
2. Mr. A.J. Alles *	122,542	101,959
3. Ms. M.A.R.C. Cooray	7,003	5,404
4. Dr. L.R. Karunaratne	1,048	1,034
5. Mr. L.U.D. Fernando **	N/A	517
6. Mr. D.T.S.H. Mudalige	-	-
7. Miss. D.S.C. Jayawardena	514	508
8. Mr. R.S. Captain	7,218	6,104
9. Mr. D.A. Cabraal	-	-
10. Mr. P.S.C. Pelpola	-	-
11. Mr. E.D.P. Soosaipillai	-	-
12. Mr. A.H.D.A.N. De Silva	101	100
13. Mr. D.S. Weerakkody	2,031	N/A

* Chief Executive Officer

** Resigned w.e.f 03.04.2017

20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST DECEMBER 2017

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	38,259,574	9.75
2.	Sri Lanka Insurance Corporation - Life Fund	32,451,260	8.27
3.	Milford Exports (Ceylon) Limited	31,039,075	**7.91
4.	Stassen Exports Ltd	26,903,640	**6.86
5.	Mr.Sohli Edelji Captain	25,555,023	6.51
6.	HSBC Int'l Nominees Ltd-JPMLU-Franklin Templeton Investment	21,428,848	5.46
7.	Sonetto Holdings Limited	19,292,233	4.92
8.	Sri Lanka Insurance Corporation - General Fund	16,616,599	4.24
9.	Distilleries Company of Sri Lanka PLC	12,037,030	**3.07
10.	National Savings Bank	11,262,707	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore	7,367,358	1.88
12.	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	6,174,926	1.57
13.	Ms.Leesha Anne Captain	5,796,589	1.48
14.	RBC Investor Services Bank - COELI SICAV I - Frontier Market	5,034,689	1.28
15.	CitiBank Newyork S/A Norges Bank Account 2	4,461,303	1.14
16.	BNYM SA/NV Re-CF Ruffer Absolute Return Fund	4,144,792	1.06
17.	HSBC Int'l Nom Ltd-JPMLU-T Rowe Price Funds Sicav	3,952,285	1.01
18.	Mrs.Cheryl Susan De Fonseka	3,510,132	0.89
19.	HSBC Int'l Nom Ltd-JPMCB-Templeton Global Investment Trust	3,372,511	0.86
20.	BNYM SA/NV Re-Magna Umbrella Fund Plc	3,318,658	0.85

* Pursuant to the provisions of the Banking Act Directions No. 1 of 2007, the total collective voting rights in the Bank, of Milford Exports (Ceylon) Limited, Stassen Exports Limited and Distilleries Company of Sri Lanka (who collectively hold 17.84% of the voting shares of the Bank) are limited to 10% of the total voting rights of the Bank with effect from 15th March 2012 as the voting rights in excess of such percentage is deemed invalid from that date.

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 31ST DECEMBER 2017

	Name	No. of shares	% on total non-voting capital
1.	CITI Bank Newyork S/A Norges Bank Account 2	8,812,130	9.16
2.	HSBC Int'l Nom Ltd-UBS AG Zurich	8,535,961	8.87
3.	HSBC Intl nominees Ltd-JPMLU-Franklin Templeton Invest	6,945,406	7.22
4.	BNYM SA/NV-Frontaura Global Frontier Fund LLC	4,408,152	4.58
5.	BNYM SA/NV-Neon Liberty Lorikeet Master Fund LP	3,387,027	3.52
6.	BNYM SA/NV-CF Ruffer Total Return Fund	3,083,010	3.20
7.	Akbar Brothers Pvt Ltd A/c No.01	3,060,155	3.18
8.	BNYM SA/NV-CF Ruffer Absolute Return Fund	2,053,685	2.13
9.	CB Europe Plc LUX S/A Dunross & Co. AB	2,000,000	2.08
10.	Union Assurance PLC No. 1 A/c	1,501,851	1.56
11.	Mr.Sohli Edelji Captain	1,491,069	1.55
12.	Rubber Investment Trust Limited A/c # 01	1,403,493	1.46
13.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	1,219,065	1.27
14.	Mr.Jayampathi Divale Bandaranayake	1,129,168	1.17
15.	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	1,024,312	1.06
16.	Union Assurance PLC A/c No.5 (Unit-linked life insurance fund-equity fund)	967,683	1.01
17.	Employees Trust Fund Board	900,766	0.94
18.	The Ceylon Guardian Investment Trust PLC A/c #02	889,795	0.92
19.	The Ceylon Investment PLC A/c No.2	727,884	0.76
20.	Hatton National Bank PLC A/c No.2	692,934	0.72

NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	31.12.2017 Rs.000	31.12.2016 Rs.000	31.12.2017 Rs.000	31.12.2016 Rs.000
1) Loans and Receivables to Customers				
Gross loans and receivables	649,547,067	595,513,919	666,768,376	608,965,683
Less : Individual impairment	(5,390,947)	(3,366,278)	(5,390,947)	(3,366,278)
Collective impairment	(5,054,059)	(7,734,914)	(5,764,491)	(8,131,945)
Net loans and receivables	639,102,061	584,412,727	655,612,938	597,467,460
2) Loans and Receivables to Customers - By product				
By product-Domestic Currency				
Overdrafts	110,389,156	90,479,762	110,247,496	90,471,621
Bills of exchange	1,194,887	875,321	1,194,887	875,321
Commercial papers	154,365	153,972	154,365	153,972
Short term loans	47,679,970	56,342,739	47,842,255	56,462,680
Credit Cards	7,072,669	6,061,567	7,072,669	6,061,567
Trust receipts	30,476,959	22,529,322	30,476,959	22,529,322
Packing credit loans	574,311	360,888	574,311	360,888
Staff loans	12,038,721	11,430,637	12,716,383	11,975,374
Term loans	271,323,002	249,690,118	284,037,497	261,318,923
Lease rentals receivable	42,894,674	42,517,424	46,703,201	43,683,846
Housing loans	32,708,620	32,657,439	32,708,620	32,657,439
Pawning advances	15,529,655	14,010,152	15,529,655	14,010,152
Securitised notes	569,605	179,359	569,605	179,359
Sub total	572,606,594	527,288,700	589,827,903	540,740,464
By product-Foreign Currency				
Overdrafts	943,061	613,418	943,061	613,418
Bills of exchange	1,976,692	2,038,299	1,976,692	2,038,299
Short term loans	3,172,960	4,219,372	3,172,960	4,219,372
Trust receipts	2,261,712	2,356,391	2,261,712	2,356,391
Packing credit loans	13,398,050	10,532,884	13,398,050	10,532,884
Term loans	53,342,311	47,051,799	53,342,311	47,051,799
Lease rentals receivable	87,997	104,476	87,997	104,476
Housing loans	1,757,690	1,308,580	1,757,690	1,308,580
Sub total	76,940,473	68,225,219	76,940,473	68,225,219
Total	649,547,067	595,513,919	666,768,376	608,965,683
3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Customers				
	2017	2016	2017	2016
Individual impairment				
Opening balance at 01st January	3,366,278	3,345,714	3,366,278	3,345,714
Charge/(Write back) to income statement	4,680,044	225,581	4,680,044	225,581
Amounts written off	(2,373,179)	(230,219)	(2,373,179)	(230,219)
Interest accrued on impaired loans and receivables	(282,196)	25,202	(282,196)	25,202
Closing balance as at 31st December	5,390,947	3,366,278	5,390,947	3,366,278
Collective impairment				
Opening balance at 01st January	7,734,914	7,838,125	8,131,945	7,996,134
Charge/(Write back) to income statement	(1,470,163)	12,333	(1,047,317)	278,959
Amounts written off	(1,210,692)	(115,544)	(1,320,137)	(143,148)
Closing balance as at 31st December	5,054,059	7,734,914	5,764,491	8,131,945
Total impairment	10,445,006	11,101,192	11,155,438	11,498,223
4) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	35,345,019	34,256,113	51,766,299	33,973,012
Savings deposits	175,798,836	159,484,011	177,757,916	160,860,604
Time deposits	362,618,952	325,957,667	361,554,205	336,798,439
Certificates of deposit	955,609	957,804	955,609	957,804
Margin deposits	1,852,976	1,513,014	1,852,976	1,513,014
Sub total	576,571,392	522,168,609	593,887,005	534,102,873
By product- Foreign Currency				
Current account deposits	3,822,844	2,419,687	3,822,844	2,419,687
Savings deposits	33,951,894	29,361,173	33,943,675	29,351,297
Time deposits	87,154,033	69,524,852	87,097,393	69,476,592
Margin deposits	19,134	20,648	19,134	20,648
Sub total	124,947,905	101,326,360	124,883,046	101,268,224
Total	701,519,297	623,494,969	718,770,051	635,371,097