



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

**Interim Financial Statements
for the Nine Months ended 30th September 2017**

FINANCIAL COMMENTARY FOR THE 09 MONTHS ENDED 30TH SEPTEMBER 2017

- HNB Group Posts Rs 16.8 Bn PBT
- Group assets cross Rs 1 Trillion
- Shareholder funds increase to Rs 103.2Bn
- Total tax charge of Rs 9 Bn for the Group

Hatton National Bank PLC (HNB) continued its growth momentum to post a group Profit before VAT & NBT of Rs 20.7 Bn while the PBT and PAT improved to Rs 16.8 Bn and Rs 11.8 Bn respectively for the first nine months of the year while group assets crossed Rs 1 Tn. PBT at Bank level surpassed Rs 15 Bn and PAT was recorded at Rs 10.9 Bn.

Interest income of the Bank grew by 33.5% year on year (yoy), supported by a 14.9% yoy growth in advances. The 14.9% yoy growth in current account and savings account (CASA) deposits to Rs 247.2 Bn, enabled to improve the net interest income of the Bank by 18.7% yoy to Rs 29.6 Bn.

The interest income was complimented by fee and commission income which grew by 20.4% yoy on a net basis, adding Rs 6.1 Bn to the Bank's topline. Credit card business, trade finance and guarantee commission continued to be key contributors towards this growth.

An increase in swap rates as well as the volume of swaps led to the 'trading loss' increasing to Rs 2.8 Bn during the first nine months of 2017 compared to the loss of Rs 1.3 Bn in the corresponding period of the previous year. However the corresponding increase from position revaluations contributed to a 29.5% rise in 'other operating income' to Rs 2.8 Bn from Rs 2.1 Bn in 2016.

The NPA ratio increased to 2.6% as at end of September 2017 while the total impairment charge for the period amounted to Rs 2.3 Bn.

The initiatives adopted in the recent years towards operational excellence continued to bear fruit with HNB being able to contain the increase in total operating expenses to 7.5% yoy. Thus, the cost to income ratio for the nine months ended September 2017 improved by over 300 bps to 40.5% from the level reported for the corresponding period in 2016.

The upward revision in VAT to 15% from 11% in 2016, led to an increase of 29.6% in VAT & NBT charges for the period. This resulted in the Bank's PBT growth being constrained to 6.3%, leading to a PBT of Rs 15.4 Bn for the period. The Bank's total tax charge for the period (including VAT & NBT) amounted to Rs 8.2 Bn with the effective tax rate being 43% for the nine months ended September 2017.

The asset base of the Bank grew by 11% to Rs 953.3 Bn while net loans and advances reached Rs 625 Bn as at end of September 2017. HNB was successful in recording an impressive Rs 76.4 Bn growth in deposits during the period with the total deposits nearing Rs 700 Bn.

The rights issue which was concluded successfully during the third quarter of 2017 enabled the Bank to improve its Tier I and Total Capital Ratios to 12.91% and 16.42% respectively, significantly above the Basel III guidelines as set out by the Central Bank of Sri Lanka. The capital raised also resulted in ROE declining to 16.1%, while ROA was at 1.6% for the period.

All group companies contributed positively towards the group PBT of Rs 16.8 Bn and group PAT of Rs 11.8 Bn for the first nine months of the year.

During 2017 the Asian Banker adjudged HNB as the 'Best Retail Bank in Sri Lanka' for the 9th time while also recognizing it as possessing the 'Best Micro finance Product in the Asia Pacific Region'. The 'Asia Money Magazine' awarded HNB as the 'Best Bank for SME' and the 'Best Bank for CSR' in the country'. 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. HNB's leadership in technology was also recognized with the Bank's ATM network being awarded as the 'Best ATM Network of the Year' at the Lanka Pay Technnovation Awards 2017. Furthermore, HNB moved up the ranks to be 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 both these rankings.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services while maintaining a national long term rating of AA - (Ika) from Fitch Ratings Lanka Ltd. HNB is also ranked amongst the top 1000 banks in the world by the Banker.

STATEMENT OF PROFIT OR LOSS

	BANK						GROUP					
	For the 9 months ended 30th September			For the 3 months ended 30th September			For the 9 months ended 30th September			For the 3 months ended 30th September		
	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)
Gross Income	77,960,011	59,733,295	31	26,663,032	22,056,872	21	88,593,959	68,397,396	30	30,506,587	25,304,688	21
Interest income	71,533,996	53,568,968	34	24,991,986	20,027,520	25	77,132,197	57,893,756	33	26,930,092	21,627,083	25
Less : Interest expenses	41,928,350	28,628,597	46	14,500,682	10,946,583	32	43,244,049	29,543,742	46	15,008,423	11,276,774	33
Net interest income	29,605,646	24,940,371	19	10,491,304	9,080,937	16	33,888,148	28,350,014	20	11,921,669	10,350,309	15
Fee and commission income	6,211,740	5,162,861	20	2,077,304	1,756,126	18	6,850,375	5,644,192	21	2,336,294	1,915,936	22
Less : Fee and commission expenses	80,347	68,700	17	27,522	21,492	28	156,035	111,602	40	54,301	39,321	38
Net fee and commission income	6,131,393	5,094,161	20	2,049,782	1,734,634	18	6,694,340	5,532,590	21	2,281,993	1,876,615	22
Net interest, fee and commission income	35,737,039	30,034,532	19	12,541,086	10,815,571	16	40,582,488	33,882,604	20	14,203,662	12,226,924	16
Net gain/(loss) from trading	(2,762,551)	(1,250,822)	121	(1,873,222)	(727,494)	157	(2,746,387)	(1,272,523)	116	(1,877,155)	(707,856)	165
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) from financial investments	198,578	107,113	85	14,985	342	4,282	220,914	111,245	99	25,125	(7,368)	441
Net insurance premium income	-	-	-	-	-	-	4,638,295	4,037,660	15	1,632,398	1,452,137	12
Other operating income (net)	2,778,248	2,145,175	30	1,451,979	1,000,378	45	2,498,565	1,983,066	26	1,459,833	1,024,756	42
Total operating income	35,951,314	31,035,998	16	12,134,828	11,088,797	9	45,193,875	38,742,052	17	15,443,863	13,988,593	10
Impairment for loans and other losses												
Individual Impairment	977,434	(19,260)	5,175	386,095	11,973	3,125	977,434	(19,260)	5,175	386,095	11,973	3,125
Collective Impairment	1,306,919	149,491	774	452,394	(12,932)	3,598	1,469,019	260,474	464	546,190	36,376	1,402
Others	2,560	16,607	(85)	(3,961)	10,639	(137)	459,539	16,607	2,667	41,917	10,639	294
Net operating income	33,664,401	30,889,160	9	11,300,300	11,079,117	2	42,287,883	38,484,231	10	14,469,661	13,929,605	4
Operating expenses												
Personnel expenses	6,725,522	6,769,379	(1)	2,041,502	2,276,765	(10)	8,202,948	7,947,346	3	2,546,360	2,685,017	(5)
Depreciation and amortisation	830,516	762,993	9	287,492	262,584	9	1,169,739	1,029,026	14	405,770	371,054	9
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	4,282,933	3,685,129	16	1,549,727	1,312,233	18
Other expenses	7,003,085	6,010,909	17	2,364,774	1,983,996	19	7,982,263	6,734,023	19	2,690,782	2,228,863	21
Total operating expenses	14,559,123	13,543,281	8	4,693,768	4,523,345	4	21,637,883	19,395,524	12	7,192,639	6,597,167	9
Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services	19,105,278	17,345,879	10	6,606,532	6,555,772	1	20,650,000	19,088,707	8	7,277,022	7,332,438	(1)
Value added tax (VAT) and nation building tax (NBT) on financial services	3,701,083	2,854,771	30	1,232,258	1,176,298	5	4,017,795	3,105,589	29	1,344,186	1,273,389	6
Operating profit after value added tax (VAT) and nation building tax (NBT) on financial services	15,404,195	14,491,108	6	5,374,274	5,379,474	-	16,632,205	15,983,118	4	5,932,836	6,059,049	(2)
Share of profit of Joint Venture (net of income tax)	-	-	-	-	-	-	132,597	140,020	(5)	68,245	55,257	24
Profit before income tax	15,404,195	14,491,108	6	5,374,274	5,379,474	-	16,764,802	16,123,138	4	6,001,081	6,114,306	(2)
Income tax expense	4,506,793	4,393,798	3	1,612,834	1,690,953	(5)	4,959,556	4,891,579	1	1,726,340	1,887,391	(9)
Profit for the period	10,897,402	10,097,310	8	3,761,440	3,688,521	2	11,805,246	11,231,559	5	4,274,741	4,226,915	1
Profit attributable to:												
Equity holders of the Bank	10,897,402	10,097,310	8	3,761,440	3,688,521	2	11,311,015	10,677,609	6	4,070,586	4,012,608	1
Non-controlling interests	-	-	-	-	-	-	494,231	553,950	(11)	204,155	214,307	(5)
Profit for the period	10,897,402	10,097,310	8	3,761,440	3,688,521	2	11,805,246	11,231,559	5	4,274,741	4,226,915	1
Earnings per share on profit												
Basic earnings per ordinary share (Rs)	25.06	23.95	5	7.65	8.65	(12)	26.01	25.33	3	8.27	9.41	(12)
Diluted earnings per ordinary share (Rs)	25.04	23.90	5	7.64	8.63	(11)	25.99	25.27	3	8.27	9.39	(12)

STATEMENT OF COMPREHENSIVE INCOME

	BANK						GROUP					
	For the 9 months ended 30th September			For the 3 months ended 30th September			For the 9 months ended 30th September			For the 3 months ended 30th September		
	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)	2017 Rs 000	2016 Rs 000	% Increase/ (Decrease)
Profit for the period	10,897,402	10,097,310	8	3,761,440	3,688,521	2	11,805,246	11,231,559	5	4,274,741	4,226,915	1
Other comprehensive income, net of tax												
Other comprehensive income to be reclassified to profit or loss												
Available-for-sale financial assets:												
Net change in fair value during the period	3,077,844	(1,732,866)	278	1,472,497	1,436,050	3	3,511,383	(1,730,595)	303	1,743,561	1,595,741	9
Transfer from/(to) life policy holder reserve fund	-	-	-	-	-	-	(398,026)	1,665	(24,005)	(246,703)	(146,609)	68
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-	-	-	-	-	13,436	-	100	7,210	-	100
Deferred tax effect on above	(910,672)	79,557	(1,245)	(529,639)	(363,184)	46	(926,798)	79,557	(1,265)	(534,169)	(363,184)	47
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	(13,841)	(26,867)	48	962	12,095	(92)
Net other comprehensive income to be reclassified to profit or loss in subsequent period	2,167,172	(1,653,309)	231	942,858	1,072,866	(12)	2,186,154	(1,676,240)	230	970,861	1,098,043	(12)
Other comprehensive income not to be reclassified to profit or loss in subsequent period												
Re-measurement gains/(losses) on defined benefit plans	-	-	-	-	-	-	8,793	12,922	(32)	-	-	-
Deferred tax effect on above	-	-	-	-	-	-	(2,462)	(3,618)	(32)	-	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent period	-	-	-	-	-	-	6,331	9,304	(32)	-	-	-
Other comprehensive income for the period, net of tax	2,167,172	(1,653,309)	231	942,858	1,072,866	(12)	2,192,485	(1,666,936)	232	970,861	1,098,043	(12)
Total comprehensive income for the period	13,064,574	8,444,001	55	4,704,298	4,761,387	(1)	13,997,731	9,564,623	46	5,245,602	5,324,958	(1)
Total comprehensive income attributable to:												
Equity holders of the Bank	13,064,574	8,444,001	55	4,704,298	4,761,387	(1)	13,488,429	9,003,718	50	5,030,630	5,105,419	(1)
Non-controlling interests	-	-	-	-	-	-	509,302	560,905	(9)	214,972	219,539	(2)
Total comprehensive income for the period	13,064,574	8,444,001	55	4,704,298	4,761,387	(1)	13,997,731	9,564,623	46	5,245,602	5,324,958	(1)

STATEMENT OF FINANCIAL POSITION

	BANK		% Increase / (Decrease)	GROUP		
	As at 30.09.2017	As at 31.12.2016 Audited		As at 30.09.2017	As at 31.12.2016 Audited	
	Rs 000	Rs 000		Rs 000	Rs 000	
ASSETS						
Cash and cash equivalents	20,248,891	17,511,446	16	20,016,824	18,668,703	7
Balances with Central Bank of Sri Lanka	36,538,694	33,777,614	8	36,538,694	33,777,614	8
Placements with banks	3,268,413	753,050	334	9,764,636	2,198,446	344
Reverse repurchase agreements	14,819,446	4,303,460	244	15,532,303	5,756,794	170
Derivative financial instruments	588,549	289,989	103	588,549	289,989	103
Financial investments - Fair value through profit or loss	170,550	544,915	(69)	318,495	716,009	(56)
Loans and receivables to customers	625,061,174	584,412,727	7	641,266,729	597,467,460	7
Financial investments - Loans and receivables	122,905,592	99,260,698	24	125,954,254	102,063,229	23
Financial investments - Available-for-sale	100,491,341	89,915,153	12	106,564,995	95,797,142	11
Financial investments - Held-to-maturity	-	-	-	1,391,266	465,081	199
Investment in Joint Venture	755,000	755,000	-	1,569,562	1,450,806	8
Investments in Subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	244,475	403,959	(39)	1,034,502	1,054,300	(2)
Property, plant and equipment	14,647,734	13,945,002	5	30,286,309	29,844,234	1
Intangible assets and goodwill	760,836	789,648	(4)	1,189,963	1,180,269	1
Other assets	9,829,345	9,193,879	7	11,744,026	10,720,506	10
Total Assets	953,347,325	858,873,825	11	1,003,761,107	901,450,582	11
LIABILITIES						
Due to banks	67,555,713	69,928,789	(3)	67,632,179	69,964,380	(3)
Derivative financial instruments	1,629,591	665,890	145	1,629,591	665,890	145
Securities sold under repurchase agreements	5,163,485	13,458,127	(62)	5,163,485	13,458,127	(62)
Due to customers	699,900,588	623,494,969	12	715,760,593	635,371,097	13
Dividends payable	920,539	1,007,075	(9)	926,333	1,015,463	(9)
Other borrowings	27,084,496	27,130,358	-	27,089,533	27,130,358	-
Debt securities issued	4,593,699	4,653,057	(1)	5,081,361	5,115,801	(1)
Current tax liabilities	6,529,137	6,223,943	5	6,722,134	6,425,379	5
Deferred tax liabilities	1,023,122	231,364	342	1,508,241	824,778	83
Insurance provision - life	-	-	-	10,651,782	8,747,856	22
Insurance provision - general	-	-	-	2,507,017	1,921,567	30
Other provisions	2,997,509	3,158,444	(5)	3,342,265	3,407,050	(2)
Other liabilities	6,778,140	5,751,107	18	8,384,449	7,190,028	17
Subordinated term debts	25,967,672	26,153,476	(1)	25,732,317	25,901,110	(1)
Total Liabilities	850,143,691	781,856,599	9	882,131,280	807,138,884	9

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.09.2017 Rs 000	As at 31.12.2016 Audited Rs 000	% Increase / (Decrease)	As at 30.09.2017 Rs 000	As at 31.12.2016 Audited Rs 000	% Increase / (Decrease)
EQUITY						
Stated capital	31,398,140	15,340,158	105	31,398,140	15,340,158	105
Statutory reserve	4,560,000	4,560,000	-	4,560,000	4,560,000	-
Retained earnings	17,536,461	9,524,236	84	21,245,558	12,821,116	66
Other reserves	49,709,033	47,592,832	4	61,095,265	58,569,401	4
Total equity attributable to equity holders of the Bank	103,203,634	77,017,226	34	118,298,963	91,290,675	30
Non - controlling interests	-	-	-	3,330,864	3,021,023	10
Total equity	103,203,634	77,017,226	34	121,629,827	94,311,698	29
Total Liabilities and equity	953,347,325	858,873,825	11	1,003,761,107	901,450,582	11
Contingent liabilities and commitments	497,802,158	502,372,909	(1)	497,802,158	502,372,909	(1)
Net Assets Value per Share (Rs.)	211.27	186.11	14	242.17	220.60	10
Memorandum Information						
Number of Employees	4,283	4,190				
Number of Branches	252	251				

CERTIFICATION

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of Hatton National Bank PLC and the Group as at 30th September 2017 and its profit for the nine months ended 30th September 2017.

(Sgd.)

Anusha Gallage
Chief Financial Officer
08th November 2017

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

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

(Sgd.)

Jonathan Alles
Managing Director / Chief Executive Officer
08th November 2017

(Sgd.)

Rienzie Arseculeratne
Chairman
08th November 2017

STATEMENT OF CHANGES IN EQUITY - BANK

For the 9 months ended 30th September 2017	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 2017	12,338,734	3,001,424	4,560,000	8,644,483	1,701,257	37,100,000	147,092	9,524,236	77,017,226	
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	10,897,402	10,897,402	
Other Comprehensive Income for the period (net of tax)	-	-	-	-	2,167,172	-	-	-	2,167,172	
Total comprehensive income for the period	-	-	-	-	2,167,172	-	-	10,897,402	13,064,574	
Transactions with equity holders, recognised directly in equity										
Final dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	(1,451,296)	(145,130)	
Final dividend 2016 - Cash	-	-	-	-	-	-	-	(1,451,296)	(1,451,296)	
Proceeds from right issue	12,326,593	2,218,619	-	-	-	-	-	-	14,545,212	
Issue of shares under ESOP	135,137	20,495	-	-	-	-	-	-	155,632	
Total transactions with equity holders	13,505,803	2,501,207	-	-	-	-	-	(2,902,592)	13,104,418	
Transfers during the period	-	-	-	-	-	-	-	17,415	17,415	
Fair value of the employee share options exercised	44,605	6,367	-	-	-	-	(50,972)	-	-	
Balance as at 30th September 2017	25,889,142	5,508,998	4,560,000	8,644,483	3,868,429	37,100,000	96,120	17,536,461	103,203,634	
For the 9 months ended 30th September 2016										
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	6,435,410	4,455,566	31,100,000	202,356	5,270,848	65,051,053	
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	10,097,310	10,097,310	
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(1,653,309)	-	-	-	(1,653,309)	
Total comprehensive income for the period	-	-	-	-	(1,653,309)	-	-	10,097,310	8,444,001	
Transactions with equity holders, recognised directly in equity										
Final Dividend 2015 - Scrip	1,022,474	256,607	-	-	-	-	-	(1,421,200)	(142,119)	
Final Dividend 2015 - Cash	-	-	-	-	-	-	-	(1,421,200)	(1,421,200)	
Issue of shares under ESOP	100,968	14,361	-	-	-	-	-	-	115,329	
Total transactions with equity holders	1,123,442	270,968	-	-	-	-	-	(2,842,400)	(1,447,990)	
Fair value of the employee share options exercised	30,920	4,471	-	-	-	-	(35,391)	-	-	
Balance as at 30th September 2016	12,265,051	2,991,623	3,760,000	6,435,410	2,802,257	31,100,000	166,965	12,525,758	72,047,064	

STATEMENT OF CHANGES IN EQUITY - GROUP

For the 9 months ended 30th September 2017	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 2017	12,338,734	3,001,424	4,560,000	19,771,905	1,741,535	37,100,000	(191,131)	147,092	12,821,116	3,021,023	94,311,698
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	-	11,311,015	494,231	11,805,246
Other Comprehensive Income for the period (net of tax)	-	-	-	-	2,178,811	-	-	-	(1,396)	15,071	2,192,485
Total comprehensive income for the period	-	-	-	-	2,178,811	-	-	-	11,309,619	509,302	13,997,731
Transactions with equity holders, recognised directly in equity											
Final dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	-	(1,451,296)	-	(145,130)
Final dividend 2016 - Cash	-	-	-	-	-	-	-	-	(1,451,296)	(199,461)	(1,650,757)
Proceeds from right issue	12,326,593	2,218,619	-	-	-	-	-	-	-	-	14,545,212
Issue of shares under ESOP	135,137	20,495	-	-	-	-	-	-	-	-	155,632
Total transactions with equity holders	13,505,803	2,501,207	-	-	-	-	-	-	(2,902,592)	(199,461)	12,904,957
Transfer from life policy holder reserve fund	-	-	-	-	-	-	398,026	-	-	-	398,026
Transfers during the period	-	-	-	-	-	-	-	-	17,415	-	17,415
Fair value of the employee share options exercised	44,605	6,367	-	-	-	-	-	(50,972)	-	-	-
Balance as at 30th September 2017	25,889,142	5,508,998	4,560,000	19,771,905	3,920,346	37,100,000	206,895	96,120	21,245,558	3,330,864	121,629,827
For the 9 months ended 30th September 2016											
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	14,263,234	4,518,441	31,100,000	(56,350)	202,356	7,949,848	2,179,288	77,743,690
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	-	10,677,609	553,950	11,231,559
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(1,677,814)	-	-	-	3,923	6,955	(1,666,936)
Total comprehensive income for the period	-	-	-	-	(1,677,814)	-	-	-	10,681,532	560,905	9,564,623
Transactions with equity holders, recognised directly in equity											
Final Dividend 2015 - Scrip	1,022,474	256,607	-	-	-	-	-	-	(1,421,200)	-	(142,119)
Final Dividend 2015 - Cash	-	-	-	-	-	-	-	-	(1,421,200)	(149,407)	(1,570,607)
Deemed disposal loss through Joint Venture	-	-	-	-	-	-	-	-	(321)	-	(321)
Issue of shares under ESOP	100,968	14,361	-	-	-	-	-	-	-	-	115,329
Total transactions with equity holders	1,123,442	270,968	-	-	-	-	-	-	(2,842,721)	(149,407)	(1,597,718)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	(1,665)	-	-	-	(1,665)
Fair value of the employee share options exercised	30,920	4,471	-	-	-	-	-	(35,391)	-	-	-
Balance as at 30th September 2016	12,265,051	2,991,623	3,760,000	14,263,234	2,840,627	31,100,000	(58,015)	166,965	15,788,659	2,590,786	85,708,930

STATEMENT OF CASH FLOWS

For the 9 months ended 30th September	BANK		GROUP	
	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
Cash flows from operating activities				
Interest and commission receipts	75,854,264	55,772,654	81,920,159	60,500,107
Interest payments	(40,923,348)	(26,577,415)	(42,102,734)	(27,307,206)
Cash payments to employees	(6,344,877)	(6,270,720)	(7,641,608)	(7,367,892)
Cash payments to other operating activities	(10,781,537)	(8,501,641)	(13,956,012)	(11,239,368)
Receipts from other operating activities	(104,123)	824,644	4,793,714	5,125,647
Recovery of loans written off in previous years	25,292	22,536	25,292	22,536
Operating profit before changes in operating assets and liabilities	17,725,671	15,270,058	23,038,811	19,733,824
(Increase)/ decrease in operating assets				
Deposits held for regulatory or monetary control purpose	(2,761,080)	(12,585,593)	(2,761,080)	(12,585,593)
Loans and receivables to customers	(42,315,489)	(45,168,027)	(45,633,870)	(48,508,238)
Reverse repurchase agreements	(10,509,579)	3,803,545	(10,572,493)	5,012,850
Other short term assets	154,478	830,183	(194,566)	61,559
	(55,431,670)	(53,119,892)	(59,162,009)	(56,019,422)
Increase / (decrease) in operating liabilities				
Deposits from customers	74,861,785	51,908,465	78,741,778	53,995,833
Securities sold under repurchase agreements	(8,016,853)	12,193,832	(8,016,853)	12,193,832
Other liabilities	1,101,247	466,052	1,238,084	588,175
	67,946,179	64,568,349	71,963,009	66,777,840
Net cash generated from operating activities before income tax	30,240,180	26,718,515	35,839,811	30,492,242
Income taxes paid	(3,658,164)	(2,819,489)	(4,199,527)	(3,256,399)
Net cash generated from operating activities	26,582,016	23,899,026	31,640,284	27,235,843
Cash flows from investing activities				
Dividend income	725,255	509,788	184,384	135,478
Net proceeds from sale, maturity and purchase of financial investments	(31,444,550)	(38,181,650)	(31,896,847)	(40,463,051)
Investment in joint venture company	-	(100,000)	-	(100,000)
Purchase of property, plant and equipment	(1,185,680)	(776,507)	(1,381,637)	(920,812)
Purchase of intangible assets	(158,965)	(310,214)	(236,261)	(344,186)
Improvements to investment properties	(2,400)	(15,982)	(2,400)	(53,704)
Proceeds from sale of property, plant and equipment	6,303	28,994	22,602	30,297
Net cash used in investing activities	(32,060,037)	(38,845,571)	(33,310,159)	(41,715,978)
Cash flows from financing activities				
Proceeds from rights issue	14,545,212	-	14,545,212	-
Proceeds from issue of shares under ESOP	155,631	115,329	155,631	115,329
Increase/ (decrease) in subordinated term debts	(500,000)	7,000,000	(490,500)	6,750,000
Increase/ (decrease) in long term borrowings	(1,803,292)	10,665,509	(1,757,380)	10,655,455
Dividends paid	(1,665,546)	(1,358,993)	(1,867,601)	(1,508,400)
Share issue expenses	(1,176)	-	(1,176)	-
Debenture issue expenses	-	(10,913)	-	(10,913)
Net cash generated from financing activities	10,730,829	16,410,932	10,584,186	16,001,471
Net increase in cash and cash equivalents	5,252,808	1,464,387	8,914,311	1,521,336
Cash and cash equivalents at the beginning of the period	18,264,496	14,936,425	20,867,149	16,593,980
Cash and cash equivalents at the end of the period	23,517,304	16,400,812	29,781,460	18,115,316
Cash and cash equivalents at the end of the period				
Cash and cash equivalents	20,248,891	16,400,812	20,016,824	16,812,215
Placements with banks	3,268,413	-	9,764,636	1,303,101
	23,517,304	16,400,812	29,781,460	18,115,316

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th September 2017	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
ASSETS				
Cash and cash equivalents	-	20,248,891	-	20,248,891
Balances with Central Bank of Sri Lanka	-	36,538,694	-	36,538,694
Placements with banks	-	3,268,413	-	3,268,413
Reverse repurchase agreements	-	14,819,446	-	14,819,446
Derivative financial instruments	588,549	-	-	588,549
Financial investments - Fair value through profit or loss	170,550	-	-	170,550
Loans and receivables to customers	-	625,061,174	-	625,061,174
Financial investments - Loans and receivables	-	122,905,592	-	122,905,592
Financial investments - Available-for-sale	-	-	100,491,341	100,491,341
Other assets	-	2,347,483	-	2,347,483
Total financial assets	759,099	825,189,693	100,491,341	926,440,133
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000	
LIABILITIES				
Due to banks	-	67,555,713	67,555,713	
Derivative financial instruments	1,629,591	-	1,629,591	
Securities sold under repurchase agreements	-	5,163,485	5,163,485	
Due to customers	-	699,900,588	699,900,588	
Dividends payable	-	920,539	920,539	
Other borrowings	-	27,084,496	27,084,496	
Debt securities issued	-	4,593,699	4,593,699	
Other liabilities	-	36,027	36,027	
Subordinated term debts	-	25,967,672	25,967,672	
Total financial liabilities	1,629,591	831,222,219	832,851,810	
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Available- for-sale Rs 000	Total Carrying Amount Rs 000
As at 31st December 2016				
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
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000	
LIABILITIES				
Due to banks	-	69,928,789	69,928,789	
Derivative financial instruments	665,890	-	665,890	
Securities sold under repurchase agreements	-	13,458,127	13,458,127	
Due to customers	-	623,494,969	623,494,969	
Dividends payable	-	1,007,075	1,007,075	
Other borrowings	-	27,130,358	27,130,358	
Debt securities issued	-	4,653,057	4,653,057	
Other liabilities	-	403,851	403,851	
Subordinated term debts	-	26,153,476	26,153,476	
Total financial liabilities	665,890	766,229,702	766,895,592	

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th September 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	-	-	20,016,824	-	20,016,824
Balances with Central Bank of Sri Lanka	-	-	36,538,694	-	36,538,694
Placements with banks	-	-	9,764,636	-	9,764,636
Reverse repurchase agreements	-	-	15,532,303	-	15,532,303
Derivative financial instruments	588,549	-	-	-	588,549
Financial investments - fair value through profit or loss	318,495	-	-	-	318,495
Loans and receivables to customers	-	-	641,266,729	-	641,266,729
Financial investments - loans and receivables	-	-	125,954,254	-	125,954,254
Financial investments - available-for-sale	-	-	-	106,564,995	106,564,995
Financial investments - held to maturity	-	1,391,266	-	-	1,391,266
Other assets	-	-	3,419,504	-	3,419,504
Total financial assets	907,044	1,391,266	852,492,944	106,564,995	961,356,249
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000		
LIABILITIES					
Due to banks	-	67,632,179	67,632,179		
Derivative financial instruments	1,629,591	-	1,629,591		
Securities sold under repurchase agreements	-	5,163,485	5,163,485		
Due to customers	-	715,760,593	715,760,593		
Dividends payable	-	926,333	926,333		
Other borrowings	-	27,089,533	27,089,533		
Debt securities issued	-	5,081,361	5,081,361		
Other liabilities	-	1,196,121	1,196,121		
Subordinated term debts	-	25,732,317	25,732,317		
Total financial liabilities	1,629,591	848,581,922	850,211,513		
	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
As at 31st December 2016					
ASSETS					
Cash and cash equivalents	-	-	18,668,703	-	18,668,703
Balances with Central Bank of Sri Lanka	-	-	33,777,614	-	33,777,614
Placements with banks	-	-	2,198,446	-	2,198,446
Reverse repurchase agreements	-	-	5,756,794	-	5,756,794
Derivative financial instruments	289,989	-	-	-	289,989
Financial investments - fair value through profit or loss	716,009	-	-	-	716,009
Loans and receivables to customers	-	-	597,467,460	-	597,467,460
Financial investments - loans and receivables	-	-	102,063,229	-	102,063,229
Financial investments - available for sale	-	-	-	95,797,142	95,797,142
Financial investments - held to maturity	-	465,081	-	-	465,081
Other assets	-	-	3,175,431	-	3,175,431
Total financial assets	1,005,998	465,081	763,107,677	95,797,142	860,375,898
	Fair Value Through Profit or Loss Rs 000	Loans and Receivable Rs 000	Total Carrying Amount Rs 000		
LIABILITIES					
Due to banks	-	69,964,380	69,964,380		
Derivative financial instruments	665,890	-	665,890		
Securities sold under repurchase agreements	-	13,458,127	13,458,127		
Due to customers	-	635,371,097	635,371,097		
Dividends payable	-	1,015,463	1,015,463		
Other borrowings	-	27,130,358	27,130,358		
Debt securities issued	-	5,115,801	5,115,801		
Other liabilities	-	1,295,848	1,295,848		
Subordinated term debts	-	25,901,110	25,901,110		
Total financial liabilities	665,890	779,252,184	779,918,074		

SEGMENT REPORTING

For the 9 months ended 30th September	Banking		Leasing and Hirepurchase		Property		Insurance		Others*		Elimination /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
Total revenue from external customers	73,746,534	56,122,305	4,113,087	3,545,172	160,937	147,278	5,950,868	4,950,225	5,163,404	4,019,277	(540,871)	(386,861)	88,593,959	68,397,396
Inter segment revenue	100,390	65,818	-	-	574,254	551,976	80,828	102,009	113,854	24,000	(869,326)	(743,803)	-	-
Total revenue	73,846,924	56,188,123	4,113,087	3,545,172	735,191	699,254	6,031,696	5,052,234	5,277,258	4,043,277	(1,410,197)	(1,130,664)	88,593,959	68,397,396
Segment result	13,466,480	12,878,412	2,768,231	2,375,689	584,221	535,850	360,493	194,083	1,214,536	1,453,298	(592,017)	(425,188)	17,801,944	17,012,144
Unallocated expenses													(1,169,739)	(1,029,026)
Profit from operations													16,632,205	15,983,118
Income from Associates and Joint Venture													132,597	140,020
Taxes													(4,959,556)	(4,891,579)
Profit for the period													11,805,246	11,231,559
Non Controlling Interest													(494,231)	(553,950)
Profit attributable to the Equity holders of the Bank													11,311,015	10,677,609
Profit for the period													11,805,246	11,231,559
Other comprehensive Income,Net of tax	2,167,172	(1,653,309)	-	-	-	-	42,466	3,936	(3,312)	9,304	(13,841)	(26,867)	2,192,485	(1,666,936)
Total Comprehensive income for the period													13,997,731	9,564,623
Non Controlling Interest													(509,302)	(560,905)
Total comprehensive income attributable to the Equity Holders of the Bank													13,488,429	9,003,718
Total assets	911,361,464	777,867,654	41,985,861	40,689,238	10,341,774	10,389,130	17,605,031	13,762,982	25,046,269	16,296,154	(2,579,292)	(2,768,381)	1,003,761,107	856,236,777
Total liabilities	808,157,833	705,820,590	41,985,861	40,689,238	649,303	618,136	14,435,563	11,470,874	21,169,431	13,419,301	(4,266,711)	(1,490,292)	882,131,280	770,527,847
Cash flow from operating activities	27,604,929	25,640,492	(1,022,913)	(1,741,466)	611,908	288,134	1,188,956	844,812	4,184,945	(989,979)	(927,541)	3,193,850	31,640,284	27,235,843
Cash flow from Investing activities	(32,060,037)	(38,845,571)	-	-	(36,889)	(25,989)	(1,301,717)	(804,951)	(4,548,499)	856,818	4,636,983	(2,896,285)	(33,310,159)	(41,715,978)
Cash flow from financing activities	10,730,829	16,410,932	-	-	(340,000)	(260,000)	(250,000)	(100,000)	(216,200)	(16,595)	659,557	(32,866)	10,584,186	16,001,471

* Business of HNB Grameen Finance Ltd.

EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2016.
2. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
3. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
4. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
5. Details of Employee Share Option Plan (ESOP)

	2012 Allocation*		2013 Allocation**	
	Voting	Non-voting	Voting	Non-voting
No of options brought forward	432,522	82,151	1,093,810	245,092
No of additional options granted in 2017 due to scrip dividend announced in 2016	16,022	3,057	23,559	5,819
No of 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)	(604,313)	(140,380)
No of options expired during the period	(110,923)	(23,224)	(486)	(108)
No of options remaining	-	-	522,409	112,916
Allotment price (Rs)	145.79	81.43	142.17	110.04
Average market price for the period ended 30th September 2017 (Rs)	231.47	192.03	231.47	192.03

*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.

6. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Grameen Finance Ltd & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
7. Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given in the note to the financial statements.
8. The funds raised through debentures were fully utilized for the objectives mentioned in the prospectuses.
9. At the Extra Ordinary General Meeting held on 5th July 2017, shareholders approved the resolution to issue 56,029,966 voting shares and 14,093,547 non-voting shares by way of a rights issue to the existing shareholders of the Bank in the proportion of one new ordinary share for every six ordinary shares (1 : 6) held as at the end of trading on 5th July 2017. These shares were to be issued at an issue price of Rs 220/- per each ordinary voting share and at an issue price of Rs 190/- per each ordinary non-voting share.

Accordingly, Bank raised Rs 14.5 Bn through the issue of 56,029,966 voting shares and 11,676,947 non-voting shares. The position of the funds raised through the rights issue is as follows.

Objective number	Objective as per circular	Amount allocated as per circular (Rs Bn)	Proposed date of utilisation as per circular	Amount allocated from proceeds (Rs Bn) A	% of total proceeds	Amount utilised (Rs Bn) B	% utilised against allocation (B/A)	Clarification, if not fully utilised
1.	Improve the capital base of the Bank	15.0	Immediate	14.5	100%	14.5	100%	-
2.	Strengthen the balance sheet to support the growing demand for credit	15.0	August 2018	14.5	100%	14.5	100%	-

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

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at		As at	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	BANK		GROUP	
BASEL III				
Regulatory Capital				
Common Equity Tier 1 (Rs. Mn)	83,501	N/A	91,085	N/A
Tier 1 Capital	83,501	N/A	91,085	N/A
Total Capital	106,208	N/A	113,643	N/A
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.25%)	12.91%	N/A	13.07%	N/A
Tier 1 Capital Ratio (Minimum Requirement - 7.75%)	12.91%	N/A	13.07%	N/A
Total Capital Ratio (Minimum Requirement - 11.75%)	16.42%	N/A	16.30%	N/A
BASEL II				
Regulatory Capital (Rs. Mn)				
Core capital (Tier 1 Capital)	N/A	65,082	N/A	71,295
Total Capital Base	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.

	30.09.2017	31.12.2016
	BANK	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	2.64%	1.80%
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	1.23%	0.46%
Profitability (Annualised)		
Interest Margin,%	4.34%	4.26%
Return on Assets (before Tax),%	2.26%	2.49%
Return on Equity,%	16.96%	20.24%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	191,408	159,581
Off-Shore Banking Unit	33,911	16,786
Statutory Liquid Assets Ratio (Minimum requirement 20%)		
Domestic Banking unit	24.93%	23.49%
Off-Shore Banking Unit	39.12%	26.46%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 2017 - 80%, 2016 - 70%)	171.12%	176.48%
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 2017 - 80%, 2016 - 70%)	110.20%	118.45%

LISTED DEBENTURE INFORMATION

Quarter ended 30th September	Market Value			Last Traded		Interest Yield as at Last Trade Done (%)		
	2017		2016	2017	2016	2017		2016
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.		
HNB DEBENTURES 2006								
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	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/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	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	94.50	94.50	N/T	94.50	N/T	7.28
5 year Fixed Rate (7.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	N/T	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.)	89.40	87.50	93.40	91.00	88.00	91.00	12.78	12.36
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.)	99.85	99.85	N/T	N/T	99.85	N/T	13.02	N/T

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

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

Quarter ended 30th September	Yield to Maturity of Last Trade Done (% p.a)	
	2017	2016
HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013		
5 year Fixed Rate (14.00% p.a.)	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	11.59
5 year Fixed Rate (7.75% p.a.)	N/T	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
HNB DEBENTURES 2016		
5 year Fixed Rate (11.25% p.a.)	15.90	14.02
5 year Fixed Rate (11.75% p.a.)	N/T	N/T
7 year Fixed Rate (13.00% p.a.)	13.00	N/T

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

RATIOS OF DEBT		
	30.09.2017	31.12.2016
Debt Equity Ratio (%)	93.64	119.84
	30.09.2017	30.09.2016
Interest Cover (Times)	4.25	5.14
	30.09.2017	30.09.2016
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	10.87	12.18
2006 series 18 year maturity	11.23	12.59
2007 series 10 year maturity	N/A	11.13
2007 series 15 year maturity	11.12	12.48
2011 series 10 year maturity	11.05	12.39
2013 series 5 year maturity	9.23	10.42
2013 series 10 year maturity	10.00	11.41
2014 series 3 year maturity	8.51	10.21
2014 series 5 year maturity	9.43	10.88
2014 series 10 year maturity	10.13	11.52
2016 series 5 year maturity	9.79	10.97
2016 series 5 year maturity	9.94	N/A
2016 series 7 year maturity	10.10	N/A

SHARE INFORMATION

As at	30-Sep-17	31-Dec-16
Number of Shares		
Voting	392,248,479	330,756,782
Non-voting	96,248,465	83,058,692
Last Traded Price per Share		
Voting (Rs.)	235.00	225.00
Non-voting (Rs.)	190.30	190.00

For the Quarter Ended	30-Sep-17	30-Sep-16
Highest Price per Share		
Voting (Rs.)	244.50	228.00
Non-voting (Rs.)	198.90	194.00
Lowest Price per Share		
Voting (Rs.)	220.00	206.00
Non-voting (Rs.)	185.00	170.00

PUBLIC SHARE HOLDING PERCENTAGE

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

NUMBER OF PUBLIC SHAREHOLDERS

As at	30-Sep-17
Voting	4,540
Non-voting	10,315

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHARE HOLDING

	Number of shares	
	30-Sep-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	5,489	5,404
4. Dr. L.R. Karunaratne	1,048	1,034
5. Mr. L.U.D. Fernando **	N/A	517
6. Mr. D.T.S.H. Mudalige	-	-
7. Miss. D.S.C. Jayawardena	514	508
8. Mr. R.S. Captain	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

*** Appointed w.e.f.29.06.2017

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

	Name	No. of shares	% on Voting capital
1.	Employees Provident Fund	38,259,574	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	32,451,260	8.27
3.	Milford Exports (Ceylon) (Pvt) Limited	31,039,075	*7.94
4.	Stassen Exports (Pvt) Limited	26,903,640	*6.86
5.	Mr. S.E. Captain	25,555,023	6.89
6.	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	23,499,284	5.99
7.	Sonetto Holdings Limited	19,292,233	4.92
8.	Sri Lanka Insurance Corporation Ltd-General Fund	16,616,599	4.24
9.	Distilleries Company of Sri Lanka Plc	12,037,030	*3.08
10.	National Savings Bank	11,262,707	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,415,007	1.89
12.	BNYM SANV Re-CF Ruffer Total Return Fund	6,174,926	1.57
13.	Ms. L.A. Captain	5,796,589	1.48
14.	RBC Investor Services Bank-Coeli sicav i- Frontier Markets Fund	4,306,554	1.10
15.	BNYM SANV Re-CF Ruffer Absolute Return Fund	4,144,792	1.06
16.	Citibank Newyork S/A Norges Bank Account 2	3,963,663	0.93
17.	HSBC Intl Nominees Ltd-JPMLU-T Rowe Price Funds Sicav	3,569,895	0.88
18.	HSBC International Nominees Ltd-JPMCB-Templeton Global Investment Trust-Templeton Emerging Markets s	3,372,511	0.86
19.	Mrs. C.S. De Fonseka	3,337,632	0.85
20.	BNYM SANV Re-Magna Umbrella Fund Plc	3,318,658	0.79

*Pursuant to the provisions of the Banking Act Directions No. 1 of 2007, the total collective voting rights in the Bank, of Milford Exports (Ceylon) Limited, Stassen Exports Limited and Distilleries Company of Sri Lanka (who collectively hold 17.88% of the voting shares of the Bank) are limited to 10% of the total voting rights of the Bank with effect from 15th March 2012 as the voting rights in excess of such percentage is deemed invalid from that date.

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 30TH SEPTEMBER 2017

	Name	No. of shares	% on Non-voting capital
1.	HSBC Intl Nom Ltd-UBS AG Zurich	8,535,961	8.87
2.	Citibank Newyork S/A Norges Bank Account 2	8,128,041	8.44
3.	HSBC Intl nominees Ltd-JPMLU-Franklin Templeton Investment Funds	6,945,406	7.22
4.	BNYM SANV Re-Frontaura global frontier fund llc	4,408,152	4.58
5.	BNYM SANV Re-neon liberty lorikeet master fund lp	3,387,027	3.52
6.	BNYM SANV Re-CF Ruffer total return fund	3,083,010	3.20
7.	Akbar Brothers Pvt Ltd a/c no 1	3,028,510	3.15
8.	BNYM SANV Re-CF Ruffer absolute return fund	2,053,685	2.13
9.	CB Europe plc lux s/a Dunross and co ab	2,000,000	2.08
10.	Mr. S.E. Captain	1,491,069	1.55
11.	Union Assurance plc/no-01a/c	1,481,851	1.54
12.	Rubber Investment trust limited a/c # 01	1,403,493	1.46
13.	Bnymsanv re-cf ruffer investment funds : CF Ruffer Pacific fund	1,219,065	1.27
14.	Mr. J.D. Bandaranayake	1,129,168	1.17
15.	Employees Trust Fund Board	1,078,150	1.12
16.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,024,312	1.06
17.	Union assurance plc/account no.05 (unit-linked life insurance fund-equity fund)	967,683	1.01
18.	The ceylon guardian investment trust plc a/c # 02	889,795	0.92
19.	The ceylon investment plc a/c # 02	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	
	30.09.2017 Rs 000	31.12.2016 Rs 000	30.09.2017 Rs 000	31.12.2016 Rs 000
1) Loans and Receivables to Customers				
Gross loans and receivables	637,826,261	595,513,919	654,590,953	608,965,683
Less : Individual impairment	(4,146,828)	(3,366,278)	(4,146,828)	(3,366,278)
Collective impairment	(8,618,259)	(7,734,914)	(9,177,396)	(8,131,945)
Net loans and receivables	625,061,174	584,412,727	641,266,729	597,467,460
2) Loans and Receivables to Customers - By product				
By product-Domestic Currency				
Overdrafts	105,734,889	90,479,762	105,723,091	90,471,621
Bills of exchange	916,614	875,321	916,614	875,321
Commercial papers	154,241	153,972	154,241	153,972
Short term loans	44,706,924	56,342,739	44,856,060	56,462,680
Credit Cards	6,949,217	6,061,567	6,949,217	6,061,567
Trust receipts	29,035,319	22,529,322	29,035,319	22,529,322
Packing credit loans	475,778	360,888	475,778	360,888
Staff loans	11,953,824	11,430,637	12,631,371	11,975,374
Term loans	273,677,313	249,690,118	286,561,427	261,318,923
Lease rentals receivable	43,046,635	42,517,424	46,112,328	43,683,846
Housing loans	33,054,382	32,657,439	33,054,382	32,657,439
Pawning advances	14,828,471	14,010,152	14,828,471	14,010,152
Securitised notes	590,535	179,359	590,535	179,359
Sub total	565,124,142	527,288,700	581,888,834	540,740,464
By product-Foreign Currency				
Overdrafts	779,796	613,418	779,796	613,418
Bills of exchange	2,100,344	2,038,299	2,100,344	2,038,299
Short term loans	3,412,258	4,219,372	3,412,258	4,219,372
Trust receipts	2,542,503	2,356,391	2,542,503	2,356,391
Packing credit loans	13,200,724	10,532,884	13,200,724	10,532,884
Term loans	48,961,808	47,051,799	48,961,808	47,051,799
Lease rentals receivable	95,168	104,476	95,168	104,476
Housing loans	1,609,518	1,308,580	1,609,518	1,308,580
Sub total	72,702,119	68,225,219	72,702,119	68,225,219
Total	637,826,261	595,513,919	654,590,953	608,965,683
3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Customers				
	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
Individual impairment				
Opening balance at 01st January	3,366,278	3,345,714	3,366,278	3,450,410
Charge/(Write back) to income statement	977,434	(19,260)	977,434	(19,260)
Amounts written off	(196,884)	-	(196,884)	-
Closing balance as at 30th September	4,146,828	3,326,454	4,146,828	3,431,150
Collective impairment				
Opening balance at 01st January	7,734,914	7,838,125	8,131,951	7,894,438
Charge/(Write back) to income statement	1,306,919	149,491	1,469,019	260,474
Amounts written off	(423,574)	(777)	(423,574)	(777)
Closing balance as at 30th September	8,618,259	7,986,839	9,177,396	8,154,135
Total impairment	12,765,087	11,313,293	13,324,224	11,585,285
4) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	35,142,169	34,256,113	34,323,425	33,973,012
Savings deposits	176,770,241	159,484,011	179,084,465	160,860,604
Time deposits	364,224,581	325,957,667	378,654,314	336,798,439
Certificates of deposit	961,221	957,804	961,221	957,804
Margin deposits	1,475,095	1,513,014	1,475,095	1,513,014
Sub total	578,573,307	522,168,609	594,498,520	534,102,873
By product- Foreign Currency				
Current account deposits	2,289,665	2,419,687	2,289,665	2,419,687
Savings deposits	32,959,805	29,361,173	32,937,520	29,351,297
Time deposits	86,052,992	69,524,852	86,010,069	69,476,592
Margin deposits	24,819	20,648	24,819	20,648
Sub total	121,327,281	101,326,360	121,262,073	101,268,224
Total	699,900,588	623,494,969	715,760,593	635,371,097