



YOUR PARTNER IN PROGRESS

## Interim Financial Statements

For the year ended 31st December 2022

## FINANCIAL COMMENTARY FOR THE YEAR ENDED 31ST DECEMBER 2022

- Total operating income more than doubled to Rs 138 Bn
- Absorbs over Rs 90Bn in impairment
- Stellar growth of over 30% in deposits
- Stage 3 loan ratios of 3.4%; one of the best in the industry
- Strong liquidity with LAR and LCR well above statutory requirement
- Adjudged the Best Corporate Citizen in Sri Lanka 2022

Hatton National Bank PLC (HNB) demonstrated resilience and a staunch focus on sustainable business performance as it posted Rs 15.7 Bn in Group Profit After Tax during 2022, a year marked by extraordinary circumstances and challenges.

The Bank's interest income increased by 110.0% YoY to Rs 207.0 Bn, primarily due to the increase in average AWPLR during the year by over 14 percentage points, consequent to the Central Bank's restrictive monetary policy to arrest the inflationary pressure in the economy. Interest expense also grew at a similar rate as the high interest rates resulted in an industry wide shift from CASA to term deposits. The resultant net interest income expanded by 107.6% YoY to Rs 102.9 Bn.

The Bank's net fee and commission income grew by 57.7% YoY to Rs 15.2 Bn driven by higher credit card volumes and trade income. Exchange income also improved significantly as the rupee depreciated by nearly 80% during the year. However, the exchange impact of impairment provisions on foreign currency loans and investments amounting to Rs 12.3 Bn was offset against the exchange gains. Consequently, the non-interest income increased to Rs 35Bn from Rs 16.2Bn by 117%

Concerted efforts on supporting our customers to revive their businesses and proactive recovery initiatives enabled the Bank to maintain its Stage III loan ratio at 3.4% as at end of 2022. Factoring in the economic stress the Bank proactively increased its credit related impairments by 168% to Rs 31.2Bn for the year compared to Rs 11.7Bn in 2021.

Pursuant to the announcement on suspending repayment of foreign currency debt by the government of Sri Lanka, HNB on a prudent basis recognized an impairment charge of Rs 59Bn in 2022 on account of its investments in foreign currency denominated government securities. Accordingly, the total impairment charge for the year increased to Rs 90Bn by nearly five folds.

HNB's total operating expenses recorded an increase of 34.3% for the year. However, the operating expenses for 2021 included a reversal of Rs 2.2Bn on account of provisions made on pension and retirement benefits with the extension of retirement age to 60 years. Excluding this impact, the Bank's operating expenses recorded an increase of 22%, in the backdrop of inflation peaking at over 70% in September 2022. Despite costs increasing, the cost to income ratio improved to 22.0% compared to 34.4% recorded 2021, as total operating income improved at a much higher rate of 109.8% during the year.

Bank's standard tax rate increased from 24.0% to 30.0% during the year, and a newly implemented Social Security Contribution Levy of 2.5% came in to effect, while VAT on financial services increased from 15.0% to 18.0% w.e.f. 1st January 2022. Increase in deferred tax asset as a result of change in corporate tax rate to 30% and substantial impairment charges recognized along with the reversal of previous years' tax provisions with the settlement of past tax assessments, the Bank recognised a tax credit of Rs 2 Bn for the current year.

The Bank recorded a Profit After Tax of Rs 14.0 Bn compared to Rs 17.3 Bn recorded in 2021 while the Group recorded a PAT of Rs 15.7Bn compared to Rs 20Bn in 2021. This resulted in a ROA of 0.9% and a ROE of 9% for the Bank. The Board of Directors of the Bank has proposed a final dividend of Rs 5.00 per share in the form of a scrip dividend for both voting and non-voting shares.

The Bank's asset base expanded by 24.5% to Rs 1.7 Tn during the year, with loans and advances growing by 14.3% to Rs 1.1 Trillion. The growth was partly due to the devaluation of the rupee during the period and excluding this the growth was limited to 6% as the Bank adopted a cautious approach towards lending especially during the second half of the year. Total deposits of the Bank grew by 31% to Rs 1.4 Tn during the year, complementing Bank's strategy of improving liquidity in the face of the crisis. Although this was partly supported by the rupee devaluation, LKR deposits saw a significant growth of Rs 191Bn demonstrating the confidence placed by our customers.

The Bank reported Tier I and Total Capital Adequacy Ratios of 11.06% and 14.0% respectively against the minimum requirement of 9.5% and 13.5% respectively. The Central Bank permitted licensed commercial banks to drawdown up to 250 bps on the capital conservation buffer effectively lowering the requirement to 7% and 11% respectively. Furthermore, the Bank's liquidity position further strengthened with liquid asset ratio and all currency liquidity coverage ratio at 34.0% and 519.5%, against the statutory requirements of 20% and 90% respectively.

HNB was awarded as the "Best Corporate Citizen for 2022" by the Ceylon Chamber of Commerce for the leadership in sustainability, governance and excellence. Furthermore, HNB was ranked among the Top 1,000 Banks in the World for the sixth consecutive years by the acclaimed UK based 'The Banker Magazine' while being adjudged the 'Best Retail Bank in Sri Lanka' by the Asian Banker Magazine for the 12th time.

## INCOME STATEMENT

	BANK			BANK			GROUP			GROUP		
	For the year ended 31st December			For the quarter ended 31st December			For the year ended 31st December			For the quarter ended 31st December		
	2022 (Audited) Rs 000	2021 (Audited) Rs 000	% Increase / (Decrease)	2022 Rs 000	2021 Rs 000	% Increase/ (Decrease)	2022 (Audited) Rs 000	2021 (Audited) Rs 000	% Increase / (Decrease)	2022 Rs 000	2021 Rs 000	% Increase/ (Decrease)
<b>Gross income</b>	242,412,491	115,047,325	111	78,777,519	30,444,876	159	270,509,409	135,710,455	99	86,640,669	35,930,721	141
Interest income	207,019,354	98,600,557	110	72,077,388	26,065,178	177	220,581,307	107,407,723	105	76,279,548	28,128,247	171
Less: Interest expenses	104,142,478	49,041,200	112	40,277,925	12,084,991	233	109,014,763	50,945,355	114	42,040,873	12,495,467	236
<b>Net interest income</b>	102,876,876	49,559,357	108	31,799,463	13,980,187	127	111,566,544	56,462,368	98	34,238,675	15,632,780	119
Fee and commission income	15,520,113	9,893,263	57	4,263,230	3,046,909	40	16,521,300	10,676,982	55	4,561,404	3,319,442	37
Less: Fee and commission expenses	345,863	270,702	28	91,429	85,809	7	619,555	360,771	72	158,156	118,276	34
<b>Net fee and commission income</b>	15,174,250	9,622,561	58	4,171,801	2,961,100	41	15,901,745	10,316,211	54	4,403,248	3,201,166	38
<b>Net interest, fee and commission income</b>	118,051,126	59,181,918	99	35,971,264	16,941,287	112	127,468,289	66,778,579	91	38,641,923	18,833,946	105
Net gains / (losses) from trading	4,898,719	(522,039)	1,038	(36,058)	886,863	(104)	4,825,568	(383,772)	1,357	(70,404)	946,088	(107)
Net gain from financial investments at fair value through other comprehensive income	22,619	195,927	(88)	12,720	12,720	-	23,099	196,167	(88)	9,864	10,280	(4)
Net gains arising on de-recognition of financial assets	-	-	-	-	-	-	-	5,874	(100)	-	(3,616)	(100)
Net insurance premium income	-	-	-	-	-	-	12,750,482	10,641,842	20	3,227,654	2,990,805	8
Net other operating income	14,951,686	6,879,617	117	2,460,239	433,206	468	15,807,653	7,165,639	121	2,632,603	539,475	388
<b>Total operating income</b>	137,924,150	65,735,423	110	38,408,165	18,274,076	110	160,875,091	84,404,329	91	44,441,640	23,316,978	91
Less: Impairment charge for loans and other losses	90,461,305	18,778,047	382	30,185,979	7,584,687	298	91,735,672	19,534,309	370	30,327,769	7,701,561	294
<b>Net operating income</b>	47,462,845	46,957,376	1	8,222,186	10,689,389	(23)	69,139,419	64,870,020	7	14,113,871	15,615,417	(10)
<b>Less : Operating expenses</b>												
Personnel expenses	15,025,888	10,757,563	40	3,589,185	1,298,590	176	18,490,530	13,676,004	35	4,366,500	2,052,471	113
Depreciation and amortisation	2,567,704	2,442,964	5	662,470	650,546	2	3,187,482	2,905,296	10	818,978	771,543	6
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	11,715,338	8,955,217	31	3,379,032	1,945,539	74
Other expenses	12,793,975	9,433,000	36	3,319,242	2,723,303	22	16,410,169	11,812,874	39	4,417,062	3,380,963	31
<b>Total operating expenses</b>	30,387,567	22,633,527	34	7,570,897	4,672,439	62	49,803,519	37,349,391	33	12,981,572	8,150,516	59
<b>Operating profit before taxes on financial services</b>	17,075,278	24,323,849	(30)	651,289	6,016,950	(89)	19,335,900	27,520,629	(30)	1,132,299	7,464,901	(85)
Less : Value Added Tax (VAT) on financial services	4,932,774	4,498,822	10	670,010	929,654	(28)	5,070,791	4,759,882	7	684,974	1,002,267	(32)
: Social Security Contribution Levy	168,598	-	-	168,598	-	-	176,825	-	-	176,825	-	-
<b>Operating profit after taxes on financial services</b>	11,973,906	19,825,027	(40)	(187,319)	5,087,296	(104)	14,088,284	22,760,747	(38)	270,500	6,462,634	(96)
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	331,973	292,837	13	330,819	148,362	123
<b>PROFIT /LOSS BEFORE INCOME TAX</b>	11,973,906	19,825,027	(40)	(187,319)	5,087,296	(104)	14,420,257	23,053,584	(37)	601,319	6,610,996	(91)
Less: Income tax expense	(2,059,587)	2,525,260	(182)	(3,935,742)	22,321	(17,732)	(1,327,978)	2,969,222	(145)	(3,723,531)	(85,265)	4,267
<b>PROFIT FOR THE PERIOD</b>	14,033,493	17,299,767	(19)	3,748,423	5,064,975	(26)	15,748,235	20,084,362	(22)	4,324,850	6,696,261	(35)
<b>Profit attributable to:</b>												
Equity holders of the Bank	14,033,493	17,299,767	(19)	3,748,423	5,064,975	(26)	15,328,572	19,024,882	(19)	4,313,695	6,051,559	(29)
Non-controlling interests	-	-	-	-	-	-	419,663	1,059,480	(60)	11,155	644,702	(98)
<b>PROFIT FOR THE PERIOD</b>	14,033,493	17,299,767	(19)	3,748,423	5,064,975	(26)	15,748,235	20,084,362	(22)	4,324,850	6,696,261	(35)
<b>Earnings per share</b>												
Basic earnings per ordinary share (Rs)	26.20	32.30	(19)	7.00	9.46	(26)	28.62	35.52	(19)	8.05	11.30	(29)
Diluted earnings per ordinary share (Rs)	26.20	32.30	(19)	7.00	9.46	(26)	28.62	35.52	(19)	8.05	11.30	(29)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	BANK			BANK			GROUP			GROUP		
	For the year ended 31st December			For the quarter ended 31st December			For the year ended 31st December			For the quarter ended 31st December		
	2022 (Audited) Rs 000	2021 (Audited) Rs 000	% Increase/ (Decrease)	2022 Rs 000	2021 Rs 000	% Increase/ (Decrease)	2022 (Audited) Rs 000	2021 (Audited) Rs 000	% Increase/ (Decrease)	2022 Rs 000	2021 Rs 000	% Increase/ (Decrease)
<b>PROFIT FOR THE PERIOD</b>	14,033,493	17,299,767	(19)	3,748,423	5,064,975	(26)	15,748,235	20,084,362	(22)	4,324,850	6,696,261	(35)
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>												
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income	(1,618,910)	(257,524)	529	212,576	2,300	9,142	(1,618,910)	(257,524)	529	212,576	2,300	9,142
Remeasurement of post-employment benefit obligations	1,857,052	1,030,928	80	1,857,052	1,030,928	80	1,911,065	1,100,788	74	1,898,583	1,075,068	(77)
Revaluation gain on freehold land and buildings	-	4,878,773	(100)	-	4,878,773	(100)	200,071	8,547,116	(98)	-	8,547,116	100
Share of other comprehensive income of joint venture that will not be reclassified to profit or loss	-	-	-	-	-	-	448,051	1,108	40,338	448,051	1,108	(40,338)
Less: Tax expense relating to items that will not be reclassified to profit or loss	(1,157,240)	(576,923)	(100)	(1,157,240)	(1,155,785)	-	(1,602,951)	(786,036)	104	(1,552,368)	(2,033,270)	24
<b>Total other comprehensive income that will not be reclassified to profit or loss</b>	(919,098)	5,075,254	(118)	912,388	4,756,216	(81)	(662,674)	8,605,452	(108)	1,006,842	7,592,322	87
<b>Other comprehensive income that will be reclassified to profit or loss in subsequent periods</b>												
<b>Debt instruments at fair value through other comprehensive income :</b>												
Net gains / (losses) on investments in debt instruments measured at fair value through other comprehensive income	(3,634,091)	(2,972,433)	22	-	(840,501)	(100)	(5,287,257)	(3,916,786)	35	(30,467)	(1,104,680)	(97)
Cumulative net gains/(losses) on debt instruments measured at fair value through other comprehensive income that are reclassified to amortised cost	5,577,587	-	-	-	-	-	6,281,572	-	-	-	-	-
Reclassification of net gains on de-recognition of debt instruments at fair value through other comprehensive income to income statement	-	-	-	-	-	-	-	(5,874)	(100)	-	3,616	(100)
Net change in expected credit losses of debt securities measured at fair value through other comprehensive income	(295,445)	186,758	(258)	-	160,437	(100)	(295,445)	186,758	(258)	-	160,437	(100)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	1,244,429	851,693	46	16,636	236,838	(93)
Share of other comprehensive income of joint venture that will be reclassified to profit or loss	-	-	-	-	-	-	(7,090)	61,665	(111)	(685,650)	3,445	(20,003)
Less: Tax expense relating to items that will be reclassified to profit or loss	(466,439)	754,541	(162)	-	201,720	(100)	(1,227,236)	763,270	(261)	(786,343)	196,823	(500)
<b>Total other comprehensive income that will be reclassified to profit or loss</b>	1,181,612	(2,031,134)	(158)	-	(478,344)	(100)	708,973	(2,059,274)	134	(1,485,824)	(503,521)	195
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	262,514	3,044,120	(91)	912,388	4,277,872	(79)	46,299	6,546,178	(99)	(478,982)	7,088,801	(107)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	14,296,007	20,343,887	(30)	4,660,811	9,342,847	(50)	15,794,534	26,630,540	(41)	3,845,868	13,785,062	(72)
<b>Total comprehensive income attributable to:</b>												
Equity holders of the Bank	14,296,007	20,343,887	(30)	4,660,811	9,342,847	(50)	15,119,144	25,574,417	(41)	4,481,909	14,191,893	(68)
Non-controlling interests	-	-	-	-	-	-	675,390	1,056,123	(36)	(636,041)	(406,831)	56
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	14,296,007	20,343,887	(30)	4,660,811	9,342,847	(50)	15,794,534	26,630,540	(41)	3,845,868	13,785,062	(72)

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2022 (Audited) Rs 000	As at 31.12.2021 (Audited) Rs 000	% Increase / (Decrease)	As at 31.12.2022 (Audited) Rs 000	As at 31.12.2021 (Audited) Rs 000	% Increase / (Decrease)
<b>ASSETS</b>						
Cash and cash equivalents	80,238,881	38,185,254	110	80,629,698	40,900,372	97
Placements with banks	54,371,028	-	-	58,172,046	6,371,273	813
Balances with Central Bank of Sri Lanka	32,344,341	25,820,489	25	32,344,341	25,820,489	25
Reverse repurchase agreements	-	-	-	1,380,579	6,246,276	(78)
Derivative financial instruments	5,370,501	927,487	479	5,370,501	927,487	479
Financial assets measured at fair value through profit or loss	111,617	103,365	8	236,178	862,641	(73)
Financial assets measured at amortised cost - loans and advances to customers	974,131,252	876,254,693	11	1,014,518,939	911,253,345	11
Financial assets measured at amortised cost - debt and other financial instruments	448,791,874	160,677,520	179	479,787,015	171,930,640	179
Financial assets measured at fair value through other comprehensive income	2,706,660	203,426,433	(99)	6,062,195	210,804,487	(97)
Investment in joint venture	755,000	755,000	-	3,650,354	2,877,420	27
Investment in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	464,439	469,774	(1)	935,549	964,854	(3)
Property, plant and equipment	24,835,729	24,953,738	-	49,616,338	49,724,473	(0)
Right-of-use assets	5,397,734	5,439,384	(1)	2,463,788	2,177,902	13
Intangible assets and goodwill	1,250,154	1,429,544	(13)	1,771,092	1,989,134	(11)
Deferred tax assets	30,471,351	4,461,561	583	30,763,166	4,941,105	523
Other assets	26,281,118	12,415,094	112	30,573,372	15,858,665	93
<b>Total assets</b>	<b>1,690,538,964</b>	<b>1,358,336,621</b>	<b>24</b>	<b>1,798,275,151</b>	<b>1,453,650,563</b>	<b>24</b>
<b>LIABILITIES</b>						
Due to banks	6,104,578	17,075,502	(64)	6,104,578	17,075,502	(64)
Derivative financial instruments	25,632	353,356	(93)	25,632	353,356	(93)
Securities sold under repurchase agreements	6,540,014	33,524,226	(80)	6,540,014	33,524,226	(80)
Financial liabilities measured at amortised cost - due to depositors	1,407,800,492	1,075,709,287	31	1,443,179,121	1,107,065,820	30
Dividends payable	1,008,325	989,212	2	1,038,542	1,013,629	2
Financial liabilities measured at amortised cost - other borrowings	32,350,594	24,747,869	31	33,385,598	25,555,834	31
Debt securities issued	2,062,950	1,962,749	5	2,555,109	2,465,085	4
Current tax liabilities	30,025,919	10,051,689	199	30,460,242	10,518,569	190
Deferred tax liabilities	-	-	-	6,465,029	5,157,978	25
Insurance provision - life	-	-	-	24,592,403	20,378,015	21
Insurance provision - non life	-	-	-	4,181,588	3,735,921	12
Other provisions	5,000,513	3,928,598	27	5,467,274	4,550,802	20
Other liabilities	17,378,270	14,400,456	21	18,041,795	14,596,651	24
Subordinated term debts	22,914,299	23,552,323	(3)	26,151,300	24,391,912	7
<b>Total liabilities</b>	<b>1,531,211,586</b>	<b>1,206,295,267</b>	<b>27</b>	<b>1,608,188,225</b>	<b>1,270,383,300</b>	<b>27</b>

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2022 (Audited) Rs 000	As at 31.12.2021 (Audited) Rs 000	% Increase / (Decrease)	As at 31.12.2022 (Audited) Rs 000	As at 31.12.2021 (Audited) Rs 000	% Increase / (Decrease)
<b>EQUITY</b>						
Stated capital	38,679,005	37,364,244	4	38,679,005	37,364,244	4
Statutory reserve fund	9,310,000	8,560,000	9	9,310,000	8,560,000	9
Retained earnings	40,706,963	35,186,607	16	50,247,360	43,643,800	15
Other reserves	70,631,410	70,930,503	-	85,055,465	87,099,997	(2)
<b>Total shareholders' equity</b>	<b>159,327,378</b>	<b>152,041,354</b>	<b>5</b>	<b>183,291,830</b>	<b>176,668,041</b>	<b>4</b>
<b>Non-controlling interests</b>	-	-	-	6,795,096	6,599,222	3
<b>Total equity</b>	<b>159,327,378</b>	<b>152,041,354</b>	<b>5</b>	<b>190,086,926</b>	<b>183,267,263</b>	<b>4</b>
<b>Total equity and liabilities</b>	<b>1,690,538,964</b>	<b>1,358,336,621</b>	<b>24</b>	<b>1,798,275,151</b>	<b>1,453,650,563</b>	<b>24</b>
<b>Contingent liabilities and commitments</b>	<b>809,328,957</b>	<b>676,242,350</b>	<b>20</b>	<b>809,328,957</b>	<b>676,242,350</b>	<b>20</b>
<b>Net assets value per ordinary share (Rs.)</b>	<b>297.50</b>	<b>283.89</b>	<b>5</b>	<b>342.25</b>	<b>329.88</b>	<b>4</b>
<b>Memorandum Information</b>						
Number of Employees	5,156	5,042				
Number of Customer Centers	255	255				

## 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 2022 and its profit for the year ended 31st December 2022.

(Sgd.)

**Rajive Dissanayake**  
Chief Financial Officer  
17th February 2023

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

- the above statements have been prepared in compliance with the formats and definitions prescribed by the Central Bank of Sri Lanka;
- the information contained in these statements have been extracted from the audited financial statements of the Bank, its Joint Venture and Subsidiary Companies.

(Sgd.)

**Jonathan Alles**  
Managing Director / Chief Executive Officer  
17th February 2023

(Sgd.)

**Aruni Goonetilleke**  
Chairperson  
17th February 2023

## STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital			Other Reserves			Retained Earnings	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Capital Reserve	Fair value Reserve	General Reserve		
	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000		
<b>For the year ended 31st December 2022 (Audited)</b>								
<b>Balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	15,084,556	(1,254,053)	57,100,000	35,186,607	152,041,354
Adjustment for surcharge tax levied under the surcharge Tax Act No.14 of 2022	-	-	-	-	-	-	(3,611,625)	(3,611,625)
<b>Adjusted balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	15,084,556	(1,254,053)	57,100,000	31,574,982	148,429,729
<b>Total comprehensive income for the year</b>								
Net profit for the year	-	-	-	-	-	-	14,033,493	14,033,493
Other comprehensive income for the year, net of tax	-	-	-	(1,157,240)	(141,853)	-	1,561,607	262,514
<b>Total comprehensive income for the year</b>	-	-	-	(1,157,240)	(141,853)	-	15,595,100	14,296,007
<b>Transactions with equity holders, recognised directly in equity</b>								
<b>Contributions by and distributions to equity holders</b>								
<b>Dividends to equity holders</b>								
Final dividend 2021 - Cash	-	-	-	-	-	-	(3,418,380)	(3,418,380)
Final dividend 2021 - Scrip	1,052,150	262,611	-	-	-	-	(1,314,761)	-
<b>Total contributions by and distributions to equity holders</b>	1,052,150	262,611	-	-	-	-	(4,733,141)	(3,418,380)
Transfer of/(subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	20,022	20,022
Transfers during the year	-	-	750,000	-	-	1,000,000	(1,750,000)	-
<b>Balance as at 31st December 2022</b>	31,732,741	6,946,264	9,310,000	13,927,316	(1,395,906)	58,100,000	40,706,963	159,327,378
<b>For the year ended 31st December 2021 (Audited)</b>								
<b>Balance as at 1st January 2021</b>	29,244,472	6,327,857	7,660,000	10,782,706	1,221,363	56,100,000	22,665,227	134,001,625
<b>Total comprehensive income for the year</b>								
Net profit for the year	-	-	-	-	-	-	17,299,767	17,299,767
Other comprehensive income for the year, net of tax	-	-	-	4,301,850	(2,475,416)	-	1,217,686	3,044,120
<b>Total comprehensive income for the year</b>	-	-	-	4,301,850	(2,475,416)	-	18,517,453	20,343,887
<b>Transactions with equity holders, recognised directly in equity</b>								
<b>Contributions by and distributions to equity holders</b>								
<b>Dividends to equity holders</b>								
Final dividend 2020 - Cash	-	-	-	-	-	-	(2,303,891)	(2,303,891)
Final dividend 2020 - Scrip	1,436,119	355,796	-	-	-	-	(1,791,915)	-
<b>Total contributions by and distributions to equity holders</b>	1,436,119	355,796	-	-	-	-	(4,095,806)	(2,303,891)
Transfer of/(subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	(267)	(267)
Transfers during the year	-	-	900,000	-	-	1,000,000	(1,900,000)	-
<b>Balance as at 31st December 2021</b>	30,680,591	6,683,653	8,560,000	15,084,556	(1,254,053)	57,100,000	35,186,607	152,041,354

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital			Other Reserves										Total Equity
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Capital Reserve	General Reserve	Fair value Reserve	Life policy holder Reserve fund	Restricted Regulatory Reserve	Exchange Equalization Reserve	Retained Earnings	Shareholders' Funds	Non Controlling Interests		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
<b>For the year ended 31st December 2022 (Audited)</b>														
<b>Balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	43,643,800	176,668,041	6,599,222	183,267,263	
Adjustment for surcharge tax levied under the surcharge Tax Act No.14 of 2022	-	-	-	-	-	-	-	-	-	(3,912,900)	(3,912,900)	(68,995)	(3,981,895)	
Acquisition of subsidiary through HNB Finance PLC	-	-	-	-	-	-	-	-	-	-	-	-	(301,135)	
<b>Adjusted balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	39,730,900	172,755,141	6,229,092	178,984,233	
<b>Total comprehensive income for the year</b>														
Net profit for the year	-	-	-	-	-	-	-	-	-	15,328,572	15,328,572	419,663	15,748,235	
Other comprehensive income for the year, net of tax	-	-	-	(2,323,563)	-	75,409	-	-	448,051	1,590,675	(209,428)	255,727	46,299	
<b>Total comprehensive income for the year</b>	-	-	-	(2,323,563)	-	75,409	-	-	448,051	16,919,247	15,119,144	675,390	15,794,534	
<b>Transactions with equity holders, recognised directly in equity</b>														
<b>Contributions by and distributions to equity holders</b>														
<b>Dividends to equity holders</b>														
Final dividend 2021 - Cash	-	-	-	-	-	-	-	-	-	(3,418,380)	(3,418,380)	(192,000)	(3,610,380)	
Final dividend 2021 - Scrip	1,052,150	262,611	-	-	-	-	-	-	-	(1,314,761)	-	-	-	
Merger reserve arising from amalgamation of subsidiary, HNB Finance PLC and Prime Finance PLC	-	-	-	-	-	-	-	-	-	6,649	6,649	8,966	15,615	
Pre amalgamation profit of Prime Finance PLC	-	-	-	-	-	-	-	-	-	53,683	53,683	73,648	127,331	
<b>Total contributions by and distributions to equity holders</b>	1,052,150	262,611	-	-	-	-	-	-	-	(4,672,809)	(3,358,048)	(109,386)	(3,467,434)	
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(1,244,429)	-	-	-	(1,244,429)	-	(1,244,429)	
Transfer of / (subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	-	-	-	20,022	20,022	-	20,022	
Transfers during the year	-	-	750,000	-	1,000,000	-	-	-	-	(1,750,000)	-	-	-	
<b>Balance as at 31st December 2022</b>	31,732,741	6,946,264	9,310,000	28,493,417	58,100,000	(1,182,630)	(1,347,731)	381,156	611,253	50,247,360	183,291,830	6,795,096	190,086,926	
<b>For the year ended 31st December 2021 (Audited)</b>														
<b>Adjusted balance as at 1st January 2021</b>	29,244,472	6,327,857	7,660,000	23,054,710	56,100,000	1,270,055	748,391	381,156	101,634	29,361,200	154,249,475	5,409,964	159,659,439	
Acquisition of subsidiary through HNB Finance PLC	-	-	-	-	-	-	-	-	-	-	-	301,135	301,135	
<b>Adjusted balance as at 1st January 2021</b>	29,244,472	6,327,857	7,660,000	23,054,710	56,100,000	1,270,055	748,391	381,156	101,634	29,361,200	154,249,475	5,711,099	159,960,574	
<b>Total comprehensive income for the year</b>														
Net profit for the year	-	-	-	-	-	-	-	-	-	19,024,882	19,024,882	1,059,480	20,084,362	
Other comprehensive income for the year, net of tax	-	-	-	7,762,270	-	(2,528,094)	-	-	61,568	1,253,791	6,549,535	(3,357)	6,546,178	
<b>Total comprehensive income for the year</b>	-	-	-	7,762,270	-	(2,528,094)	-	-	61,568	20,278,673	25,574,417	1,056,123	26,630,540	
<b>Transactions with equity holders, recognised directly in equity</b>														
<b>Contributions by and distributions to equity holders</b>														
<b>Dividends to equity holders</b>														
Final dividend 2020 - Scrip	1,436,119	355,796	-	-	-	-	-	-	-	(1,791,915)	-	-	-	
Final dividend 2020 - Cash	-	-	-	-	-	-	-	-	-	(2,303,891)	(2,303,891)	(168,000)	(2,471,891)	
<b>Total contributions by and distributions to equity holders</b>	1,436,119	355,796	-	-	-	-	-	-	-	(4,095,806)	(2,303,891)	(168,000)	(2,471,891)	
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(851,693)	-	-	-	(851,693)	-	(851,693)	
Transfer of / (subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	-	-	-	(267)	(267)	-	(267)	
Transfers during the year	-	-	900,000	-	1,000,000	-	-	-	-	(1,900,000)	-	-	-	
<b>Balance as at 31st December 2021</b>	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	43,643,800	176,668,041	6,599,222	183,267,263	



## STATEMENT OF CASH FLOWS

For the year ended 31st December	BANK		GROUP	
	2022 (Audited) Rs 000	2021 (Audited) Rs 000	2022 (Audited) Rs 000	2021 (Audited) Rs 000
<b>Cash flows from operating activities</b>				
Interest receipts	204,741,871	99,044,623	218,374,687	107,874,546
Interest payments	(78,077,951)	(50,890,505)	(82,156,552)	(53,610,605)
Net commission receipts	15,080,565	9,948,665	15,895,361	10,727,319
Net trading income	4,526,126	(600,577)	4,534,746	(608,174)
Payments to employees	(14,787,910)	(12,327,246)	(18,013,411)	(15,803,751)
Taxes on financial services	(3,857,416)	(4,824,723)	(4,061,341)	(5,069,260)
Receipts from other operating activities	7,568,756	4,974,996	21,354,498	16,396,591
Payments on other operating activities	(10,738,450)	(10,978,088)	(24,821,097)	(17,151,493)
<b>Operating profit before change in operating assets and liabilities</b>	<b>124,455,591</b>	<b>34,347,145</b>	<b>131,106,891</b>	<b>42,755,173</b>
<b>(Increase)/decrease in operating assets</b>				
Balances with Central Bank of Sri Lanka	(6,523,852)	(18,608,094)	(6,523,852)	(18,608,094)
Financial assets measured at amortised cost - loans and advances to customers	(58,431,085)	(114,928,093)	(65,103,007)	(117,923,219)
Reverse repurchase agreements	-	-	4,865,697	(3,419,226)
Other assets	(6,107,771)	(1,266,482)	(6,967,076)	(1,215,835)
	<b>(71,062,708)</b>	<b>(134,802,669)</b>	<b>(73,728,238)</b>	<b>(141,166,374)</b>
<b>Increase/(decrease) in operating liabilities</b>				
Financial liabilities measured at amortised cost - due to depositors	149,135,812	108,560,558	152,260,052	109,856,977
Financial liabilities measured at amortised cost - other borrowings	(14,013,993)	(77,713,587)	(13,786,954)	(77,614,427)
Securities sold under repurchase agreements	(27,224,146)	23,193,118	(27,224,146)	23,193,118
Other liabilities	(16,324,873)	1,100,303	(16,423,675)	1,365,904
	<b>91,572,800</b>	<b>55,140,392</b>	<b>94,825,277</b>	<b>56,801,572</b>
<b>Net cash generated from / (used in) operating activities before income tax</b>	<b>144,965,683</b>	<b>(45,315,132)</b>	<b>152,203,930</b>	<b>(41,609,629)</b>
Income tax and surcharge tax paid	(9,520,889)	(3,545,047)	(10,222,643)	(3,946,039)
<b>Net cash generated from / (used in) operating activities</b>	<b>135,444,794</b>	<b>(48,860,179)</b>	<b>141,981,287</b>	<b>(45,555,668)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,173,458)	(706,891)	(1,471,498)	(1,063,001)
Proceeds from the sale of property, plant and equipment	13,295	12,801	17,387	10,622
Net proceeds from sale, maturity and purchase of financial investments	(33,860,569)	60,084,178	(46,443,765)	55,066,382
Net purchase of intangible assets	(229,884)	(504,339)	(285,513)	(661,046)
Net cash effect on acquisition of subsidiary through HNB Finance PLC	-	-	-	(1,300,092)
Dividends received from investment in subsidiaries	287,933	251,941	-	-
Dividends received from other investments	41,771	60,778	50,872	70,809
<b>Net cash generated from / (used in) investing activities</b>	<b>(34,920,912)</b>	<b>59,198,468</b>	<b>(48,132,517)</b>	<b>52,123,674</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of subordinated debt	-	7,000,000	2,000,000	7,000,000
Repayment of subordinated debt/debt securities issued	(700,000)	(11,000,000)	(733,250)	(10,883,250)
Dividend paid to non controlling interest	-	-	(186,194)	(161,905)
Dividend paid to shareholders of the parent company	(3,399,227)	(2,276,597)	(3,399,227)	(2,276,597)
<b>Net cash used in financing activities</b>	<b>(4,099,227)</b>	<b>(6,276,597)</b>	<b>(2,318,671)</b>	<b>(6,321,752)</b>
<b>Net increase in cash and cash equivalents</b>	<b>96,424,655</b>	<b>4,061,692</b>	<b>91,530,099</b>	<b>246,254</b>
Cash and cash equivalents at the beginning of the year	38,185,254	34,123,562	47,271,645	47,025,391
<b>Cash and cash equivalents at the end of the year</b>	<b>134,609,909</b>	<b>38,185,254</b>	<b>138,801,744</b>	<b>47,271,645</b>
<b>Cash and cash equivalents at the end of the year</b>				
Cash and cash equivalents	80,238,881	38,185,254	80,629,698	40,900,372
Placements with banks	54,371,028	-	58,172,046	6,371,273
	<b>134,609,909</b>	<b>38,185,254</b>	<b>138,801,744</b>	<b>47,271,645</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31st December 2022 (Audited)	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	80,238,881	-	80,238,881
Placements with banks	-	54,371,028	-	54,371,028
Balances with Central Bank of Sri Lanka	-	32,344,341	-	32,344,341
Reverse repurchase agreements	-	-	-	-
Derivative financial instruments	5,370,501	-	-	5,370,501
Financial assets measured at fair value through profit or loss	111,617	-	-	111,617
Financial assets measured at amortised cost				
- loans and advances to customer	-	974,131,252	-	974,131,252
Financial assets measured at amortised cost - debt and other financial instruments	-	448,791,874	-	448,791,874
Financial assets measured at fair value through other comprehensive income	-	-	2,706,660	2,706,660
Other financial assets	-	9,227,790	-	9,227,790
<b>Total financial assets</b>	<b>5,482,118</b>	<b>1,599,105,166</b>	<b>2,706,660</b>	<b>1,607,293,944</b>
<b>Liabilities</b>				
Due to banks	-	6,104,578	-	6,104,578
Derivative financial instruments	25,632	-	-	25,632
Securities sold under repurchase agreements	-	6,540,014	-	6,540,014
Financial liabilities measured at amortised cost - due to depositors	-	1,407,800,492	-	1,407,800,492
Dividends payable	-	1,008,325	-	1,008,325
Financial liabilities measured at amortised cost - other borrowings	-	32,350,594	-	32,350,594
Debt securities issued	-	2,062,950	-	2,062,950
Other financial liabilities	-	4,213	-	4,213
Subordinated term debts	-	22,914,299	-	22,914,299
<b>Total financial liabilities</b>	<b>25,632</b>	<b>1,478,785,465</b>	<b>-</b>	<b>1,478,811,097</b>
<b>As at 31st December 2021 (Audited)</b>				
	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	38,185,254	-	38,185,254
Placements with banks	-	-	-	-
Balances with Central Bank of Sri Lanka	-	25,820,489	-	25,820,489
Derivative financial instruments	927,487	-	-	927,487
Financial assets measured at fair value through profit or loss	103,365	-	-	103,365
Financial assets measured at amortised cost - loans and advances to customer	-	876,254,693	-	876,254,693
Financial assets measured at amortised cost - debt and other financial instruments	-	160,677,520	-	160,677,520
Financial assets measured at fair value through other comprehensive income	-	-	203,426,433	203,426,433
Other financial assets	-	6,123,181	-	6,123,181
<b>Total financial assets</b>	<b>1,030,852</b>	<b>1,107,061,137</b>	<b>203,426,433</b>	<b>1,311,518,422</b>
<b>Liabilities</b>				
Due to banks	-	17,075,502	-	17,075,502
Derivative financial instruments	353,356	-	-	353,356
Securities sold under repurchase agreements	-	33,524,226	-	33,524,226
Financial liabilities measured at amortised cost - due to depositors	-	1,075,709,287	-	1,075,709,287
Dividends payable	-	989,212	-	989,212
Financial liabilities measured at amortised cost - other borrowings	-	24,747,869	-	24,747,869
Debt securities issued	-	1,962,749	-	1,962,749
Other financial liabilities	-	9,346	-	9,346
Subordinated term debts	-	23,552,323	-	23,552,323
<b>Total financial liabilities</b>	<b>353,356</b>	<b>1,177,570,514</b>	<b>-</b>	<b>1,177,923,870</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 31st December 2022 (Audited)	Fair Value Through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	80,629,698	-	80,629,698
Placements with banks	-	58,172,046	-	58,172,046
Balances with Central Bank of Sri Lanka	-	32,344,341	-	32,344,341
Reverse repurchase agreements	-	1,380,579	-	1,380,579
Derivative financial instruments	5,370,501	-	-	5,370,501
Financial assets measured at fair value through profit or loss	236,178	-	-	236,178
Financial assets measured at amortised cost				-
- loans and advances to customers	-	1,014,518,939	-	1,014,518,939
Financial assets measured at amortised cost - debt and other financial instruments	-	479,787,015	-	479,787,015
Financial assets measured at fair value through other comprehensive income	-	-	6,062,195	6,062,195
Other financial assets	-	12,041,606	-	12,041,606
<b>Total financial assets</b>	<b>5,606,679</b>	<b>1,678,874,224</b>	<b>6,062,195</b>	<b>1,690,543,098</b>
<b>Liabilities</b>				
Due to banks	-	6,104,578	-	6,104,578
Derivative financial instruments	25,632	-	-	25,632
Securities sold under repurchase agreements	-	6,540,014	-	6,540,014
Financial liabilities measured at amortised cost - due to depositors	-	1,443,179,121	-	1,443,179,121
Dividends payable	-	1,038,542	-	1,038,542
Financial liabilities measured at amortised cost - other borrowings	-	33,385,598	-	33,385,598
Debt securities issued	-	2,555,109	-	2,555,109
Other financial liabilities	-	2,434,631	-	2,434,631
Subordinated term debts	-	26,151,300	-	26,151,300
<b>Total financial liabilities</b>	<b>25,632</b>	<b>1,521,388,893</b>	<b>-</b>	<b>1,521,414,525</b>
<b>As at 31st December 2021 (Audited)</b>				
	Fair Value Through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	40,900,372	-	40,900,372
Placements with banks	-	6,371,273	-	6,371,273
Balances with Central Bank of Sri Lanka	-	25,820,489	-	25,820,489
Reverse repurchase agreements	-	6,246,276	-	6,246,276
Derivative financial instruments	927,487	-	-	927,487
Financial assets measured at fair value through profit or loss	862,641	-	-	862,641
Financial assets measured at amortised cost - loans and advances to customers	-	911,253,345	-	911,253,345
Financial assets measured at amortised cost - debt and other financial instruments	-	171,930,640	-	171,930,640
Financial assets measured at fair value through other comprehensive income	-	-	210,804,487	210,804,487
Other financial assets	-	8,034,880	-	8,034,880
<b>Total financial assets</b>	<b>1,790,128</b>	<b>1,170,557,275</b>	<b>210,804,487</b>	<b>1,383,151,890</b>
<b>Liabilities</b>				
Due to banks	-	17,075,502	-	17,075,502
Derivative financial instruments	353,356	-	-	353,356
Securities sold under repurchase agreements	-	33,524,226	-	33,524,226
Financial liabilities measured at amortised cost - due to depositors	-	1,107,065,820	-	1,107,065,820
Dividends payable	-	1,013,629	-	1,013,629
Financial liabilities measured at amortised cost - other borrowings	-	25,555,834	-	25,555,834
Debt securities issued	-	2,465,085	-	2,465,085
Other financial liabilities	-	2,329,388	-	2,329,388
Subordinated term debts	-	24,391,912	-	24,391,912
<b>Total financial liabilities</b>	<b>353,356</b>	<b>1,213,421,396</b>	<b>-</b>	<b>1,213,774,752</b>

## SEGMENT REPORTING (AUDITED)

For the year ended 31st December	Corporate		Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFI*		Eliminations / Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Net interest income	9,242,018	5,881,015	35,986,295	14,298,239	10,427,177	7,772,862	862,155	857,464	44,744,360	18,440,948	165,334	(15,209)	4,484,745	2,496,287	3,415,972	3,802,744	2,238,488	2,928,018	111,566,544	56,462,368
Foreign exchange income	(4,705,790)	361,573	269,586	150,180	(6,513)	271,604	3,263	1,865	4,167,927	2,837,153	-	-	-	-	-	-	19,418,284	1,582,347	19,146,757	5,204,722
Net fee and commission income	5,283,473	3,329,351	5,712,717	4,365,300	3,990,060	2,339,534	194,038	159,806	3,921	1,879	-	-	272,222	225,740	455,272	467,911	(9,958)	(573,310)	15,901,745	10,316,211
Other operating income	-	-	-	-	-	-	-	-	73,794	12,222	1,038,607	1,017,160	13,441,723	10,937,322	571,735	258,896	(865,814)	195,428	14,260,045	12,421,028
Total operating income	9,819,701	9,571,939	41,968,598	18,813,719	14,410,724	10,384,000	1,059,456	1,019,135	48,990,002	21,292,202	1,203,941	1,001,951	18,198,690	13,659,349	4,442,979	4,529,551	20,781,000	4,132,484	160,875,091	84,404,329
Impairment charge for loans and other losses	19,724,214	6,228,846	3,539,098	1,272,391	7,960,907	3,587,920	410,403	696,707	58,823,539	6,964,860	-	-	31,354	1,890	1,246,157	754,372	-	27,323	91,735,672	19,534,309
Net operating income	(9,904,513)	3,343,093	38,429,500	17,541,328	6,449,817	6,796,080	649,053	322,428	(9,833,537)	14,327,342	1,203,941	1,001,951	18,167,336	13,657,459	3,196,822	3,775,179	20,781,000	4,105,161	69,139,419	64,870,020
Profit from operations																			14,088,284	22,760,747
Share of profit of joint venture																			331,973	292,837
Income tax expenses																			1,327,978	(2,969,222)
Non - controlling interests																			(419,663)	(1,059,480)
Net Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,328,572	19,024,882
<b>As at 31st December</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Segment assets	551,729,193	445,909,400	274,656,111	238,392,204	228,894,215	228,282,039	26,116,133	29,076,531	573,212,402	394,285,880	10,970,480	10,954,225	41,698,294	35,851,889	52,961,257	44,386,340	34,386,712	23,634,635	1,794,624,797	1,450,773,143
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,650,354	2,877,420	3,650,354	2,877,420
Total assets	551,729,193	445,909,400	274,656,111	238,392,204	228,894,215	228,282,039	26,116,133	29,076,531	573,212,402	394,285,880	10,970,480	10,954,225	41,698,294	35,851,889	52,961,257	44,386,340	38,037,066	26,512,055	1,798,275,151	1,453,650,563
Segment liabilities	258,174,870	171,902,142	835,246,480	688,395,688	260,588,569	197,715,739	15,851,101	10,903,678	7,028,292	41,693,276	10,970,480	10,954,225	41,698,294	35,851,889	52,961,257	44,386,340	315,755,808	251,847,586	1,798,275,151	1,453,650,563
Total liabilities	258,174,870	171,902,142	835,246,480	688,395,688	260,588,569	197,715,739	15,851,101	10,903,678	7,028,292	41,693,276	10,970,480	10,954,225	41,698,294	35,851,889	52,961,257	44,386,340	315,755,808	251,847,586	1,798,275,151	1,453,650,563
<b>For the year ended 31st December</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>Information on cash flows</b>																				
Cash flows from operating activities	11,777,702	(41,673,839)	75,779,664	59,941,700	55,411,307	13,182,684	8,967,277	1,340,197	15,940,347	(43,215,524)	647,987	647,986	1,941,282	3,141,494	3,077,562	494,123	(31,561,841)	(39,414,489)	141,981,287	(45,555,668)
Cash flows from investing activities	(1,500,000)	(4,700,000)	-	-	-	-	-	-	(33,860,569)	59,766,382	(900,454)	(900,454)	(2,531,942)	(1,176,386)	(3,201,534)	(3,365,819)	(6,138,018)	2,499,951	(48,132,517)	52,123,674
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	-	-	(642,654)	(550,835)	(359,940)	(311,253)	(1,316,077)	(5,459,664)	(2,318,671)	(6,321,752)
<b>Net cash flow generated / (used in) during the period</b>	<b>10,277,702</b>	<b>(46,373,839)</b>	<b>75,779,664</b>	<b>59,941,700</b>	<b>55,411,307</b>	<b>13,182,684</b>	<b>8,967,277</b>	<b>1,340,197</b>	<b>(17,920,222)</b>	<b>16,550,858</b>	<b>(252,467)</b>	<b>(252,468)</b>	<b>(1,233,314)</b>	<b>1,414,273</b>	<b>(483,912)</b>	<b>(3,182,949)</b>	<b>(39,015,936)</b>	<b>(42,374,202)</b>	<b>91,530,099</b>	<b>246,254</b>
Capital expenditure																				
- Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	(986)	(218,651)	(177,280)	(86,937)	(170,590)	(1,165,910)	(714,145)	(1,471,498)	(1,063,001)
- Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	(17,706)	(16,904)	(42,381)	(139,802)	(225,426)	(504,340)	(285,513)	(661,046)
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(986)</b>	<b>(236,357)</b>	<b>(194,184)</b>	<b>(129,318)</b>	<b>(310,392)</b>	<b>(1,391,336)</b>	<b>(1,218,485)</b>	<b>(1,757,011)</b>

\* Business of HNB Finance PLC

## EXPLANATORY NOTES

1. The figures are extracted from the audited financial statements for the year ended 31st December 2022. External Auditors of the Group/Bank, M/s KPMG carried out an audit for the year ended 31st December 2022 and expressed an unqualified opinion on the financial statements of the Bank and the Group for the year ended 31st December 2022.

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

2. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2021.
3. There are no material changes during the period in the composition of assets, liabilities and contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.

#### 4. ECL Assessment and computation

The Bank reassessed the Probabilities of Default (PD), Loss Given Default (LGD) and the Economic Factor Adjustment used in collective impairment assessment as at December 2022 after taking into consideration the changes in the macro economic factors such as the significant volatility in exchange rates, interest rates, inflation and GDP growth rates. Management overlays were also recognised in respect of exposures to specific industries where an elevated level of risk have been identified. Bank has made adequate provisions for expected credit losses in the financial statements as at 31st December 2022 to ensure that the potential impact to its loan portfolio is adequately covered. The Board will continue to monitor the implications and make adjustments, if required.

Further, provision against foreign currency denominated government securities increased during the year 2022, which resulted in a significant increase in impairment recognized in the income statement.

5. Bank re-classified its debt securities portfolio measured at Fair Value Through Other Comprehensive Income category to Amortised Cost category with effect from 1st April 2022 in accordance with "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio" issued by CA Sri Lanka. Accordingly, Treasury Bills, Treasury Bonds and International Sovereign Bond investments which were previously classified as financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) were re-classified as financial assets measured at amortised cost. There was no change to the effective interest rate used and interest revenue recognised in respect of the reclassified assets for the year ended 31st December 2022.

Had these investments continued to be carried at fair value through other comprehensive income, the fair value of same as at 31st December 2022 would have amounted to Rs 22 Bn and would have resulted in the recognition of a fair value loss of Rs 6 Bn (net of tax) in other comprehensive income during the period.

6. 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.
7. In accordance with the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22nd April 2022, and related amendments, the Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1st April 2020, has been recorded as an adjustment to the opening retained earnings as at 1st January 2022 as reported in the Statement of Changes in Equity.
8. The Inland Revenue (Amendment) Act No 45 of 2022 was certified by the Speaker on 19th December 2022. The standard rate of Income Tax has been increased to 30% from 24% w.e.f. 1st October 2022. The increase in income tax rate to 30% in mid-year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Bank/ Group has computed the current tax payable on a pro rata basis for the Year of Assessment 2022/23.
9. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
10. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Finance PLC & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
11. The funds raised through debentures previously issued were fully utilized for the objectives mentioned in the respective prospectuses.
12. 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 below.

#### Proposed dividends

The Directors recommend that a final dividend of Rs. 5.00 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 2022. The final dividend is to be approved at the Annual General Meeting to be held on 30th March 2023. 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 2022.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
	BANK		GROUP	
<b>BASEL III</b>				
<b>Regulatory Capital</b>				
Common Equity Tier 1.Rs.Mn	110,339	122,798	125,236	134,611
Tier 1 Capital.Rs.Mn	110,339	122,798	125,236	134,611
Total Capital.Rs.Mn	139,615	153,484	155,160	165,800
<b>Regulatory Capital Ratios</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2022 - 8.00%:2021 - 7.00%)	11.06%	14.53%	11.42%	14.45%
Tier 1 Capital Ratio (Minimum Requirement - 2022 - 9.50%:2021 - 8.50%)	11.06%	14.53%	11.42%	14.45%
Total Capital Ratio (Minimum Requirement 2022 - 13.50%:2021 - 12.50%)	14.00%	18.16%	14.15%	17.80%
Leverage Ratio (Minimum Requirement- 3.00%)	6.22%	7.97%	6.65%	8.22%
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Impaired Loans (Stage 3) Ratio,%	3.40%	2.55%		
Impairment (Stage 3) to Stage 3 loans Ratio,%	56.99%	56.11%		
<b>Profitability (Annualised)</b>				
Interest Margin,%	6.40%	3.70%		
Return on Assets (before Tax),%	0.75%	1.48%		
Return on Equity,%	9.14%	12.09%		
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	464,288	311,795		
Off-Shore Banking Unit	47,720	22,254		
Consolidated (Bank)	494,462	326,080		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	31.04%	27.51%		
Off-Shore Banking Unit	29.10%	24.95%		
Consolidated (Bank)	33.95%	28.02%		
Total Stock of High-Quality Liquid Assets, Rs. Mn	323,526	248,266		
Liquidity Coverage Ratio (%) - Rupee	255.83%	191.38%		
(Minimum Requirement - 2022 -100%,2021 - 100%)				
Liquidity Coverage Ratio (%) - All Currency	519.47%	207.99%		
(Minimum Requirement - 2022 - 100%,2021 - 100%)				
Net Stable Funding Ratio(Minimum Requirement - 2022 - 100%,2021 - 100%)	130.85%	117.57%		

## LISTED DEBENTURE INFORMATION

Quarter ended 31st December	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2022		2021		2022	2021	2022	2021	2021
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.			
<b>HNB DEBENTURES 2006</b>									
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2007</b>									
15 year Fixed Rate (16.75% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T		N/T	N/T
<b>HNB DEBENTURES 2011</b>									
10 year Fixed Rate (11.50% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T		N/A	N/T
<b>HNB DEBENTURES 2013</b>									
10 year Fixed Rate (8.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/A	N/T
<b>HNB DEBENTURES 2014</b>									
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/A	N/T
<b>HNB DEBENTURES 2016</b>									
5 year Fixed Rate (11.75% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T		N/A	N/T
7 year Fixed Rate (13.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2019</b>									
5 year Fixed Rate (12.30% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
7 year Fixed Rate (12.80% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2021</b>									
10 year Fixed Rate (9.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T

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

RATIOS OF DEBT		
	31.12.2022	31.12.2021
Debt Equity Ratio (%)	30.91	28.27
	31.12.2022	31.12.2021
Interest Cover (Times)	3.98	5.12
	31.12.2022	31.12.2021
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 18 year maturity	25.72	9.13
2007 series 15 year maturity	N/A	7.88
2013 series 10 year maturity	24.68	8.58
2014 series 10 year maturity	26.51	9.50
2016 series 7 year maturity	24.99	8.75
2019 series 5 year maturity	26.61	9.32
2019 series 7 year maturity	27.58	10.65
2021 series 10 year maturity	25.91	11.79

Quarter ended 30th September	Yield to Maturity of Last Trade Done (% p.a)	
	2022	2021
<b>HNB DEBENTURES 2006</b>		
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2007</b>		
15 year Fixed Rate (16.75% p.a.)	N/A	N/T
<b>HNB DEBENTURES 2011</b>		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2013</b>		
10 year Fixed Rate (8.00% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2014</b>		
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2016</b>		
5 year Fixed Rate (11.75% p.a.)	N/A	N/T
7 year Fixed Rate (13.00% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2019</b>		
5 year Fixed Rate (12.30% p.a.)	N/T	N/T
7 year Fixed Rate (12.80% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2021</b>		
10 year Fixed Rate (9.50% p.a.)	N/T	N/T

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

## SHARE INFORMATION

As at	31-Dec-22	31-Dec-21
<b>Number of Shares</b>		
Voting	428,442,985	420,859,924
Non-voting	107,112,457	105,044,649
<b>Last Traded Price per share</b>		
Voting	78.90	135.00
Non-voting	70.00	122.25

For the Quarter Ended	31-Dec-22	31-Dec-21
<b>Highest price per share</b>		
Voting	84.30	171.00
Non-voting	77.00	147.75
<b>Lowest price per share</b>		
Voting	72.00	133.00
Non-voting	64.90	120.25

## PUBLIC SHAREHOLDING PERCENTAGE

	31-Dec-22	
	Number	%
Number of shareholders representing the public holding (Voting)	8,260	69% approx.
Number of shareholders representing the public holding (Non Voting)	11,274	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs 23.32 Bn	

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-22	31-Dec-21
1. Mrs. A. Goonetilleke	-	-
2. Mr. A.J. Alles (Chief Executive Officer)	143,614	131,855
3. Mr. D.A. Cabraal	-	-
4. Mr. L.U.D. Fernando (Retired w.e.f. 25th October 2022)	N/A	3,480
5. Mr. W.M.M.D. Ratnayake	-	-
6. Mr. M.P.D. Cooray	8,776	8,607
7. Mr. D.P.N. Rodrigo (Chief Operating Officer)	26,164	25,702
8. Mr. O.H.S. Chandrawansa	-	-
9. Mr. P.R. Saldin	3,242	3,180
10. Mr. N. Jayawardena	-	-
11. Mr. K. Gunawardena (Appointed w.e.f. 21st January 2022)	-	N/A
12. Mr. R. Gunawardena (Appointed w.e.f. 21st January 2022)	24,362	N/A
13. Dr. T.K.D.A.P. Samarasinghe (Appointed w.e.f. 26th October 2022). Alternate Director to Mr. L.U.D. Fernando w.e.f. 5th July 2019)	-	-



## 20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST DECEMBER 2022

	Name	No. of shares	% on total voting capital
1.	BROWNS INVESTMENTS PLC (CONSISTING OF SAMPATH BANK PLC/ BROWNS INVESTMENTS PLC & BROWNS INVESTMENTS PLC ACCOUNTS)	42,781,221	9.99
2.	EMPLOYEE'S PROVIDENT FUND	41,760,448	9.75
3.	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	35,420,657	8.27
4.	MILFORD EXPORTS (CEYLON) (PVT) LIMITED	33,879,251	*7.91
5.	STASSEN EXPORTS (PVT) LIMITED	29,365,409	*6.85
6.	MR. S.E. CAPTAIN	27,893,390	6.51
7.	SONETTO HOLDINGS LIMITED	21,057,534	4.91
8.	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	18,197,265	4.25
9.	DISTILLERIES COMPANY OF SRI LANKA PLC	13,138,456	*3.07
10.	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	12,648,965	2.95
11.	NATIONAL SAVINGS BANK	12,293,280	2.87
12.	DON AND DON HOLDINGS (PRIVATE) LIMITED (CONSISTING OF PEOPLE'S LEASING & FINANCE PLC / DON AND DON HOLDINGS (PRIVATE) LIMITED & DON AND DON HOLDINGS (PRIVATE) LIMITED)	11,612,806	2.71
13.	RBC INVESTOR SERVICES TRUST-RBC EMERGING MARKETS SMALL-CAP EQUITY FUND	9,396,056	2.19
14.	MR. D.N.N. LOKUGE	8,909,890	2.08
15.	STANDARD CHARTERED BANK SINGAPORE S/A HL BANK SINGAPORE BRANCH	8,041,493	1.88
16.	MS. L.A. CAPTAIN	8,007,163	1.87
17.	FINCO HOLDINGS (PRIVATE) LIMITED	6,747,077	1.57
18.	SIMONAS TRUST SERVICE PVT LTD	4,360,582	1.02
19.	EMPLOYEES TRUST FUND BOARD	3,162,155	0.74
20.	MR. S.V. SOMASUNDERAM	2,745,697	0.64

\* Pursuant to the provisions of the Banking Act Directions No. 1 of 2007, the total collective voting rights in the Bank, of Milford Exports (Ceylon) Limited, Stassen Exports Limited and Distilleries Company of Sri Lanka (who collectively hold 17.83% of the voting shares of the Bank) are limited to 10% of the total voting rights of the Bank with effect from 15th March 2012 as the voting rights in excess of such percentage is deemed invalid from that date.

## 20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 31ST DECEMBER 2022

	Name	No. of shares	% on total non-voting capital
1.	BROWNS INVESTMENTS PLC (CONSISTING OF SAMPATH BANK PLC/BROWNS INVESTMENTS PLC & BROWNS INVESTMENTS PLC ACCOUNTS)	49,131,696	45.87
2.	ACUITY PARTNERS (PVT) LIMITED/MR. ELAYATHAMBY THAVAGNANASOORIYAM / MR. ELAYATHAMBY THAVAGNANASUNDARAM	5,372,196	5.02
3.	AKBAR BROTHERS PVT LTD A/C NO 1	4,745,503	4.43
4.	MR. S.E. CAPTAIN	1,658,622	1.55
5.	EMPLOYEES TRUST FUND BOARD	1,581,198	1.48
6.	HATTON NATIONAL BANK PLC A/C NO 2	770,799	0.72
7.	SABOOR CHATOOR (PVT) LTD	733,462	0.68
8.	MR. E. CHATOOR	694,370	0.65
9.	MR. J.D. BANDARANAYAKE (JOINT - 1 : DR. V. BANDARANAYAKE & JOINT 2 : MISS I. BANDARANAYAKE)	588,621	0.55
10.	MR. J.D. BANDARANAYAKE (JOINT - 1 : MISS N. BANDARANAYAKE & JOINT 2 : DR. V. BANDARANAYAKE)	588,521	0.55
11.	E.W. BALASURIYA & CO. (PVT) LTD	535,046	0.50
12.	PEOPLE'S LEASING & FINANCE PLC/MR. I.D.R. PERERA	525,613	0.49
13.	DON AND DON HOLDINGS PRIVATE LIMITED	471,409	0.44
14.	MISS R.H. ABDULHUSSEIN	461,334	0.43
15.	MR. M.J. FERNANDO	438,508	0.41
16.	DR. R.D. BANDARANAIKE	414,547	0.39
17.	HATTON NATIONAL BANK PLC - ARPICO ATARAXIA EQUITY INCOME FUND	392,414	0.37
18.	LANKA SYNTHETIC FIBRE CO LTD	390,200	0.36
19.	MR. Y.H. ABDULHUSSEIN	380,768	0.36
20.	MR. M. V. THEAGARAJAH	356,904	0.33

## ANALYSIS OF LOANS & ADVANCES AND IMPAIRMENT (AUDITED)

As at	BANK		GROUP		
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	
	Rs.000	Rs.000	Rs.000	Rs.000	
<b>1) Gross loans and advances to customers</b>	1,061,371,654	928,971,730	1,107,500,061	968,907,254	
Less : Accumulated impairment under stage 1	12,477,377	6,494,958	14,914,751	7,653,405	
Accumulated impairment under stage 2	16,235,373	10,188,641	16,799,238	10,754,926	
Accumulated impairment under stage 3	58,527,652	36,033,438	61,267,133	39,245,578	
<b>Net loans and advances to customers</b>	<b>974,131,252</b>	<b>876,254,693</b>	<b>1,014,518,939</b>	<b>911,253,345</b>	
<b>Product-wise Gross loans and advances to customers</b>					
<b>By product-Domestic Currency</b>					
Overdrafts	135,721,743	113,600,698	135,220,210	113,481,699	
Bills of exchange	335,603	365,386	335,603	365,386	
Commercial papers	156,664	153,705	156,664	153,705	
Short term loans	135,249,436	114,458,781	135,670,350	114,862,283	
Credit Cards	15,318,167	12,136,458	15,318,167	12,136,458	
Trust receipts	18,150,519	18,489,245	18,150,519	18,489,245	
Packing credit loans	5,095,100	7,069,426	5,095,100	7,069,426	
Staff loans	14,619,004	18,504,857	15,169,226	19,087,913	
Term loans	386,476,297	397,395,537	411,167,743	421,361,659	
Lease rentals receivable	70,317,417	67,614,665	85,445,987	80,655,937	
Housing loans	52,596,983	48,160,735	52,596,983	48,160,735	
Pawning advances	53,678,626	28,085,905	59,517,414	30,146,476	
Securitized notes	723,863	1,351,560	723,863	1,351,560	
<b>Sub total</b>	<b>888,439,422</b>	<b>827,386,958</b>	<b>934,567,829</b>	<b>867,322,482</b>	
<b>By product-Foreign Currency</b>					
Overdrafts	5,672,035	2,426,175	5,672,035	2,426,175	
Bills of exchange	1,569,929	963,469	1,569,929	963,469	
Short term loans	19,168,790	1,563,249	19,168,790	1,563,249	
Trust receipts	5,692,336	5,087,604	5,692,336	5,087,604	
Packing credit loans	32,290,321	14,013,242	32,290,321	14,013,242	
Term loans	105,153,901	75,110,537	105,153,901	75,110,537	
Lease rentals receivable	485,362	220,958	485,362	220,958	
Housing loans	2,899,558	2,199,538	2,899,558	2,199,538	
<b>Sub total</b>	<b>172,932,232</b>	<b>101,584,772</b>	<b>172,932,232</b>	<b>101,584,772</b>	
<b>Total</b>	<b>1,061,371,654</b>	<b>928,971,730</b>	<b>1,107,500,061</b>	<b>968,907,254</b>	
<b>Movements in stage-wise impairment of loans &amp; advances during the period</b>					
		<b>Bank</b>			
		<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
		<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
<b>Opening balance as at 1st January 2021</b>		3,091,724	8,058,780	30,812,232	41,962,736
Net impairment charge for the period		3,403,234	2,129,861	6,149,015	11,682,110
Write-offs during the period		-	-	(1,240,831)	(1,240,831)
Effect of exchange rate fluctuations		-	-	313,022	313,022
<b>Closing balance as at 31st December 2021</b>		<b>6,494,958</b>	<b>10,188,641</b>	<b>36,033,438</b>	<b>52,717,037</b>
<b>Opening balance as at 1st January 2022</b>		6,494,958	10,188,641	36,033,438	52,717,037
Net impairment charge for the period		5,784,375	5,339,312	17,895,359	29,019,046
Write-offs during the period		-	-	(699,711)	(699,711)
Effect of exchange rate fluctuations		198,044	707,420	5,298,566	6,204,030
<b>Closing balance as at 31st December 2022</b>		<b>12,477,377</b>	<b>16,235,373</b>	<b>58,527,652</b>	<b>87,240,402</b>
		<b>Group</b>			
		<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
		<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
<b>Opening balance as at 1st January 2021</b>		3,799,786	8,284,622	33,820,590	45,904,998
Acquisition of subsidiary through HNB Finance PLC		68,970	44,711	675,812	789,493
Net impairment charge for the period		3,784,649	2,425,593	6,224,164	12,434,406
Write-offs during the period		-	-	(1,788,010)	(1,788,010)
Effect of exchange rate fluctuations		-	-	313,022	313,022
<b>Closing balance as at 31st December 2021</b>		<b>7,653,405</b>	<b>10,754,926</b>	<b>39,245,578</b>	<b>57,653,909</b>
<b>Opening balance as at 1st January 2022</b>		7,653,405	10,754,926	39,245,578	57,653,909
Net impairment charge for the period		7,063,302	5,336,892	17,864,736	30,264,930
Write-offs during the period		-	-	(1,141,747)	(1,141,747)
Effect of exchange rate fluctuations		198,044	707,420	5,298,566	6,204,030
<b>Closing balance as at 31st December 2022</b>		<b>14,914,751</b>	<b>16,799,238</b>	<b>61,267,133</b>	<b>92,981,122</b>

## ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT (AUDITED)

As at	BANK		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	Rs.000	Rs.000	Rs.000	Rs.000
<b>2) Gross commitments and contingencies</b>	809,328,957	676,242,350	809,328,957	676,242,350
Less : Accumulated impairment under stage 1	2,567,514	789,147	2,567,514	789,147
Accumulated impairment under stage 2	517,350	154,772	517,350	154,772
Accumulated impairment under stage 3	1,325,651	1,249,055	1,325,651	1,249,055
	804,918,442	674,049,376	804,918,442	674,049,376
<b>Product-wise commitments and contingencies</b>				
<b>By Product - Domestic Currency</b>				
Documentary credit	307,220	668,552	307,220	668,552
Guarantees	51,577,207	59,686,885	51,577,207	59,686,885
Acceptances	29,171	237,321	29,171	237,321
Bills for collection	600,132	644,151	600,132	644,151
Forward exchange contracts				
Forward exchange sales	-	-	-	-
Forward exchange purchases	-	-	-	-
Cheques sent on clearing	5,471,029	4,069,632	5,471,029	4,069,632
Undrawn credit lines	571,093,074	420,416,156	571,093,074	420,416,156
<b>Sub total</b>	<b>629,077,833</b>	<b>485,722,696</b>	<b>629,077,833</b>	<b>485,722,696</b>
<b>By Product - Foreign Currency</b>				
Documentary credit	20,919,590	31,899,247	20,919,590	31,899,247
Guarantees	57,775,114	41,087,552	57,775,114	41,087,552
Acceptances	6,729,398	22,099,563	6,729,398	22,099,563
Bills for collection	29,993,216	20,236,767	29,993,216	20,236,767
Forward exchange contracts				
Forward exchange sales	2,310,116	12,150,970	2,310,116	12,150,970
Forward exchange purchases	16,891,372	44,324,836	16,891,372	44,324,836
Cheques sent on clearing	78,139	-	78,139	-
Undrawn credit lines	45,554,179	18,720,719	45,554,179	18,720,719
<b>Sub total</b>	<b>180,251,124</b>	<b>190,519,654</b>	<b>180,251,124</b>	<b>190,519,654</b>
<b>Total</b>	<b>809,328,957</b>	<b>676,242,350</b>	<b>809,328,957</b>	<b>676,242,350</b>
<b>Movements in stage-wise impairment of commitments and contingencies during the period</b>				
	BANK / GROUP			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Opening balance as at 1st January 2021</b>	735,795	256,266	1,218,185	2,210,246
Net impairment charge for the period	53,352	(101,494)	30,870	(17,272)
<b>Closing balance as at 31st December 2021</b>	<b>789,147</b>	<b>154,772</b>	<b>1,249,055</b>	<b>2,192,974</b>
<b>Opening balance as at 1st January 2022</b>	789,147	154,772	1,249,055	2,192,974
Net impairment charge for the period	1,778,367	362,578	76,596	2,217,541
<b>Closing balance as at 31st December 2022</b>	<b>2,567,514</b>	<b>517,350</b>	<b>1,325,651</b>	<b>4,410,515</b>

## ANALYSIS OF DEPOSITS (AUDITED)

As at	BANK		GROUP	
	31.12.2022 Rs.000	31.12.2021 Rs.000	31.12.2022 Rs.000	31.12.2021 Rs.000
<b>3) Due to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Current account deposits	67,555,022	67,433,359	67,184,485	67,180,885
Savings deposits	270,828,160	315,592,442	273,524,592	318,074,247
Time deposits	697,669,859	462,006,964	731,389,208	491,465,520
Certificates of deposit	305,891	322,715	305,891	322,715
Margin deposits	2,276,939	1,844,970	2,276,939	1,844,970
<b>Sub total</b>	<b>1,038,635,871</b>	<b>847,200,450</b>	<b>1,074,681,115</b>	<b>878,888,337</b>
<b>By product- Foreign Currency</b>				
Current account deposits	12,346,150	5,770,679	12,346,150	5,770,679
Savings deposits	85,224,460	52,156,901	85,145,504	52,113,034
Time deposits	270,999,282	170,192,821	270,411,623	169,905,334
Margin deposits	594,729	388,436	594,729	388,436
<b>Sub total</b>	<b>369,164,621</b>	<b>228,508,837</b>	<b>368,498,006</b>	<b>228,177,483</b>
<b>Total</b>	<b>1,407,800,492</b>	<b>1,075,709,287</b>	<b>1,443,179,121</b>	<b>1,107,065,820</b>

## FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

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

### Level 1: Fair value measurement using unadjusted quoted market prices

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

### Level 2: Fair value measurement using significant observable inputs

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

### Level 3: Fair value measurement using significant unobservable inputs

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

There are no material changes in the fair value of financial assets categorised under Level 3 compared to the values reported as at 31st December 2021. The Group has not changed the valuation models and assumptions used to measure the fair values of Level 3 financial instruments during the period ended 31st December 2022.

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

As at 31st December 2022	BANK				GROUP			
	Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000	Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000
<b>Financial assets measured at fair value</b>								
Derivative financial instruments	-	5,370,501	-	5,370,501	-	5,370,501	-	5,370,501
Financial assets measured at fair value through profit or loss	111,617	-	-	111,617	236,178	-	-	236,178
Financial assets measured at fair value through other comprehensive income	2,134,875	543,946	27,839	2,706,660	5,487,698	543,946	30,551	6,062,195
<b>Total financial assets measured at fair value</b>	<b>2,246,492</b>	<b>5,914,447</b>	<b>27,839</b>	<b>8,188,778</b>	<b>5,723,876</b>	<b>5,914,447</b>	<b>30,551</b>	<b>11,668,874</b>
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments	-	25,632	-	25,632	-	25,632	-	25,632
<b>Total financial assets measured at fair value</b>	<b>-</b>	<b>25,632</b>	<b>-</b>	<b>25,632</b>	<b>-</b>	<b>25,632</b>	<b>-</b>	<b>25,632</b>

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

## FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

As at 31st December 2022	BANK					GROUP				
	Carrying Value Rs.000	Fair Value			Total Rs.000	Carrying Value Rs.000	Fair Value			Total Rs.000
		Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000			Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	
<b>Financial Assets</b>										
<b>Financial assets measured at amortised Cost</b>										
Loans and advances to customers	974,131,252	-	933,800,835	-	933,800,835	1,014,518,939	-	973,541,510	-	973,541,510
Debt and other financial instruments	448,791,874	348,994,206	40,082,026	-	389,076,232	479,787,015	370,428,179	45,475,163	-	415,903,342
<b>Total financial assets measured at amortised cost</b>	<b>1,422,923,126</b>	<b>348,994,206</b>	<b>973,882,861</b>	<b>-</b>	<b>1,322,877,067</b>	<b>1,494,305,954</b>	<b>370,428,179</b>	<b>1,019,016,673</b>	<b>-</b>	<b>1,389,444,852</b>
<b>Financial Liabilities</b>										
<b>Financial liabilities measured at amortised Cost</b>										
Due to depositors	1,407,800,492	-	1,421,837,816	-	1,421,837,816	1,443,179,121	-	1,455,835,738	-	1,455,835,738
Other borrowings	32,350,594	-	32,350,594	-	32,350,594	33,385,598	-	33,385,598	-	33,385,598
Debt securities issued	2,062,950	-	2,040,706	-	2,040,706	2,555,109	-	2,503,150	-	2,503,150
Subordinated term debts	22,914,299	-	14,718,789	-	14,718,789	26,151,300	-	17,204,354	-	17,204,354
<b>Total financial liabilities measured at amortised cost</b>	<b>1,465,128,335</b>	<b>-</b>	<b>1,470,947,905</b>	<b>-</b>	<b>1,470,947,905</b>	<b>1,505,271,128</b>	<b>-</b>	<b>1,508,928,840</b>	<b>-</b>	<b>1,508,928,840</b>

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