



Hatton National Bank PLC

Interim Financial Statements

For the six months ended 30th June 2018

FINANCIAL COMMENTARY FOR THE 06 MONTHS ENDED 30TH JUNE 2018

- HNB Group records PBT of Rs 14.1 Bn in 1H 2018
- Bank Cost to Income ratio improves to 37.7%
- Group pays total taxes of Rs 7.6 Bn
- Bank records PBT of Rs 12.6 Bn and PAT of Rs 8.6 Bn.

HNB Group recorded Rs 14.1 Bn in Profit Before Taxes (PBT) for the first six months of 2018, representing a 30.7% Year-on-Year (YoY) growth over the first half of 2017 while Group Profit After Taxes (PAT) rose 26.9% YoY to Rs 9.6 Bn. At a Bank level, HNB's PAT improved by 20.6% YoY to Rs 8.6 Bn for the six months period to June 2018.

The Bank's interest income grew by 9.6% YoY, outpacing the 5.6% growth reported in interest expenses resulting in a 15.3% YoY increase in NII to Rs 22.0 Bn for the period under review.

Net Fee and Commission income continues to supplement core banking, contributing 15.9% of the Total Operating Income, increasing by 8.8% YoY to Rs 4.4 Bn largely driven by the growth in the Credit Card income and Trade Finance. Net losses on trading increased by 61.7% YoY to Rs 1.4 Bn during the first half of 2018 on account of higher depreciation of the LKR against USD compared to the corresponding period of 2017. However, the positive impact on revaluation propelled Other Operating Income to Rs 2.7 Bn which is a 103.6% YoY increase.

The banking industry is witnessing a sharp increase in NPAs with significant collection and debt recovery difficulties experienced across the country. The agriculture sector continues to underperform due to adverse weather conditions while the construction sector is saddled with long delays in payments. In this backdrop, HNB's NPA ratio increased to 2.91% as at the end of June 2018 albeit remaining below the industry average which deteriorated to 3.3% for the period. Accordingly, the total impairment charge increased to Rs 1.9 Bn for 1H 2018, principally on account of the increase in collective impairment charge to Rs 1.6 Bn. The impairment cost on individually significant loans however, declined by 42.1% YoY to Rs 342.3 Mn.

The continuous focus on operational excellence, process reengineering and digitalization efforts to improve productivity enabled the continuing improvement in the cost to income ratio to 37.7%, compared to 41.4% reported during 1H 2017.

The Bank's PBT grew by 25.2% YoY to Rs 12.6 Bn during 1H 2018 as compared to the 1H 2017. The impact of the changes effected in the new Inland Revenue Act resulted in an increase of 36.7% in income tax for the period with the total effective tax rate, including financial VAT and NBT increasing to 44.4% for the period. The resulting PAT of Rs 8.6 Bn represented a ROA of 1.76% and ROE of 15.54% for 1H 2018.

The Bank's asset base grew by 4.8% during the first six months of the year to cross the Rs One Trillion mark. A robust 8.9% growth in the loan book since December 2017 boosted net loans to Rs 695.7 Bn, while deposits grew by 5.7% to Rs 741 Bn. The Bank's Tier I Capital Ratio and Total Capital Ratios remained strong at 12.48% and 15.22% respectively, well ahead of the required regulatory minimums of 8.875% and 12.875%.

All of the Group companies viz HNB Assurance PLC, HNB Grameen Finance Ltd, Acuity Partners Pvt Ltd and Sithma Development Ltd. complemented the Bank's performance generating a first half Group ROA of 1.85%, compared to 1.61% recorded in the commensurate period of 2017.

In 2018, HNB was adjudged as the Best Retail Bank in Sri Lanka for the 10th time while also being recognized as the Best Forex Bank, the Best Payments Bank and the Best Cash Management Bank in Sri Lanka. The Asiamoney magazine also bestowed HNB with awards for Best SME Bank, Best Digital Bank and the Best Cash Management Bank in Sri Lanka for the year 2018. HNB was also recognised with the Gold Award in the Banking category and Overall Runner-up award at the Association of Chartered Certified Accountants (ACCA) Sri Lanka Sustainability Reporting Awards. The Bank's Islamic Finance unit was adjudged the Islamic Finance Entity of the Year at the Sri Lanka Islamic Banking & Finance Industry (SLIBFI) awards while being recognised as the 'Best Shariah compliant window' by the Banker Magazine. HNB was also awarded as the 'Best private sector organization for promoting women in the workplace' at the Women in Management, Top 50 Professional & Career Women Awards 2018.

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.

In 2018, HNB had the distinction of becoming the No. 1 Bank in Sri Lanka in the Top 1000 World Banks 2018, ranked by the UK's 'The Banker' magazine.

STATEMENT OF PROFIT OR LOSS

	BANK						GROUP					
	For the 6 months ended 30th June			For the 3 months ended 30th June			For the 6 months ended 30th June			For the 3 months ended 30th June		
	2018 Rs000	2017 Rs000	%Increase/ (Decrease)	2018 Rs000	2017 Rs000	%Increase/ (Decrease)	2018 Rs000	2017 Rs000	%Increase/ (Decrease)	2018 Rs000	2017 Rs000	%Increase/ (Decrease)
Gross Income	56,953,321	51,296,979	11	28,830,443	26,233,914	10	64,987,537	58,087,372	12	32,930,214	29,539,656	11
Interest income	50,993,548	46,542,010	10	26,043,828	23,959,422	9	55,113,116	50,202,105	10	28,103,222	25,804,839	9
Less : Interest expenses	28,953,574	27,427,668	6	14,700,414	14,136,990	4	30,125,923	28,235,626	7	15,272,014	14,560,731	5
Net interest income	22,039,974	19,114,342	15	11,343,414	9,822,432	15	24,987,193	21,966,479	14	12,831,208	11,244,108	14
Fee and commission income	4,503,116	4,134,436	9	2,259,274	2,124,811	6	4,898,426	4,514,081	9	2,440,053	2,306,356	6
Less : Fee and commission expenses	62,375	52,825	18	32,994	26,942	22	104,852	101,734	3	51,064	48,671	5
Net fee and commission income	4,440,741	4,081,611	9	2,226,280	2,097,869	6	4,793,574	4,412,347	9	2,388,989	2,257,685	6
Net interest, fee and commission income	26,480,715	23,195,953	14	13,569,694	11,920,301	14	29,780,767	26,378,826	13	15,220,197	13,501,793	13
Net gain/(loss) from trading	(1,438,363)	(889,329)	62	(1,164,683)	(1,431,036)	(19)	(1,449,570)	(869,232)	67	(1,172,188)	(1,406,706)	(17)
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) from financial investments	194,991	183,593	6	-	394	(100)	234,549	195,789	20	20,402	6,384	220
Net insurance premium income	-	-	-	-	-	-	3,513,823	3,005,897	17	1,746,498	1,494,678	17
Other operating income	2,700,029	1,326,269	104	1,692,024	1,580,323	7	2,677,193	1,038,732	158	1,792,227	1,334,105	34
Total operating income	27,937,372	23,816,486	17	14,097,035	12,069,982	17	34,756,762	29,750,012	17	17,607,136	14,930,254	18
Impairment for loans and other losses												
Individual Impairment	342,319	591,339	(42)	227,628	549,155	(59)	342,319	591,339	(42)	227,628	549,155	(59)
Collective Impairment	1,579,515	854,525	85	624,448	415,448	50	2,003,449	922,829	117	856,222	525,417	63
Others	3,561	6,521	(45)	4,223	6,142	(31)	3,562	417,622	(99)	4,224	417,243	(99)
Net operating income	26,011,977	22,364,101	16	13,240,736	11,099,237	19	32,407,432	27,818,222	16	16,519,062	13,438,439	23
Less : Operating expenses												
Personnel expenses	4,741,807	4,684,020	1	2,546,077	2,391,364	6	5,813,343	5,656,588	3	3,096,626	2,908,656	6
Depreciation and amortisation	653,593	543,024	20	328,455	280,880	17	863,312	763,969	13	435,648	402,638	8
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	2,678,967	2,733,206	(2)	1,602,919	1,333,735	20
Other expenses	5,134,642	4,638,311	11	2,635,579	2,276,238	16	5,937,994	5,291,481	12	3,048,153	2,607,384	17
Total operating expenses	10,530,042	9,865,355	7	5,510,111	4,948,482	11	15,293,616	14,445,244	6	8,183,346	7,252,413	13
Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services	15,481,935	12,498,746	24	7,730,625	6,150,755	26	17,113,816	13,372,978	28	8,335,716	6,186,026	35
Less : Value added tax (VAT) and nation building tax (NBT) on financial services	2,921,981	2,468,825	18	1,487,405	1,230,504	21	3,134,793	2,673,609	17	1,584,907	1,291,811	23
Operating profit after value added tax (VAT) and nation building tax (NBT) on financial services	12,559,954	10,029,921	25	6,243,220	4,920,251	27	13,979,023	10,699,369	31	6,750,809	4,894,215	38
Share of profit of Joint Venture (net of income tax)	-	-	-	-	-	-	84,397	64,352	31	65,638	56,333	17
PROFIT BEFORE INCOME TAX	12,559,954	10,029,921	25	6,243,220	4,920,251	27	14,063,420	10,763,721	31	6,816,447	4,950,548	38
Less : Income tax expense	3,956,618	2,893,959	37	2,113,073	1,436,606	47	4,509,393	3,233,216	39	2,286,935	1,460,805	57
PROFIT FOR THE PERIOD	8,603,336	7,135,962	21	4,130,147	3,483,645	19	9,554,027	7,530,505	27	4,529,512	3,489,743	30
Profit attributable to:												
Equity holders of the Bank	8,603,336	7,135,962	21	4,130,147	3,483,645	19	9,109,116	7,240,429	26	4,488,631	3,410,460	32
Non-controlling interests	-	-	-	-	-	-	444,911	290,076	53	40,881	79,283	(48)
PROFIT FOR THE PERIOD	8,603,336	7,135,962	21	4,130,147	3,483,645	19	9,554,027	7,530,505	27	4,529,512	3,489,743	30
Earnings per share												
Basic earnings per ordinary share (Rs)	17.47	16.71	5	16.67	16.21	3	18.49	16.96	9	18.12	15.87	14
Diluted earnings per ordinary share (Rs)	17.46	16.69	5	16.67	16.19	3	18.49	16.94	9	18.12	15.87	14

STATEMENT OF COMPREHENSIVE INCOME

	BANK						GROUP					
	For the 6 months ended 30th June			For the 3 months ended 30th June			For the 6 months ended 30th June			For the 3 months ended 30th June		
	2018 Rs000	2017 Rs000	%Increase/ (Decrease)	2018 Rs000	2017 Rs000	%Increase/ (Decrease)	2018 Rs000	2017 Rs000	%Increase/ (Decrease)	2018 Rs000	2017 Rs000	%Increase/ (Decrease)
PROFIT FOR THE PERIOD	8,603,336	7,135,962	21	4,130,147	3,483,645	19	9,554,027	7,530,505	27	4,529,512	3,489,743	30
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 year	(1,136,967)	1,605,347	(171)	(531,507)	2,292,165	(123)	(1,258,365)	1,767,822	(171)	(584,330)	2,504,427	(123)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	133,575	(151,323)	188	67,389	(191,770)	135
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-	-	-	-	-	(33,801)	6,226	(643)	(18,386)	2,993	(714)
Deferred tax effect on above	133,960	(381,033)	135	25,579	(455,439)	106	137,031	(392,629)	135	26,064	(467,721)	106
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	10,682	(14,803)	172	11,400	3,493	226
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(1,003,007)	1,224,314	(182)	(505,928)	1,836,726	(128)	(1,010,878)	1,215,293	(183)	(497,863)	1,851,422	(127)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods												
Re-measurement gains/losses on defined benefit plans	-	-	-	-	-	-	15,270	8,793	74	17,514	-	-
Revaluation of freehold land & buildings	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax effect on above	-	-	-	-	-	-	(4,904)	(2,462)	99	(4,904)	-	-
Deferred tax effect on realisation of revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-	-	10,366	6,331	64	12,610	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,003,007)	1,224,314	(182)	(505,928)	1,836,726	(128)	(1,000,512)	1,221,624	(182)	(485,253)	1,851,422	(126)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,600,329	8,360,276	(9)	3,624,219	5,320,371	(32)	8,553,515	8,752,129	(2)	4,044,259	5,341,165	(24)
Total comprehensive income attributable to:												
Equity holders of the Bank	7,600,329	8,360,276	(9)	3,624,219	5,320,371	(32)	8,109,629	8,457,799	(4)	3,997,419	5,259,121	(24)
Non-controlling interests	-	-	-	-	-	-	443,886	294,330	51	46,840	82,044	(43)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,600,329	8,360,276	(9)	3,624,219	5,320,371	(32)	8,553,515	8,752,129	(2)	4,044,259	5,341,165	(24)

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.06.2018	As at 31.12.2017 (Audited)	% Increase / (Decrease)	As at 30.06.2018	As at 31.12.2017 (Audited)	% Increase / (Decrease)
	Rs.000	Rs.000		Rs.000	Rs.000	
ASSETS						
Cash and cash equivalents	21,803,702	21,739,800	-	21,959,801	21,924,898	-
Balances with Central Bank of Sri Lanka	37,797,323	38,610,940	(2)	37,797,323	38,610,940	(2)
Placements with banks	-	3,182,377	(100)	5,060,136	9,670,125	(48)
Reverse repurchase agreements	-	-	-	896,157	772,002	16
Derivative financial instruments	228,355	615,357	(63)	228,355	615,357	(63)
Financial investments - Fair value through profit or loss	111,618	120,486	(7)	232,770	266,538	(13)
Loans and receivables to customers	695,725,917	639,102,061	9	714,198,185	655,612,938	9
Financial investments - Loans and receivables	139,165,824	122,199,048	14	142,765,432	125,031,671	14
Financial investments - Available-for-sale	71,030,827	95,403,820	(26)	77,764,265	101,742,985	(24)
Financial investments - Held-to-maturity	-	-	-	1,379,491	1,565,603	(12)
Investment in Joint Venture	755,000	755,000	-	1,784,342	1,689,263	6
Investments in Subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	326,641	327,464	-	1,129,526	1,146,564	(1)
Property, plant and equipment	18,006,049	17,905,320	1	34,617,660	34,635,034	-
Intangible assets and goodwill	826,729	815,381	1	1,244,858	1,237,829	1
Other assets	11,653,299	11,083,242	5	13,796,547	13,038,222	6
Total Assets	1,000,448,569	954,877,581	5	1,054,854,848	1,007,559,969	5
LIABILITIES						
Due to banks	60,988,980	62,463,497	(2)	60,988,980	62,463,497	(2)
Derivative financial instruments	803,008	1,305,900	(39)	803,008	1,305,900	(39)
Securities sold under repurchase agreements	12,480,272	5,064,360	146	12,480,272	5,064,360	146
Due to customers	741,227,223	701,519,297	6	758,211,616	718,770,945	5
Dividends payable	1,015,852	975,371	4	1,022,972	986,880	4
Other borrowings	24,908,153	27,258,006	(9)	24,908,153	27,258,006	(9)
Debt securities issued	4,646,833	4,540,259	2	5,163,208	5,035,958	3
Current tax liabilities	5,801,180	3,974,624	46	6,184,039	4,066,087	52
Deferred tax liabilities	4,512,077	5,082,636	(11)	6,719,649	7,309,283	(8)
Insurance provision - life	-	-	-	11,616,817	10,915,858	6
Insurance provision - general	-	-	-	2,642,090	2,384,908	11
Other provisions	2,879,776	3,015,875	(5)	3,154,955	3,416,332	(8)
Other liabilities	6,205,808	5,720,896	8	8,139,235	7,359,236	11
Subordinated term debts	21,735,857	25,809,261	(16)	21,455,682	25,564,596	(16)
Total Liabilities	887,205,019	846,729,982	5	923,490,676	881,901,846	5

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.06.2018 Rs.000	As at 31.12.2017 (Audited) Rs.000	% Increase / (Decrease)	As at 30.06.2018 Rs.000	As at 31.12.2017 (Audited) Rs.000	% Increase / (Decrease)
EQUITY						
Stated capital	32,338,025	31,409,119	3	32,338,025	31,409,119	3
Statutory reserve	5,460,000	5,460,000	-	5,460,000	5,460,000	-
Other reserves	55,068,964	56,084,895	(2)	66,289,218	67,058,017	(1)
Retained earnings	20,376,561	15,193,585	34	23,393,854	18,082,284	29
Total equity attributable to equity holders of the Bank	113,243,550	108,147,599	5	127,481,097	122,009,420	4
Non - controlling interests	-	-	-	3,883,075	3,648,703	6
Total equity	113,243,550	108,147,599	5	131,364,172	125,658,123	5
Total Liabilities and Equity	1,000,448,569	954,877,581	5	1,054,854,848	1,007,559,969	5
Contingent liabilities and commitments	710,102,621	598,364,726	19	710,102,621	598,364,726	19
Net Assets Value per Share (Rs.)	229.87	221.36	4	258.77	249.74	4
Memorandum Information						
Number of Employees	4,426	4,348				
Number of Branches	251	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 June 2018 and its profit for the six months ended 30th June 2018.

(Sgd.)

Dilshan Rodrigo

Chief Operating Officer

13th August 2018

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, it's Joint Venture and Subsidiary Companies unless indicated as audited.

(Sgd.)

Jonathan Alles

Managing Director / Chief Executive Officer

13th August 2018

(Sgd.)

Dinesh Weerakkody

Chairman

13th August 2018

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserves	Other Reserves					
	Voting Shares	Non-Voting Shares	Reserve Fund	Capital Reserve	Available-for-Sale Reserve	General Reserve	ESOP Reserve	Retained Earnings	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
For the 6 months ended 30th June 2018									
Balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	8,725,542	4,166,167	43,100,000	93,186	15,193,585	108,147,599
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	8,603,336	8,603,336
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(1,003,007)	-	-	-	(1,003,007)
Total comprehensive income for the period	-	-	-	-	(1,003,007)	-	-	8,603,336	7,600,329
Transactions with equity holders, recognised directly in equity									
Final dividend 2017 - Scrip	706,515	173,317	-	-	-	-	-	(977,592)	(97,759)
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	-
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	(2,442,768)	(2,442,768)
Issue of shares under ESOP	31,442	4,708	-	-	-	-	-	-	36,150
Total transactions with equity holders	737,957	178,025	-	-	-	-	-	(3,420,361)	(2,504,378)
Transfers during the period	11,478	1,446	-	-	-	-	(12,924)	-	-
Balance as at 30th June 2018	26,649,460	5,688,565	5,460,000	8,725,542	3,163,160	43,100,000	80,262	20,376,561	113,243,550
For the 6 months ended 30th June 2017									
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	-	-	-	-	-	-	-	7,135,962	7,135,962
Other Comprehensive Income for the period (net of tax)	-	-	-	-	1,224,314	-	-	-	1,224,314
Total comprehensive income for the period	-	-	-	-	1,224,314	-	-	7,135,962	8,360,276
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)
Issue of shares under ESOP	129,628	19,372	-	-	-	-	-	-	149,000
Total transactions with equity holders	1,173,701	281,465	-	-	-	-	-	(2,902,592)	(1,447,426)
Transfers during the period	42,611	6,022	-	-	-	-	(48,633)	17,415	17,415
Balance as at 30th June 2017	13,555,046	3,288,911	4,560,000	8,644,483	2,925,571	37,100,000	98,459	13,775,021	83,947,490

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital		Statutory Reserves	Other Reserves								
	Voting	Non-Voting	Reserve Fund	Capital Reserve	Available for Sale Reserve	General Reserve	Life policy holders' Reserve Fund	ESOP Reserve	Restricted Regulatory Reserve	Retained Earnings	Non Controlling Interests	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
For the 6 months ended 30th June 2018												
Balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	19,433,829	4,207,731	43,100,000	223,271	93,186	-	18,082,284	3,648,703	125,658,123
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	-	9,109,116	444,911	9,554,027
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(1,003,457)	-	-	-	-	3,970	(1,025)	(1,000,512)
Total comprehensive income for the period	-	-	-	-	(1,003,457)	-	-	-	-	9,113,086	443,886	8,553,515
Transactions with equity holders, recognised directly in equity												
Final dividend 2017 - Scrip	706,515	173,317	-	-	-	-	-	-	-	(977,592)	-	(97,760)
Final dividend 2017 - Cash	-	-	-	-	-	-	-	-	-	-	(209,514)	(209,514)
Interim dividend 2017 - Cash	-	-	-	-	-	-	-	-	-	(2,442,768)	-	(2,442,768)
Issue of shares under ESOP	31,442	4,708	-	-	-	-	-	-	-	-	-	36,150
Total transactions with equity holders	737,957	178,025	-	-	-	-	-	-	-	(3,420,360)	(209,514)	(2,713,892)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(133,574)	-	-	-	-	(133,574)
Transfers during the period	-	-	-	-	-	-	-	-	381,156	(381,156)	-	-
Fair value of the employee share options exercised	11,478	1,446	-	-	-	-	-	(12,924)	-	-	-	-
Balance as at 30th June 2018	26,649,460	5,688,565	5,460,000	19,433,829	3,204,274	43,100,000	89,697	80,262	381,156	23,393,854	3,883,075	131,364,172
For the 6 months ended 30th June 2017												
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	-	-	-	-	-	-	-	-	-	7,240,429	290,076	7,530,505
Other Comprehensive Income for the period (net of tax)	-	-	-	-	1,218,766	-	-	-	-	(1,396)	4,254	1,221,624
Total comprehensive income for the period	-	-	-	-	1,218,766	-	-	-	-	7,239,033	294,330	8,752,129
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)	(100,000)	(1,551,296)
Issue of shares under ESOP	129,628	19,372	-	-	-	-	-	-	-	-	-	149,000
Total transactions with equity holders	1,173,701	281,465	-	-	-	-	-	-	-	(2,902,592)	(100,000)	(1,547,426)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	151,323	-	-	-	-	151,323
Transfers during the period	-	-	-	-	-	-	-	-	-	17,415	-	17,415
Fair value of the employee share options exercised	42,611	6,022	-	-	-	-	-	(48,633)	-	-	-	-
Balance as at 30th June 2017	13,555,046	3,288,911	4,560,000	19,771,905	2,960,301	37,100,000	(39,808)	98,459	-	17,174,972	3,215,353	101,685,139

STATEMENT OF CASH FLOWS

	BANK		GROUP	
For the 6 month ended 30th June	2018 Rs.000	2017 Rs.000	2018 Rs.000	2017 Rs.000
Cash flows from operating activities				
Interest and commission receipts	52,239,147	51,382,613	56,802,156	55,260,377
Interest payments	(29,901,268)	(28,937,354)	(30,924,489)	(29,681,957)
Cash payments to employees	(4,588,435)	(4,850,489)	(5,774,599)	(5,820,149)
Cash payments to other operating activities	(7,932,404)	(7,019,413)	(10,284,264)	(8,872,691)
Receipts from other operating activities	415,373	1,841,345	4,202,646	5,142,921
Recovery of loans written off in previous years	78,532	17,949	78,532	17,949
Operating profit before changes in operating assets and liabilities	10,310,945	12,434,651	14,099,982	16,046,450
(Increase)/ decrease in operating assets				
Deposits held for regulatory or monetary control purpose	813,617	(1,610,057)	813,617	(1,610,057)
Loans and receivables to customers	(55,554,963)	(44,847,493)	(57,931,923)	(46,857,985)
Reverse repurchase agreements	-	4,211,421	(187,017)	3,865,410
Other short term assets	(103,761)	(167,808)	(370,761)	(483,284)
	(54,845,107)	(42,413,937)	(57,676,084)	(45,085,916)
Increase/(decrease) in operating liabilities				
Deposits from customers	40,844,060	48,001,526	40,468,501	49,273,561
Securities sold under repurchase agreements	7,424,674	14,752,082	7,424,674	14,752,082
Other liabilities	544,277	(621,796)	687,099	(559,820)
	48,813,011	62,131,812	48,580,274	63,465,823
Net cash generated from operating activities before income tax	4,278,849	32,152,526	5,004,172	34,426,357
Income taxes paid	(2,319,755)	(1,566,194)	(2,610,609)	(1,722,995)
Net cash generated from operating activities	1,959,094	30,586,332	2,393,563	32,703,362
Cash flows from investing activities				
Dividend income	389,578	642,911	171,305	171,573
Net proceeds from sale, maturity and purchase of financial investments	5,658,244	(18,779,549)	4,327,412	(18,532,047)
Purchase of property, plant and equipment	(492,442)	(877,166)	(558,349)	(1,003,073)
Purchase of intangible assets	(152,226)	(118,239)	(161,218)	(193,928)
Improvements to investment properties	-	(36,273)	-	(36,273)
Proceeds from sale of property, plant and equipment	1,163	44,898	3,649	47,647
Net cash generated from / (used in) investing activities	5,404,317	(19,123,418)	3,782,799	(19,546,101)
Cash flows from financing activities				
Decrease in subordinated term debts	(4,000,000)	-	(4,055,658)	-
Decrease in long term borrowings	(4,017,990)	(7,554,685)	(4,017,990)	(7,583,229)
Dividends paid	(2,500,047)	(1,661,356)	(2,713,950)	(1,762,096)
Proceeds from issue of shares under ESOP	36,151	149,000	36,150	149,000
Net cash used in financing activities	(10,481,886)	(9,067,041)	(10,751,448)	(9,196,325)
Net increase / (decrease) in cash and cash equivalents	(3,118,475)	2,395,873	(4,575,086)	3,960,936
Cash and cash equivalents at the beginning of the period	24,922,177	18,264,496	31,595,023	20,867,149
Cash and cash equivalents at the end of the period	21,803,702	20,660,369	21,019,937	24,828,085
Cash and cash equivalents at the end of the period				
Cash and cash equivalents	21,803,702	20,660,369	21,959,801	21,299,223
Placements with banks	-	-	5,060,136	3,528,862
	21,803,702	20,660,369	27,019,937	24,828,085

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th June 2018	Fair Value Through Profit or Loss	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs.000	Rs.000	Rs.000	Rs.000
ASSETS				
Cash and cash equivalents	-	21,803,702	-	21,803,702
Balances with Central Bank of Sri Lanka	-	37,797,323	-	37,797,323
Placements with banks	-	-	-	-
Reverse repurchase agreements	-	-	-	-
Derivative financial instruments	228,355	-	-	228,355
Financial investments - Fair value through profit or loss	111,618	-	-	111,618
Loans and receivables to customers	-	695,725,917	-	695,725,917
Financial investments - Loans and receivables	-	139,165,824	-	139,165,824
Financial investments - Available-for-sale	-	-	71,030,827	71,030,827
Other assets	-	2,074,293	-	2,074,293
Total financial assets	339,973	896,567,059	71,030,827	967,937,859
LIABILITIES				
Due to banks	-	60,988,980	-	60,988,980
Derivative financial instruments	803,008	-	-	803,008
Securities sold under repurchase agreements	-	12,480,272	-	12,480,272
Due to customers	-	741,227,223	-	741,227,223
Dividends payable	-	1,015,852	-	1,015,852
Other borrowings	-	24,908,153	-	24,908,153
Debt securities issued	-	4,646,833	-	4,646,833
Other liabilities	-	52,489	-	52,489
Subordinated term debts	-	21,735,857	-	21,735,857
Total financial liabilities	803,008	867,055,659	-	867,858,667
As at 31st December 2017				
	Rs.000	Rs.000	Rs.000	Rs.000
ASSETS				
Cash and cash equivalents	-	21,739,800	-	21,739,800
Balances with Central Bank of Sri Lanka	-	38,610,940	-	38,610,940
Placements with banks	-	3,182,377	-	3,182,377
Reverse repurchase agreements	-	-	-	-
Derivative financial instruments	615,357	-	-	615,357
Financial investments - Fair value through profit or loss	120,486	-	-	120,486
Loans and receivables to customers	-	639,102,061	-	639,102,061
Financial investments - Loans and receivables	-	122,199,048	-	122,199,048
Financial investments - Available for sale	-	-	95,403,820	95,403,820
Other assets	-	2,361,404	-	2,361,404
Total financial assets	735,843	827,195,630	95,403,820	923,335,293
LIABILITIES				
Due to banks	-	62,463,497	-	62,463,497
Derivative financial instruments	1,305,900	-	-	1,305,900
Securities sold under repurchase agreements	-	5,064,360	-	5,064,360
Due to customers	-	701,519,297	-	701,519,297
Dividends payable	-	975,371	-	975,371
Other borrowings	-	27,258,006	-	27,258,006
Debt securities issued	-	4,540,259	-	4,540,259
Other liabilities	-	22,984	-	22,984
Subordinated term debts	-	25,809,261	-	25,809,261
Total financial liabilities	1,305,900	827,653,035	-	828,958,935

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th June 2018	Fair Value Through Profit or Loss	Held to Maturity	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
ASSETS					
Cash and cash equivalents	-	-	21,959,801	-	21,959,801
Balances with Central Bank of Sri Lanka	-	-	37,797,323	-	37,797,323
Placements with banks	-	-	5,060,136	-	5,060,136
Reverse repurchase agreements	-	-	896,157	-	896,157
Derivative financial instruments	228,355	-	-	-	228,355
Financial investments - fair value through profit or loss	232,770	-	-	-	232,770
Loans and receivables to customers	-	-	714,198,185	-	714,198,185
Financial investments - loans and receivables	-	-	142,765,432	-	142,765,432
Financial investments - available-for-sale	-	-	-	77,764,265	77,764,265
Financial investments - held to maturity	-	1,379,491	-	-	1,379,491
Other assets	-	-	3,122,289	-	3,122,289
Total financial assets	461,125	1,379,491	925,799,323	77,764,265	1,005,404,204
LIABILITIES					
Due to banks	-	-	60,988,980	-	60,988,980
Derivative financial instruments	803,008	-	-	-	803,008
Securities sold under repurchase agreements	-	-	12,480,272	-	12,480,272
Due to customers	-	-	758,211,616	-	758,211,616
Dividends payable	-	-	1,022,972	-	1,022,972
Other borrowings	-	-	24,908,153	-	24,908,153
Debt securities issued	-	-	5,163,208	-	5,163,208
Other liabilities	-	-	1,611,544	-	1,611,544
Subordinated term debts	-	-	21,455,682	-	21,455,682
Total financial liabilities	803,008	-	885,842,427	-	886,645,435
As at 31st December 2017					
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
ASSETS					
Cash and cash equivalents	-	-	21,924,898	-	21,924,898
Balances with Central Bank of Sri Lanka	-	-	38,610,940	-	38,610,940
Placements with banks	-	-	9,670,125	-	9,670,125
Reverse repurchase agreements	-	-	772,002	-	772,002
Derivative financial instruments	615,357	-	-	-	615,357
Financial investments - fair value through profit or loss	266,538	-	-	-	266,538
Loans and receivables to customers	-	-	655,612,938	-	655,612,938
Financial investments - loans and receivables	-	-	125,031,671	-	125,031,671
Financial investments - available for sale	-	-	-	101,742,985	101,742,985
Financial investments - held to maturity	-	1,565,603	-	-	1,565,603
Other assets	-	-	3,170,939	-	3,170,939
Total financial assets	881,895	1,565,603	854,793,513	101,742,985	958,983,996
LIABILITIES					
Due to banks	-	-	62,463,497	-	62,463,497
Derivative financial instruments	1,305,900	-	-	-	1,305,900
Securities sold under repurchase agreements	-	-	5,064,360	-	5,064,360
Due to customers	-	-	718,770,945	-	718,770,945
Dividends payable	-	-	986,880	-	986,880
Other borrowings	-	-	27,258,006	-	27,258,006
Debt securities issued	-	-	5,035,958	-	5,035,958
Other liabilities	-	-	1,268,066	-	1,268,066
Subordinated term debts	-	-	25,564,596	-	25,564,596
Total financial liabilities	1,305,900	-	846,412,308	-	847,718,208

SEGMENT REPORTING 2018

For the 6 months ended 30th June	Banking		Leasing/Hire purchase		Property		Insurance		Others*		Eliminations / Unallocated		Consolidated	
	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000	2018 Rs 000	2017 Rs 000
Total revenue from external customers	53,779,424	48,541,724	3,036,094	2,688,561	122,559	106,446	4,510,562	3,864,078	3,759,991	3,362,192	(221,093)	(475,629)	64,987,537	58,087,372
Inter segment revenue	137,803	66,694	-	-	378,137	384,098	38,763	63,740	47,714	62,802	(602,417)	(577,334)	-	-
Total revenue	53,917,227	48,608,418	3,036,094	2,688,561	500,696	490,544	4,549,325	3,927,818	3,807,705	3,424,994	(823,510)	(1,052,963)	64,987,537	58,087,372
Segment result	11,003,888	8,862,683	2,209,659	1,710,262	318,550	387,383	871,941	270,055	705,595	742,756	(267,298)	(509,801)	14,842,335	11,463,338
Unallocated expenses													(863,312)	(763,969)
Profit from operations													13,979,023	10,699,369
Income from Associates and Joint Venture													84,397	64,352
Taxes													(4,509,393)	(3,233,216)
Profit for the period													9,554,027	7,530,505
Non Controlling Interest													(444,911)	(290,076)
Profit attributable to the Equity holders of the Bank													9,109,116	7,240,429
Profit for the period													9,554,027	7,530,505
Other comprehensive Income, Net of tax	(1,003,007)	1,224,314	-	-	-	-	(20,797)	15,425	12,610	(3,312)	10,682	(14,803)	(1,000,512)	1,221,624
Total Comprehensive income for the period													8,553,515	8,752,129
Non Controlling Interest													(443,886)	(294,330)
Total comprehensive income attributable to the Equity Holders of the Bank													8,109,629	8,457,799
Total assets	954,952,637	878,927,889	45,495,932	42,510,581	10,186,653	10,135,860	20,101,158	16,573,172	25,572,742	21,473,304	(1,454,274)	(1,760,044)	1,054,854,848	967,860,762
Total liabilities	841,709,087	794,980,399	45,495,932	42,510,581	1,524,197	596,510	15,953,982	13,783,190	21,209,649	17,740,870	(2,402,171)	(3,435,927)	923,490,676	866,175,623
Cash flow from operating activities	5,943,829	32,193,462	(3,984,735)	(1,607,130)	249,758	430,442	845,260	932,744	(2,909,003)	1,616,749	2,248,454	(862,905)	2,393,563	32,703,362
Cash flow from Investing activities	5,404,317	(19,123,418)	-	-	584	(116,056)	(723,537)	(981,567)	2,769,602	(1,491,162)	(3,668,167)	2,166,102	3,782,799	(19,546,101)
Cash flow from financing activities	(10,481,886)	(9,067,041)	-	-	(161,300)	(340,000)	(300,000)	(250,000)	637,105	(162,701)	(445,367)	623,417	(10,751,448)	(9,196,325)

* 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 2017.
2. SLFRS 9 – “Financial Instruments” standard which replaces LKAS 39 – “Financial Instruments: Recognition & Measurement” is applicable for financial periods beginning on or after 1st January 2018.
However, these financial statements have been prepared by applying LKAS 39 availing the transitional option granted by CA Sri Lanka.
Had SLFRS 9 been applied to these financial statements as at 30th June 2018, the approximate impacts (unaudited) would be as follows.
 - overall cumulative impairment provision would have increased by Rs 4.5 Bn – 5.5 Bn
 - profits reported for the period ended 30th June 2018 would have decreased by Rs 300 Mn – 500 Mn
 - Total Capital Adequacy ratio would have decreased by 60 to 70 basis points
3. 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.
4. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) “Interim Financial Reporting” and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
5. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
6. Details of Employee Share Option Plan (ESOP)

	2013 Allocation*	
	Voting	Non voting
No of options brought forward	466,330	112,249
No of options granted during the year	-	-
No of options exercised during the year	(221,160)	(42,788)
No of options expired during the year	(245,170)	(69,461)
No of options remaining	-	-
Allotment price (Rs)	142.17	110.04
Average market price for the period ended 30th June 2018 (Rs)	240.52	186.58
Funding granted to employee	None	None

- * These options were allocated on 5th June 2013 and the retention period ended on 4th June 2014. The remaining options expired on 4th June 2018.
7. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Grameen Finance Ltd & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
 8. Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given in the note to the financial statements.
 9. The funds raised through debentures were fully utilized for the objectives mentioned in the prospectuses.
 10. Restricted regulatory reserve – HNB Assurance PLC “Company”
The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued Direction No 16 on 20th March 2018 on “Identification and Treatment of One-off Surplus” and has instructed all Life Insurance Companies to comply with the new Direction. Based on the new Direction, Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund. The transfer effected by HNB Assurance PLC has been presented as a separate reserve in the Statement of Changes in Equity as “Restricted Regulatory Reserve” under Equity in accordance with the direction above. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the Company develops appropriate policies and procedures for effective management of its business.
 11. There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 30.06.2018	As at 31.12.2017	As at 30.06.2018	As at 31.12.2017
	BANK		GROUP	
BASEL III				
Regulatory Capital				
Common Equity Tier 1. Rs. Mn	89,670	92,810	97,266	100,143
Tier 1 Capital. Rs. Mn	89,670	92,810	97,266	100,143
Total Capital. Rs. Mn	109,373	115,247	116,950	122,431
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement 2018 - 7.375%; 2017 - 6.25%)	12.48%	13.70%	12.69%	13.68%
Tier 1 Capital Ratio (Minimum Requirement 2018 - 8.875%; 2017 - 7.75%)	12.48%	13.70%	12.69%	13.68%
Total Capital Ratio (Minimum Requirement 2018 - 12.875%; 2017 - 11.75%)	15.22%	17.02%	15.25%	16.72%

	30.06.2018	31.12.2017
	BANK	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	2.91%	2.28%
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	1.34%	0.77%
Profitability (Annualised)		
Interest Margin, %	4.49%	4.25%
Return on Assets (before Tax), %	2.56%	2.36%
Return on Equity, %	15.59%	17.62%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	117,102	183,290
Off-Shore Banking Unit	32,983	34,670
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	21.20%	24.06%
Off-Shore Banking Unit	42.27%	46.15%
Liquidity Coverage Ratio % - Rupee (Minimum Requirement - 2018 - 90%; 2017 - 80%)	152.87%	182.39%
Liquidity Coverage Ratio % - All currency (Minimum Requirement - 2018 - 90%; 2017 - 80%)	93.61%	124.32%

LISTED DEBENTURE INFORMATION

Quarter ended 30th June	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)	2018	2017
	2018 Highest Rs.	2018 Lowest Rs.	2017 Highest Rs.	2017 Lowest Rs.	2018 Rs.	2017 Rs.			
HNB DEBENTURES 2006							15 year Fixed Rate (11.00% p.a.)	N/T	N/T
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2007		
HNB DEBENTURES 2007							10 year Fixed Rate (16.00% p.a.)	N/A	N/T
10 year Fixed Rate (16.00% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	15 year Fixed Rate (16.75% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2011		
HNB DEBENTURES 2011							10 year Fixed Rate (11.50% p.a.)	N/T	N/T
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2013		
HNB DEBENTURES 2013							5 year Fixed Rate (14.00% p.a.)	N/A	13.77
5 year Fixed Rate (14.00% p.a.)	N/A	N/A	101.70	101.59	N/A	101.70	10 year Fixed Rate (14.25% p.a.)	N/T	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2014		
HNB DEBENTURES 2014							3 year Fixed Rate (6.88% p.a.)	N/A	N/T
3 year Fixed Rate (6.88% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	5 year Fixed Rate (7.75% p.a.)	N/T	N/T
5 year Fixed Rate (7.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (8.33% p.a.)	N/T	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	HNB DEBENTURES 2016		
HNB DEBENTURES 2016							5 year Fixed Rate (11.25% p.a.)	11.97	12.50
5 year Fixed Rate (11.25% p.a.)	94.00	94.00	91.00	87.00	94.00	90.00	5 year Fixed Rate (11.75% p.a.)	N/T	N/T
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	7 year Fixed Rate (13.00% p.a.)	13.00	12.87
7 year Fixed Rate (13.00% p.a.)	100.00	100.00	101.00	101.00	100.00	101.00			

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

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

Yield to Maturity of Last Trade Done (% p.a.)		2018	2017
Quarter ended 30th June			
HNB DEBENTURES 2006			
15 year Fixed Rate (11.00% p.a.)		N/T	N/T
18 year Fixed Rate (11.25% p.a.)		N/T	N/T
HNB DEBENTURES 2007			
10 year Fixed Rate (16.00% p.a.)		N/A	N/T
15 year Fixed Rate (16.75% p.a.)		N/T	N/T
HNB DEBENTURES 2011			
10 year Fixed Rate (11.50% p.a.)		N/T	N/T
HNB DEBENTURES 2013			
5 year Fixed Rate (14.00% p.a.)		N/A	13.77
10 year Fixed Rate (14.25% p.a.)		N/T	N/T
HNB DEBENTURES 2014			
3 year Fixed Rate (6.88% p.a.)		N/A	N/T
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.)		11.25	11.25
5 year Fixed Rate (11.75% p.a.)		N/T	N/T
7 year Fixed Rate (13.00% p.a.)		13.00	13.00

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

RATIOS OF DEBT		
	30.06.2018	31.12.2017
Debt Equity Ratio (%)	77.30	90.84
	30.06.2018	30.06.2017
Interest Cover (Times)	4.92%	4.15%
	30.06.2018	30.06.2017
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	9.97	12.55
2006 series 18 year maturity	10.51	12.76
2007 series 10 year maturity	N/A	10.13
2007 series 15 year maturity	10.29	12.73
2011 series 10 year maturity	10.06	12.61
2013 series 5 year maturity	N/A	10.44
2013 series 10 year maturity	10.43	11.54
2014 series 3 year maturity	N/A	10.23
2014 series 5 year maturity	9.13	10.97
2014 series 10 year maturity	10.51	11.49
2016 series 5 year maturity	9.97	11.30
2016 series 5 year maturity	10.06	11.35
2016 series 7 year maturity	10.43	11.54

SHARE INFORMATION

As at	30-Jun-18	31-Dec-17
Number of Shares		
Voting	395,451,248	392,304,558
Non-voting	97,199,341	96,249,132
Last Traded Price per share		
Voting	225.00	249.00
Non-voting	178.50	195.00

For the Quarter Ended	30-Jun-18	30-Jun-17
Highest price per share		
Voting	252.90	250.00
Non-voting	192.00	210.00
Lowest price per share		
Voting	223.00	220.00
Non-voting	176.00	184.10

PUBLIC SHAREHOLDING PERCENTAGE

As at	30-Jun-18
Voting	69% approx.
Non-voting	99% approx.

NUMBER OF PUBLIC SHAREHOLDERS

As at	30-Jun-18
Voting	4,534
Non-voting	10,066

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	30-Jun-18	31-Dec-17
1. Mr. D.S. Weerakkody	2,050	2,031
2. Mr. Rienzie Arseculeratne**	N/A	11,825
3. Mr. A.J. Alles *	123,504	122,542
4. Ms. M.A.R.C. Cooray	7,068	7,003
5. Dr. L.R. Karunaratne	1,055	1,048
6. Mr. D.T.S.H. Mudalige	-	-
7. Miss. D.S.C. Jayawardena***	N/A	514
8. Mr. R.S. Captain	7,271	7,218
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	101

* Chief Executive Officer

** Retired w.e.f 25.05.2018

*** Resigned w.e.f 28.06.2018

20 MAJOR SHAREHOLDERS (VOTING) AS AT 30TH JUNE 2018

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	38,544,738	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	32,693,132	8.27
3.	Milford Exports (Ceylon) (Pvt) Limited	31,270,422	*7.91
4.	Stassen Exports (Pvt) Limited	27,104,164	*6.85
5.	Mr.S.E. Captain	25,745,495	6.51
6.	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	21,588,566	5.46
7.	Sonetto Holdings Limited.	19,436,026	4.91
8.	Sri Lanka Insurance Corporation Ltd-General Fund	16,740,449	4.23
9.	Distilleries Company of Sri Lanka Plc	12,126,746	*3.07
10.	National Savings Bank	11,346,652	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,422,269	1.88
12.	Ms.L.A. Captain	7,390,583	1.87
13.	RBC Investor Services Bank-Coeli SICAV-i- Frontier Markets Fund	6,937,459	1.75
14.	BNYM SANV Re-CF Ruffer Total Return Fund	6,220,950	1.57
15.	RBC Investor Services Trust-RBC Emerging Markets Small-CAP Equity Fund	5,849,701	1.48
16.	HSBC Intl Nom Ltd-HSBC Bank PLC-CMG First state global umbrella Fund PLC	5,638,975	1.43
17.	Citibank Newyork S/A Norges Bank Account 2	4,746,142	1.20
18.	BNYM SANV Re-CF Ruffer Absolute Return Fund	4,175,684	1.06
19.	Mrs.C.S.De Fonseka	3,536,294	0.89
20.	HSBC International Nominees Ltd-JPMC-B-Templeton Global Investment Trust-Templeton Emerging Markets	3,397,647	0.86

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

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 30TH JUNE 2018

	Name	No. of shares	% on total non-voting capital
1.	Citibank Newyork S/A Norges Bank Account 2	10,048,640	10.34
2.	HSBC Intl Nom Ltd-UBS AG Zurich	8,616,404	8.86
3.	HSBC Intl nominees Ltd-JPMLU-Franklin Templeton Investment Funds	7,010,860	7.21
4.	BNYM SANV Re-Frontaura Global Frontier Fund LLC	4,786,627	4.92
5.	BNYM SANV Re-neon liberty lorikeet master fund lp	3,601,936	3.71
6.	Akbar Brothers Pvt Ltd A/c No 1	3,332,015	3.43
7.	BNYM SANV Re-CF Ruffer total return fund	3,112,064	3.20
8.	BNYM SANV Re-CF Ruffer absolute return fund	2,073,039	2.13
9.	CB Europe plc lux s/a Dunross and co ab	2,018,848	2.08
10.	Union Assurance plc/no-01a/c	1,516,004	1.56
11.	Mr. S.E. Captain	1,505,120	1.55
12.	Rubber Investment trust limited a/c # 01	1,416,719	1.46
13.	Bnymsanv re-cf ruffer investment funds : CF Ruffer Pacific fund	1,230,553	1.27
14.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,137,429	1.17
15.	Employees Trust Fund Board	1,033,965	1.06
16.	Union assurance plc/account no.05 (unit-linked life insurance fund-equity fund)	976,802	1.00
17.	The Ceylon Guardian Investment Trust PLC A/c # 02	898,180	0.92
18.	The Ceylon Investment PLC A/c # 02	734,743	0.76
19.	Hatton National Bank PLC A/c No 2	699,464	0.72
20.	Saboor Chatoor (pvt) Ltd	658,490	0.68

NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	30.06.2018 Rs.000	31.12.2017 Rs.000	30.06.2018 Rs.000	31.12.2017 Rs.000
1) Loans and Receivables to Customers				
Gross loans and receivables	708,092,758	649,547,067	727,699,391	666,768,376
Less : Individual impairment	(5,733,266)	(5,390,947)	(5,733,266)	(5,390,947)
Collective impairment	(6,633,575)	(5,054,059)	(7,767,940)	(5,764,491)
Net loans and receivables	695,725,917	639,102,061	714,198,185	655,612,938
2) Loans and Receivables to Customers - By product				
By product-Domestic Currency				
Overdrafts	119,714,028	110,389,156	119,713,596	110,247,496
Bills of exchange	905,989	1,194,887	905,989	1,194,887
Commercial papers	154,233	154,365	154,233	154,365
Short term loans	72,503,859	47,679,970	72,694,853	47,842,255
Credit Cards	7,332,126	7,072,669	7,332,126	7,072,669
Trust receipts	32,032,679	30,476,959	32,032,679	30,476,959
Packing credit loans	770,999	574,311	770,999	574,311
Staff loans	12,523,488	12,038,721	12,855,519	12,716,383
Term loans	283,697,159	271,323,002	302,787,562	284,037,497
Lease rentals receivable	45,561,151	42,894,674	45,554,790	46,703,201
Housing loans	32,876,008	32,708,620	32,876,007	32,708,620
Pawning advances	16,369,244	15,529,655	16,369,244	15,529,655
Securitized notes	567,222	569,605	567,222	569,605
Sub total	625,008,185	572,606,594	644,614,819	589,827,903
By product-Foreign Currency				
Overdrafts	1,271,531	943,061	1,271,531	943,061
Bills of exchange	1,207,614	1,976,692	1,207,614	1,976,692
Short term loans	1,866,761	3,172,960	1,866,761	3,172,960
Trust receipts	3,582,460	2,261,712	3,582,460	2,261,712
Packing credit loans	14,970,564	13,398,050	14,970,563	13,398,050
Term loans	58,115,162	53,342,311	58,115,162	53,342,311
Lease rentals receivable	233,291	87,997	233,291	87,997
Housing loans	1,837,190	1,757,690	1,837,190	1,757,690
Sub total	83,084,573	76,940,473	83,084,572	76,940,473
Total	708,092,758	649,547,067	727,699,391	666,768,376
3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Customers				
	2018	2017	2018	2017
Individual impairment				
Opening balance at 01st January	5,390,947	3,366,278	5,390,947	3,366,278
Charge/(Write back) to income statement	422,430	561,103	422,430	561,103
Amounts written off	-	(196,885)	-	(196,885)
Interest accrued on impaired loans and receivables	(80,111)	30,236	(80,111)	30,236
Closing balance as at 30th June	5,733,266	3,760,732	5,733,266	3,760,732
Collective impairment				
Opening balance at 01st January	5,054,059	7,734,914	5,764,491	8,131,945
Charge/(Write back) to income statement	1,579,516	854,525	2,003,449	922,829
Amounts written off	-	-	-	-
Closing balance as at 30th June	6,633,575	8,589,439	7,767,940	9,054,774
Total impairment	12,366,841	12,350,171	13,501,206	12,815,506
4) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	37,107,668	35,345,019	36,845,917	51,767,193
Savings deposits	186,709,598	175,798,836	188,626,670	177,757,916
Time deposits	375,868,621	362,618,952	391,325,947	361,554,205
Certificates of deposit	524,025	955,609	524,025	955,609
Margin deposits	1,572,558	1,852,976	1,572,558	1,852,976
Sub total	601,782,470	576,571,392	618,895,117	593,887,899
By product- Foreign Currency				
Current account deposits	4,555,078	3,822,844	4,555,078	3,822,844
Savings deposits	35,483,372	33,951,894	35,448,012	33,943,675
Time deposits	99,352,891	87,154,033	99,259,997	87,097,393
Margin deposits	53,412	19,134	53,412	19,134
Sub total	139,444,753	124,947,905	139,316,499	124,883,046
Total	741,227,223	701,519,297	758,211,616	718,770,945