



YOUR PARTNER IN PROGRESS

# Interim Financial Statements

For the nine months ended 30th September 2023

## FINANCIAL COMMENTARY FOR THE 9 MONTHS ENDED 30TH SEPTEMBER 2023

- HNB Group records Rs 18.8 Bn in PAT for 9 months
- Bank PAT of Rs 16.6 Bn
- Deposits cross Rs 1.5 Trillion
- Loans grow by Rs 34Bn in Q3 2023 to cross Rs 1 Trillion
- Provides over Rs 32 Bn for Impairment
- Maintains sound capital and liquidity levels

Hatton National Bank PLC posted a profit before tax of Rs 26.3 Bn and a profit after tax of Rs 16.6 Bn during the nine months ended September 2023. The Group recorded a consolidated PBT and PAT of Rs 29.0 Bn and Rs 18.8 Bn, respectively for the period.

The Bank's interest income recorded a YoY growth of 63.5%, reaching Rs 220.7 Bn during the first nine months, in the background of a sharp decline in interest rates during the third quarter. Interest expense increased at a faster pace of 115% YoY, resulting in a 17.1% YoY growth in net interest income which improved to Rs 83.2 Bn. Bank's net fee and commission income grew by 6.3% YoY to Rs 11.7 Bn primarily fueled by cards and digital channels. The appreciation in the Sri Lankan rupee against the US dollar by approx. 12%, during the period resulted in the Bank having to record an exchange loss of Rs 2.5 Bn for the nine months.

HNB continued to maintain its asset quality well above the industry, with net stage 3 ratio at 4.9% and stage III provision cover at 50.7%. The Bank recognised a total impairment charge of Rs 32.4 Bn during the first nine months of 2023, which comprised of impairment on account of loans and advances and foreign currency denominated government securities.

HNB's cost to income ratio stood at 28.5% for the nine months, despite, operating expenses increasing by 16.1% YoY to Rs 26.5 Bn mainly driven by inflationary pressure.

The Bank's total effective tax rate increased to 51.6% from 37.4% in the previous year, due to the increase in corporate tax rate from 24% to 30% and the introduction of social security contribution levy with effect from October 2022.

Bank's asset base improved to Rs 1.86 Tn as at end September 2023. Significant reduction in market lending rates in line with Central Bank's relaxed monetary policy has enabled the Bank to record a Rs 34 Bn growth in gross loans, to surpass Rs 1.0 Tn in the third quarter. The Bank reached a significant milestone as its deposit base crossed the Rs 1.5 Trillion mark for the first time.

HNB recorded Tier I and Total Capital Adequacy Ratios of 11.91% and 14.73% against the minimum statutory requirements of 9.5% and 13.5% respectively, with the provision to drawdown a further 250 bps from the Capital Conversation Buffer. The Bank has continued to maintain a strong liquidity position with a Statutory Liquid Asset Ratio and an all currency Liquidity Coverage Ratio, which are both well above regulatory minimum requirements of 20% and 100% respectively.

HNB is rated A (lka) by Fitch Ratings and was awarded the esteemed title of "Sri Lanka's Best Corporate Citizen" for 2022 by the Ceylon Chamber of Commerce. Other major accolades include, being adjudged the "Best Retail Bank in Sri Lanka" for the 13th occasion by the Asian Banker, being declared the "Best SME Bank" by Asiamoney Magazine, as well as securing a Top 5 position on Business Today's Top 40 rankings for 2022. HNB was also ranked among Sri Lanka's Top 10 Most Admired companies in 2022 by the Chartered Institute of Management Accountants, in collaboration with the International Chamber of Commerce Sri Lanka.

## INCOME STATEMENT

|  | BANK                                  |             |                            | BANK                                  |             |                            | GROUP                                 |             |                            | GROUP                                 |             |                            |
|--|---------------------------------------|-------------|----------------------------|---------------------------------------|-------------|----------------------------|---------------------------------------|-------------|----------------------------|---------------------------------------|-------------|----------------------------|
|  | For the 9 months ended 30th September |             |                            | For the 3 months ended 30th September |             |                            | For the 9 months ended 30th September |             |                            | For the 3 months ended 30th September |             |                            |
|  | 2023                                  | 2022        | % Increase /<br>(Decrease) | 2023                                  | 2022        | % Increase /<br>(Decrease) | 2023                                  | 2022        | % Increase /<br>(Decrease) | 2023                                  | 2022        | % Increase /<br>(Decrease) |
| Rs 000   | Rs 000                                |             | Rs 000                     | Rs 000                                |             | Rs 000                     | Rs 000                                |             | Rs 000                     | Rs 000                                |             |                            |
| <b>Gross income</b>  | 230,853,680                           | 163,634,991 | 41                         | 74,675,194                            | 66,736,874  | 12                         | 258,729,755                           | 183,868,740 | 41                         | 83,989,915                            | 74,476,734  | 13                         |
| Interest income  | 220,680,537                           | 134,941,975 | 64                         | 69,448,469                            | 61,186,829  | 14                         | 236,358,019                           | 144,301,759 | 64                         | 74,381,119                            | 65,039,360  | 14                         |
| Less : Interest expenses   | 137,456,176                           | 63,864,550  | 115                        | 45,549,523                            | 30,268,552  | 50                         | 142,908,808                           | 66,973,890  | 113                        | 47,196,456                            | 31,890,685  | 48                         |
| <b>Net interest income</b>   | 83,224,361                            | 71,077,425  | 17                         | 23,898,946                            | 30,918,277  | (23)                       | 93,449,211                            | 77,327,869  | 21                         | 27,184,663                            | 33,148,675  | (18)                       |
| Fee and commission income  | 12,021,950                            | 11,256,890  | 7                          | 3,828,843                             | 3,935,773   | (3)                        | 12,772,099                            | 11,959,896  | 7                          | 4,053,502                             | 4,206,662   | (4)                        |
| Less: Fee and commission expenses  | 322,059                               | 254,436     | 27                         | 113,508                               | 80,723      | 41                         | 437,348                               | 461,399     | (5)                        | 142,230                               | 204,557     | (30)                       |
| <b>Net fee and commission income</b>   | 11,699,891                            | 11,002,454  | 6                          | 3,715,335                             | 3,855,050   | (4)                        | 12,334,751                            | 11,498,497  | 7                          | 3,911,272                             | 4,002,105   | (2)                        |
| <b>Net interest, fee and commission income</b>                                       | 94,924,252                            | 82,079,879  | 16                         | 27,614,281                            | 34,773,327  | (21)                       | 105,783,962                           | 88,826,366  | 19                         | 31,095,935                            | 37,150,780  | (16)                       |
| Net gains / (losses) from trading  | (9,963,262)                           | 4,934,777   | (302)                      | (1,323,658)                           | (4,867,897) | 73                         | (9,893,536)                           | 4,895,972   | (302)                      | (1,294,167)                           | (4,807,068) | 73                         |
| Net gain from financial investments at fair value through other comprehensive income | -                                     | 9,899       | (100)                      | -                                     | -           | -                          | 3,363                                 | 13,235      | (75)                       | 620                                   | 290         | 114                        |
| Net gains arising on de-recognition of financial assets                              | -                                     | -           | -                          | -                                     | -           | -                          | 14,763                                | -           | -                          | 11,616                                | -           | -                          |
| Net insurance premium income   | -                                     | -           | -                          | -                                     | -           | -                          | 11,033,781                            | 9,522,828   | 16                         | 3,885,208                             | 3,385,226   | 15                         |
| Net other operating income   | 8,114,455                             | 12,491,450  | (35)                       | 2,721,540                             | 6,482,169   | (58)                       | 8,441,266                             | 13,175,050  | (36)                       | 2,952,017                             | 6,652,264   | (56)                       |
| <b>Total operating income</b>  | 93,075,445                            | 99,516,005  | (6)                        | 29,012,163                            | 36,387,599  | (20)                       | 115,383,599                           | 116,433,451 | (1)                        | 36,651,229                            | 42,381,492  | (14)                       |
| Less: Impairment charge for loans and other losses                                   | 32,371,178                            | 60,275,325  | (46)                       | 4,119,429                             | 20,181,418  | (80)                       | 33,836,303                            | 61,407,903  | (45)                       | 4,345,697                             | 20,627,338  | (79)                       |
| <b>Net operating income</b>  | 60,704,267                            | 39,240,680  | 55                         | 24,892,734                            | 16,206,181  | 54                         | 81,547,296                            | 55,025,548  | 48                         | 32,305,532                            | 21,754,154  | 49                         |
| <b>Less : Operating expenses</b>   |                                       |             |                            |                                       |             |                            |                                       |             |                            |                                       |             |                            |
| Personnel expenses   | 12,821,462                            | 11,436,703  | 12                         | 4,123,333                             | 4,042,581   | 2                          | 15,698,473                            | 14,124,030  | 11                         | 5,088,741                             | 4,996,192   | 2                          |
| Depreciation and amortisation  | 2,026,772                             | 1,905,234   | 6                          | 694,139                               | 639,027     | 9                          | 2,525,509                             | 2,368,504   | 7                          | 968,961                               | 901,354     | 8                          |
| Benefits, claims and underwriting expenditure  | -                                     | -           | -                          | -                                     | -           | -                          | 12,308,392                            | 8,336,306   | 48                         | 4,284,667                             | 2,263,690   | 89                         |
| Other expenses   | 11,646,516                            | 9,474,737   | 23                         | 4,070,310                             | 3,278,958   | 24                         | 15,032,865                            | 11,993,107  | 25                         | 5,403,705                             | 4,197,460   | 29                         |
| <b>Total operating expenses</b>  | 26,494,750                            | 22,816,674  | 16                         | 8,887,782                             | 7,960,566   | 12                         | 45,565,239                            | 36,821,947  | 24                         | 15,746,074                            | 12,358,696  | 27                         |
| <b>Operating profit before taxes on financial services</b>                           | 34,209,517                            | 16,424,006  | 108                        | 16,004,952                            | 8,245,615   | 94                         | 35,982,057                            | 18,203,601  | 98                         | 16,559,458                            | 9,395,458   | 76                         |
| Less : Taxes on financial services   | 7,954,323                             | 4,262,765   | 87                         | 3,378,533                             | 1,870,162   | 81                         | 8,202,656                             | 4,385,817   | 87                         | 3,449,415                             | 1,892,012   | 82                         |
| <b>Operating profit after taxes on financial services</b>                            | 26,255,194                            | 12,161,241  | 116                        | 12,626,419                            | 6,375,453   | 98                         | 27,779,401                            | 13,817,784  | 101                        | 13,110,043                            | 7,503,446   | 75                         |
| Share of profit of joint venture (net of income tax)                                 | -                                     | -           | -                          | -                                     | -           | -                          | 1,258,005                             | 1,154       | 108,913                    | 732,417                               | (149,419)   | 590                        |
| <b>PROFIT BEFORE INCOME TAX</b>  | 26,255,194                            | 12,161,241  | 116                        | 12,626,419                            | 6,375,453   | 98                         | 29,037,406                            | 13,818,938  | 110                        | 13,842,460                            | 7,354,027   | 88                         |
| Less: Income tax expense   | 9,693,846                             | 1,876,154   | 417                        | 4,670,386                             | 1,393,527   | (235)                      | 10,187,871                            | 2,395,553   | 325                        | 4,832,136                             | 1,792,298   | 170                        |
| <b>PROFIT FOR THE PERIOD</b>   | 16,561,348                            | 10,285,087  | 61                         | 7,956,033                             | 4,981,926   | 60                         | 18,849,535                            | 11,423,385  | 65                         | 9,010,324                             | 5,561,729   | 62                         |
| <b>Profit attributable to:</b>   |                                       |             |                            |                                       |             |                            |                                       |             |                            |                                       |             |                            |
| Equity holders of the Bank   | 16,561,348                            | 10,285,087  | 61                         | 7,956,033                             | 4,981,926   | 60                         | 18,330,943                            | 11,014,877  | 66                         | 8,874,397                             | 5,407,913   | 64                         |
| Non-controlling interests  | -                                     | -           | -                          | -                                     | -           | -                          | 518,592                               | 408,508     | 27                         | 135,927                               | 153,816     | (12)                       |
| <b>PROFIT FOR THE PERIOD</b>   | 16,561,348                            | 10,285,087  | 61                         | 7,956,033                             | 4,981,926   | 60                         | 18,849,535                            | 11,423,385  | 65                         | 9,010,324                             | 5,561,729   | 62                         |
| <b>Earnings per share</b>  |                                       |             |                            |                                       |             |                            |                                       |             |                            |                                       |             |                            |
| Basic earnings per ordinary share (Rs)   | 29.59                                 | 18.37       | 61                         | 14.21                                 | 8.90        | 60                         | 32.75                                 | 19.68       | 66                         | 15.85                                 | 9.66        | 64                         |
| Diluted earnings per ordinary share (Rs)   | 29.59                                 | 18.37       | 61                         | 14.21                                 | 8.90        | 60                         | 32.75                                 | 19.68       | 66                         | 15.85                                 | 9.66        | 64                         |

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | BANK                                  |             |                            | BANK                                  |           |                            | GROUP                                 |             |                            | GROUP                                 |           |                            |
|---|---------------------------------------|-------------|----------------------------|---------------------------------------|-----------|----------------------------|---------------------------------------|-------------|----------------------------|---------------------------------------|-----------|----------------------------|
|   | For the 9 months ended 30th September |             |                            | For the 3 months ended 30th September |           |                            | For the 9 months ended 30th September |             |                            | For the 3 months ended 30th September |           |                            |
|   | 2023                                  | 2022        | % Increase /<br>(Decrease) | 2023                                  | 2022      | % Increase /<br>(Decrease) | 2023                                  | 2022        | % Increase /<br>(Decrease) | 2023                                  | 2022      | % Increase /<br>(Decrease) |
| Rs 000  | Rs 000                                |             | Rs 000                     | Rs 000                                |           | Rs 000                     | Rs 000                                |             | Rs 000                     | Rs 000                                |           |                            |
| <b>PROFIT FOR THE PERIOD</b>  | 16,561,348                            | 10,285,087  | 61                         | 7,956,033                             | 4,981,926 | 60                         | 18,849,535                            | 11,423,385  | 65                         | 9,010,324                             | 5,561,729 | 62                         |
| <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                               | 3,830,811                             | (1,831,486) | 309                        | 2,563,720                             | 1,894     | 135,260                    | 3,833,153                             | (1,831,486) | 309                        | 2,563,721                             | 1,894     | 135,260                    |
| Remeasurement of post-employment benefit obligations  | -                                     | -           | -                          | -                                     | -         | -                          | 38,648                                | 12,482      | 210                        | -                                     | -         | -                          |
| Revaluation gain on freehold land and buildings   | -                                     | -           | -                          | -                                     | -         | -                          | -                                     | 200,071     | (100)                      | -                                     | -         | -                          |
| Share of other comprehensive income of joint venture that will not be reclassified to profit or loss  | -                                     | -           | -                          | -                                     | -         | -                          | -                                     | -           | -                          | -                                     | -         | -                          |
| Less: Tax expense relating to items that will not be reclassified to profit or loss   | -                                     | -           | -                          | -                                     | -         | -                          | (71,025)                              | (50,583)    | 40                         | -                                     | -         | -                          |
| <b>Total other comprehensive income that will not be reclassified to profit or loss</b>   | 3,830,811                             | (1,831,486) | 309                        | 2,563,720                             | 1,894     | 135,260                    | 3,800,776                             | (1,669,516) | 328                        | 2,563,721                             | 1,894     | 135,260                    |
| <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                                   | 3,474,528                             | (3,634,091) | 196                        | 3,474,523                             | -         | -                          | 4,629,123                             | (5,256,790) | 188                        | 4,109,448                             | (235,944) | 1,842                      |
| Cumulative net gains/(losses) on debt instruments measured at fair value through other comprehensive income that are reclassified to amortised cost | -                                     | 5,577,587   | (100)                      | -                                     | -         | -                          | -                                     | 6,281,572   | (100)                      | -                                     | -         | -                          |
| Reclassification of net gains on de-recognition of debt instruments at fair value through other comprehensive income to income statement            | -                                     | -           | -                          | -                                     | -         | -                          | -                                     | -           | -                          | -                                     | -         | -                          |
| Net change in expected credit losses of debt securities measured at fair value through other comprehensive income                                   | -                                     | (295,445)   | (100)                      | -                                     | -         | -                          | -                                     | (295,445)   | (100)                      | -                                     | -         | -                          |
| Transfer to life policy holder reserve fund   | -                                     | -           | -                          | -                                     | -         | -                          | (555,698)                             | 1,227,793   | (145)                      | (296,434)                             | 84,574    | (451)                      |
| Share of other comprehensive income of joint venture that will be reclassified to profit or loss  | -                                     | -           | -                          | -                                     | -         | -                          | (251,565)                             | 678,560     | (137)                      | 83,080                                | (110,452) | 175                        |
| Less: Tax expense relating to items that will be reclassified to profit or loss   | (1,042,358)                           | (466,439)   | 123                        | (1,042,358)                           | -         | -                          | (1,147,290)                           | (440,893)   | (160)                      | (1,094,426)                           | 7,575     | (14,548)                   |
| <b>Total other comprehensive income that will be reclassified to profit or loss</b>   | 2,432,170                             | 1,181,612   | 106                        | 2,432,165                             | -         | -                          | 2,674,570                             | 2,194,797   | 22                         | 2,801,668                             | (254,247) | 1,202                      |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>  | 6,262,981                             | (649,874)   | 1,064                      | 4,995,885                             | 1,894     | 263,674                    | 6,475,346                             | 525,281     | 1,133                      | 5,365,389                             | (252,353) | 2,226                      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>  | 22,824,329                            | 9,635,213   | 137                        | 12,951,918                            | 4,983,820 | 160                        | 25,324,881                            | 11,948,666  | 112                        | 14,375,713                            | 5,309,376 | 171                        |
| Total comprehensive income attributable to:   |                                       |             |                            |                                       |           |                            |                                       |             |                            |                                       |           |                            |
| Equity holders of the Bank  | 22,824,329                            | 9,635,213   | 137                        | 12,951,918                            | 4,983,820 | 160                        | 24,626,076                            | 11,312,625  | 118                        | 14,125,217                            | 5,213,078 | 171                        |
| Non-controlling interests   | -                                     | -           | -                          | -                                     | -         | -                          | 698,805                               | 636,041     | 10                         | 250,496                               | 96,298    | 160                        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>  | 22,824,329                            | 9,635,213   | 137                        | 12,951,918                            | 4,983,820 | 160                        | 25,324,881                            | 11,948,666  | 112                        | 14,375,713                            | 5,309,376 | 171                        |

## STATEMENT OF FINANCIAL POSITION

|  | BANK                 |                                  |                            | GROUP                |                                  |                            |
|--|----------------------|----------------------------------|----------------------------|----------------------|----------------------------------|----------------------------|
|  | As at<br>30.09.2023  | As at<br>31.12.2022<br>(Audited) | % Increase /<br>(Decrease) | As at<br>30.09.2023  | As at<br>31.12.2022<br>(Audited) | % Increase /<br>(Decrease) |
|  | Rs 000               | Rs 000                           |                            | Rs 000               | Rs 000                           |                            |
| <b>ASSETS</b>  |                      |                                  |                            |                      |                                  |                            |
| Cash and cash equivalents  | 90,659,300           | 80,238,881                       | 13                         | 90,993,844           | 80,629,698                       | 13                         |
| Placements with banks  | 57,346,277           | 54,371,028                       | 5                          | 64,000,585           | 58,172,046                       | 10                         |
| Balances with Central Bank of Sri Lanka  | 7,094,107            | 32,344,341                       | (78)                       | 7,094,107            | 32,344,341                       | (78)                       |
| Reverse repurchase agreements  | 100,132              | -                                | -                          | 1,333,257            | 1,380,579                        | (3)                        |
| Derivative financial instruments   | 66,687               | 5,370,501                        | (99)                       | 66,687               | 5,370,501                        | (99)                       |
| Financial assets measured at fair value through profit or loss                     | 131,472              | 111,617                          | 18                         | 777,495              | 236,178                          | 229                        |
| Financial assets measured at amortised cost - loans and advances to customers      | 930,909,007          | 974,131,252                      | (4)                        | 965,845,845          | 1,014,518,939                    | (5)                        |
| Financial assets measured at amortised cost - debt and other financial instruments | 450,666,518          | 448,791,874                      | -                          | 484,517,640          | 479,787,015                      | 1                          |
| Financial assets measured at fair value through other comprehensive income         | 222,596,055          | 2,706,660                        | 8,124                      | 228,487,199          | 6,062,195                        | 3,669                      |
| Investment in joint venture  | 755,000              | 755,000                          | -                          | 4,656,795            | 3,650,354                        | 28                         |
| Investment in subsidiaries   | 3,017,285            | 3,017,285                        | -                          | -                    | -                                | -                          |
| Investment properties  | 460,438              | 464,439                          | (1)                        | 921,240              | 935,549                          | (2)                        |
| Property, plant and equipment  | 25,394,135           | 24,835,729                       | 2                          | 50,119,342           | 49,616,338                       | 1                          |
| Right-of-use assets  | 5,115,317            | 5,397,734                        | (5)                        | 2,433,343            | 2,463,788                        | (1)                        |
| Intangible assets and goodwill   | 1,502,859            | 1,250,154                        | 20                         | 1,949,094            | 1,771,092                        | 10                         |
| Deferred tax assets  | 34,821,710           | 30,471,351                       | 14                         | 35,064,098           | 30,763,166                       | 14                         |
| Other assets   | 26,901,719           | 26,281,118                       | 2                          | 31,742,482           | 30,573,372                       | 4                          |
| <b>Total assets</b>  | <b>1,857,538,018</b> | <b>1,690,538,964</b>             | <b>10</b>                  | <b>1,970,003,053</b> | <b>1,798,275,151</b>             | <b>10</b>                  |
| <b>LIABILITIES</b>   |                      |                                  |                            |                      |                                  |                            |
| Due to banks   | 11,916,617           | 6,104,578                        | 95                         | 11,916,617           | 6,104,578                        | 95                         |
| Derivative financial instruments   | 1,222,662            | 25,632                           | 4,670                      | 1,222,662            | 25,632                           | 4,670                      |
| Securities sold under repurchase agreements  | 27,930,775           | 6,540,014                        | 327                        | 27,930,775           | 6,540,014                        | 327                        |
| Financial liabilities measured at amortised cost - due to depositors               | 1,531,800,822        | 1,407,800,492                    | 9                          | 1,563,181,940        | 1,443,179,121                    | 8                          |
| Dividends payable  | 983,001              | 1,008,325                        | (3)                        | 1,003,502            | 1,038,542                        | (3)                        |
| Financial liabilities measured at amortised cost - other borrowings                | 27,452,816           | 32,350,594                       | (15)                       | 27,998,069           | 33,385,598                       | (16)                       |
| Debt securities issued   | 85,805               | 2,062,950                        | (96)                       | 582,133              | 2,555,109                        | (77)                       |
| Current tax liabilities  | 22,923,613           | 30,025,919                       | (24)                       | 23,265,489           | 30,460,242                       | (24)                       |
| Deferred tax liabilities   | -                    | -                                | -                          | 6,575,273            | 6,465,029                        | 2                          |
| Insurance provision - life   | -                    | -                                | -                          | 30,511,422           | 24,592,403                       | 24                         |
| Insurance provision - non life   | -                    | -                                | -                          | 4,555,696            | 4,181,588                        | 9                          |
| Other provisions   | 8,365,270            | 5,000,513                        | 67                         | 8,643,536            | 5,467,274                        | 58                         |
| Other liabilities  | 20,170,348           | 17,378,270                       | 16                         | 21,167,538           | 18,041,795                       | 17                         |
| Subordinated term debts  | 22,914,393           | 22,914,299                       | -                          | 26,079,707           | 26,151,300                       | -                          |
| <b>Total liabilities</b>   | <b>1,675,766,122</b> | <b>1,531,211,586</b>             | <b>9</b>                   | <b>1,754,634,359</b> | <b>1,608,188,225</b>             | <b>9</b>                   |

## STATEMENT OF FINANCIAL POSITION

|  | BANK                          |  |                            | GROUP                         |  |                            |
|--|-------------------------------|--|----------------------------|-------------------------------|--|----------------------------|
|  | As at<br>30.09.2023<br>Rs 000 | As at<br>31.12.2022<br>(Audited)<br>Rs 000 | % Increase /<br>(Decrease) | As at<br>30.09.2023<br>Rs 000 | As at<br>31.12.2022<br>(Audited)<br>Rs 000 | % Increase /<br>(Decrease) |
| <b>EQUITY</b>                                    |                               |  |                            |                               |  |                            |
| Stated capital                                   | 40,955,116                    | 38,679,005                                 | 6                          | 40,955,116                    | 38,679,005                                 | 6                          |
| Statutory reserve fund                           | 9,310,000                     | 9,310,000                                  | -                          | 9,310,000                     | 9,310,000                                  | -                          |
| Retained earnings                                | 54,612,389                    | 40,706,963                                 | 34                         | 65,933,787                    | 50,247,360                                 | 31                         |
| Other reserves                                   | 76,894,391                    | 70,631,410                                 | 9                          | 91,894,890                    | 85,055,465                                 | 8                          |
| <b>Total shareholders' equity</b>                | <b>181,771,896</b>            | <b>159,327,378</b>                         | <b>14</b>                  | <b>208,093,793</b>            | <b>183,291,830</b>                         | <b>14</b>                  |
| <b>Non-controlling interests</b>                 | <b>-</b>                      | <b>-</b>                                   | <b>-</b>                   | <b>7,274,901</b>              | <b>6,795,096</b>                           | <b>7</b>                   |
| <b>Total equity</b>                              | <b>181,771,896</b>            | <b>159,327,378</b>                         | <b>14</b>                  | <b>215,368,694</b>            | <b>190,086,926</b>                         | <b>13</b>                  |
| <b>Total equity and liabilities</b>              | <b>1,857,538,018</b>          | <b>1,690,538,964</b>                       | <b>10</b>                  | <b>1,970,003,053</b>          | <b>1,798,275,151</b>                       | <b>10</b>                  |
| <b>Contingent liabilities and commitments</b>    | <b>871,132,848</b>            | <b>809,328,957</b>                         | <b>8</b>                   | <b>871,132,848</b>            | <b>809,328,957</b>                         | <b>8</b>                   |
| <b>Net assets value per ordinary share (Rs.)</b> | <b>324.74</b>                 | <b>284.65</b>                              | <b>14</b>                  | <b>371.77</b>                 | <b>327.46</b>                              | <b>14</b>                  |
| <b>Memorandum Information</b>                    |                               |  |                            |                               |  |                            |
| Number of Employees                              | 5,366                         | 5,156                                      |                            |                               |  |                            |
| 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 30th September 2023 and its profit for the 9 months ended 30th September 2023.

Sgd.

**Anuradhi Delage**

Chief Financial Officer

10th November 2023

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

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

Sgd.

**Jonathan Alles**

Managing Director / Chief Executive Officer

10th November 2023

Sgd.

**Nihal Jayawardena**

Chairman

10th November 2023

## STATEMENT OF CHANGES IN EQUITY - BANK

|  | Stated Capital    |                   |                   | Other Reserves    |                    |                   | Retained Earnings | Total Equity       |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|  | Voting Shares     | Non-Voting Shares | Statutory Reserve | Capital Reserve   | Fair value Reserve | General Reserve   |                   |                    |
|  | Rs 000            | Rs 000            | Rs 000            | Rs 000            | Rs 000             | Rs 000            |                   |                    |
| <b>For the 9 months ended 30th September 2023</b>                                    |                   |                   |                   |                   |                    |                   |                   |                    |
| Balance as at 1st January 2023   | 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>Total comprehensive income for the period</b>                                     |                   |                   |                   |                   |                    |                   |                   |                    |
| Net profit for the period  | -                 | -                 | -                 | -                 | -                  | -                 | 16,561,348        | 16,561,348         |
| Other comprehensive income for the period, net of tax                                | -                 | -                 | -                 | -                 | 6,262,981          | -                 | -                 | 6,262,981          |
| <b>Total comprehensive income for the period</b>                                     | -                 | -                 | -                 | -                 | 6,262,981          | -                 | 16,561,348        | 22,824,329         |
| <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 2022 - Scrip  | 1,820,883         | 455,228           | -                 | -                 | -                  | -                 | (2,677,777)       | (401,666)          |
| <b>Total contributions by and distributions to equity holders</b>                    | 1,820,883         | 455,228           | -                 | -                 | -                  | -                 | (2,677,777)       | (401,666)          |
| Transfer of/(subsequent settlement of) unclaimed dividends                           | -                 | -                 | -                 | -                 | -                  | -                 | 21,855            | 21,855             |
| Transfers during the period  | -                 | -                 | -                 | -                 | -                  | -                 | -                 | -                  |
| <b>Balance as at 30th September 2023</b>   | <b>33,553,624</b> | <b>7,401,492</b>  | <b>9,310,000</b>  | <b>13,927,316</b> | <b>4,867,075</b>   | <b>58,100,000</b> | <b>54,612,389</b> | <b>181,771,896</b> |
| <b>For the 9 months ended 30th September 2022</b>                                    |                   |                   |                   |                   |                    |                   |                   |                    |
| Balance as at 1st January 2022   | 30,680,591        | 6,683,653         | 8,560,000         | 15,084,556        | (1,254,053)        | 57,100,000        | 35,186,607        | 152,041,354        |
| <b>Adjustment for surcharge tax levied under the Surcharge Tax Act No.14 of 2022</b> |                   |                   |                   |                   |                    |                   | (3,611,625)       | (3,611,625)        |
| <b>Adjusted balance as at 1st January 2022</b>                                       | <b>30,680,591</b> | <b>6,683,653</b>  | <b>8,560,000</b>  | <b>15,084,556</b> | <b>(1,254,053)</b> | <b>57,100,000</b> | <b>31,574,982</b> | <b>148,429,729</b> |
| <b>Total comprehensive income for the period</b>                                     |                   |                   |                   |                   |                    |                   |                   |                    |
| Net profit for the period  | -                 | -                 | -                 | -                 | -                  | -                 | 10,285,087        | 10,285,087         |
| Other comprehensive income for the period, net of tax                                | -                 | -                 | -                 | -                 | (354,429)          | -                 | (295,445)         | (649,874)          |
| <b>Total comprehensive income for the period</b>                                     | -                 | -                 | -                 | -                 | (354,429)          | -                 | 9,989,642         | 9,635,213          |
| <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                           | -                 | -                 | -                 | -                 | -                  | -                 | 20,136            | 20,136             |
| Transfers during the period  | -                 | -                 | -                 | -                 | -                  | -                 | -                 | -                  |
| <b>Balance as at 30th September 2022</b>   | <b>31,732,741</b> | <b>6,946,264</b>  | <b>8,560,000</b>  | <b>15,084,556</b> | <b>(1,608,482)</b> | <b>57,100,000</b> | <b>36,851,619</b> | <b>154,666,698</b> |

## STATEMENT OF CHANGES IN EQUITY - GROUP

|   | Stated Capital |                   |                   | Other Reserves  |                 |                    |                                 |                               |                               |                   |                     |                           | Total Equity |
|---|----------------|-------------------|-------------------|-----------------|-----------------|--------------------|---------------------------------|-------------------------------|-------------------------------|-------------------|---------------------|---------------------------|--------------|
|   | Voting Shares  | Non-Voting Shares | Statutory Reserve | 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                    |              |
| <b>For the 9 months ended 30th September 2023</b>   |                |                   |                   |                 |                 |                    |                                 |                               |                               |                   |                     |                           |              |
| <b>Balance as at 1st January 2023</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>Total comprehensive income for the period</b>  |                |                   |                   |                 |                 |                    |                                 |                               |                               |                   |                     |                           |              |
| Net profit for the period   | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | 18,330,943        | 18,330,943          | 518,592                   | 18,849,535   |
| Other comprehensive income for the period, net of tax   | -              | -                 | -                 | (25,056)        | -               | 6,308,783          | -                               | -                             | -                             | 11,406            | 6,295,133           | 180,213                   | 6,475,346    |
| <b>Total comprehensive income for the period</b>  | -              | -                 | -                 | (25,056)        | -               | 6,308,783          | -                               | -                             | -                             | 18,342,349        | 24,626,076          | 698,805                   | 25,324,881   |
| <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 2022 - Cash  | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | -                 | -                   | (219,000)                 | (219,000)    |
| Final dividend 2022 - Scrip   | 1,820,883      | 455,228           | -                 | -               | -               | -                  | -                               | -                             | -                             | (2,677,777)       | (401,666)           | -                         | (401,666)    |
| <b>Total contributions by and distributions to equity holders</b>                                     | 1,820,883      | 455,228           | -                 | -               | -               | -                  | -                               | -                             | -                             | (2,677,777)       | (401,666)           | (219,000)                 | (620,666)    |
| Transfer to life policy holder reserve fund   | -              | -                 | -                 | -               | -               | -                  | 555,698                         | -                             | -                             | -                 | 555,698             | -                         | 555,698      |
| Transfer of / (subsequent settlement of) unclaimed dividends  | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | 21,855            | 21,855              | -                         | 21,855       |
| Transfers during the period   | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | -                 | -                   | -                         | -            |
| <b>Balance as at 30th September 2023</b>  | 33,553,624     | 7,401,492         | 9,310,000         | 28,468,361      | 58,100,000      | 5,126,153          | (792,033)                       | 381,156                       | 611,253                       | 65,933,787        | 208,093,793         | 7,274,901                 | 215,368,694  |
| <b>For the 9 months ended 30th September 2022</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                       | 43,643,801        | 176,668,042         | 6,599,222                 | 183,267,264  |
| <b>Adjustment for surcharge tax levied under the Surcharge Tax Act No.14 of 2022</b>                  | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | (3,912,900)       | (3,912,900)         | (68,996)                  | (3,981,896)  |
| <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                       | 39,730,901        | 172,755,142         | 6,530,226                 | 179,285,368  |
| Acquisition of non controlling Interest during amalgamation of HNB Finance PLC with Prime Finance PLC | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | -                 | -                   | (301,135)                 | (301,135)    |
| <b>Total comprehensive income for the period</b>  |                |                   |                   |                 |                 |                    |                                 |                               |                               |                   |                     |                           |              |
| Net profit for the period   | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | 11,014,877        | 11,014,877          | 408,508                   | 11,423,385   |
| Other comprehensive income for the period, net of tax   | -              | -                 | -                 | 64,106          | -               | 524,906            | -                               | -                             | -                             | (291,264)         | 297,748             | 227,533                   | 525,281      |
| <b>Total comprehensive income for the period</b>  | -              | -                 | -                 | 64,106          | -               | 524,906            | -                               | -                             | -                             | 10,723,613        | 11,312,625          | 636,041                   | 11,948,666   |
| <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 - Scrip   | 1,052,150      | 262,611           | -                 | -               | -               | -                  | -                               | -                             | -                             | (1,314,761)       | -                   | -                         | -            |
| Final dividend 2021 - Cash  | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | (3,418,380)       | (3,418,380)         | (192,000)                 | (3,610,380)  |
| <b>Total contributions by and distributions to equity holders</b>                                     | 1,052,150      | 262,611           | -                 | -               | -               | -                  | -                               | -                             | -                             | (4,733,141)       | (3,418,380)         | (192,000)                 | (3,610,380)  |
| Transfer from life policy holder reserve fund   | -              | -                 | -                 | -               | -               | -                  | (1,227,793)                     | -                             | -                             | -                 | (1,227,793)         | -                         | (1,227,793)  |
| Transfer of / (subsequent settlement of) unclaimed dividends  | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | 20,136            | 20,136              | -                         | 20,136       |
| Impact due to amalgamation  | -              | -                 | -                 | -               | -               | -                  | -                               | -                             | -                             | 4,199             | 4,199               | 5,761                     | 9,960        |
| <b>Balance as at 30th September 2022</b>  | 31,732,741     | 6,946,264         | 8,560,000         | 30,881,086      | 57,100,000      | (733,133)          | (1,331,095)                     | 381,156                       | 163,202                       | 45,745,708        | 179,445,929         | 6,678,893                 | 186,124,822  |



## STATEMENT OF CASH FLOWS

| For the 9 months ended 30th September   | BANK                 |                     | GROUP                |                     |
|---|----------------------|---------------------|----------------------|---------------------|
|   | 2023<br>Rs 000       | 2022<br>Rs 000      | 2023<br>Rs 000       | 2022<br>Rs 000      |
| <b>Cash flows from operating activities</b>                                   |                      |                     |                      |                     |
| Interest receipts   | 219,020,656          | 131,112,114         | 234,672,002          | 140,533,087         |
| Interest payments   | (142,520,487)        | (51,361,930)        | (148,079,050)        | (54,057,859)        |
| Net commission receipts   | 11,676,287           | 11,010,261          | 12,319,648           | 11,503,730          |
| Net trading income  | (5,383,818)          | 4,461,490           | (5,328,856)          | 4,422,685           |
| Payments to employees   | (11,336,789)         | (10,837,645)        | (14,487,621)         | (13,511,311)        |
| Taxes on financial services   | (5,021,449)          | (2,887,024)         | (5,258,209)          | (3,086,039)         |
| Receipts from other operating activities                                      | 942,254              | 5,399,451           | 12,158,550           | 15,120,547          |
| Payments on other operating activities  | (11,138,934)         | (8,265,373)         | (21,053,941)         | (15,442,294)        |
| <b>Operating profit before change in operating assets and liabilities</b>     | <b>56,237,720</b>    | <b>78,631,344</b>   | <b>64,942,523</b>    | <b>85,482,546</b>   |
| <b>(Increase)/decrease in operating assets</b>                                |                      |                     |                      |                     |
| Balances with Central Bank of Sri Lanka                                       | 25,250,234           | (3,861,665)         | 25,250,234           | (3,861,665)         |
| Financial assets measured at amortised cost - loans and advances to customers | 41,607,020           | (44,979,026)        | 45,774,578           | (48,492,102)        |
| Reverse repurchase agreements   | (100,132)            | -                   | 47,322               | 4,060,408           |
| Other assets  | 12,959,058           | 8,774,044           | 12,353,772           | 8,363,374           |
|   | <b>79,716,180</b>    | <b>(40,066,647)</b> | <b>83,425,906</b>    | <b>(39,929,985)</b> |
| <b>Increase/(decrease) in operating liabilities</b>                           |                      |                     |                      |                     |
| Financial liabilities measured at amortised cost - due to depositors          | 96,368,720           | 107,987,416         | 92,467,071           | 111,776,947         |
| Debt securities issued  | (2,000,000)          | -                   | (2,000,000)          | -                   |
| Financial liabilities measured at amortised cost - other borrowings           | 61,693               | (14,563,163)        | (428,058)            | (12,748,109)        |
| Securities sold under repurchase agreements                                   | 21,356,916           | (18,149,299)        | 21,356,916           | (18,149,299)        |
| Other liabilities   | (2,603,941)          | (12,723,432)        | (1,577,354)          | (12,748,922)        |
|   | <b>113,183,388</b>   | <b>62,551,522</b>   | <b>109,818,575</b>   | <b>68,130,617</b>   |
| <b>Net cash generated from operating activities before income tax</b>         | <b>249,137,288</b>   | <b>101,116,219</b>  | <b>258,187,004</b>   | <b>113,683,178</b>  |
| Income tax paid   | (22,188,974)         | (8,743,245)         | (22,746,427)         | (9,567,764)         |
| <b>Net cash generated from operating activities</b>                           | <b>226,948,314</b>   | <b>92,372,974</b>   | <b>235,440,577</b>   | <b>104,115,414</b>  |
| <b>Cash flows from investing activities</b>                                   |                      |                     |                      |                     |
| Purchase of property, plant and equipment                                     | (1,657,963)          | (571,558)           | (1,879,133)          | (768,553)           |
| Proceeds from the sale of property, plant and equipment                       | 7,688                | 12,800              | 11,303               | 13,276              |
| Net proceeds from sale, maturity and purchase of financial investments        | (211,594,139)        | (33,262,808)        | (216,575,437)        | (49,542,203)        |
| Net purchase of intangible assets   | (571,381)            | (168,953)           | (586,976)            | (175,178)           |
| Dividends received from investment in subsidiaries                            | 288,473              | 288,000             | -                    | -                   |
| Dividends received from other investments                                     | -                    | 9,832               | -                    | 13,999              |
| <b>Net cash used in investing activities</b>                                  | <b>(213,527,322)</b> | <b>(33,692,687)</b> | <b>(219,030,243)</b> | <b>(50,458,659)</b> |
| <b>Cash flows from financing activities</b>                                   |                      |                     |                      |                     |
| Repayment of subordinated debt/debt securities issued                         | -                    | (700,000)           | -                    | (687,262)           |
| Dividend paid to non controlling interest                                     | -                    | -                   | (192,325)            | (192,119)           |
| Dividend paid to shareholders of the parent company                           | (25,324)             | (3,403,811)         | (25,324)             | (3,403,811)         |
| <b>Net cash used in financing activities</b>                                  | <b>(25,324)</b>      | <b>(4,103,811)</b>  | <b>(217,649)</b>     | <b>(4,283,192)</b>  |
| <b>Net increase in cash and cash equivalents</b>                              | <b>13,395,668</b>    | <b>54,576,476</b>   | <b>16,192,685</b>    | <b>49,373,563</b>   |
| Cash and cash equivalents at the beginning of the period                      | 134,609,909          | 38,185,254          | 138,801,744          | 47,271,645          |
| <b>Cash and cash equivalents at the end of the period</b>                     | <b>148,005,577</b>   | <b>92,761,730</b>   | <b>154,994,429</b>   | <b>96,645,208</b>   |
| <b>Cash and cash equivalents at the end of the period</b>                     |                      |                     |                      |                     |
| Cash and cash equivalents   | 90,659,300           | 82,943,687          | 90,993,844           | 83,470,079          |
| Placements with banks   | 57,346,277           | 9,818,043           | 64,000,585           | 13,175,129          |
|   | <b>148,005,577</b>   | <b>92,761,730</b>   | <b>154,994,429</b>   | <b>96,645,208</b>   |

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

| As at 30th September 2023  | Fair Value<br>through<br>Profit or Loss | Amortised<br>Cost    | Fair Value<br>through Other<br>Comprehensive<br>Income | Total<br>Carrying<br>Amount |
|--|---|----------------------|--|-----------------------------|
|  | Rs 000                                  | Rs 000               | Rs 000   | Rs 000                      |
| <b>Assets</b>  |   |                      |  |                             |
| Cash and cash equivalents  | -                                       | 90,659,300           | -  | 90,659,300                  |
| Placements with banks  | -                                       | 57,346,277           | -  | 57,346,277                  |
| Balances with Central Bank of Sri Lanka  | -                                       | 7,094,107            | -  | 7,094,107                   |
| Reverse repurchase agreements  | -                                       | 100,132              | -  | 100,132                     |
| Derivative financial instruments   | 66,687                                  | -                    | -  | 66,687                      |
| Financial assets measured at fair value through profit or loss                     | 131,472                                 | -                    | -  | 131,472                     |
| Financial assets measured at amortised cost  |   |                      |  |                             |
| - loans and advances to customer   | -                                       | 930,909,007          | -  | 930,909,007                 |
| Financial assets measured at amortised cost - debt and other financial instruments | -                                       | 450,666,518          | -  | 450,666,518                 |
| Financial assets measured at fair value through other comprehensive income         | -                                       | -                    | 222,596,055  | 222,596,055                 |
| Other financial assets   | -                                       | 10,849,802           | -  | 10,849,802                  |
| <b>Total financial assets</b>  | <b>198,159</b>                          | <b>1,547,625,143</b> | <b>222,596,055</b>                                     | <b>1,770,419,357</b>        |
| <b>Liabilities</b>   |   |                      |  |                             |
| Due to banks   | -                                       | 11,916,617           | -  | 11,916,617                  |
| Derivative financial instruments   | 1,222,662                               | -                    | -  | 1,222,662                   |
| Securities sold under repurchase agreements  | -                                       | 27,930,775           | -  | 27,930,775                  |
| Financial liabilities measured at amortised cost - due to depositors               | -                                       | 1,531,800,822        | -  | 1,531,800,822               |
| Dividends payable  | -                                       | 983,001              | -  | 983,001                     |
| Financial liabilities measured at amortised cost - other borrowings                | -                                       | 27,452,816           | -  | 27,452,816                  |
| Debt securities issued   | -                                       | 85,805               | -  | 85,805                      |
| Other financial liabilities  | -                                       | 19,015               | -  | 19,015                      |
| Subordinated term debts  | -                                       | 22,914,393           | -  | 22,914,393                  |
| <b>Total financial liabilities</b>   | <b>1,222,662</b>                        | <b>1,623,103,244</b> | <b>-</b>   | <b>1,624,325,906</b>        |
| <b>As at 31st December 2022 (Audited)</b>  |   |                      |  |                             |
|  | Fair Value<br>through<br>Profit or Loss | Amortised<br>Cost    | Fair Value<br>through Other<br>Comprehensive<br>Income | Total<br>Carrying<br>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                  |
| 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>        |

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th September 2023

|  | Fair Value<br>through<br>Profit or Loss | Amortised<br>Cost    | Fair Value<br>through Other<br>Comprehensive<br>Income | Total<br>Carrying<br>Amount |
|--|---|----------------------|--|-----------------------------|
|  | Rs 000                                  | Rs 000               | Rs 000   | Rs 000                      |
| <b>Assets</b>  |   |                      |  |                             |
| Cash and cash equivalents  | -                                       | 90,993,844           | -  | 90,993,844                  |
| Placements with banks  | -                                       | 64,000,585           | -  | 64,000,585                  |
| Balances with Central Bank of Sri Lanka  | -                                       | 7,094,107            | -  | 7,094,107                   |
| Reverse repurchase agreements  | -                                       | 1,333,257            | -  | 1,333,257                   |
| Derivative financial instruments   | 66,687                                  | -                    | -  | 66,687                      |
| Financial assets measured at fair value through profit or loss                     | 777,495                                 | -                    | -  | 777,495                     |
| Financial assets measured at amortised cost  | -                                       | -                    | -  | -                           |
| - loans and advances to customers  | -                                       | 965,845,845          | -  | 965,845,845                 |
| Financial assets measured at amortised cost - debt and other financial instruments | -                                       | 484,517,640          | -  | 484,517,640                 |
| Financial assets measured at fair value through other comprehensive income         | -                                       | -                    | 228,487,199  | 228,487,199                 |
| Other financial assets   | -                                       | 13,639,898           | -  | 13,639,898                  |
| <b>Total financial assets</b>  | <b>844,182</b>                          | <b>1,627,425,176</b> | <b>228,487,199</b>                                     | <b>1,856,756,557</b>        |
| <b>Liabilities</b>   |   |                      |  |                             |
| Due to banks   | -                                       | 11,916,617           | -  | 11,916,617                  |
| Derivative financial instruments   | 1,222,662                               | -                    | -  | 1,222,662                   |
| Securities sold under repurchase agreements  | -                                       | 27,930,775           | -  | 27,930,775                  |
| Financial liabilities measured at amortised cost - due to depositors               | -                                       | 1,563,181,940        | -  | 1,563,181,940               |
| Dividends payable  | -                                       | 1,003,502            | -  | 1,003,502                   |
| Financial liabilities measured at amortised cost - other borrowings                | -                                       | 27,998,069           | -  | 27,998,069                  |
| Debt securities issued   | -                                       | 582,133              | -  | 582,133                     |
| Other financial liabilities  | -                                       | 2,490,684            | -  | 2,490,684                   |
| Subordinated term debts  | -                                       | 26,079,707           | -  | 26,079,707                  |
| <b>Total financial liabilities</b>   | <b>1,222,662</b>                        | <b>1,661,183,427</b> | <b>-</b>   | <b>1,662,406,089</b>        |

As at 31st December 2022 (Audited)

|  | Fair Value<br>through<br>Profit or Loss | Amortised<br>Cost    | Fair Value<br>through Other<br>Comprehensive<br>Income | Total<br>Carrying<br>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>        |

## SEGMENT REPORTING

| For the 9 months ended 30th September                                | Corporate     |               | Retail        |               | SME           |               | Micro         |               | Treasury      |               | Real Estate   |               | Insurance     |               | NBF <sup>1</sup> |               | Eliminations / Unallocated |               | Consolidated  |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|---------------|----------------------------|---------------|---------------|---------------|
|  | 2023          | 2022          | 2023          | 2022          | 2023          | 2022          | 2023          | 2022          | 2023          | 2022          | 2023          | 2022          | 2023          | 2022          | 2023             | 2022          | 2023                       | 2022          | 2023          | 2022          |
|  | 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  | 15,978,476    | 5,732,905     | 38,497,189    | 22,985,146    | 13,708,704    | 6,764,214     | 671,375       | 613,319       | 16,866,543    | 33,200,125    | 226,046       | 86,447        | 5,326,442     | 2,954,422     | 4,213,387        | 2,755,937     | (2,038,951)                | 2,235,354     | 93,449,211    | 77,327,869    |
| Foreign exchange income  | 2,837,381     | (4,949,323)   | 448,284       | 132,149       | 681,069       | (145,578)     | 2,812         | 2,201         | (1,867,919)   | 2,697,091     | -             | -             | -             | -             | -                | -             | (4,643,144)                | 19,018,998    | (2,541,517)   | 16,755,538    |
| Net fee and commission income  | 4,619,207     | 3,894,745     | 5,599,440     | 4,070,997     | 3,406,790     | 2,777,008     | 171,730       | 138,732       | 22,241        | 3,921         | -             | -             | 201,899       | 212,929       | 432,961          | 283,119       | (2,119,517)                | 117,046       | 12,334,751    | 11,498,497    |
| Other operating income   | -             | -             | -             | -             | -             | -             | -             | -             | 165,062       | 46,460        | 809,080       | 768,614       | 11,401,032    | 10,040,931    | 611,486          | 515,055       | (845,506)                  | (519,513)     | 12,141,154    | 10,851,547    |
| Total operating income   | 23,435,064    | 4,678,327     | 44,544,913    | 27,188,292    | 17,796,563    | 9,395,644     | 845,917       | 754,252       | 15,185,927    | 35,947,597    | 1,035,126     | 855,061       | 16,929,373    | 13,208,282    | 5,257,834        | 3,554,111     | (9,647,118)                | 20,851,885    | 115,383,599   | 116,433,451   |
| Impairment charge for loans and other losses                         | 2,498,332     | 9,909,737     | 1,502,204     | 3,027,670     | 2,398,690     | 6,231,271     | 14,873        | 110,901       | 26,006,114    | 40,995,747    | -             | -             | (34,506)      | 13,461        | 1,499,631        | 1,119,116     | (49,035)                   | -             | 33,836,303    | 61,407,903    |
| Net operating income   | 20,936,732    | (5,231,410)   | 43,042,709    | 24,160,622    | 15,397,873    | 3,164,373     | 831,044       | 643,351       | (10,820,187)  | (5,048,150)   | 1,035,126     | 855,061       | 16,963,879    | 13,194,821    | 3,758,203        | 2,434,995     | (9,598,083)                | 21,053,390    | 81,547,296    | 55,025,548    |
| Profit from operations   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -                | -             | -                          | -             | 27,779,401    | 13,817,784    |
| Share of profit of joint venture                                     | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -                | -             | -                          | -             | 1,258,005     | 1,154         |
| Income tax expenses  | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -                | -             | -                          | -             | (10,187,871)  | (2,395,553)   |
| Non - controlling interests  | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -                | -             | -                          | -             | (518,592)     | (408,508)     |
| Net Profit for the year attributable to equity holders of the parent | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -                | -             | -                          | -             | 18,330,943    | 11,014,877    |
| <b>As at 30th September</b>  | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>      | <b>2022</b>   | <b>2023</b>                | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   |
|  | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b>    | <b>Rs 000</b> | <b>Rs 000</b>              | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> |
| Segment assets   | 461,666,655   | 540,425,384   | 265,203,730   | 272,786,267   | 200,444,649   | 230,175,510   | 21,966,056    | 25,660,599    | 706,981,249   | 523,744,846   | 11,481,736    | 10,761,448    | 48,825,469    | 39,741,249    | 48,973,220       | 49,900,970    | 199,803,495                | 40,339,295    | 1,965,346,258 | 1,733,535,568 |
| Investment in joint venture  | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -                | -             | 4,656,795                  | 3,557,134     | 4,656,795     | 3,557,134     |
| Total assets   | 461,666,655   | 540,425,384   | 265,203,730   | 272,786,267   | 200,444,649   | 230,175,510   | 21,966,056    | 25,660,599    | 706,981,249   | 523,744,846   | 11,481,736    | 10,761,448    | 48,825,469    | 39,741,249    | 48,973,220       | 49,900,970    | 204,460,290                | 43,896,429    | 1,970,003,053 | 1,737,092,702 |
| Segment liabilities  | 252,286,025   | 241,902,117   | 910,129,629   | 807,922,335   | 281,655,676   | 256,501,006   | 21,297,446    | 14,173,458    | 56,151,310    | 16,773,617    | 11,481,736    | 10,761,448    | 48,825,469    | 39,741,249    | 48,973,220       | 49,900,970    | 339,202,542                | 299,416,502   | 1,970,003,053 | 1,737,092,702 |
| Total liabilities  | 252,286,025   | 241,902,117   | 910,129,629   | 807,922,335   | 281,655,676   | 256,501,006   | 21,297,446    | 14,173,458    | 56,151,310    | 16,773,617    | 11,481,736    | 10,761,448    | 48,825,469    | 39,741,249    | 48,973,220       | 49,900,970    | 339,202,542                | 299,416,502   | 1,970,003,053 | 1,737,092,702 |
| <b>For the 9 months ended 30th September</b>                         | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>      | <b>2022</b>   | <b>2023</b>                | <b>2022</b>   | <b>2023</b>   | <b>2022</b>   |
|  | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b>    | <b>Rs 000</b> | <b>Rs 000</b>              | <b>Rs 000</b> | <b>Rs 000</b> | <b>Rs 000</b> |
| Information on cash flows  |               |               |               |               |               |               |               |               |               |               |               |               |               |               |                  |               |                            |               |               |               |
| Cash flows from operating activities                                 | 72,052,047    | (353,933)     | 135,819,527   | 39,285,481    | 69,855,951    | 45,357,788    | 6,042,269     | 7,439,964     | 52,607,513    | 9,309,334     | 439,524       | (126,742)     | 1,262,934     | 1,682,154     | 3,001,573        | (7,829)       | (105,640,761)              | 1,529,197     | 235,440,577   | 104,115,414   |
| Cash flows from investing activities                                 | -             | (1,500,000)   | -             | -             | -             | -             | -             | -             | (211,594,139) | (33,262,808)  | -             | 948,072       | (538,970)     | (11,417,464)  | (642,297)        | (4,997,375)   | (6,254,837)                | (229,084)     | (219,030,243) | (50,458,659)  |
| Cash flows from financing activities                                 | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | (690,013)     | (599,970)     | (1,250,860)      | (209,009)     | 1,723,224                  | (3,474,213)   | (217,649)     | (4,283,192)   |
| Net cash flow generated / (used in) during the period                | 72,052,047    | (1,853,933)   | 135,819,527   | 39,285,481    | 69,855,951    | 45,357,788    | 6,042,269     | 7,439,964     | (158,986,626) | (23,953,474)  | 439,524       | 821,330       | 33,951        | (10,335,280)  | 1,108,416        | (5,214,213)   | (110,172,374)              | (2,174,100)   | 16,192,685    | 49,373,563    |
| <b>Capital expenditure</b>   |               |               |               |               |               |               |               |               |               |               |               |               |               |               |                  |               |                            |               |               |               |
| - Property, plant and equipment                                      | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | (175,386)     | (143,969)     | (45,784)         | (52,996)      | (1,657,963)                | (571,588)     | (1,879,133)   | (768,553)     |
| - Intangible assets  | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | (6,447)       | (11,442)      | (9,148)          | (17,701)      | (571,381)                  | (146,035)     | (586,976)     | (175,178)     |
| <b>Total Capital Expenditure</b>                                     | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | (181,833)     | (155,411)     | (54,932)         | (70,697)      | (2,229,344)                | (717,623)     | (2,466,109)   | (943,731)     |

\* Business of HNB Finance PLC.

## EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2022.
2. 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.
3. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.

#### 4. **ECL Assessment and computation**

The Bank reassessed the Probabilities of Default (PD) used in collective impairment assessment as at September 2023. Further 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 30th September 2023 to ensure that the potential impact to its loan portfolio is adequately covered. The Board will continue to monitor the implications and make adjustments, if required.

5. 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.

Had these investments continued to be carried at fair value through other comprehensive income, the fair value of the remaining portfolio as at 30th September 2023 would have amounted to Rs 17 Bn and would have resulted in the recognition of a fair value loss of Rs 1.3 Bn (net of tax) in other comprehensive income during the period.

6. Bank assessed the Day 1 impact on Treasury bonds that replaced Sri Lanka Development Bonds under the DDO program in August 2023 and same was taken into consideration in the preparation of these financial statements.
7. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.

#### 8. **Reporting entity**

Bank does not have an identifiable parent of its own. Hatton National Bank PLC is the ultimate parent of the Group. 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

9. Mr. Vish Govindasamy has resigned from the office of the Directors of the Bank w.e.f 27th October 2023.
10. The funds raised through debentures were fully utilized for the objectives mentioned in the prospectuses
11. There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements other than as disclosed above.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

|  | As at<br>30.09.2023 | As at<br>31.12.2022 | As at<br>30.09.2023 | As at<br>31.12.2022 |
|--|---------------------|---------------------|---------------------|---------------------|
|  | BANK                |                     | GROUP               |                     |
| <b>BASEL III</b>   |                     |                     |                     |                     |
| <b>Regulatory Capital</b>  |                     |                     |                     |                     |
| Common Equity Tier 1. Rs. Mn   | 112,171             | 110,339             | 131,096             | 125,236             |
| Tier 1 Capital. Rs. Mn   | 112,171             | 110,339             | 131,096             | 125,236             |
| Total Capital. Rs. Mn  | 138,744             | 139,615             | 158,326             | 155,160             |
| <b>Regulatory Capital Ratios</b>   |                     |                     |                     |                     |
| Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2023 - 8.00%:2022 - 8.00%) | 11.91%              | 11.06%              | 12.53%              | 11.42%              |
| Tier 1 Capital Ratio (Minimum Requirement - 2023 - 9.50%:2022 - 9.50%)               | 11.91%              | 11.06%              | 12.53%              | 11.42%              |
| Total Capital Ratio (Minimum Requirement 2023 - 13.50%: 2022 - 13.50%)               | 14.73%              | 14.00%              | 15.13%              | 14.15%              |
| Leverage Ratio (Minimum Requirement- 3.00%)  | 5.51%               | 6.22%               | 6.10%               | 6.65%               |
| <b>Assets Quality (Quality of Loan Portfolio)</b>                                    |                     |                     |                     |                     |
| Impaired Loans (Stage 3) Ratio, %  | 4.90%               | 3.40%               |                     |                     |
| Impairment (Stage 3) to Stage 3 loans Ratio, %                                       | 50.74%              | 56.99%              |                     |                     |
| <b>Profitability (Annualised)</b>  |                     |                     |                     |                     |
| Interest Margin, %   | 6.23%               | 6.40%               |                     |                     |
| Return on Assets (before Tax), %   | 1.96%               | 0.75%               |                     |                     |
| Return on Equity, %  | 13.05%              | 9.14%               |                     |                     |
| <b>Regulatory Liquidity</b>  |                     |                     |                     |                     |
| Statutory Liquid Assets, Rs. Mn  |                     |                     |                     |                     |
| Domestic Banking unit  | 726,591             | 464,288             |                     |                     |
| Off-Shore Banking Unit   | 69,494              | 47,720              |                     |                     |
| Consolidated (Bank)  | 778,905             | 494,462             |                     |                     |
| Statutory Liquid Assets Ratio (Minimum requirement 20%)                              |                     |                     |                     |                     |
| Domestic Banking unit  | 49.04%              | 31.04%              |                     |                     |
| Off-Shore Banking Unit   | 40.59%              | 29.10%              |                     |                     |
| Consolidated (Bank)  | 48.02%              | 33.95%              |                     |                     |
| Total Stock of High-Quality Liquid Assets, Rs. Mn                                    | 568,807             | 323,526             |                     |                     |
| Liquidity Coverage Ratio (%) - Rupee   | 376.66%             | 255.83%             |                     |                     |
| (Minimum Requirement - 2023 -100%, 2022 -100%)                                       |                     |                     |                     |                     |
| Liquidity Coverage Ratio (%) - All Currency  | 509.01%             | 519.47%             |                     |                     |
| (Minimum Requirement - 2023 - 100%, 2022 - 100%)                                     |                     |                     |                     |                     |
| Net Stable Funding Ratio(Minimum Requirement - 2023 - 100%, 2022 - 100%)             | 148.67%             | 130.85%             |                     |                     |

## LISTED DEBENTURE INFORMATION

| Quarter ended 30th September   | Market Value   |               |                |               | Last Traded |       | Interest Yield as at Last Trade Done (%)   |      |       |
|--|----------------|---------------|----------------|---------------|-------------|-------|--|------|-------|
|  | 2023           |               | 2022           |               | 2023        | 2022  | 2023   | 2022 |       |
|  | Highest<br>Rs. | Lowest<br>Rs. | Highest<br>Rs. | Lowest<br>Rs. | Rs.         | Rs.   |  |      |       |
| <b>HNB DEBENTURES 2006</b>   |                |               |                |               |             |       | <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   | 18 year Fixed Rate (11.25% p.a.)   | N/T  | N/T   |
| <b>HNB DEBENTURES 2013</b>   |                |               |                |               |             |       | <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   | 10 year Fixed Rate (8.00% p.a.)  | N/T  | N/T   |
| <b>HNB DEBENTURES 2014</b>   |                |               |                |               |             |       | <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   | 10 year Fixed Rate (8.33% p.a.)  | N/T  | N/T   |
| <b>HNB DEBENTURES 2016</b>   |                |               |                |               |             |       | <b>HNB DEBENTURES 2016</b>   |      |       |
| 10 year Fixed Rate (8.33% p.a.)  | N/T            | N/T           | N/T            | N/T           | N/T         | N/T   | 7 year Fixed Rate (13.00% p.a.)  | N/T  | N/T   |
| <b>HNB DEBENTURES 2016</b>   |                |               |                |               |             |       | <b>HNB DEBENTURES 2019</b>   |      |       |
| 7 year Fixed Rate (13.00% p.a.)  | N/T            | N/T           | N/T            | N/T           | N/T         | N/T   | 5 year Fixed Rate (12.30% p.a.)  | N/T  | 30.04 |
| <b>HNB DEBENTURES 2019</b>   |                |               |                |               |             |       | 7 year Fixed Rate (12.80% p.a.)  | N/T  | N/T   |
| 5 year Fixed Rate (12.30% p.a.)  | N/T            | N/T           | 74.00          | 74.00         | N/T         | 74.00 | <b>HNB DEBENTURES 2021</b>   |      |       |
| 7 year Fixed Rate (12.80% p.a.)  | N/T            | N/T           | N/T            | N/T           | N/T         | N/T   | 10 year Fixed Rate (9.50% p.a.)  | N/T  | N/T   |
| <b>HNB DEBENTURES 2021</b>   |                |               |                |               |             |       | N/T – Not Traded as at 30th September, N/A – Not Applicable as at 30th September |      |       |
| 10 year Fixed Rate (9.50% p.a.)  | N/T            | N/T           | N/T            | N/T           | N/T         | N/T   |  |      |       |
| N/T – Not Traded as at 30th September, N/A – Not Applicable as at 30th September |                |               |                |               |             |       |  |      |       |

  

| RATIOS OF DEBT   |            |            |
|--|------------|------------|
|  | 30.09.2023 | 31.12.2022 |
| Debt Equity Ratio (%)  | 23.07      | 30.91      |
|  | 30.09.2023 | 30.09.2022 |
| Interest Cover (Times)   | 8.78       | 5.52       |
|  | 30.09.2023 | 30.09.2022 |
| Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.) |            |            |
| 2006 series 18 year maturity   | 15.16      | 24.53      |
| 2013 series 10 year maturity   | N/A        | 23.47      |
| 2014 series 10 year maturity   | 15.52      | 24.53      |
| 2016 series 7 year maturity  | 15.33      | 23.28      |
| 2019 series 5 year maturity  | 15.63      | 24.50      |
| 2019 series 7 year maturity  | 15.28      | 26.32      |
| 2021 series 10 year maturity   | 13.33      | 27.32      |

  

| Yield to Maturity of Last Trade Done (% p.a.)                                    |      |       |
|--|------|-------|
| Quarter ended 30th September   | 2023 | 2022  |
| <b>HNB DEBENTURES 2006</b>   | %    | %     |
| 18 year Fixed Rate (11.25% 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>   |      |       |
| 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  | 12.30 |
| 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 30th September, N/A – Not Applicable as at 30th September |      |       |

## SHARE INFORMATION

| As at                              | 30-Sep-23   | 31-Dec-22   |
|------------------------------------|-------------|-------------|
| <b>Number of Shares</b>            |             |             |
| Voting                             | 446,651,811 | 428,442,985 |
| Non-voting                         | 113,086,576 | 107,112,457 |
| <b>Last Traded Price per share</b> |             |             |
| Voting                             | 172.00      | 78.90       |
| Non-voting                         | 149.50      | 70.00       |

| For the Quarter Ended          | 30-Sep-23 | 30-Sep-22 |
|--------------------------------|-----------|-----------|
| <b>Highest price per share</b> |           |           |
| Voting                         | 203.50    | 90.10     |
| Non-voting                     | 169.75    | 85.20     |
| <b>Lowest price per share</b>  |           |           |
| Voting                         | 150.00    | 77.30     |
| Non-voting                     | 110.50    | 69.90     |

## PUBLIC SHAREHOLDING PERCENTAGE

|   | 30-Sept-23   |             |
|---|--------------|-------------|
|   | Number       | %           |
| Number of shareholders representing the public holding (Voting)     | 7,501        | 69% approx. |
| Number of shareholders representing the public holding (Non Voting) | 10,937       | 99% approx. |
| Compliant under Option 1 - Float Adjusted Market Capitalization     | Rs. 53.01 Bn |             |

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

|  | Number of shares |           |
|--|------------------|-----------|
|  | 30-Sep-23        | 31-Dec-22 |
| 1. Mr. N. Jayawardena (Appointed as Chairman w.e.f. 9th June 2023)   | -                | -         |
| 2. Mrs. A. Goonetilleke (Resigned w.e.f. 9th June 2023)              | N/A              | -         |
| 3. Mr. A.J. Alles (Chief Executive Officer)                          | 140,353          | 143,614   |
| 4. Mr. D.A. Cabraal (Retired w.e.f. 1st April 2023)                  | N/A              | -         |
| 5. Mr. W.M.M.D. Ratnayake  | -                | -         |
| 6. Mr. M.P.D. Cooray   | 9,265            | 8,776     |
| 7. Mr. D.P.N. Rodrigo (Chief Operating Officer)                      | 27,275           | 26,164    |
| 8. Mr. O.H.S. Chandrawansa   | -                | -         |
| 9. Mr. P.R. Saldin   | 3,422            | 3,242     |
| 10. Mr. K. Gunawardena   | -                | -         |
| 11. Mr. R. Gunawardena   | 25,653           | 24,362    |
| 12. Dr. T.K.D.A.P. Samarasinghe                                      | -                | -         |
| 13. Mr. V. Govindasamy (Appointed as Director w.e.f. 16th June 2023) | -                | N/A       |



**20 MAJOR SHAREHOLDERS (VOTING) OF HNB PLC  
AS AT 30TH SEPTEMBER 2023**

|     | Name  | No. of shares | % on total voting capital |
|-----|---|---------------|---------------------------|
| 1.  | BROWNS INVESTMENTS PLC (CONSISTING OF SAMPATH BANK PLC/ BROWNS INVESTMENTS PLC & BROWNS INVESTMENTS PLC ACCOUNTS)   | 44,599,422    | 9.99                      |
| 2.  | EMPLOYEE'S PROVIDENT FUND   | 43,535,266    | 9.75                      |
| 3.  | SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND   | 36,926,034    | 8.27                      |
| 4.  | MILFORD EXPORTS (CEYLON) (PVT) LIMITED  | 35,319,119    | * 7.91                    |
| 5.  | STASSEN EXPORTS (PVT) LIMITED   | 30,613,438    | * 6.85                    |
| 6.  | SONETTO HOLDINGS LIMITED  | 21,952,479    | 4.91                      |
| 7.  | SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND  | 18,970,648    | 4.25                      |
| 8.  | CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2  | 17,130,367    | 3.84                      |
| 9.  | MR.S.E.CAPTAIN  | 15,097,305    | 3.38                      |
| 10. | DISTILLERIES COMPANY OF SRI LANKA PLC   | 13,696,840    | * 3.07                    |
| 11. | 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) | 13,626,897    | 3.05                      |
| 12. | NATIONAL SAVINGS BANK   | 12,815,744    | 2.87                      |
| 13. | MR. D.N.N. LOKUGE   | 9,288,560     | 2.08                      |
| 14. | STANDARD CHARTERED BANK SINGAPORE S/A HL BANK SINGAPORE BRANCH  | 8,383,256     | 1.88                      |
| 15. | FINCO HOLDINGS (PRIVATE) LIMITED  | 7,121,362     | 1.59                      |
| 16. | MS. L.A. CAPTAIN  | 7,073,218     | 1.58                      |
| 17. | SIMONAS TRUST SERVICE PVT LTD   | 4,545,906     | 1.02                      |
| 18. | MR. Y.S.H.R.S. SILVA  | 3,860,557     | 0.86                      |
| 19. | INVENCO CAPITAL PRIVATE LIMITED   | 3,321,976     | 0.74                      |
| 20. | EMPLOYEES TRUST FUND BOARD  | 3,053,795     | 0.68                      |

\* 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) OF HNB PLC  
AS AT 30TH SEPTEMBER 2023**

|     | 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) | 51,871,980    | 45.87                         |
| 2.  | ACUITY PARTNERS (PVT) LIMITED/MR.ELAYATHAMBY THAVAGNANASOORIYAM / MR.ELAYATHAMBY THAVAGNANASUNDARAM              | 5,666,420     | 5.01                          |
| 3.  | AKBAR BROTHERS PVT LTD A/C NO 1  | 4,975,179     | 4.40                          |
| 4.  | EMPLOYEES TRUST FUND BOARD   | 1,473,463     | 1.30                          |
| 5.  | MR. S.E. CAPTAIN   | 1,231,644     | 1.09                          |
| 6.  | HATTON NATIONAL BANK PLC A/C NO 2  | 813,789       | 0.72                          |
| 7.  | PEOPLE'S LEASING & FINANCE PLC/MR. I.D.R. PERERA   | 799,014       | 0.71                          |
| 8.  | SABOOR CHATOOR (PVT) LTD   | 774,370       | 0.68                          |
| 9.  | MR. E. CHATOOR   | 733,097       | 0.65                          |
| 10. | INVENCO CAPITAL PRIVATE LIMITED  | 705,519       | 0.62                          |
| 11. | NATIONAL SAVINGS BANK  | 624,232       | 0.55                          |
| 12. | E.W. BALASURIYA & CO. (PVT) LTD ACC NO 1   | 564,887       | 0.50                          |
| 13. | MR. J.D. BANDARANAYAKE (JOINT - 1 : DR. V. BANDARANAYAKE & JOINT - 2 : MISS. I. BANDARANAYAKE)                   | 521,450       | 0.46                          |
| 14. | MR. J.D. BANDARANAYAKE (JOINT - 1 : MISS. N. BANDARANAYAKE & JOINT - 2 : DR. V. BANDARANAYAKE)                   | 521,345       | 0.46                          |
| 15. | DON AND DON HOLDINGS PRIVATE LIMITED   | 497,701       | 0.44                          |
| 16. | MISS R.H. ABDULHUSSEIN   | 482,064       | 0.43                          |
| 17. | MR. M.J. FERNANDO (DECEASED)   | 462,965       | 0.41                          |
| 18. | DR. R.D. BANDARANAYAKE   | 437,668       | 0.39                          |
| 19. | LANKA SYNTHETIC FIBRE CO LTD   | 411,963       | 0.36                          |
| 20. | MR. Y.H. ABDULHUSSEIN  | 397,005       | 0.35                          |

## ANALYSIS OF LOANS & ADVANCES AND IMPAIRMENT

| As at   | BANK                 |                      | GROUP                |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30.09.2023           | 31.12.2022           | 30.09.2023           | 31.12.2022           |
|   | Rs.000               | Rs.000               | Rs.000               | Rs.000               |
| <b>1) Gross loans and advances to customers</b>                                     | 1,019,500,063        | 1,061,371,654        | 1,061,673,182        | 1,107,500,061        |
| Less : Accumulated impairment under stage 1   | 13,097,062           | 12,477,377           | 14,904,275           | 14,914,751           |
| Accumulated impairment under stage 2  | 10,898,080           | 16,235,373           | 11,356,210           | 16,799,238           |
| Accumulated impairment under stage 3  | 64,595,914           | 58,527,652           | 69,566,852           | 61,267,133           |
| <b>Net loans and advances to customers</b>  | <b>930,909,007</b>   | <b>974,131,252</b>   | <b>965,845,845</b>   | <b>1,014,518,939</b> |
| <b>Product-wise Gross loans and advances to customers</b>                           |                      |                      |                      |                      |
| <b>By product-Domestic Currency</b>   |                      |                      |                      |                      |
| Overdrafts  | 128,845,835          | 135,721,743          | 128,545,149          | 135,220,210          |
| Bills of exchange   | 442,451              | 335,603              | 442,451              | 335,603              |
| Commercial papers   | 171,489              | 156,664              | 171,489              | 156,664              |
| Short term loans  | 147,695,731          | 135,249,436          | 148,136,065          | 135,670,350          |
| Credit Cards  | 16,583,105           | 15,318,167           | 16,583,105           | 15,318,167           |
| Trust receipts  | 19,546,407           | 18,150,519           | 19,546,407           | 18,150,519           |
| Packing credit loans  | 6,823,633            | 5,095,100            | 6,823,633            | 5,095,100            |
| Staff loans   | 15,867,123           | 14,619,004           | 16,414,361           | 15,169,226           |
| Term loans  | 344,621,813          | 386,476,297          | 367,792,532          | 411,167,743          |
| Lease rentals receivable  | 66,043,736           | 70,317,417           | 79,988,768           | 85,445,987           |
| Housing loans   | 50,002,361           | 52,596,983           | 50,002,361           | 52,596,983           |
| Pawning advances  | 70,606,013           | 53,678,626           | 74,976,495           | 59,517,414           |
| Securitised notes   | 81,808               | 723,863              | 81,808               | 723,863              |
| <b>Sub total</b>  | <b>867,331,505</b>   | <b>888,439,422</b>   | <b>909,504,624</b>   | <b>934,567,829</b>   |
| <b>By product-Foreign Currency</b>  |                      |                      |                      |                      |
| Overdrafts  | 5,403,872            | 5,672,035            | 5,403,872            | 5,672,035            |
| Bills of exchange   | 974,815              | 1,569,929            | 974,815              | 1,569,929            |
| Short term loans  | 18,375,544           | 19,168,790           | 18,375,544           | 19,168,790           |
| Trust receipts  | 3,761,438            | 5,692,336            | 3,761,438            | 5,692,336            |
| Packing credit loans  | 29,895,350           | 32,290,321           | 29,895,350           | 32,290,321           |
| Term loans  | 91,161,229           | 105,153,901          | 91,161,229           | 105,153,901          |
| Lease rentals receivable  | 355,211              | 485,362              | 355,211              | 485,362              |
| Housing loans   | 2,241,099            | 2,899,558            | 2,241,099            | 2,899,558            |
| <b>Sub total</b>  | <b>152,168,558</b>   | <b>172,932,232</b>   | <b>152,168,558</b>   | <b>172,932,232</b>   |
| <b>Total</b>  | <b>1,019,500,063</b> | <b>1,061,371,654</b> | <b>1,061,673,182</b> | <b>1,107,500,061</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 2022</b>                                       | 6,494,958            | 10,188,641           | 36,033,438           | 52,717,037           |
| Net impairment charge for the period  | 1,466,803            | 2,365,261            | 13,712,756           | 17,544,820           |
| Write-offs during the period  | -                    | -                    | -                    | -                    |
| Effect of exchange rate fluctuations  | 165,375              | 810,549              | 5,185,375            | 6,161,299            |
| <b>Closing balance as at 30th September 2022</b>                                    | <b>8,127,136</b>     | <b>13,364,451</b>    | <b>54,931,569</b>    | <b>76,423,156</b>    |
| <b>Opening balance as at 1st January 2023</b>                                       | 12,477,377           | 16,235,373           | 58,527,652           | 87,240,402           |
| Net impairment charge for the period  | 748,612              | (5,185,893)          | 8,942,494            | 4,505,213            |
| Write-offs during the period  | -                    | -                    | (1,038,539)          | (1,038,539)          |
| Effect of exchange rate fluctuations  | (128,927)            | (151,400)            | (1,835,693)          | (2,116,020)          |
| <b>Closing balance as at 30th September 2023</b>                                    | <b>13,097,062</b>    | <b>10,898,080</b>    | <b>64,595,914</b>    | <b>88,591,056</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 2022</b>                                       | 7,653,405            | 10,754,926           | 39,245,578           | 57,653,909           |
| Net impairment charge for the period  | 2,495,973            | 2,365,261            | 13,712,756           | 18,573,990           |
| Write-offs during the period  | -                    | -                    | (441,316)            | (441,316)            |
| Effect of exchange rate fluctuations  | 120,669              | 959,271              | 5,185,375            | 6,265,315            |
| <b>Closing balance as at 30th September 2022</b>                                    | <b>10,270,047</b>    | <b>14,079,458</b>    | <b>57,702,393</b>    | <b>82,051,898</b>    |
| <b>Opening balance as at 1st January 2023</b>                                       | 14,914,751           | 16,799,238           | 61,267,133           | 92,981,122           |
| Net impairment charge for the period  | 118,451              | (5,291,628)          | 11,173,951           | 6,000,774            |
| Write-offs during the period  | -                    | -                    | (1,038,539)          | (1,038,539)          |
| Effect of exchange rate fluctuations  | (128,927)            | (151,400)            | (1,835,693)          | (2,116,020)          |
| <b>Closing balance as at 30th September 2023</b>                                    | <b>14,904,275</b>    | <b>11,356,210</b>    | <b>69,566,852</b>    | <b>95,827,337</b>    |

## ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

| As at  | BANK               |                    | GROUP              |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 30.09.2023         | 31.12.2022         | 30.09.2023         | 31.12.2022         |
|  | Rs.000             | Rs.000             | Rs.000             | Rs.000             |
| <b>2) Gross commitments and contingencies</b>  | 871,132,848        | 809,328,957        | 871,132,848        | 809,328,957        |
| Less : Accumulated impairment under stage 1  | 3,632,353          | 2,567,514          | 3,632,353          | 2,567,514          |
| Accumulated impairment under stage 2   | 757,962            | 517,350            | 757,962            | 517,350            |
| Accumulated impairment under stage 3   | 1,317,255          | 1,325,651          | 1,317,255          | 1,325,651          |
|  | <b>865,425,278</b> | <b>804,918,442</b> | <b>865,425,278</b> | <b>804,918,442</b> |
| <b>Product-wise commitments and contingencies</b>  |                    |                    |                    |                    |
| <b>By Product - Domestic Currency</b>  |                    |                    |                    |                    |
| Documentary credit   | 422,998            | 307,220            | 422,998            | 307,220            |
| Guarantees   | 54,437,032         | 51,577,207         | 54,437,032         | 51,577,207         |
| Acceptances  | -                  | 29,171             | -                  | 29,171             |
| Bills for collection   | 384,401            | 600,132            | 384,401            | 600,132            |
| Forward exchange contracts   |                    |                    |                    |                    |
| Forward exchange sales   | -                  | -                  | -                  | -                  |
| Forward exchange purchases   | -                  | -                  | -                  | -                  |
| Cheques sent on clearing   | 5,734,734          | 5,471,029          | 5,734,734          | 5,471,029          |
| Undrawn credit lines   | 409,502,018        | 571,093,074        | 409,502,018        | 571,093,074        |
| <b>Sub total</b>   | <b>470,481,183</b> | <b>629,077,833</b> | <b>470,481,183</b> | <b>629,077,833</b> |
| <b>By Product - Foreign Currency</b>   |                    |                    |                    |                    |
| Documentary credit   | 24,226,297         | 20,919,590         | 24,226,297         | 20,919,590         |
| Guarantees   | 36,140,939         | 57,775,114         | 36,140,939         | 57,775,114         |
| Acceptances  | 10,433,691         | 6,729,398          | 10,433,691         | 6,729,398          |
| Bills for collection   | 27,128,059         | 29,993,216         | 27,128,059         | 29,993,216         |
| Forward exchange contracts   |                    |                    |                    |                    |
| Forward exchange sales   | 7,957,531          | 2,310,116          | 7,957,531          | 2,310,116          |
| Forward exchange purchases   | 73,163,804         | 16,891,372         | 73,163,804         | 16,891,372         |
| Cheques sent on clearing   | 37,369             | 78,139             | 37,369             | 78,139             |
| Undrawn credit lines   | 221,563,975        | 45,554,179         | 221,563,975        | 45,554,179         |
| <b>Sub total</b>   | <b>400,651,665</b> | <b>180,251,124</b> | <b>400,651,665</b> | <b>180,251,124</b> |
| <b>Total</b>   | <b>871,132,848</b> | <b>809,328,957</b> | <b>871,132,848</b> | <b>809,328,957</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 2022</b>  | 789,147            | 154,772            | 1,249,055          | 2,192,974          |
| Net impairment charge for the period   | 902,615            | 264,294            | 435,136            | 1,602,045          |
| <b>Closing balance as at 30th September 2022</b>   | <b>1,691,762</b>   | <b>419,066</b>     | <b>1,684,191</b>   | <b>3,795,019</b>   |
| <b>Opening balance as at 1st January 2023</b>  | 2,567,514          | 517,350            | 1,325,651          | 4,410,515          |
| Net impairment charge for the period   | 1,064,839          | 240,612            | (8,396)            | 1,297,055          |
| <b>Closing balance as at 30th September 2023</b>   | <b>3,632,353</b>   | <b>757,962</b>     | <b>1,317,255</b>   | <b>5,707,570</b>   |

## ANALYSIS OF DEPOSITS

| As at                                   | BANK                 |                      | GROUP                |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30.09.2023<br>Rs.000 | 31.12.2022<br>Rs.000 | 30.09.2023<br>Rs.000 | 31.12.2022<br>Rs.000 |
| <b>3) Due to Customers - By product</b> |                      |                      |                      |                      |
| <b>By product-Domestic Currency</b>     |                      |                      |                      |                      |
| Current account deposits                | 75,059,646           | 67,555,022           | 74,094,613           | 67,184,485           |
| Savings deposits                        | 285,164,844          | 270,828,160          | 287,961,482          | 273,524,592          |
| Time deposits                           | 813,736,128          | 697,669,859          | 843,917,668          | 731,389,208          |
| Certificates of deposit                 | 281,747              | 305,891              | 281,747              | 305,891              |
| Margin deposits                         | 1,688,217            | 2,276,939            | 1,688,217            | 2,276,939            |
| <b>Sub total</b>                        | <b>1,175,930,582</b> | <b>1,038,635,871</b> | <b>1,207,943,727</b> | <b>1,074,681,115</b> |
| <b>By product- Foreign Currency</b>     |                      |                      |                      |                      |
| Current account deposits                | 6,293,502            | 12,346,150           | 6,293,502            | 12,346,150           |
| Savings deposits                        | 70,628,316           | 85,224,460           | 70,613,406           | 85,145,504           |
| Time deposits                           | 278,826,308          | 270,999,282          | 278,209,191          | 270,411,623          |
| Margin deposits                         | 122,114              | 594,729              | 122,114              | 594,729              |
| <b>Sub total</b>                        | <b>355,870,240</b>   | <b>369,164,621</b>   | <b>355,238,213</b>   | <b>368,498,006</b>   |
| <b>Total</b>                            | <b>1,531,800,822</b> | <b>1,407,800,492</b> | <b>1,563,181,940</b> | <b>1,443,179,121</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 2022. 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 30th September 2023.

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

| As at 30th September 2023  | BANK               |                  |               |                    | GROUP              |                  |               |                    |
|--|--------------------|------------------|---------------|--------------------|--------------------|------------------|---------------|--------------------|
|  | Level 1            | Level 2          | Level 3       | Total              | Level 1            | Level 2          | Level 3       | Total              |
|  | Rs.000             | Rs.000           | Rs.000        | Rs.000             | Rs.000             | Rs.000           | Rs.000        | Rs.000             |
| <b>Financial assets measured at fair value</b>                             |                    |                  |               |                    |                    |                  |               |                    |
| Derivative financial instruments   | -                  | 66,687           | -             | 66,687             | -                  | 66,687           | -             | 66,687             |
| Financial assets measured at fair value through profit or loss             | 131,472            | -                | -             | 131,472            | 777,495            | -                | -             | 777,495            |
| Financial assets measured at fair value through other comprehensive income | 221,836,159        | 726,861          | 33,035        | 222,596,055        | 227,722,250        | 726,861          | 38,088        | 228,487,199        |
| <b>Total financial assets measured at fair value</b>                       | <b>221,967,631</b> | <b>793,548</b>   | <b>33,035</b> | <b>222,794,214</b> | <b>228,499,745</b> | <b>793,548</b>   | <b>38,088</b> | <b>229,331,381</b> |
| <b>Financial liabilities measured at fair value</b>                        |                    |                  |               |                    |                    |                  |               |                    |
| Derivative financial instruments   | -                  | 1,222,662        | -             | 1,222,662          | -                  | 1,222,662        | -             | 1,222,662          |
| <b>Total financial assets measured at fair value</b>                       | <b>-</b>           | <b>1,222,662</b> | <b>-</b>      | <b>1,222,662</b>   | <b>-</b>           | <b>1,222,662</b> | <b>-</b>      | <b>1,222,662</b>   |

| As at 31st December 2022   | BANK             |                  |               |                  | GROUP            |                  |               |                   |
|--|------------------|------------------|---------------|------------------|------------------|------------------|---------------|-------------------|
|  | Level 1          | Level 2          | Level 3       | Total            | Level 1          | Level 2          | Level 3       | Total             |
|  | Rs.000           | Rs.000           | Rs.000        | Rs.000           | Rs.000           | Rs.000           | Rs.000        | 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>     |

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

| As at 30th September 2023                                     | BANK                     |                    |                      |                   |                      | GROUP                    |                    |                      |                   |                      |
|---|--------------------------|--------------------|----------------------|-------------------|----------------------|--------------------------|--------------------|----------------------|-------------------|----------------------|
|   | Carrying Value<br>Rs.000 | Fair Value         |                      |                   | Total<br>Rs.000      | Carrying Value<br>Rs.000 | Fair Value         |                      |                   | Total<br>Rs.000      |
|   |                          | Level 1<br>Rs.000  | Level 2<br>Rs.000    | Level 3<br>Rs.000 |                      |                          | Level 1<br>Rs.000  | Level 2<br>Rs.000    | Level 3<br>Rs.000 |                      |
| <b>Financial Assets</b>                                       |                          |                    |                      |                   |                      |                          |                    |                      |                   |                      |
| <b>Financial assets measured at amortised cost</b>            |                          |                    |                      |                   |                      |                          |                    |                      |                   |                      |
| Loans and advances to customers                               | 930,909,007              | -                  | 922,105,321          | -                 | 922,105,321          | 965,845,845              | -                  | 932,834,520          | -                 | 932,834,520          |
| Debt and other financial instruments                          | 450,666,518              | 393,427,334        | 11,485,116           | -                 | 404,912,450          | 484,517,640              | 419,645,710        | 19,465,580           | -                 | 439,111,290          |
| <b>Total financial assets measured at amortised cost</b>      | <b>1,381,575,525</b>     | <b>393,427,334</b> | <b>933,590,437</b>   | <b>-</b>          | <b>1,327,017,771</b> | <b>1,450,363,485</b>     | <b>419,645,710</b> | <b>952,300,101</b>   | <b>-</b>          | <b>1,371,945,811</b> |
| <b>Financial Liabilities</b>                                  |                          |                    |                      |                   |                      |                          |                    |                      |                   |                      |
| <b>Financial liabilities measured at amortised cost</b>       |                          |                    |                      |                   |                      |                          |                    |                      |                   |                      |
| Due to depositors   | 1,531,800,822            | -                  | 1,554,595,932        | -                 | 1,554,595,932        | 1,563,181,940            | -                  | 1,585,263,463        | -                 | 1,585,263,463        |
| Other borrowings  | 27,452,816               | -                  | 27,452,816           | -                 | 27,452,816           | 27,998,069               | -                  | 28,499,735           | -                 | 28,499,735           |
| Debt securities issued  | 85,805                   | -                  | 81,860               | -                 | 81,860               | 582,133                  | -                  | 571,968              | -                 | 571,968              |
| Subordinated term debts                                       | 22,914,393               | -                  | 20,822,572           | -                 | 20,822,572           | 26,079,707               | -                  | 23,856,905           | -                 | 23,856,905           |
| <b>Total financial liabilities measured at amortised cost</b> | <b>1,582,253,836</b>     | <b>-</b>           | <b>1,602,953,180</b> | <b>-</b>          | <b>1,602,953,180</b> | <b>1,617,841,849</b>     | <b>-</b>           | <b>1,638,192,071</b> | <b>-</b>          | <b>1,638,192,071</b> |

| As at 31st December 2022                                      | BANK                     |                    |                      |                   |                      | GROUP                    |                    |                      |                   |                      |
|---|--------------------------|--------------------|----------------------|-------------------|----------------------|--------------------------|--------------------|----------------------|-------------------|----------------------|
|   | Carrying Value<br>Rs.000 | Fair Value         |                      |                   | Total<br>Rs.000      | Carrying Value<br>Rs.000 | Fair Value         |                      |                   | Total<br>Rs.000      |
|   |                          | Level 1<br>Rs.000  | Level 2<br>Rs.000    | Level 3<br>Rs.000 |                      |                          | Level 1<br>Rs.000  | Level 2<br>Rs.000    | Level 3<br>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> |