



YOUR PARTNER IN PROGRESS

# Interim Financial Statements

For the year ended 31st December 2023

## FINANCIAL COMMENTARY FOR THE YEAR ENDED 31ST DECEMBER 2023

- Group assets cross Rs 2 Trillion
- Deposits cross Rs 1.5 Trillion
- Advances of over Rs 1 Trillion
- Provides over Rs 40 Bn for impairment
- Rs 22.5 Bn in taxes

Hatton National Bank PLC (HNB) showcased strong and sustainable performance in 2023, in all aspects namely liquidity, asset quality, capital, efficiency and profitability amidst global and local economic uncertainties.

The Bank's interest income experienced a YoY growth of 37.2%, reaching Rs 284.1 Bn despite the decline in AWPLR by approx. eight percentage points during the last two quarters of the year, in line with Central Bank's expansionary monetary policy. Although deposits rates also declined in line, the 12.2% growth in deposits and the term deposits mobilized at higher interests resulted in Interest expense increasing by 72.6% to Rs 179.8 Bn. The resultant net interest income expanded by 1.4% YoY to Rs 104.3 Bn.

The Bank's net fee and commission income saw a YoY increase of 4.4%, rising from Rs 15.2 Bn to Rs 15.8 Bn, primarily fueled by higher volumes in credit cards, improved remittances and an increased adoption of our digital banking services. Increased SWAP volumes and the revaluation of on-balance sheet assets with the appreciation of Sri Lankan Rupee during the year as opposed to the significant depreciation experienced in the previous year, resulted in the Bank recording a net exchange loss for the period.

Having provided Rs 73 Bn on investments in international sovereign bonds up to 2022, the Bank increased its impairment cover up to 52% from 35% on a prudent basis, with an additional provision of Rs 38 Bn during the year. With economic conditions improving especially during the second half, asset quality which has been under pressure indicated signs of recovery. Nevertheless, the Bank continues to maintain a prudent approach to provisioning due to the relatively high levels of uncertainty that prevails with the global and local economy, maintaining its provision cover at 57.5%. Accordingly, net stage 3 ratio improved to 3.76% from 4.90% in September 2023 and remains well above the industry level. HNB's total operating expenses increased to Rs 35.5 Bn from Rs 30.4 Bn on inflationary pressure in the economy, resulting in a cost to income ratio of 29.9% compared to 22.0%, recorded in the previous year.

The Bank's total effective tax rate increased to 52.5%, reflecting the full year's impact of the increase in corporate tax rate from 24% to 30% and the introduction of the social security contribution levy of 2.5%, which took effect from October 2022.

The Bank recorded a profit after tax of Rs 20.35 Bn compared to Rs 14.0 Bn recorded in 2022 while the Group recorded a PAT of Rs 23.6 Bn compared to Rs 15.7 Bn in the previous year. The Board of Directors has proposed a final dividend of Rs 8.00 per share, which consist of a cash dividend of Rs 4.00 per share and a scrip dividend of Rs 4.00 per share, for both voting and non-voting shares.

The Bank's asset base expanded at 14.4% YoY to Rs 1.9 Trillion as at end of December 2023. However, the Bank witnessed a contraction in gross loan book of 1.8% due to sluggish demand for credit and the cautious approach adopted during the first half with interest being relatively high. On the other hand, the total deposits of the Bank continued its growth trajectory, expanding by 12.2% YoY to Rs 1.6 Trillion.

The Bank reported strong Tier 1 and Total Capital Adequacy ratios of 13.66% and 17.13% against the minimum statutory requirements of 9.5% and 13.5% respectively, with the provision to drawdown a further 250 bps from the Capital Conservation Buffer. The Bank has continued to maintain a strong liquidity position with a Statutory Liquid Asset Ratio of 48.2% and an all currency Liquidity Coverage Ratio of 445.9%, which are both well above regulatory minimum requirements of 20% and 100% respectively.

HNB is rated A (Ika) 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 2023. HNB was ranked among Sri Lanka's Top 10 Most Admired companies in 2022 by the American Institute of Certified Public Accountants and Chartered Institute of Management Accountants and the International Chamber of Commerce Sri Lanka.

## INCOME STATEMENT

	BANK			BANK			GROUP			GROUP		
	For the 12 months ended 31st December			For the 3 months ended 31st December			For the 12 months ended 31st December			For the 3 months ended 31st December		
	2023 (Audited) Rs 000	2022 (Audited) Rs 000	% Increase / (Decrease)	2023 Rs 000	2022 Rs 000	% Increase / (Decrease)	2023 (Audited) Rs 000	2022 (Audited) Rs 000	% Increase / (Decrease)	2023 Rs 000	2022 Rs 000	% Increase / (Decrease)
<b>Gross income</b>	299,139,347	242,412,491	23	68,285,667	78,777,519	(13)	336,638,191	270,509,409	24	77,908,436	86,640,669	(10)
Interest income	284,097,697	207,019,354	37	63,417,160	72,077,388	(12)	304,578,112	220,581,307	38	68,220,093	76,279,548	(11)
Less : Interest expenses	179,755,441	104,142,478	73	42,299,265	40,277,925	5	186,503,550	109,014,763	71	43,594,742	42,040,873	4
<b>Net interest income</b>	104,342,256	102,876,876	1	21,117,895	31,799,463	(34)	118,074,562	111,566,544	6	24,625,351	34,238,675	(28)
Fee and commission income	16,308,907	15,520,113	5	4,286,957	4,263,230	1	17,207,633	16,521,300	4	4,435,534	4,561,404	(3)
Less: Fee and commission expenses	467,572	345,863	35	145,513	91,429	59	634,980	619,555	2	197,632	158,156	25
<b>Net fee and commission income</b>	15,841,335	15,174,250	4	4,141,444	4,171,801	(1)	16,572,653	15,901,745	4	4,237,902	4,403,248	(4)
<b>Net interest, fee and commission income</b>	120,183,591	118,051,126	2	25,259,339	35,971,264	(30)	134,647,215	127,468,289	6	28,863,253	38,641,923	(25)
Net gains / (losses) from trading	(11,951,627)	4,898,719	(344)	(1,988,365)	(36,058)	5,414	(11,850,918)	4,825,568	(346)	(1,972,145)	(70,404)	2,701
Net gain from financial investments at fair value through other comprehensive income	271,537	22,619	1,100	30,785	12,720	142	310,852	23,099	1,246	50,705	9,864	414
Net gains arising on de-recognition of financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Net insurance premium income	-	-	-	-	-	-	15,249,250	12,750,482	20	4,215,469	3,227,654	31
Net other operating income	10,412,833	14,951,686	(30)	2,539,130	2,460,239	3	11,143,262	15,807,653	(30)	2,958,780	2,632,603	12
<b>Total operating income</b>	118,916,334	137,924,150	(14)	25,840,889	38,408,165	(33)	149,499,661	160,875,091	(7)	34,116,062	44,441,640	(23)
Less: Impairment charge for loans and other losses	40,589,311	90,461,305	(55)	8,218,133	30,185,979	(73)	42,523,930	91,735,672	(54)	8,687,627	30,327,769	(71)
<b>Net operating income</b>	78,327,023	47,462,845	65	17,622,756	8,222,186	114	106,975,731	69,139,419	55	25,428,435	14,113,871	80
<b>Less : Operating expenses</b>												
Personnel expenses	16,944,206	15,025,888	13	4,122,744	3,589,185	15	20,934,258	18,490,530	13	5,235,785	4,366,500	20
Depreciation and amortisation	2,776,261	2,567,704	8	749,489	662,470	13	3,417,133	3,187,685	7	891,624	819,181	9
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	15,218,729	11,715,338	30	2,910,337	3,379,032	(14)
Other expenses	15,783,348	12,793,975	23	4,136,832	3,319,242	25	20,805,075	16,409,966	27	5,772,210	4,416,859	31
<b>Total operating expenses</b>	35,503,815	30,387,567	17	9,009,065	7,570,897	19	60,375,195	49,803,519	21	14,809,956	12,981,572	14
<b>Operating profit before taxes on financial services</b>	42,823,208	17,075,278	151	8,613,691	651,289	1,223	46,600,536	19,335,900	141	10,618,479	1,132,299	838
Less : Taxes on financial services	10,134,513	5,101,372	99	2,180,190	838,608	160	10,523,130	5,247,616	101	2,320,474	861,799	169
<b>Operating profit after taxes on financial services</b>	32,688,695	11,973,906	173	6,433,501	(187,319)	3,535	36,077,406	14,088,284	156	8,298,005	270,500	2,968
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	1,140,769	331,973	244	(117,236)	330,819	(135)
<b>PROFIT BEFORE INCOME TAX</b>	32,688,695	11,973,906	173	6,433,501	(187,319)	3,535	37,218,175	14,420,257	158	8,180,769	601,319	1,260
Less: Income tax expense	12,335,577	(2,059,587)	699	2,641,731	(3,935,742)	167	13,611,684	(1,327,978)	1,125	3,423,813	(3,723,531)	192
<b>PROFIT FOR THE PERIOD</b>	20,353,118	14,033,493	45	3,791,770	3,748,423	1	23,606,491	15,748,235	50	4,756,956	4,324,850	10
<b>Profit attributable to:</b>												
Equity holders of the Bank	20,353,118	14,033,493	45	3,791,770	3,748,423	1	22,770,791	15,328,572	49	4,439,848	4,313,695	3
Non-controlling interests	-	-	-	-	-	-	835,700	419,663	99	317,108	11,155	2,743
<b>PROFIT FOR THE PERIOD</b>	20,353,118	14,033,493	45	3,791,770	3,748,423	1	23,606,491	15,748,235	50	4,756,956	4,324,850	10
<b>Earnings per share</b>												
Basic earnings per ordinary share (Rs)	36.36	25.07	45	6.77	6.70	1	40.68	27.39	49	7.93	7.71	3
Diluted earnings per ordinary share (Rs)	36.36	25.07	45	6.77	6.70	1	40.68	27.39	49	7.93	7.71	3

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	BANK			BANK			GROUP			GROUP		
	For the 12 months ended 31st December			For the 3 months ended 31st December			For the 12 months ended 31st December			For the 3 months ended 31st December		
	2023 (Audited) Rs 000	2022 (Audited) Rs 000	% Increase / (Decrease)	2023 Rs 000	2022 Rs 000	% Increase / (Decrease)	2023 (Audited) Rs 000	2022 (Audited) Rs 000	% Increase / (Decrease)	2023 Rs 000	2022 Rs 000	% Increase / (Decrease)
<b>PROFIT FOR THE PERIOD</b>	20,353,118	14,033,493	45	3,791,770	3,748,423	1	23,606,491	15,748,235	50	4,756,956	4,324,850	10
<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	3,398,710	(1,618,910)	310	(432,101)	212,576	(303)	3,399,392	(1,618,910)	310	(433,761)	212,576	(304)
Remeasurement of post-employment benefit obligations	3,507	1,857,052	(100)	3,507	1,857,052	(100)	(30,683)	1,911,065	(102)	(69,331)	1,898,583	(104)
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	-	-	-	-	-	-	(43,046)	448,051	(110)	-	-	-
Less: Tax expense relating to items that will not be reclassified to profit or loss including the effect of rate change	-	(1,157,240)	(100)	-	(1,157,240)	(100)	10,921	(2,442,419)	100	81,946	(2,391,836)	103
<b>Total other comprehensive income that will not be reclassified to profit or loss</b>	<b>3,402,217</b>	<b>(919,098)</b>	<b>470</b>	<b>(428,594)</b>	<b>912,388</b>	<b>(147)</b>	<b>3,336,584</b>	<b>(1,502,142)</b>	<b>322</b>	<b>(421,146)</b>	<b>(280,677)</b>	<b>50</b>
<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	3,238,371	(3,634,091)	189	(236,157)	-	-	4,470,635	(5,287,257)	185	(158,488)	(30,467)	420
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)	-	-	-
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 / (from) life policy holder reserve fund	-	-	-	-	-	-	(654,729)	1,244,429	(153)	(99,031)	16,636	(695)
Share of other comprehensive income of joint venture that will be reclassified to profit or loss	-	-	-	-	-	-	(273,289)	(7,090)	3,755	(64,770)	(237,599)	(73)
Less: Tax expense relating to items that will not be reclassified to profit or loss including the effect of rate change	(971,511)	(466,439)	108	70,847	-	-	(1,079,170)	(387,768)	178	68,120	53,125	28
<b>Total other comprehensive income that will be reclassified to profit or loss</b>	<b>2,266,860</b>	<b>1,181,612</b>	<b>92</b>	<b>(165,310)</b>	<b>-</b>	<b>-</b>	<b>2,463,447</b>	<b>1,548,441</b>	<b>59</b>	<b>(254,169)</b>	<b>(198,305)</b>	<b>28</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>5,669,077</b>	<b>262,514</b>	<b>2,060</b>	<b>(593,904)</b>	<b>912,388</b>	<b>(165)</b>	<b>5,800,031</b>	<b>46,299</b>	<b>12,427</b>	<b>(675,315)</b>	<b>(478,982)</b>	<b>41</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>26,022,195</b>	<b>14,296,007</b>	<b>82</b>	<b>3,197,866</b>	<b>4,660,811</b>	<b>(31)</b>	<b>29,406,522</b>	<b>15,794,534</b>	<b>86</b>	<b>4,081,641</b>	<b>3,845,868</b>	<b>6</b>
Total comprehensive income attributable to:												
Equity holders of the Bank	26,022,195	14,296,007	82	3,197,866	4,660,811	(31)	28,384,289	15,119,144	88	3,758,213	3,806,519	(1)
Non-controlling interests	-	-	-	-	-	-	1,022,233	675,390	51	323,428	39,349	722
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>26,022,195</b>	<b>14,296,007</b>	<b>82</b>	<b>3,197,866</b>	<b>4,660,811</b>	<b>(31)</b>	<b>29,406,522</b>	<b>15,794,534</b>	<b>86</b>	<b>4,081,641</b>	<b>3,845,868</b>	<b>6</b>

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2023 (Audited) Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)	As at 31.12.2023 (Audited) Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)
	<b>ASSETS</b>					
Cash and cash equivalents	73,148,596	80,238,881	(9)	73,758,907	80,629,698	(9)
Placements with banks	55,991,134	54,371,028	3	61,836,382	58,172,046	6
Balances with Central Bank of Sri Lanka	12,234,361	32,344,341	(62)	12,234,361	32,344,341	(62)
Reverse repurchase agreements	-	-	-	1,830,461	1,380,579	33
Derivative financial instruments	452,193	5,370,501	(92)	452,193	5,370,501	(92)
Financial assets measured at fair value through profit or loss	115,641	111,617	4	801,065	236,178	239
Financial assets measured at amortised cost - loans and advances to customers	954,880,316	974,131,252	(2)	988,601,197	1,014,518,939	(3)
Financial assets measured at amortised cost - debt and other financial instruments	549,772,155	448,791,874	23	584,131,263	479,787,015	22
Financial assets measured at fair value through other comprehensive income	189,325,958	2,706,660	6,895	195,975,307	6,062,195	3,133
Investment in joint venture	755,000	755,000	-	4,474,789	3,650,354	23
Investment in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	459,104	464,439	(1)	913,922	935,549	(2)
Property, plant and equipment	25,418,520	24,835,729	2	50,164,957	49,616,338	1
Right-of-use assets	5,081,338	5,397,734	(6)	2,473,450	2,463,788	-
Intangible assets and goodwill	1,560,099	1,250,154	25	2,009,896	1,771,092	13
Deferred tax assets	33,944,563	30,471,351	11	33,967,277	30,763,166	10
Other assets	28,096,221	26,281,118	7	33,414,983	30,573,372	9
<b>Total assets</b>	<b>1,934,252,484</b>	<b>1,690,538,964</b>	<b>14</b>	<b>2,047,040,410</b>	<b>1,798,275,151</b>	<b>14</b>
<b>LIABILITIES</b>						
Due to banks	9,019,582	6,104,578	48	9,019,582	6,104,578	48
Derivative financial instruments	1,365,523	25,632	5,227	1,365,523	25,632	5,227
Securities sold under repurchase agreements	61,793,694	6,540,014	845	61,793,694	6,540,014	845
Financial liabilities measured at amortised cost - due to depositors	1,579,780,228	1,407,800,492	12	1,609,153,685	1,443,179,121	12
Dividends payable	974,790	1,008,325	(3)	990,781	1,038,542	(5)
Financial liabilities measured at amortised cost - other borrowings	24,933,215	32,350,594	(23)	25,031,784	33,385,598	(25)
Debt securities issued	87,569	2,062,950	(96)	550,160	2,555,109	(78)
Current tax liabilities	23,953,823	30,025,919	(20)	24,707,679	30,460,242	(19)
Deferred tax liabilities	-	-	-	6,552,515	6,465,029	1
Insurance provision - life	-	-	-	30,975,260	24,592,403	26
Insurance provision - non life	-	-	-	4,694,303	4,181,588	12
Other provisions	9,079,375	5,000,513	82	9,697,283	5,467,274	77
Other liabilities	19,325,952	17,378,270	11	20,696,216	18,041,795	15
Subordinated term debts	18,961,556	22,914,299	(17)	22,255,164	26,151,300	(15)
<b>Total liabilities</b>	<b>1,749,275,307</b>	<b>1,531,211,586</b>	<b>14</b>	<b>1,827,483,629</b>	<b>1,608,188,225</b>	<b>14</b>

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.12.2023 (Audited) Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)	As at 31.12.2023 (Audited) Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)
<b>EQUITY</b>						
Stated capital	40,955,116	38,679,005	6	40,955,116	38,679,005	6
Statutory reserve fund	10,410,000	9,310,000	12	10,410,000	9,310,000	12
Retained earnings	56,311,574	40,706,963	38	68,251,694	50,247,360	36
Other reserves	77,300,487	70,631,410	9	92,623,236	85,055,465	9
<b>Total shareholders' equity</b>	<b>184,977,177</b>	<b>159,327,378</b>	<b>16</b>	<b>212,240,046</b>	<b>183,291,830</b>	<b>16</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,316,735</b>	<b>6,795,096</b>	<b>8</b>
<b>Total equity</b>	<b>184,977,177</b>	<b>159,327,378</b>	<b>16</b>	<b>219,556,781</b>	<b>190,086,926</b>	<b>16</b>
<b>Total equity and liabilities</b>	<b>1,934,252,484</b>	<b>1,690,538,964</b>	<b>14</b>	<b>2,047,040,410</b>	<b>1,798,275,151</b>	<b>14</b>
<b>Contingent liabilities and commitments</b>	<b>883,033,112</b>	<b>809,328,957</b>	<b>9</b>	<b>883,033,112</b>	<b>809,328,957</b>	<b>9</b>
<b>Net assets value per ordinary share (Rs.)</b>	<b>330.47</b>	<b>284.65</b>	<b>16</b>	<b>379.18</b>	<b>327.46</b>	<b>16</b>
<b>Memorandum Information</b>						
Number of Employees	5,492	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 31st December 2023 and its profit for the year ended 31st December 2023.

Sgd.  
**Anuradhi Delage**  
 Chief Financial Officer  
 15th February 2024

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 audited financial statements of the Bank, it's Joint Venture and Subsidiary Companies.

Sgd.  
**Jonathan Alles**  
 Managing Director / Chief Executive Officer  
 15th February 2024

Sgd.  
**Nihal Jayawardena**  
 Chairman  
 15th February 2024

## 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 year ended 31st December 2023 (Audited)</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 year</b>								
Net profit for the year	-	-	-	-	-	-	20,353,118	20,353,118
Other comprehensive income for the year, net of tax	-	-	-	-	5,669,077	-	-	5,669,077
<b>Total comprehensive income for the year</b>	-	-	-	-	5,669,077	-	20,353,118	26,022,195
<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	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	29,270	29,270
Transfers during the year	-	-	1,100,000	-	-	1,000,000	(2,100,000)	-
<b>Balance as at 31st December 2023</b>	<b>33,553,624</b>	<b>7,401,492</b>	<b>10,410,000</b>	<b>13,927,316</b>	<b>4,273,171</b>	<b>59,100,000</b>	<b>56,311,574</b>	<b>184,977,177</b>
<b>For the year ended 31st December 2022 (Audited)</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
Adjustment for surcharge tax levied under the Surcharge Tax Act No.14 of 2022	-	-	-	-	-	-	(3,611,625)	(3,611,625)
<b>Adjusted balance as at 1st January 2022</b>	<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 year</b>								
Net profit for the year	-	-	-	-	-	-	14,033,493	14,033,493
Transfer of fair value losses on debt instruments measured at FVOCI upon reclassification to amortised cost measurement category (net of tax)	-	-	-	-	1,477,057	-	-	1,477,057
Other comprehensive income for the year, net of tax	-	-	-	(1,157,240)	(1,618,910)	-	1,561,607	(1,214,543)
<b>Total comprehensive income for the year</b>	-	-	-	(1,157,240)	(141,853)	-	15,595,100	14,296,007
<b>Transactions with equity holders, recognised directly in equity</b>								
<b>Contributions by and distributions to equity holders</b>								
<b>Dividends to equity holders</b>								
Final dividend 2021 - Cash	-	-	-	-	-	-	(3,418,380)	(3,418,380)
Final dividend 2021 - Scrip	1,052,150	262,611	-	-	-	-	(1,314,761)	-
<b>Total contributions by and distributions to equity holders</b>	1,052,150	262,611	-	-	-	-	(4,733,141)	(3,418,380)
Transfer of/(subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	20,022	20,022
Transfers during the year	-	-	750,000	-	-	1,000,000	(1,750,000)	-
<b>Balance as at 31st December 2022</b>	<b>31,732,741</b>	<b>6,946,264</b>	<b>9,310,000</b>	<b>13,927,316</b>	<b>(1,395,906)</b>	<b>58,100,000</b>	<b>40,706,963</b>	<b>159,327,378</b>

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital			Other Reserves						Retained Earnings	Shareholders' Funds	Non Controlling Interests	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				
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000				
<b>For the year ended 31st December 2023 (Audited)</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 year</b>													
Net profit for the year	-	-	-	-	-	-	-	-	-	22,770,791	22,770,791	835,700	23,606,491
Other comprehensive income for the year, net of tax	-	-	-	-	-	5,631,448	-	-	-	(17,950)	5,613,498	186,533	5,800,031
<b>Total comprehensive income for the year</b>	-	-	-	-	-	5,631,448	-	-	-	22,752,841	28,384,289	1,022,233	29,406,522
<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	-	-	-	-	-	(422,391)	1,358,714	-	-	-	936,323	(281,594)	654,729
Transfer of / (subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	-	-	-	29,270	29,270	-	29,270
Transfers during the year	-	-	1,100,000	-	1,000,000	-	-	-	-	(2,100,000)	-	-	-
<b>Balance as at 31st December 2023</b>	33,553,624	7,401,492	10,410,000	28,493,417	59,100,000	4,026,427	10,983	381,156	611,253	68,251,694	212,240,046	7,316,735	219,556,781
<b>For the year ended 31st December 2022 (Audited)</b>													
<b>Balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	43,643,800	176,668,041	6,599,222	183,267,263
Adjustment for surcharge tax levied under the Surcharge Tax Act No.14 of 2022	-	-	-	-	-	-	-	-	-	(3,912,900)	(3,912,900)	(68,995)	(3,981,895)
Acquisition of non controlling interest during amalgamation of HNB Finance PLC with Prime Finance PLC	-	-	-	-	-	-	-	-	-	-	-	(301,135)	(301,135)
<b>Adjusted balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	39,730,900	172,755,141	6,229,092	178,984,233
<b>Total comprehensive income for the year</b>													
Net profit for the year	-	-	-	-	-	-	-	-	-	15,328,572	15,328,572	419,663	15,748,235
Transfer of fair value losses on debt instruments measured at FVOCI upon reclassification to amortised cost measurement category (net of tax)	-	-	-	-	-	2,181,042	-	-	-	-	2,181,042	-	2,181,042
Other comprehensive income for the year, net of tax	-	-	-	(2,323,563)	-	(2,105,633)	-	-	448,051	1,590,675	(2,390,470)	255,727	(2,134,743)
<b>Total comprehensive income for the year</b>	-	-	-	(2,323,563)	-	75,409	-	-	448,051	16,919,247	15,119,144	675,390	15,794,534
<b>Transactions with equity holders, recognised directly in equity</b>													
<b>Contributions by and distributions to equity holders</b>													
<b>Dividends to equity holders</b>													
Final dividend 2021 - Scrip	1,052,150	262,611	-	-	-	-	-	-	-	(1,314,761)	-	-	-
Final dividend 2021 - Cash	-	-	-	-	-	-	-	-	-	(3,418,380)	(3,418,380)	(192,000)	(3,610,380)
Merger reserve arising from amalgamation of subsidiary, HNB Finance PLC and Prime Finance PLC	-	-	-	-	-	-	-	-	-	6,649	6,649	8,966	15,615
Pre amalgamation profit of Prime Finance PLC	-	-	-	-	-	-	-	-	-	53,683	53,683	73,648	127,331
<b>Total contributions by and distributions to equity holders</b>	1,052,150	262,611	-	-	-	-	-	-	-	(4,672,809)	(3,358,048)	(109,386)	(3,467,434)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(1,244,429)	-	-	-	(1,244,429)	-	(1,244,429)
Transfer of / (subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	-	-	-	20,022	20,022	-	20,022
Transfers during the year	-	-	750,000	-	1,000,000	-	-	-	-	(1,750,000)	-	-	-
<b>Balance as at 31st December 2022</b>	31,732,741	6,946,264	9,310,000	28,493,417	58,100,000	(1,182,630)	(1,347,731)	381,156	611,253	50,247,360	183,291,830	6,795,096	190,086,926



## STATEMENT OF CASH FLOWS

For the year ended 31st December	BANK		GROUP	
	2023 (Audited) Rs 000	2022 (Audited) Rs 000	2023 (Audited) Rs 000	2022 (Audited) Rs 000
<b>Cash flows from operating activities</b>				
Interest receipts	278,180,411	204,741,871	290,876,688	218,374,687
Interest payments	(154,092,480)	(78,077,951)	(161,351,036)	(82,156,552)
Net commission receipts	15,738,388	15,080,565	16,469,601	15,895,361
Payments to employees	(14,832,343)	(14,787,910)	(18,716,444)	(18,013,411)
Taxes on financial services	(7,494,176)	(3,857,416)	(7,878,196)	(4,061,341)
Receipts from other operating activities	(13,335,103)	12,094,882	2,929,554	25,889,244
Payments for other operating activities	(17,147,416)	(10,738,450)	(30,118,408)	(24,821,097)
<b>Operating profit before change in operating assets and liabilities</b>	<b>87,017,281</b>	<b>124,455,591</b>	<b>92,211,759</b>	<b>131,106,891</b>
<b>(Increase)/decrease in operating assets</b>				
Balances with Central Bank of Sri Lanka	20,107,587	(6,523,852)	20,107,587	(6,523,852)
Financial assets measured at amortised cost - loans and advances to customers	(3,338,089)	(58,431,085)	1,994,876	(65,103,007)
Reverse repurchase agreements	-	-	(449,882)	4,865,697
Other assets	(1,087,315)	(6,107,771)	(2,309,843)	(6,967,076)
	<b>15,682,183</b>	<b>(71,062,708)</b>	<b>19,342,738</b>	<b>(73,728,238)</b>
<b>Increase/(decrease) in operating liabilities</b>				
Financial liabilities measured at amortised cost - due to depositors	183,203,524	149,135,812	177,265,179	152,260,052
Financial liabilities measured at amortised cost - other borrowings	(4,491,892)	(14,013,993)	(5,428,327)	(13,786,954)
Securities sold under repurchase agreements	55,144,079	(27,224,146)	55,144,079	(27,224,146)
Other liabilities	2,555,130	(16,324,873)	3,235,465	(16,423,675)
	<b>236,410,841</b>	<b>91,572,800</b>	<b>230,216,396</b>	<b>94,825,277</b>
<b>Net cash generated from operating activities before income tax</b>	<b>339,110,305</b>	<b>144,965,683</b>	<b>341,770,893</b>	<b>152,203,930</b>
Income tax paid	(22,852,568)	(9,520,889)	(23,549,119)	(10,222,643)
<b>Net cash generated from operating activities</b>	<b>316,257,737</b>	<b>135,444,794</b>	<b>318,221,774</b>	<b>141,981,287</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(2,082,288)	(1,173,458)	(2,580,384)	(1,471,498)
Proceeds from the sale of property, plant and equipment	12,692	13,295	18,513	17,387
Net proceeds from sale, maturity and purchase of financial investments	(312,813,721)	(33,860,569)	(311,452,319)	(46,443,765)
Net purchase of intangible assets	(760,637)	(229,884)	(812,659)	(285,513)
Dividends received from investment in subsidiaries	288,473	287,933	-	-
Dividends received from other investments	33,497	41,771	43,724	50,872
<b>Net cash used in investing activities</b>	<b>(315,321,984)</b>	<b>(34,920,912)</b>	<b>(314,783,125)</b>	<b>(48,132,517)</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of subordinated debt	-	-	-	2,000,000
Repayment of subordinated debt/debt securities issued	(6,000,000)	(700,000)	(6,005,946)	(733,250)
Dividend paid to non controlling interest	-	-	(233,226)	(186,194)
Dividend paid to shareholders of the parent company	(405,932)	(3,399,227)	(405,932)	(3,399,227)
<b>Net cash used in financing activities</b>	<b>(6,405,932)</b>	<b>(4,099,227)</b>	<b>(6,645,104)</b>	<b>(2,318,671)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(5,470,179)</b>	<b>96,424,655</b>	<b>(3,206,455)</b>	<b>91,530,099</b>
Cash and cash equivalents at the beginning of the year	134,609,909	38,185,254	138,801,744	47,271,645
<b>Cash and cash equivalents at the end of the year</b>	<b>129,139,730</b>	<b>134,609,909</b>	<b>135,595,289</b>	<b>138,801,744</b>
<b>Cash and cash equivalents at the end of the year</b>				
Cash and cash equivalents	73,148,596	80,238,881	73,758,907	80,629,698
Placements with banks	55,991,134	54,371,028	61,836,382	58,172,046
	<b>129,139,730</b>	<b>134,609,909</b>	<b>135,595,289</b>	<b>138,801,744</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31st December 2023 (Audited)	Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	73,148,596	-	73,148,596
Placements with banks	-	55,991,134	-	55,991,134
Balances with Central Bank of Sri Lanka	-	12,234,361	-	12,234,361
Reverse repurchase agreements	-	-	-	-
Derivative financial instruments	452,193	-	-	452,193
Financial assets measured at fair value through profit or loss	115,641	-	-	115,641
Financial assets measured at amortised cost				
- loans and advances to customer	-	954,880,316	-	954,880,316
Financial assets measured at amortised cost - debt and other financial instruments	-	549,772,155	-	549,772,155
Financial assets measured at fair value through other comprehensive income	-	-	189,325,958	189,325,958
Other financial assets	-	11,029,182	-	11,029,182
<b>Total financial assets</b>	<b>567,834</b>	<b>1,657,055,744</b>	<b>189,325,958</b>	<b>1,846,949,536</b>
<b>Liabilities</b>				
Due to banks	-	9,019,582	-	9,019,582
Derivative financial instruments	1,365,523	-	-	1,365,523
Securities sold under repurchase agreements	-	61,793,694	-	61,793,694
Financial liabilities measured at amortised cost - due to depositors	-	1,579,780,228	-	1,579,780,228
Dividends payable	-	974,790	-	974,790
Financial liabilities measured at amortised cost - other borrowings	-	24,933,215	-	24,933,215
Debt securities issued	-	87,569	-	87,569
Other financial liabilities	-	7,224	-	7,224
Subordinated term debts	-	18,961,556	-	18,961,556
<b>Total financial liabilities</b>	<b>1,365,523</b>	<b>1,695,557,858</b>	<b>-</b>	<b>1,696,923,381</b>
<b>As at 31st December 2022 (Audited)</b>				
	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	-	10,958,660	-	10,958,660
<b>Total financial assets</b>	<b>5,482,118</b>	<b>1,600,836,036</b>	<b>2,706,660</b>	<b>1,609,024,814</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 31st December 2023 (Audited)	Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	73,758,907	-	73,758,907
Placements with banks	-	61,836,382	-	61,836,382
Balances with Central Bank of Sri Lanka	-	12,234,361	-	12,234,361
Reverse repurchase agreements	-	1,830,461	-	1,830,461
Derivative financial instruments	452,193	-	-	452,193
Financial assets measured at fair value through profit or loss	801,065	-	-	801,065
Financial assets measured at amortised cost	-	-	-	-
- loans and advances to customers	-	988,601,197	-	988,601,197
Financial assets measured at amortised cost - debt and other financial instruments	-	584,131,263	-	584,131,263
Financial assets measured at fair value through other comprehensive income	-	-	195,975,307	195,975,307
Other financial assets	-	14,269,396	-	14,269,396
<b>Total financial assets</b>	<b>1,253,258</b>	<b>1,736,661,967</b>	<b>195,975,307</b>	<b>1,933,890,532</b>
<b>Liabilities</b>				
Due to banks	-	9,019,582	-	9,019,582
Derivative financial instruments	1,365,523	-	-	1,365,523
Securities sold under repurchase agreements	-	61,793,694	-	61,793,694
Financial liabilities measured at amortised cost - due to depositors	-	1,609,153,685	-	1,609,153,685
Dividends payable	-	990,781	-	990,781
Financial liabilities measured at amortised cost - other borrowings	-	25,031,784	-	25,031,784
Debt securities issued	-	550,160	-	550,160
Other financial liabilities	-	2,869,423	-	2,869,423
Subordinated term debts	-	22,255,164	-	22,255,164
<b>Total financial liabilities</b>	<b>1,365,523</b>	<b>1,731,664,273</b>	<b>-</b>	<b>1,733,029,796</b>
<b>As at 31st December 2022 (Audited)</b>				
	Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	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	-	13,772,476	-	13,772,476
<b>Total financial assets</b>	<b>5,606,679</b>	<b>1,680,605,094</b>	<b>6,062,195</b>	<b>1,692,273,968</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 (AUDITED)

For the year ended 31st December	Corporate		Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFi*		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	Rs 000
Net interest income	22,045,429	9,242,018	49,578,270	35,986,295	19,337,186	10,427,177	1,267,020	862,155	17,208,435	44,744,360	311,203	165,334	7,159,312	4,484,745	5,652,291	3,415,972	(4,484,584)	2,238,488	118,074,562	111,566,544	
Foreign exchange income	3,008,229	(4,705,790)	614,220	269,586	837,589	(6,513)	4,450	3,263	(2,282,712)	4,167,927	-	-	-	-	-	-	(4,483,285)	19,418,284	(2,301,509)	19,146,757	
Net fee and commission income	4,765,840	5,283,473	7,205,344	5,712,717	3,871,812	3,990,060	240,737	194,038	32,166	3,921	-	-	317,622	272,222	413,696	455,272	(274,564)	(9,958)	16,572,653	15,901,745	
Other operating income	-	-	-	-	-	-	-	-	245,500	73,794	1,090,141	1,038,607	15,749,807	13,441,723	960,113	571,735	(891,606)	(865,814)	17,153,955	14,260,045	
Total operating income	29,819,498	9,819,701	57,397,834	41,968,598	24,046,587	14,410,724	1,512,207	1,059,456	15,203,389	48,990,002	1,401,344	1,203,941	23,226,741	18,198,690	7,026,100	4,442,979	(10,134,039)	20,781,000	149,499,661	160,875,091	
Impairment charge for loans and other losses	4,747,389	19,724,214	587,042	3,539,098	(599,956)	7,960,907	(186,357)	410,403	36,090,229	58,823,539	-	-	(34,460)	31,354	1,969,078	1,246,157	(49,035)	-	42,523,930	91,735,672	
Net operating income	25,072,109	(9,904,513)	56,810,792	38,429,500	24,646,543	6,449,817	1,698,564	649,053	(20,886,840)	(9,833,537)	1,401,344	1,203,941	23,261,201	18,167,336	5,057,022	3,196,822	(10,085,004)	20,781,000	106,975,731	69,139,419	
Profit from operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,077,406	14,088,284	
Share of profit of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,140,769	331,973	
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,611,684)	1,327,978	
Non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(835,700)	(419,663)	
Net Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,770,791	15,328,572	
<b>As at 31st December</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>	
	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	Rs 000
Segment assets	491,562,701	551,729,193	268,939,707	274,656,111	190,061,192	228,894,215	27,092,840	26,116,133	771,434,547	573,212,402	11,643,471	10,970,479	51,737,402	41,698,294	49,246,593	52,961,257	180,847,168	34,386,713	2,042,565,621	1,794,624,797	
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,474,789	3,650,354	4,474,789	3,650,354	
Total assets	491,562,701	551,729,193	268,939,707	274,656,111	190,061,192	228,894,215	27,092,840	26,116,133	771,434,547	573,212,402	11,643,471	10,970,479	51,737,402	41,698,294	49,246,593	52,961,257	185,321,957	38,037,067	2,047,040,410	1,798,275,151	
Segment liabilities	267,234,522	258,174,870	936,575,823	835,246,480	280,887,374	260,588,569	27,274,451	15,851,101	85,438,776	7,028,292	11,643,471	10,970,479	51,737,402	41,698,294	49,246,593	52,961,257	337,001,998	315,755,809	2,047,040,410	1,798,275,151	
Total liabilities	267,234,522	258,174,870	936,575,823	835,246,480	280,887,374	260,588,569	27,274,451	15,851,101	85,438,776	7,028,292	11,643,471	10,970,479	51,737,402	41,698,294	49,246,593	52,961,257	337,001,998	315,755,809	2,047,040,410	1,798,275,151	
<b>For the year ended 31st December</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>	
	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	Rs 000
Information on cash flows																					
Cash flows from operating activities	46,631,583	11,777,702	130,966,616	75,779,664	56,560,857	55,411,307	7,444,116	8,967,277	76,978,433	15,940,347	539,600	34,081	1,669,131	2,156,635	(6,988,275)	3,077,562	4,419,713	(31,163,288)	318,221,774	141,981,287	
Cash flows from investing activities	-	(1,500,000)	-	-	-	-	-	-	(311,452,319)	(33,860,569)	140,623	991,563	(1,042,621)	(715,210)	(3,476,255)	(3,201,534)	1,047,447	(9,846,767)	(314,783,125)	(48,132,517)	
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	(26,776)	-	(742,545)	(642,654)	(1,795,825)	(359,940)	(4,079,958)	(1,316,077)	(6,645,104)	(2,318,671)	
Net cash flow generated /(used in) during the period	46,631,583	10,277,702	130,966,616	75,779,664	56,560,857	55,411,307	7,444,116	8,967,277	(234,473,886)	(17,920,222)	653,447	1,025,644	(116,035)	798,771	(12,260,355)	(483,912)	1,387,202	(42,326,132)	(3,206,455)	91,530,099	
<b>Capital expenditure</b>																					
- Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	400,565	218,651	97,531	79,389	2,082,288	1,173,458	2,580,384	1,471,498	
- Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	45,998	17,706	6,024	37,923	760,637	229,884	812,659	285,513	
<b>Total Capital Expenditure</b>	-	-	-	-	-	-	-	-	-	-	-	-	446,563	236,357	103,555	117,312	2,842,925	1,403,342	3,393,043	1,757,011	

\* Business of HNB Finance PLC.

## EXPLANATORY NOTES

1. The figures are extracted from the audited financial statements for the year ended 31st December 2023. External Auditors of the Group/ Bank, M/s KPMG carried out an audit for the year ended 31st December 2023 and expressed an unqualified opinion on the financial statements of the Bank and the Group for the year ended 31st December 2023.
2. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2022.
3. There are no material changes during the period in the composition of assets, liabilities and contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.

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

The Bank reassessed the Probabilities of Default (PD), Loss Given Default (LGD) and the Economic Factor Adjustment used in collective impairment assessment as at December 2023 after taking into consideration the improvements in the macro economic factors. 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 31st December 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 same as at 31st December 2023 would have amounted to Rs 17 Bn and would have resulted in the recognition of a fair value loss of Rs 1.4 Bn (net of tax) in other comprehensive income during the period.
6. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
7. 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.
8. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka's publication requirements.

#### 9. **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.

10. The funds raised through debentures previously issued were fully utilized for the objectives mentioned in the respective 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 below.
12. Mr. Dilshan Rodrigo resigned from the post of Executive Director / Chief Operating Officer of the Bank w.e.f 12th January 2024.

#### 13. **Proposed dividends**

The Directors recommend that a final dividend of Rs. 8.00 per share (Rs. 4.00 in the form of cash and Rs. 4.00 in the form of scrip) on both voting and non voting shares of the Bank, be paid for the financial year ended 31st December 2023. The final dividend is to be approved at the Annual General Meeting to be held on 28th March 2024. In accordance with Sri Lanka Accounting Standard LKAS 10 "Events after the reporting period", this proposed final dividend has not been recognised as a liability as at 31st December 2023.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022
	BANK		GROUP	
<b>BASEL III</b>				
<b>Regulatory Capital</b>				
Common Equity Tier 1. Rs. Mn	126,927	110,339	148,882	125,236
Tier 1 Capital. Rs. Mn	126,927	110,339	148,882	125,236
Total Capital. Rs. Mn	159,255	139,615	181,877	155,160
<b>Regulatory Capital Ratios</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2023 - 8.00%:2022 - 8.00%)	13.66%	11.06%	14.70%	11.42%
Tier 1 Capital Ratio (Minimum Requirement - 2023 - 9.50%:2022 - 9.50%)	13.66%	11.06%	14.70%	11.42%
Total Capital Ratio (Minimum Requirement 2023 - 13.50%: 2022 - 13.50%)	17.13%	14.00%	17.95%	14.15%
Leverage Ratio (Minimum Requirement- 3.00%)	5.61%	6.22%	6.27%	6.65%
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Impaired Loans (Stage 3) Ratio, %	3.76%	3.40%		
Impairment (Stage 3) to Stage 3 loans Ratio, %	57.49%	56.99%		
<b>Profitability (Annualised)</b>				
Interest Margin, %	5.66%	6.40%		
Return on Assets (before Tax), %	1.77%	0.75%		
Return on Equity, %	11.59%	9.14%		
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	742,281	464,288		
Off-Shore Banking Unit	59,674	47,720		
Consolidated (Bank)	784,704	494,462		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	46.53%	31.04%		
Off-Shore Banking Unit	34.06%	29.10%		
Consolidated (Bank)	48.17%	33.95%		
Total Stock of High-Quality Liquid Assets, Rs. Mn				
Liquidity Coverage Ratio (%) - Rupee	387.17%	255.83%		
(Minimum Requirement - 2023 -100%, 2022 -100%)				
Liquidity Coverage Ratio (%) - All Currency	445.92%	519.47%		
(Minimum Requirement - 2023 - 100%, 2022 - 100%)				
Net Stable Funding Ratio(Minimum Requirement - 2023 - 100%, 2022 - 100%)				
	150.19%	130.85%		

## LISTED DEBENTURE INFORMATION

Quarter ended 31st December	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2023		2022		2023	2022	2023	2022	
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest 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 2019</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	N/T
<b>HNB DEBENTURES 2021</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	N/T	N/T	N/T	N/T	<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 31st December, N/A – Not Applicable as at 31st December		
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 31st December, N/A – Not Applicable as at 31st December									

  

RATIOS OF DEBT		
	31.12.2023	31.12.2022
Debt Equity Ratio (%)	19.55	30.91
	31.12.2023	31.12.2022
Interest Cover (Times)	8.49	3.98
	31.12.2023	31.12.2022
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 18 year maturity	13.46	25.72
2013 series 10 year maturity	N/A	24.68
2014 series 10 year maturity	13.40	26.51
2016 series 7 year maturity	N/A	24.99
2019 series 5 year maturity	13.46	26.61
2019 series 7 year maturity	13.58	27.58
2021 series 10 year maturity	13.54	25.91

  

Yield to Maturity of Last Trade Done (% p.a)		
Quarter ended 31st December	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	N/T
7 year Fixed Rate (12.80% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2021</b>		
10 year Fixed Rate (9.50% p.a.)	N/T	N/T
N/T – Not Traded as at 31st December, N/A – Not Applicable as at 31st December		

## SHARE INFORMATION

As at	31-Dec-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	169.25	78.90
Non-voting	140.00	70.00

For the Quarter Ended	31-Dec-23	31-Dec-22
<b>Highest price per share</b>		
Voting	175.00	84.30
Non-voting	149.00	77.00
<b>Lowest price per share</b>		
Voting	158.00	72.00
Non-voting	130.25	64.90

## PUBLIC SHAREHOLDING PERCENTAGE

	31st Dec 23	
	Number	%
Number of shareholders representing the public holding (Voting)	7,622	69% approx.
Number of shareholders representing the public holding (Non Voting)	10,938	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs. 52.16 Bn	

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-23	31-Dec-22
1. Mr. N. Jayawardena (Appointed as Chairman w.e.f. 9th June 2023)	-	-
2. Mr. A.J. Alles (Chief Executive Officer)	140,353	143,614
3. Mr. W.M.M.D. Ratnayake	-	-
4. Mr. M.P.D. Cooray	9,265	8,776
5. Mr. D.P.N. Rodrigo (Chief Operating Officer) *	27,275	26,164
6. Mr. O.H.S. Chandrawansa	-	-
7. Mr. P.R. Saldin	3,422	3,242
8. Mr. K. Gunawardena	-	-
9. Mr. R. Gunawardena	25,653	24,362
10. Dr. T.K.D.A.P. Samarasinghe	-	-

\* Resigned w.e.f. 12th January 2024



**20 MAJOR SHAREHOLDERS (VOTING) OF HNB PLC  
AS AT 31ST DECEMBER 2023**

	<b>Name</b>	<b>No. of shares</b>	<b>% on voting capital</b>
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	17,389,562	3.89
9.	DISTILLERIES COMPANY OF SRI LANKA PLC	13,696,840	* 3.07
10.	MR. S.E. CAPTAIN	13,099,264	2.93
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)	13,096,256	2.93
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	6,755,927	1.51
17.	SIMONAS TRUST SERVICE PVT LTD	4,545,906	1.02
18.	MR. Y.S.H.R.S. SILVA	3,860,684	0.86
19.	GALLE FACE CAPITAL PARTNERS PLC	3,520,359	0.79
20.	INVENCO CAPITAL PRIVATE LIMITED	3,223,758	0.72

\* 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 31ST DECEMBER 2023**

	<b>Name</b>	<b>No. of shares</b>	<b>% on non voting capital</b>
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	1,466,366	1.30
5.	MR. S.E. CAPTAIN	1,078,271	0.95
6.	PEOPLE'S LEASING & FINANCE PLC/MR. I.D.R. PERERA	820,468	0.73
7.	HATTON NATIONAL BANK PLC A/C NO 2	813,789	0.72
8.	SABOOR CHATOOR (PVT) LTD	780,000	0.69
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)	511,450	0.45
14.	MR. J.D. BANDARANAYAKE (JOINT - 1 : MISS. N. BANDARANAYAKE & JOINT - 2 : DR. V. BANDARANAYAKE)	511,345	0.45
15.	DON AND DON HOLDINGS PRIVATE LIMITED	497,701	0.44
16.	MR. M.J. FERNANDO (DECEASED)	462,965	0.41
17.	DR. R.D. BANDARANAIKE	437,668	0.39
18.	MR. Y.H. ABDULHUSSEIN	435,000	0.38
19.	LANKA SYNTHETIC FIBRE CO LTD	411,963	0.36
20.	MISS R.H. ABDULHUSSEIN	408,095	0.36

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

As at	BANK		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	Rs.000	Rs.000	Rs.000	Rs.000
<b>1) Gross loans and advances to customers</b>	1,041,990,203	1,061,371,654	1,081,186,166	1,107,500,061
Less : Accumulated impairment under stage 1	10,653,265	12,477,377	12,960,050	14,914,751
Accumulated impairment under stage 2	10,333,747	16,235,373	10,659,837	16,799,238
Accumulated impairment under stage 3	66,122,875	58,527,652	68,965,082	61,267,133
<b>Net loans and advances to customers</b>	<b>954,880,316</b>	<b>974,131,252</b>	<b>988,601,197</b>	<b>1,014,518,939</b>
<b>Product-wise Gross loans and advances to customers</b>				
<b>By product-Domestic Currency</b>				
Overdrafts	119,040,237	135,721,743	118,568,179	135,220,210
Bills of exchange	285,863	335,603	285,863	335,603
Commercial papers	185,812	156,664	185,812	156,664
Short term loans	170,602,125	135,249,436	170,602,125	135,670,350
Credit Cards	17,009,417	15,318,167	17,009,417	15,318,167
Trust receipts	24,082,806	18,150,519	24,082,806	18,150,519
Packing credit loans	8,585,425	5,095,100	8,585,425	5,095,100
Staff loans	16,050,668	14,619,004	16,523,156	15,169,226
Term loans	337,028,180	386,476,297	357,455,546	411,167,743
Lease rentals receivable	70,025,243	70,317,417	83,902,281	85,445,987
Housing loans	49,795,600	52,596,983	49,795,600	52,596,983
Pawning advances	73,339,142	53,678,626	78,230,271	59,517,414
Securitised notes	-	723,863	-	723,863
<b>Sub total</b>	<b>886,030,518</b>	<b>888,439,422</b>	<b>925,226,481</b>	<b>934,567,829</b>
<b>By product-Foreign Currency</b>				
Overdrafts	5,393,812	5,672,035	5,393,812	5,672,035
Bills of exchange	1,049,918	1,569,929	1,049,918	1,569,929
Short term loans	30,826,893	19,168,790	30,826,893	19,168,790
Trust receipts	4,317,835	5,692,336	4,317,835	5,692,336
Packing credit loans	24,427,884	32,290,321	24,427,884	32,290,321
Term loans	87,484,477	105,153,901	87,484,477	105,153,901
Lease rentals receivable	330,260	485,362	330,260	485,362
Housing loans	2,128,606	2,899,558	2,128,606	2,899,558
<b>Sub total</b>	<b>155,959,685</b>	<b>172,932,232</b>	<b>155,959,685</b>	<b>172,932,232</b>
<b>Total</b>	<b>1,041,990,203</b>	<b>1,061,371,654</b>	<b>1,081,186,166</b>	<b>1,107,500,061</b>
<b>Movements in stage-wise impairment of loans &amp; advances during the year</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 year	5,784,375	5,339,312	17,895,359	29,019,046
Write-offs during the year	-	-	(699,711)	(699,711)
Effect of exchange rate fluctuations	198,044	707,420	5,298,566	6,204,030
<b>Closing balance as at 31st December 2022</b>	<b>12,477,377</b>	<b>16,235,373</b>	<b>58,527,652</b>	<b>87,240,402</b>
<b>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 year	(1,700,774)	(5,687,845)	10,941,566	3,552,947
Write-offs during the year	-	-	(1,690,976)	(1,690,976)
Effect of exchange rate fluctuations	(123,338)	(213,781)	(1,655,367)	(1,992,486)
<b>Closing balance as at 31st December 2023</b>	<b>10,653,265</b>	<b>10,333,747</b>	<b>66,122,875</b>	<b>87,109,887</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 year	7,063,302	5,336,892	17,864,736	30,264,930
Write-offs during the year	-	-	(1,141,747)	(1,141,747)
Effect of exchange rate fluctuations	198,044	707,420	5,298,566	6,204,030
<b>Closing balance as at 31st December 2022</b>	<b>14,914,751</b>	<b>16,799,238</b>	<b>61,267,133</b>	<b>92,981,122</b>
<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 year	(1,831,363)	(5,925,620)	13,244,742	5,487,759
Write-offs during the year	-	-	(3,891,426)	(3,891,426)
Effect of exchange rate fluctuations	(123,338)	(213,781)	(1,655,367)	(1,992,486)
<b>Closing balance as at 31st December 2023</b>	<b>12,960,050</b>	<b>10,659,837</b>	<b>68,965,082</b>	<b>92,584,969</b>

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

As at	BANK		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	Rs.000	Rs.000	Rs.000	Rs.000
<b>2) Gross commitments and contingencies</b>	883,033,112	809,328,957	883,033,112	809,328,957
Less : Accumulated impairment under stage 1	3,026,254	2,567,514	3,026,254	2,567,514
Accumulated impairment under stage 2	347,953	517,350	347,953	517,350
Accumulated impairment under stage 3	1,265,662	1,325,651	1,265,662	1,325,651
	<b>878,393,243</b>	<b>804,918,442</b>	<b>878,393,243</b>	<b>804,918,442</b>
<b>Product-wise commitments and contingencies</b>				
<b>By Product - Domestic Currency</b>				
Documentary credit	580,268	307,220	580,268	307,220
Guarantees	57,810,230	51,577,207	57,810,230	51,577,207
Acceptances	7,002	29,171	7,002	29,171
Bills for collection	437,148	600,132	437,148	600,132
Forward exchange contracts				
Forward exchange sales	-	-	-	-
Forward exchange purchases	-	-	-	-
Cheques sent on clearing	5,693,029	5,471,029	5,693,029	5,471,029
Undrawn credit lines	397,126,442	571,093,074	397,126,442	571,093,074
<b>Sub total</b>	<b>461,654,119</b>	<b>629,077,833</b>	<b>461,654,119</b>	<b>629,077,833</b>
<b>By Product - Foreign Currency</b>				
Documentary credit	26,384,606	20,919,590	26,384,606	20,919,590
Guarantees	57,117,506	57,775,114	57,117,506	57,775,114
Acceptances	11,263,526	6,729,398	11,263,526	6,729,398
Bills for collection	26,748,753	29,993,216	26,748,753	29,993,216
Forward exchange contracts				
Forward exchange sales	31,440,180	2,310,116	31,440,180	2,310,116
Forward exchange purchases	122,106,261	16,891,372	122,106,261	16,891,372
Cheques sent on clearing	19,103	78,139	19,103	78,139
Undrawn credit lines	146,299,058	45,554,179	146,299,058	45,554,179
<b>Sub total</b>	<b>421,378,993</b>	<b>180,251,124</b>	<b>421,378,993</b>	<b>180,251,124</b>
<b>Total</b>	<b>883,033,112</b>	<b>809,328,957</b>	<b>883,033,112</b>	<b>809,328,957</b>
<b>Movements in stage-wise impairment of commitments and contingencies during the year</b>				
	<b>BANK / 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>	789,147	154,772	1,249,055	2,192,974
Net impairment charge for the year	1,778,367	362,578	76,596	2,217,541
<b>Closing balance as at 31st December 2022</b>	<b>2,567,514</b>	<b>517,350</b>	<b>1,325,651</b>	<b>4,410,515</b>
<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 year	458,740	(169,397)	(59,989)	229,354
<b>Closing balance as at 31st December 2023</b>	<b>3,026,254</b>	<b>347,953</b>	<b>1,265,662</b>	<b>4,639,869</b>

## ANALYSIS OF DEPOSITS (AUDITED)

As at	BANK		GROUP	
	31.12.2023 Rs.000	31.12.2022 Rs.000	31.12.2023 Rs.000	31.12.2022 Rs.000
<b>3) Due to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Current account deposits	80,159,961	67,555,022	77,321,011	67,184,485
Savings deposits	306,935,107	270,828,160	309,557,436	273,524,592
Time deposits	829,767,550	697,669,859	859,941,918	731,389,208
Certificates of deposit	270,265	305,891	270,265	305,891
Margin deposits	1,400,071	2,276,939	1,400,071	2,276,939
<b>Sub total</b>	<b>1,218,532,954</b>	<b>1,038,635,871</b>	<b>1,248,490,701</b>	<b>1,074,681,115</b>
<b>By product- Foreign Currency</b>				
Current account deposits	10,951,886	12,346,150	10,951,886	12,346,150
Savings deposits	74,540,101	85,224,460	74,481,751	85,145,504
Time deposits	275,561,340	270,999,282	275,035,400	270,411,623
Margin deposits	193,947	594,729	193,947	594,729
<b>Sub total</b>	<b>361,247,274</b>	<b>369,164,621</b>	<b>360,662,984</b>	<b>368,498,006</b>
<b>Total</b>	<b>1,579,780,228</b>	<b>1,407,800,492</b>	<b>1,609,153,685</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 year ended 31st December 2023.

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

As at 31st December 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	-	452,193	-	452,193	-	452,193	-	452,193
Financial assets measured at fair value through profit or loss	115,641	-	-	115,641	333,439	467,626	-	801,065
Financial assets measured at fair value through other comprehensive income	188,598,823	694,100	33,035	189,325,958	195,242,692	694,100	38,515	195,975,307
<b>Total financial assets measured at fair value</b>	<b>188,714,464</b>	<b>1,146,293</b>	<b>33,035</b>	<b>189,893,792</b>	<b>195,576,131</b>	<b>1,613,919</b>	<b>38,515</b>	<b>197,228,565</b>
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments	-	1,365,523	-	1,365,523	-	1,365,523	-	1,365,523
<b>Total financial assets measured at fair value</b>	<b>-</b>	<b>1,365,523</b>	<b>-</b>	<b>1,365,523</b>	<b>-</b>	<b>1,365,523</b>	<b>-</b>	<b>1,365,523</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 31st December 2023	BANK					GROUP				
	Carrying Value Rs.000	Fair Value			Total Rs.000	Carrying Value Rs.000	Fair Value			Total Rs.000
		Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000			Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	
<b>Financial Assets</b>										
<b>Financial assets measured at amortised cost</b>										
Loans and advances to customers	954,880,316	-	949,550,566	-	949,550,566	988,601,197	-	989,517,180	-	989,517,180
Debt and other financial instruments	549,772,155	493,239,433	10,603,890	-	503,897,323	584,131,263	493,293,433	16,808,956	-	510,102,389
<b>Total financial assets measured at amortised cost</b>	<b>1,504,652,471</b>	<b>493,239,433</b>	<b>960,154,456</b>	<b>-</b>	<b>1,453,447,889</b>	<b>1,572,732,460</b>	<b>493,293,433</b>	<b>1,006,326,136</b>	<b>-</b>	<b>1,499,619,569</b>
<b>Financial Liabilities</b>										
<b>Financial liabilities measured at amortised cost</b>										
Due to depositors	1,579,780,228	-	1,596,246,417	-	1,596,246,417	1,609,153,685	-	1,624,937,437	-	1,624,937,437
Other borrowings	24,933,215	-	24,933,215	-	24,933,215	25,031,784	-	25,031,784	-	25,031,784
Debt securities issued	87,569	-	87,569	-	87,569	550,160	-	544,007	-	544,007
Subordinated term debts	18,961,556	-	17,977,991	-	17,977,991	22,255,164	-	21,121,727	-	21,121,727
<b>Total financial liabilities measured at amortised cost</b>	<b>1,623,762,568</b>	<b>-</b>	<b>1,639,245,192</b>	<b>-</b>	<b>1,639,245,192</b>	<b>1,656,990,793</b>	<b>-</b>	<b>1,671,634,955</b>	<b>-</b>	<b>1,671,634,955</b>

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