



YOUR PARTNER IN PROGRESS

# Interim Financial Statements

For the three months ended 31st March 2020

## FINANCIAL COMMENTARY FOR THE 03 MONTHS ENDED 31ST MARCH 2020

- HNB Group posts Rs 3.3 Bn PAT for Q1 2020
- Bank PAT Rs 2.6 Bn
- Deposits grow by Rs 31 Bn to Rs 841 Bn
- Rolls out relief measures in line with CBSL guidelines

Hatton National Bank PLC (HNB) posted a Profit After Tax (PAT) of Rs 2.6 Bn for Q1 2020, representing an increase of Rs 607 Mn over Q1 2019.

The interest income of the Bank dropped by 7.2% YoY to Rs 27.2 Bn, due to the drop in AWPLR by nearly 300 bps over the past 12 months up to March 2020. Interest expense also dropped similarly by 3.5% YoY to Rs 15.8 Bn. Accordingly, Net Interest Income for the period was at Rs 11.4 Bn which is 11.9% below the level attained in the corresponding quarter of 2019.

Net Fee and Commission Income of Rs 2.1 Bn compared to Rs 2.2 Bn in 2019, contributed 14% to the Bank's Total Operating Income (TOI). Relatively lower trade and economic activity even prior to the COVID - 19 pandemic resulted in fee income being marginally lower. Nevertheless, revenue from digital channels continued to be encouraging.

The rupee depreciated significantly since mid-March triggered by COVID - 19 recording a depreciation of over 4% during the first quarter. This was reflected in the net other operating income of Rs 1.9 Bn against the Rs 1.1 Bn loss recorded in Q1 2019.

The non-performing advances ratio for the Bank remained flat at 5.9% compared to December 2019. In Q1 2019, the Bank made substantial impairment provisions of Rs 4.1 Bn with asset quality deteriorating industry wide. Similarly, given the implications of COVID - 19, the Bank has incorporated initial adjustments based on the limited information available in line with the guidelines issued by CA Sri Lanka and has made an impairment provision of Rs 4.7 Bn for the first quarter of 2020.

Operating Expenses growth remained flat YoY at Rs 5.9 Bn while the Cost to Income ratio also remained almost unchanged from Q1 2019 at 39.65%, well below industry average. Given the challenging operating environment, optimizing cost would remain a key priority this year.

The operating profit before VAT and taxes declined by 13.5% to Rs 4.2 Bn compared to Rs 4.9 Bn in the corresponding period of 2019. The removal of Nations Building Tax (NBT) and Debt Repayment Levy (DRL) with effect from December 2019 and January 2020 respectively resulted in a lower total effective tax rate and contributed to Profit Before Tax (PBT) increasing by 2.4% YoY to Rs 3.3 Bn. Income taxes were also much lower as NBT & DRL payments did not qualify for relief in income tax charge assessment for Q1 2019 and resulted in a PAT of Rs 2.6 Bn for the period compared to Rs 2 Bn in Q1 2019.

The loan book which remained almost flat in 2019, grew by Rs 12.2 Bn during the quarter to Rs 754 Bn while deposit growth outpaced loans, rising by Rs 31 Bn within the quarter to Rs 841.1 Bn. HNB mobilizes one of the largest CASA bases in the industry, which grew by 6.8% during Q1 to surpass Rs 300 Bn (Rs 304.1 Bn), with the CASA ratio improving to 36.2% compared to 35.1% as at end of December 2019. The trust placed by customers in the Bank during these uncertain times talks volumes about HNB's brand as one of the strongest and trusted banks in the Country. HNB also continues to be among the best capitalized banks in Sri Lanka, with Tier I and Total Capital ratios at 13.85% and 17.25% respectively as against the present regulatory minimum requirements of 8.50% and 12.50% applicable as a domestic systemically important bank.

All HNB Group companies contributed to the Group PAT of Rs 3.3 Bn which improved in line with the performance of the Bank. The Bank recorded a ROA of 0.93% while the Group ROA was at 1.09%. The Group's total asset base expanded by Rs 22.6 Bn during the quarter, representing a 1.9% increase since December to Rs 1.2 Trillion.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services and has a national long term rating of AA- (lka) from Fitch Ratings. The Bank is also ranked amongst the 'Top 1000 World banks' as published by the prestigious Banker Magazine UK, a recognition bestowed upon HNB since 2017. HNB was recognized as Sri Lanka's Best Bank by Euromoney Magazine in 2019 while 'Business Today' ranked HNB as the Number One Corporate in its prestigious and most recent Top 30 rankings.

## STATEMENT OF PROFIT OR LOSS

	BANK			GROUP		
	For the 3 months ended 31st March			For the 3 months ended 31st March		
	2020	2019	% Increase / (Decrease)	2020	2019	% Increase/ (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
<b>Gross Income</b>	30,649,722	31,371,848	(2)	35,460,016	35,860,318	(1)
Interest income	27,231,199	29,355,034	(7)	29,797,814	31,606,437	(6)
Less : Interest expenses	15,807,257	16,381,729	(4)	16,494,186	16,987,152	(3)
<b>Net interest income</b>	11,423,942	12,973,305	(12)	13,303,628	14,619,285	(9)
Fee and commission income	2,144,407	2,268,615	(5)	2,342,909	2,603,720	(10)
Less : Fee and commission expenses	73,593	39,617	86	117,105	84,324	39
<b>Net fee and commission income</b>	2,070,814	2,228,998	(7)	2,225,804	2,519,396	(12)
<b>Net interest, fee and commission income</b>	13,494,756	15,202,303	(11)	15,529,432	17,138,681	(9)
Net gain/(loss) from trading	(609,085)	635,824	(196)	(650,698)	617,905	(205)
Net gain from financial investments at fair value through other comprehensive income	13,024	165,384	(92)	14,069	164,827	(91)
Net insurance premium income	-	-	-	1,968,472	1,998,936	(2)
Net gains on derecognition of financial assets	-	-	-	-	5,096	(100)
Net other operating income	1,870,177	(1,053,009)	278	1,987,450	(1,136,603)	275
<b>Total operating income</b>	14,768,872	14,950,502	(1)	18,848,725	18,788,842	-
Less : Impairment for loans and other losses	4,663,856	4,120,901	13	4,654,885	4,616,645	1
<b>Net operating income</b>	10,105,016	10,829,601	(7)	14,193,840	14,172,197	-
<b>Less : Operating expenses</b>						
Personnel expenses	2,869,655	2,867,736	-	3,421,157	3,428,330	-
Depreciation and amortisation	548,543	605,539	(9)	658,512	619,873	6
Benefits, claims and underwriting expenditure	-	-	-	1,710,777	1,926,964	(11)
Other expenses	2,438,329	2,445,245	-	3,089,776	3,072,537	1
<b>Total operating expenses</b>	5,856,527	5,918,520	(1)	8,880,222	9,047,704	(2)
<b>Operating profit before taxes on financial services</b>	4,248,489	4,911,081	(13)	5,313,618	5,124,493	4
Less : Value Added Tax (VAT) on financial services	911,529	974,141	(6)	1,035,754	1,049,240	(1)
Less : Nation Building Tax (NBT) on financial services	-	129,885	(100)	-	140,119	(100)
Less : Debt Repayment Levy	-	547,749	(100)	-	583,526	(100)
<b>Operating profit after taxes on financial services</b>	3,336,960	3,259,306	2	4,277,864	3,351,608	28
Share of profit of joint venture (net of income tax)	-	-	-	35,612	36,525	(2)
<b>PROFIT BEFORE INCOME TAX</b>	3,336,960	3,259,306	2	4,313,476	3,388,133	27
Less : Income tax expense	698,902	1,227,909	(43)	1,036,780	1,349,353	(23)
<b>PROFIT FOR THE PERIOD</b>	2,638,058	2,031,397	30	3,276,696	2,038,780	61
<b>Profit attributable to:</b>						
Equity holders of the Bank	2,638,058	2,031,397	30	3,047,745	1,946,661	57
Non-controlling interests	-	-	-	228,951	92,119	149
<b>PROFIT FOR THE PERIOD</b>	2,638,058	2,031,397	30	3,276,696	2,038,780	61
<b>Earnings per share</b>						
Basic earnings per ordinary share (Rs)	5.27	4.06	30	6.09	3.89	57
Diluted earnings per ordinary share (Rs)	5.27	4.06	30	6.09	3.89	57

## STATEMENT OF COMPREHENSIVE INCOME

	BANK			GROUP		
	For the 3 months ended 31st March			For the 3 months ended 31st March		
	2020	2019	% Increase/ (Decrease)	2020	2019	% Increase/ (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
<b>PROFIT FOR THE PERIOD</b>	2,638,058	2,031,397	30	3,276,696	2,038,780	61
<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	(571,436)	(820,309)	(30)	(571,436)	(820,309)	30
Re-measurement of post-employment benefit obligations	-	-	-	(7,507)	9,816	(176)
Revaluation of freehold land & buildings	-	-	-	-	225,622	(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	-	-	-	2,102	(65,922)	103
<b>Total other comprehensive income that will not be reclassified to profit or loss</b>	(571,436)	(820,309)	(30)	(576,841)	(650,793)	11
<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 on investments in debt instruments measured at fair value through other comprehensive income	433,236	638,967	(32)	496,115	784,680	(37)
Reclassification of net gains on de-recognition of debt instruments at fair value through other comprehensive income to statement of profit or loss	-	-	-	-	(5,096)	(100)
Net change in expected credit losses of debt securities measured at fair value through other comprehensive income	323,958	-	-	323,958	-	-
Transfer from life policy holder reserve fund	-	-	-	(56,477)	(123,926)	54
Share of other comprehensive income of joint venture that will be reclassified to profit or loss	-	-	-	36,532	(20,146)	281
Less: Tax expense relating to items that will be reclassified to profit or loss	(121,306)	(178,911)	(32)	(121,982)	(182,684)	33
<b>Total other comprehensive income that will be reclassified to profit or loss</b>	635,888	460,056	38	678,146	452,828	50
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	64,452	(360,253)	118	101,305	(197,965)	151
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	2,702,510	1,671,144	62	3,378,001	1,840,815	84
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Bank	2,702,510	1,671,144	62	3,149,886	1,645,481	91
Non-controlling interests	-	-	-	228,115	195,334	17
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	2,702,510	1,671,144	62	3,378,001	1,840,815	84

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.03.2020	As at 31.12.2019	% Increase / (Decrease)	As at 31.03.2020	As at 31.12.2019	% Increase / (Decrease)
	Rs.000	Rs.000 (Audited)		Rs.000	Rs.000 (Audited)	
<b>ASSETS</b>						
Cash and cash equivalents	31,880,874	29,089,189	10	32,276,689	30,263,654	7
Placements with banks	1,035,365	7,602,543	(86)	11,074,042	15,490,267	(29)
Balances with Central Bank of Sri Lanka	18,897,265	22,795,332	(17)	18,897,265	22,795,332	(17)
Reverse repurchase agreements	-	-	-	1,311,003	2,072,482	(37)
Derivative financial instruments	1,044,060	527,193	98	1,044,060	527,193	98
Financial assets measured at fair value through profit or loss	125,811	1,013,374	(88)	224,832	1,155,339	(81)
Financial assets measured at amortised cost - loans and advances to customers	753,994,680	741,769,073	2	781,565,614	769,392,169	2
Financial assets measured at amortised cost - debt and other instruments	142,368,080	149,720,834	(5)	149,190,593	156,511,277	(5)
Financial assets measured at fair value through other comprehensive income	152,146,897	127,694,982	19	159,129,127	133,953,117	19
Investment in joint venture	755,000	755,000	-	2,209,809	2,137,665	3
Investments in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	479,110	480,444	-	1,052,685	1,026,050	3
Property, plant and equipment	20,894,505	21,076,762	(1)	42,209,234	42,452,617	(1)
Right-of-use assets	5,320,044	5,482,679	(3)	1,458,720	1,571,319	(7)
Intangible assets and goodwill	1,022,191	1,076,641	(5)	1,492,745	1,568,080	(5)
Other assets	13,098,292	12,907,234	1	15,866,962	15,467,912	3
<b>Total assets</b>	<b>1,146,079,459</b>	<b>1,125,008,565</b>	<b>2</b>	<b>1,219,003,380</b>	<b>1,196,384,473</b>	<b>2</b>
<b>LIABILITIES</b>						
Due to banks	82,139,732	86,396,304	(5)	82,898,066	87,212,970	(5)
Derivative financial instruments	2,034,818	573,365	255	2,034,818	573,365	255
Securities sold under repurchase agreements	8,677,137	17,569,394	(51)	8,677,137	17,569,394	(51)
Financial liabilities measured at amortised cost - due to depositors	841,078,383	810,035,114	4	865,775,251	835,060,146	4
Dividends payable	974,386	1,449,472	(33)	991,827	1,466,959	(32)
Financial liabilities measured at amortised cost - other borrowings	21,080,547	22,604,039	(7)	21,080,547	22,604,039	(7)
Debt securities issued	1,857,238	1,797,644	3	2,431,944	2,368,986	3
Current tax liabilities	6,044,182	5,348,985	13	6,588,115	5,621,389	17
Deferred tax liabilities	545,212	1,381,754	(61)	5,266,394	6,083,293	(13)
Insurance Provision - life	-	-	-	15,134,220	14,468,866	5
Insurance Provision - general	-	-	-	2,963,147	2,871,417	3
Other provisions	3,046,780	3,599,739	(15)	3,373,083	4,171,801	(19)
Other liabilities	15,425,245	14,053,378	10	14,229,054	12,495,406	14
Subordinated term debts	32,969,133	32,695,221	1	33,654,761	33,345,904	1
<b>Total liabilities</b>	<b>1,015,872,793</b>	<b>997,504,409</b>	<b>2</b>	<b>1,065,098,364</b>	<b>1,045,913,935</b>	<b>2</b>

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.03.2020 Rs.000	As at 31.12.2019 (Audited) Rs.000	% Increase / (Decrease)	As at 31.03.2020 Rs.000	As at 31.12.2019 (Audited) Rs.000	% Increase / (Decrease)
<b>EQUITY</b>						
Stated capital	33,820,905	33,820,905	-	33,820,905	33,820,905	-
Statutory reserve fund	7,060,000	7,060,000	-	7,060,000	7,060,000	-
Retained earnings	20,942,176	17,980,160	16	26,442,048	23,072,623	15
Other reserves	68,383,585	68,643,091	-	81,391,630	81,554,692	-
<b>Total shareholder's equity</b>	<b>130,206,666</b>	<b>127,504,156</b>	<b>2</b>	<b>148,714,583</b>	<b>145,508,220</b>	<b>2</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,190,433</b>	<b>4,962,318</b>	<b>5</b>
<b>Total equity</b>	<b>130,206,666</b>	<b>127,504,156</b>	<b>2</b>	<b>153,905,016</b>	<b>150,470,538</b>	<b>2</b>
<b>Total equity and liabilities</b>	<b>1,146,079,459</b>	<b>1,125,008,565</b>	<b>2</b>	<b>1,219,003,380</b>	<b>1,196,384,473</b>	<b>2</b>
<b>Contingent liabilities and commitments</b>	<b>646,859,504</b>	<b>673,230,813</b>	<b>(4)</b>	<b>646,859,504</b>	<b>673,230,813</b>	<b>(4)</b>
Net Assets Value per Share (Rs.)	260.20	254.80	2	297.19	290.78	2
<b>Memorandum Information</b>						
Number of Employees	4,914	4,913				
Number of Branches	252	252				

## 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 March 2020 and its profit for the three months ended 31st March 2020.

(Sgd.)

**Anuradhi Delage**

Head of Finance

14th May 2020

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

- the above statements have been prepared in compliance with the formats and definitions prescribed by the Central Bank of Sri Lanka;
- 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

14th May 2020

(Sgd.)

**Dinesh Weerakkody**

Chairman

14th May 2020

## STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital			Other Reserves						Retained Earnings	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Capital Reserve	Available-for-Sale Reserve	Fair value Reserve	General Reserve	ESOP Reserve			
	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000		
<b>For the 3 months ended 31st March 2020</b>											
<b>Balance as at 1st January 2020</b>	27,839,768	5,981,137	7,060,000	10,790,994	-	2,752,097	55,100,000	-	17,980,160	127,504,156	
<b>Total comprehensive income for the period</b>											
Net profit for the period	-	-	-	-	-	-	-	-	2,638,058	2,638,058	
Other Comprehensive Income for the period, net of tax	-	-	-	-	-	(259,506)	-	-	323,958	64,452	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(259,506)	-	-	2,962,016	2,702,510	
<b>Transactions with equity holders, recognised directly in equity</b>											
<b>Contributions by and distributions to equity holders</b>											
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	
<b>Total contributions by and distributions to equity holders</b>	-	-	-	-	-	-	-	-	-	-	
Transfers during the period	-	-	-	-	-	-	-	-	-	-	
<b>Balance as at 31st March 2020</b>	27,839,768	5,981,137	7,060,000	10,790,994	-	2,492,591	55,100,000	-	20,942,176	130,206,666	
<b>For the 3 months ended 31st March 2019</b>											
<b>Balance as at 1st January 2019</b>	26,649,460	5,688,566	6,260,000	10,790,994	-	1,536,439	49,100,000	-	15,728,513	115,753,972	
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	-	2,031,397	2,031,397	
Other Comprehensive Income for the period, net of tax	-	-	-	-	-	(360,253)	-	-	-	(360,253)	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(360,253)	-	-	2,031,397	1,671,144	
<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 2018 - Scrip	1,190,308	292,570	-	-	-	-	-	-	(1,961,025)	(478,147)	
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	(1,487,528)	(1,487,528)	
<b>Total contributions by and distributions to equity holders</b>	1,190,308	292,570	-	-	-	-	-	-	(3,448,553)	(1,965,675)	
Transfers during the period	-	-	-	-	-	-	-	-	-	-	
<b>Balance as at 31st March 2019</b>	27,839,768	5,981,136	6,260,000	10,790,994	-	1,176,186	49,100,000	-	14,311,357	115,459,441	

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Other Reserves										Total Equity Rs 000	
	Stated Capital											Non Controlling Interests Rs 000
	Voting Shares Rs 000	Non-Voting Shares Rs 000	Statutory Reserve Fund Rs 000	Capital Reserve Rs 000	Fair value Reserve Rs 000	General Reserve Rs 000	Life policy holder Reserve fund Rs 000	Restricted Regulatory Reserve Rs 000	Exchange Equalization Reserve Rs 000	Retained Earnings Rs 000		
<b>For the 3 months ended 31st March 2020</b>												
<b>Balance as at 1st January 2020</b>	27,839,768	5,981,137	7,060,000	23,062,998	2,759,863	55,100,000	172,297	381,156	78,378	23,072,623	4,962,318	150,470,538
<b>Total comprehensive income for the period</b>												
Profit for the period	-	-	-	-	-	-	-	-	-	3,047,745	228,951	3,276,696
Other Comprehensive Income for the period, net of tax	-	-	-	-	(219,539)	-	-	-	-	321,680	(836)	101,305
<b>Total comprehensive income for the period</b>	-	-	-	-	(219,539)	-	-	-	-	3,369,425	228,115	3,378,001
<b>Transactions with equity holders, recognised directly in equity Contributions by and distributions to equity holders</b>												
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to equity holders</b>	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from life policy holder reserve fund	-	-	-	-	-	-	56,477	-	-	-	-	56,477
Transfers during the period	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31st March 2020</b>	27,839,768	5,981,137	7,060,000	23,062,998	2,540,324	55,100,000	228,774	381,156	78,378	26,442,048	5,190,433	153,905,016
<b>For the 3 months ended 31st March 2019</b>												
<b>Balance as at 1st January 2019</b>	26,649,460	5,688,566	6,260,000	22,994,510	1,537,723	49,100,000	(197,803)	381,156	66,368	20,181,416	4,673,210	137,334,606
<b>Total comprehensive income for the period</b>												
Profit for the period	-	-	-	-	-	-	-	-	-	1,946,661	92,119	2,038,780
Other comprehensive income for the period, net of tax	-	-	-	-	(352,502)	-	-	-	(20,146)	2,980	103,215	(197,965)
<b>Total comprehensive income for the period</b>	-	-	-	-	(352,502)	-	-	-	(20,146)	1,949,641	195,334	1,840,815
<b>Transactions with equity holders, recognised directly in equity Contributions by and distributions to equity holders</b>												
Dividends to equity holders												
Final dividend 2018 - Scrip	1,190,308	292,570	-	-	-	-	-	-	-	(1,961,025)	-	(478,147)
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	-	(1,487,529)	(140,000)	(1,627,529)
<b>Total contributions by and distributions to equity holders</b>	1,190,308	292,570	-	-	-	-	-	-	-	(3,448,554)	(140,000)	(2,105,676)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	123,926	-	-	-	-	123,926
Transfers during the period	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31st March 2019</b>	27,839,768	5,981,136	6,260,000	23,062,998	1,185,221	49,100,000	(73,877)	381,156	46,222	18,682,503	4,728,544	137,193,671



## STATEMENT OF CASH FLOWS

For the 3 months ended 31st March	BANK		GROUP	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
<b>Cash flows from operating activities</b>				
Interest receipts	29,401,231	29,665,832	31,967,444	31,935,141
Interest payments	(16,945,243)	(17,014,933)	(17,749,818)	(17,649,438)
Net commission receipts	2,033,282	2,255,819	2,119,833	2,573,470
Trading income	(79,525)	1,705,321	(162,837)	1,706,077
Payments to employees	(3,720,040)	(3,320,678)	(4,350,802)	(4,015,457)
Taxes on financial services	(1,072,814)	(2,089,367)	(1,156,979)	(2,235,822)
Receipts from other operating activities	1,339,603	(683,767)	3,485,259	1,207,628
Payments on other operating activities	(2,381,833)	(2,685,604)	(3,980,168)	(4,191,562)
<b>Operating profit before change in operating assets &amp; liabilities</b>	<b>8,574,661</b>	<b>7,832,623</b>	<b>10,171,932</b>	<b>9,330,037</b>
<b>(Increase)/decrease in operating assets</b>				
Balances with Central Bank of Sri Lanka	3,898,067	4,532,965	3,898,067	4,532,965
Financial assets measured at amortised cost - loans & advances to customers	(15,342,925)	(2,630,510)	(14,936,832)	(5,032,338)
Reverse repurchase agreements	-	(1,200,000)	761,479	(1,089,767)
Other assets	570,617	2,925,412	(91,186)	2,832,678
	(10,874,241)	3,627,867	(10,368,472)	1,243,538
<b>Increase / (decrease) in operating liabilities</b>				
Financial liabilities measured at amortised cost - due to depositors	31,858,446	(359,025)	31,508,420	1,889,655
Financial liabilities measured at amortised cost - other borrowings	(5,783,546)	(7,913,919)	(5,748,102)	(7,439,015)
Securities sold under repurchase agreements	(8,857,643)	(286,845)	(8,857,643)	(286,845)
Other liabilities	2,621,796	3,577,471	3,152,938	3,784,313
	19,839,053	(4,982,318)	20,055,613	(2,051,892)
<b>Net cash generated from operating activities before income tax</b>	<b>17,539,473</b>	<b>6,478,172</b>	<b>19,859,073</b>	<b>8,521,683</b>
Income tax paid	(795,678)	(1,246,601)	(899,113)	(1,338,577)
<b>Net cash generated from operating activities</b>	<b>16,743,795</b>	<b>5,231,571</b>	<b>18,959,960</b>	<b>7,183,106</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant & equipment	(136,039)	(264,478)	(170,344)	(327,874)
Proceeds from the sale of property, plant & equipment	-	420	-	1,185
Net proceeds from the sale, maturity and purchase of financial investments	(19,894,365)	(7,183,840)	(20,703,904)	(8,364,571)
Net purchase of intangible assets	(13,798)	(44,310)	(16,243)	(46,468)
Dividends received from other investments	-	125,090	2,473	125,916
<b>Net cash used in investing activities</b>	<b>(20,044,202)</b>	<b>(7,367,118)</b>	<b>(20,888,018)</b>	<b>(8,611,812)</b>
<b>Cash flows from financing activities</b>				
Dividend paid to non controlling interest	-	-	(46)	(159)
Dividend paid to shareholders of the parent company	(475,086)	(489,313)	(475,086)	(489,313)
<b>Net cash used in financing activities</b>	<b>(475,086)</b>	<b>(489,313)</b>	<b>(475,132)</b>	<b>(489,472)</b>
<b>Net decrease in cash &amp; cash equivalents</b>	<b>(3,775,493)</b>	<b>(2,624,860)</b>	<b>(2,403,190)</b>	<b>(1,918,178)</b>
Cash and cash equivalents at the beginning of the period	36,691,732	28,434,623	45,753,921	33,473,086
<b>Cash and cash equivalents at the end of the period</b>	<b>32,916,239</b>	<b>25,809,763</b>	<b>43,350,731</b>	<b>31,554,908</b>
<b>Cash and cash equivalents at the end of the period</b>				
Cash and cash equivalents	31,880,874	23,025,645	32,276,689	23,418,533
Placements with banks	1,035,365	2,784,118	11,074,042	8,136,375
	<b>32,916,239</b>	<b>25,809,763</b>	<b>43,350,731</b>	<b>31,554,908</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31st March 2020	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	-	31,880,874	-	31,880,874
Placements with banks	-	1,035,365	-	1,035,365
Balances with Central Bank of Sri Lanka	-	18,897,265	-	18,897,265
Derivative financial instruments	1,044,060	-	-	1,044,060
Financial assets measured at fair value through profit or loss	125,811	-	-	125,811
Financial assets measured at amortised cost - loans and advances to customers	-	753,994,680	-	753,994,680
Financial assets measured at amortised cost - debt and other instruments	-	142,368,080	-	142,368,080
Financial assets measured at fair value through other comprehensive income	-	-	152,146,897	152,146,897
Other financial assets	-	378,786	-	378,786
<b>Total financial assets</b>	<b>1,169,871</b>	<b>948,555,050</b>	<b>152,146,897</b>	<b>1,101,871,818</b>
<b>LIABILITIES</b>				
Due to banks	-	82,139,732	-	82,139,732
Derivative financial instruments	2,034,818	-	-	2,034,818
Securities sold under repurchase agreements	-	8,677,137	-	8,677,137
Financial liabilities measured at amortised cost - due to depositors	-	841,078,383	-	841,078,383
Dividends payable	-	974,386	-	974,386
Financial liabilities measured at amortised cost - other borrowings	-	21,080,547	-	21,080,547
Debt securities issued	-	1,857,238	-	1,857,238
Other financial liabilities	-	743,594	-	743,594
Subordinated term debts	-	32,969,133	-	32,969,133
<b>Total financial liabilities</b>	<b>2,034,818</b>	<b>989,520,150</b>	<b>-</b>	<b>991,554,968</b>
<b>As at 31st December 2019</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	-	29,089,189	-	29,089,189
Placements with banks	-	7,602,543	-	7,602,543
Balances with Central Bank of Sri Lanka	-	22,795,332	-	22,795,332
Derivative financial instruments	527,193	-	-	527,193
Financial assets measured at fair value through profit or loss	1,013,374	-	-	1,013,374
Financial assets measured at amortised cost - loans and advances to customers	-	741,769,073	-	741,769,073
Financial assets measured at amortised cost - debt and other instruments	-	149,720,834	-	149,720,834
Financial assets measured at fair value through other comprehensive income	-	-	127,694,982	127,694,982
Other financial assets	-	692,214	-	692,214
<b>Total financial assets</b>	<b>1,540,567</b>	<b>951,669,185</b>	<b>127,694,982</b>	<b>1,080,904,734</b>
<b>LIABILITIES</b>				
Due to banks	-	86,396,304	-	86,396,304
Derivative financial instruments	573,365	-	-	573,365
Securities sold under repurchase agreements	-	17,569,394	-	17,569,394
Financial liabilities measured at amortised cost - due to depositors	-	810,035,114	-	810,035,114
Dividends payable	-	1,449,472	-	1,449,472
Financial liabilities measured at amortised cost - other borrowings	-	22,604,039	-	22,604,039
Debt securities issued	-	1,797,644	-	1,797,644
Other financial liabilities	-	717,968	-	717,968
Subordinated term debts	-	32,695,221	-	32,695,221
<b>Total financial liabilities</b>	<b>573,365</b>	<b>973,265,156</b>	<b>-</b>	<b>973,838,521</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 31st March 2020	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	-	32,276,689	-	32,276,689
Placements with banks	-	11,074,042	-	11,074,042
Balances with Central Bank of Sri Lanka	-	18,897,265	-	18,897,265
Reverse repurchase agreements	-	1,311,003	-	1,311,003
Derivative financial instruments	1,044,060	-	-	1,044,060
Financial assets measured at fair value through profit or loss	224,832	-	-	224,832
Financial assets measured at amortised cost - loans and advances to customers	-	781,565,614	-	781,565,614
Financial assets measured at amortised cost - debt and other instruments	-	149,190,593	-	149,190,593
Financial assets measured at fair value through other comprehensive income	-	-	159,129,127	159,129,127
Other financial assets	-	2,138,454	-	2,138,454
<b>Total financial assets</b>	<b>1,268,892</b>	<b>996,453,660</b>	<b>159,129,127</b>	<b>1,156,851,679</b>
<b>LIABILITIES</b>				
Due to banks	-	82,898,066	-	82,898,066
Derivative financial instruments	2,034,818	-	-	2,034,818
Securities sold under repurchase agreements	-	8,677,137	-	8,677,137
Financial liabilities measured at amortised cost - due to depositors	-	865,775,251	-	865,775,251
Dividends payable	-	991,827	-	991,827
Financial liabilities measured at amortised cost - other borrowings	-	21,080,547	-	21,080,547
Debt securities issued	-	2,431,944	-	2,431,944
Other financial liabilities	-	2,661,375	-	2,661,375
Subordinated term debts	-	33,654,761	-	33,654,761
<b>Total financial liabilities</b>	<b>2,034,818</b>	<b>1,018,170,908</b>	<b>-</b>	<b>1,020,205,726</b>
<b>As at 31st December 2019</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	-	30,263,654	-	30,263,654
Placements with banks	-	15,490,267	-	15,490,267
Balances with Central Bank of Sri Lanka	-	22,795,332	-	22,795,332
Reverse repurchase agreements	-	2,072,482	-	2,072,482
Derivative financial instruments	527,193	-	-	527,193
Financial assets measured at fair value	1,155,339	-	-	1,155,339
Financial assets measured at amortised cost - loans and advances to customers	-	769,392,169	-	769,392,169
Financial assets measured at amortised cost - debt and other instruments	-	156,511,277	-	156,511,277
Financial assets measured at fair value through other comprehensive income	-	-	133,953,117	133,953,117
Other assets	-	2,147,894	-	2,147,894
<b>Total financial assets</b>	<b>1,682,532</b>	<b>998,673,075</b>	<b>133,953,117</b>	<b>1,134,308,724</b>
<b>LIABILITIES</b>				
Due to banks	-	87,212,970	-	87,212,970
Derivative financial instruments	573,365	-	-	573,365
Securities sold under repurchase agreements	-	17,569,394	-	17,569,394
Financial liabilities measured at amortised cost - due to depositors	-	835,060,146	-	835,060,146
Dividends payable	-	1,466,959	-	1,466,959
Financial liabilities measured at amortised cost - other borrowings	-	22,604,039	-	22,604,039
Debt securities issued	-	2,368,986	-	2,368,986
Other liabilities	-	2,835,700	-	2,835,700
Subordinated term debts	-	33,345,904	-	33,345,904
<b>Total financial liabilities</b>	<b>573,365</b>	<b>1,002,464,098</b>	<b>-</b>	<b>1,003,037,463</b>

## SEGMENT REPORTING

For the 3 months ended 31st March	Corporate		Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFI*		Eliminations/ Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	1,891,007	2,318,662	3,280,731	4,232,214	2,790,643	3,063,595	221,782	282,665	3,239,302	2,920,170	(6,265)	(2,9310)	601,474	524,492	1,125,651	1,090,000	159,303	216,797	13,303,628	14,619,285
Foreign Exchange income	35,320	46,722	32,525	66,727	77,694	102,439	970	941	485,491	(172,752)	-	-	-	-	-	-	659,670	(678,925)	1,291,670	(634,848)
Net fee and commission income	468,908	598,442	500,371	504,985	614,194	850,476	29,660	40,308	247,261	301,070	-	-	51,298	57,995	103,693	232,403	210,419	(66,283)	2,225,804	2,519,396
Other operating income	-	-	-	-	-	-	-	-	7,783	4,361	250,462	241,242	1,937,228	2,023,083	52,580	165,525	(220,430)	(149,102)	2,027,623	2,285,009
Total operating income	2,395,236	2,963,826	3,813,627	4,803,926	3,482,531	4,016,510	252,412	323,914	3,979,837	3,052,749	244,197	211,932	2,590,000	2,605,571	1,281,924	1,487,928	808,962	(677,513)	18,846,725	18,788,842
Impairment charge for loans and other losses	1,782,380	1,632,901	476,967	409,370	1,636,713	1,838,176	60,818	330,066	706,979	(89,611)	-	-	14,289	191	(23,261)	495,553	-	-	4,654,885	4,616,645
Net operating income	612,855	1,330,925	3,336,660	4,394,556	1,845,818	2,178,334	191,594	(6,152)	3,272,858	3,142,360	244,197	211,932	2,575,711	2,605,380	1,305,185	992,375	808,962	(677,513)	14,193,840	14,172,197
Profit from Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,277,864	3,351,608
Share of profit of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,612	36,525
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,036,780)	(1,349,353)
Non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(228,951)	(92,119)
Net Profit for the period attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,047,745	1,946,661
Segment assets	344,762,696	353,583,461	186,490,579	164,016,789	243,535,390	242,646,237	25,157,840	26,766,084	310,922,485	232,126,724	10,370,258	10,251,781	27,676,289	23,828,193	38,002,519	33,177,003	29,875,515	61,054,854	1,216,798,571	1,147,451,126
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,209,809	2,043,581	2,209,809	2,043,581
Total Assets	344,762,696	353,583,461	186,490,579	164,016,789	243,535,390	242,646,237	25,157,840	26,766,084	310,922,485	232,126,724	10,370,258	10,251,781	27,676,289	23,828,193	38,002,519	33,177,003	32,085,324	63,098,435	1,219,003,380	1,149,494,707
Segment liabilities	109,662,664	128,927,554	549,327,648	493,258,196	1,627,043,333	157,168,575	63,443,705	6,815,711	104,016,794	80,291,893	10,370,258	10,251,781	27,676,289	23,828,193	38,002,519	33,171,003	(1,310,539,830)	215,775,802	1,219,003,380	1,149,488,708
Total liabilities	109,662,664	128,927,554	549,327,648	493,258,196	1,627,043,333	157,168,575	63,443,705	6,815,711	104,016,794	80,291,893	10,370,258	10,251,781	27,676,289	23,828,193	38,002,519	33,171,003	(1,310,539,830)	215,775,802	1,219,003,380	1,149,488,708

\* Business of HNB Finance Ltd.

## EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2019.
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. Impact of COVID – 19

The outbreak and spread of the coronavirus globally have caused disruption to business and economic activities and had created a widespread uncertainty to the global economy. Further the various quarantine measures adopted by different countries widely affected the global trade.

The measures taken to contain the outbreak of COVID – 19 has caused temporary disruption to business operations and economic activities of the Bank and its customers.

Furthermore, relief measures for affected businesses and individuals in line with the directions issued by the CBSL may cause a negative impact on the earnings, cash flows / liquidity positions of the Bank.

The Bank has carried out a preliminary impact assessment and the management is of the view that the negative impact would not pose any additional stress on the Bank's ability to fulfill the regulatory capital requirements. However, the Bank would continue to assess the situation and take mitigation actions to minimize the potential impacts by updating its contingency plans and risk management measures, as the situation evolves. With the Central Bank extending the date of receiving applications under the relief scheme up to 15th May 2020, the Bank would continue its efforts in providing support to these affected customers.

Bank has assessed the potential COVID - 19 implications on financial reporting and have incorporated the initial adjustment based on the limited information available as at reporting date and taking into account the "Guidance Notes on Accounting Considerations of the COVID - 19 Outbreak issued by the CA Sri Lanka".

#### • ECL Assessment and computation

The Bank has reassessed the Probabilities of Default (PD) and the economic factor adjustments applied in the collective impairment computation as at February 2020 with additional management overlay and continued with the cash flow assumptions used in December 2019 for the computation of impairment for individually significant loans as at reporting date.

#### • Fair value of equity securities and foreign currency denominated government securities

As per Section 2 of the "COVID - 19 Pandemic: Guidance Notes on the Implications on Financial Reporting" issued by CA Sri Lanka, the mark-to-market gains or losses on foreign currency denominated Government securities and equity securities for the month of March 2020 have been ignored and the prices which prevailed as at 29th February 2020 were applied when preparing the Financial Statements. This is based on the assumption that the mark-to-market valuations as at 31st March 2020 could not be accepted as realistic, due to the turmoil that prevailed during the latter part of the month due to COVID - 19 outbreak.

With the spread of the corona virus still evolving, it should be noted that the exact impact on markets and on the Bank's financial results cannot be reasonably estimated at the present moment. However, the Bank will continue to assess the financial implications from COVID – 19 and the effect of relief measures and incorporate the required adjustments to the financial statements as and when reliable information become available.

### 4. Amendments to the Income Tax Law Announced by the Government - Reduction of income tax rate w.e.f 1st January 2020

The Cabinet has approved the reduction of the income tax applicable to the Banking Sector income to 24% from 28% with effect from 1st January 2020. The said amendment is yet to be approved by the Parliament and cannot be considered as substantially enacted as at reporting date. As such the Bank continued using 28% in calculating the income tax and deferred tax liabilities/assets as at 31st March 2020. The Bank has a cumulative net deferred tax asset of Rs 3,977.8 Mn recognized through the Statement of Profit or Loss and net deferred tax liability of Rs 4,523 Mn recognized through OCI.

Had the Bank applied the reduced income tax rate of 24% to calculate deferred tax assets/liabilities as at 31st March 2020, an additional deferred tax expense of Rs 568.2 Mn and reversal of Rs 646.1 Mn would have got charged to the Statement of Profit or Loss and reversed from OCI respectively for the quarter ended 31st March 2020.

**5. Final Dividend - 2019**

On 20th February 2020, the Directors recommended that a final dividend of Rs. 7.00 per share (Rs. 3.50 in the form of cash and Rs. 3.50 in the form of scrip) on both voting and non-voting shares of the Bank, be paid for the financial year ended 31st December 2019.

The final dividend was to be approved by the shareholders at the Annual General Meeting (AGM) which was originally scheduled to be held on 30th March 2020. However, the AGM was subsequently postponed due to the prevalent situation in the country due to COVID - 19 outbreak and is scheduled to be held on 29th May 2020. Accordingly, proposed final dividend has not been recognized as a liability as at 31st March 2020 as it is yet to be approved by the shareholders of the Bank.

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. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
8. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Finance Ltd & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
9. The funds raised through debentures issued were fully utilized for the objectives mentioned in the respective prospectuses.
10. There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements other than those disclosed above.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.03.2020	As at 31.12.2019	As at 31.03.2020	As at 31.12.2019
	BANK		GROUP	
<b>BASEL III</b>				
Regulatory Capital				
Common Equity Tier 1. Rs. Mn	113,082	115,072	125,147	126,476
Tier 1 Capital. Rs. Mn	113,082	115,072	125,147	126,476
Total Capital. Rs. Mn	140,804	144,326	153,870	155,544
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2020 - 7.00%; 2019 - 8.00%)	13.85%	14.57%	14.08%	14.74%
Tier 1 Capital Ratio (Minimum Requirement - 2020 - 8.50%; 2019 - 9.50%)	13.85%	14.57%	14.08%	14.74%
Total Capital Ratio (Minimum Requirement - 2020 - 12.50%; 2019 - 13.50%)	17.25%	18.28%	17.31%	18.12%
Leverage Ratio (Minimum Requirement - 3%)	7.90%	8.14%	8.31%	8.51%
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	5.90%	5.91%		
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	3.13%	3.27%		
<b>Profitability (Annualised)</b>				
Interest Margin, %	4.02%	4.50%		
Return on Assets (before Tax), %	1.18%	1.69%		
Return on Equity, %	8.19%	11.57%		
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	266,608	242,986		
Off-Shore Banking Unit	44,521	42,308		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	28.79%	27.09%		
Off-Shore Banking Unit	46.85%	53.01%		
Total Stock of High-Quality Liquid Assets, Rs. Mn	169,599	140,423		
Liquidity Coverage Ratio (%) - Rupee	266.03%	465.37%		
(Minimum Requirement - 2020 - 100%, 2019 - 100%)				
Liquidity Coverage Ratio (%) - All Currency	257.10%	251.07%		
(Minimum Requirement - 2020 - 100%, 2019 - 100%)				
Net Stable Funding Ratio	106.00%	107.87%		
(Minimum Requirement - 2020 - 100%, 2019 - 100%)				

## LISTED DEBENTURE INFORMATION

Quarter ended 31st March	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2020		2019		2020	2019	2020	2019	
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.			
<b>HNB DEBENTURES 2006</b>									
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2007</b>									
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2011</b>									
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2013</b>									
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2014</b>									
5 year Fixed Rate (7.75% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T		N/A	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
<b>HNB DEBENTURES 2016</b>									
5 year Fixed Rate (11.25% p.a.)	100.20	98.00	96.00	94.00	100.20	94.00		11.00	14.93
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T		N/T	N/T
7 year Fixed Rate (13.00% p.a.)	100.00	100.00	100.00	100.00	100.00	100.00		12.95	12.95
<b>HNB DEBENTURES 2019</b>									
5 year Fixed Rate (12.30% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A		N/T	N/A
7 year Fixed Rate (12.80% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A		N/T	N/A

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

RATIOS OF DEBT		
	31.03.2020	31.12.2019
Debt Equity Ratio (%)	67.76	69.53
	31.03.2020	31.03.2019
Interest Cover (Times)	3.28	3.28
	31.03.2020	31.03.2019
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	7.51	10.52
2006 series 18 year maturity	9.23	10.97
2007 series 15 year maturity	8.65	10.74
2011 series 10 year maturity	7.14	10.60
2013 series 10 year maturity	9.06	10.86
2014 series 5 year maturity	N/A	9.81
2014 series 10 year maturity	9.28	11.05
2016 series 5 year maturity	7.51	10.52
2016 series 5 year maturity	7.43	10.52
2016 series 7 year maturity	9.09	10.86
2019 series 5 year maturity	9.28	N/A
2019 series 7 year maturity	9.47	N/A

Quarter ended 31st March	Yield to Maturity of Last Trade Done (% p.a)	
	2020	2019
<b>HNB DEBENTURES 2006</b>		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2007</b>		
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2011</b>		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2013</b>		
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2014</b>		
5 year Fixed Rate (7.75% p.a.)	N/A	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2016</b>		
5 year Fixed Rate (11.25% p.a.)	11.25	11.25
5 year Fixed Rate (11.75% p.a.)	N/T	N/T
7 year Fixed Rate (13.00% p.a.)	13.00	13.00
<b>HNB DEBENTURES 2019</b>		
5 year Fixed Rate (12.30% p.a.)	N/T	N/A
7 year Fixed Rate (12.80% p.a.)	N/T	N/A

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



## SHARE INFORMATION

As at	31-Mar-20	31-Dec-19
<b>Number of Shares</b>		
Voting	401,343,863	401,343,863
Non-voting	99,062,844	99,062,844
<b>Last Traded Price per share *</b>		
Voting	105.10	172.20
Non-voting	100.30	135.50

For the Quarter Ended	31-Mar-20	31-Mar-19
<b>Highest price per share</b>		
Voting	174.00	214.90
Non-voting	139.00	168.50
<b>Lowest price per share</b>		
Voting	103.10	173.50
Non-voting	97.10	142.60

\* Last traded date was March 20,2020, as Colombo Stock Exchange (CSE) was closed from 20th March 2020 to 6th May 2020 due to COVID - 19 Pandemic.

## PUBLIC SHAREHOLDING PERCENTAGE

	31-Mar-20	
	Number	%
Number of shareholders representing the public holding (Voting)	5,371	69% approx.
Number of shareholders representing the public holding (Non Voting)	10,420	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs. 29.1 Bn	

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Mar-20	31-Dec-19
1. Mr.D.S.Weerakkody	2,089	2,089
2. Mr.A.J.Alles *	125,452	125,452
3. Dr.L.R.Karunaratne	1,070	1,070
4. Mr.R.S.Captain	7,379	7,379
5. Mr.D.A.Cabraal	-	-
6. Mr.P.S.C.Pelpola **	N/A	-
7. Mr.E.D.P.Soosaipillai	-	-
8. Mr.A.H.D.A.N.De Silva	102	102
9. Mr.L.U.D.Fernando	624	624
10. Mr.W.M.M.D.Ratnayake	-	-
11. Mr.H.A.Pieris	-	-
12. Dr.L.J.S.H.Cabral	-	-
Mr.P.R.Saldin***	-	-
Dr.T.K.D.A.P.Samarasinghe****	-	-

\* Chief Executive Officer

\*\* Retired w.e.f 27.02.2020

\*\*\* Alternate Director to Mr.Rusi Captain w.e.f. 26.07.2018

\*\*\*\* Alternate Director to Mr.L.U.D.Fernando w.e.f.05.07.2019

## 20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST MARCH 2020\*\*

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	39,119,092	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	33,933,468	8.45
3.	Milford Exports (ceylon) (Pvt) Limited	31,736,382	*7.91
4.	Stassen Exports (Pvt) Limited	27,508,042	*6.85
5.	Mr.S.E. Captain	26,129,128	6.51
6.	Sonetto Holdings Limited.	19,725,642	4.91
7.	Sri Lanka Insurance Corporation Ltd-General Fund	16,989,898	4.23
8.	Distilleries Company of Sri Lanka Plc	12,307,446	*3.07
9.	JPMLU-Franklin Templeton Investment Funds	11,799,126	2.94
10.	National Savings Bank	11,515,728	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,532,868	1.88
12.	Ms. L.A. Captain	7,500,710	1.87
13.	SSBT-AI Mehwar Commercial Investments L.L.C.	7,292,350	1.82
14.	RBC Investor Services Trust-RBC Emerging Markets Small-CAP Equity Fund	7,102,292	1.77
15.	HSBC Intl Nom Ltd-CMG First state global umbrella Fund PLC-CMG First State Indian Subcontinent Fund	6,386,194	1.59
16.	BNYM SANV Re-IF Ruffer Total Return Fund	6,313,648	1.57
17.	JPMCB-Scottish Orl SML TR GTI 6018	5,382,872	1.34
18.	RBC Investor Services Bank-Coeli SICAV-i- Frontier Markets Fund	4,981,023	1.24
19.	Citibank Newyork S/A Norges Bank Account 2	4,945,634	1.23
20.	BNYM SANV Re-IF Ruffer Absolute Return Fund	4,237,905	1.06

\* 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.

\*\* The Information as at last trading date, which is 20th March 2020.

## 20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 31ST MARCH 2020\*\*

	Name	No. of shares	% on total non-voting capital
1.	Citibank Newyork S/A Norges Bank Account 2	9,987,885	10.08
2.	UBS Switzerland AG	8,781,597	8.86
3.	JPMLU-Franklin Templeton Investment Funds	6,220,268	6.28
4.	BNYM SANV Re-Frontaura Global Frontier Fund LLC	5,480,087	5.53
5.	Akbar Brothers Pvt Ltd A/c No 1	3,941,383	3.98
6.	BNYM SANV Re-neon liberty lorikeet master fund lp	3,670,992	3.71
7.	BNYM SANV Re-IF Ruffer total return fund	3,171,728	3.20
8.	BNYM SANV Re-IF Ruffer absolute return fund	2,112,783	2.13
9.	CB Europe plc lux s/a Dunross and co ab	2,048,024	2.07
10.	Mr. S.E. Captain	1,533,976	1.55
11.	Rubber Investment trust limited a/c # 01	1,453,990	1.47
12.	BNYM SANV Re-IF ruffer Investment funds : IF Ruffer Pacific and Emerging Markets Fund	1,254,145	1.27
13.	Employees Trust Fund Board	1,247,347	1.26
14.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,053,788	1.06
15.	Union Assurance plc-Universal Life Fund	927,041	0.94
16.	Union assurance plc/account no.05 (unit-linked life insurance fund-equity fund)	899,601	0.91
17.	Hatton National Bank PLC A/c No 2	712,874	0.72
18.	Saboor Chatoor (pvt) ltd	671,124	0.68
19.	Mr. E Chatoor	641,511	0.65
20.	The Ceylon Investment PLC A/c # 02	586,085	0.59

\*\* The Information as at last trading date, which is 20th March 2020.

## ANALYSIS OF LOANS & ADVANCES AND IMPAIRMENT

As at	BANK		GROUP	
	31.03.2020 Rs.000	31.12.2019 Rs.000	31.03.2020 Rs.000	31.12.2019 Rs.000
<b>Gross loans and advances to customers</b>	788,096,842	771,939,001	818,794,341	802,707,092
Less: Accumulated impairment under Stage 1	3,688,212	3,343,678	4,390,087	4,063,982
Accumulated impairment under Stage 2	5,408,562	4,827,329	5,791,595	5,210,363
Accumulated impairment under Stage 3	25,005,388	21,998,921	27,047,045	24,040,578
<b>Net loans and receivables</b>	<b>753,994,680</b>	<b>741,769,073</b>	<b>781,565,614</b>	<b>769,392,169</b>
<b>1) Product-wise Gross loans and advances to customers</b>				
<b>By product-Domestic Currency</b>				
Overdrafts	116,666,700	112,713,896	116,598,361	112,583,260
Bills of exchange	503,827	749,689	503,827	749,689
Commercial papers	160,267	154,658	160,267	154,658
Short term loans	95,809,574	93,003,988	96,157,687	93,329,295
Credit Cards	9,359,188	9,365,055	9,359,188	9,365,055
Trust receipts	30,637,394	32,322,448	30,637,394	32,322,448
Packing credit loans	1,587,682	1,747,211	1,587,682	1,747,211
Staff loans	15,273,756	14,713,352	16,200,216	15,679,793
Term loans	307,389,387	307,978,718	325,352,534	326,683,590
Lease rentals receivable	53,709,901	52,420,198	64,115,570	62,451,328
Housing loans	37,136,734	35,825,186	37,136,734	35,825,186
Pawning advances	21,212,320	20,389,354	22,334,769	21,260,331
Leased back securities	2,364,172	2,381,690	2,364,172	2,381,690
<b>Sub total</b>	<b>691,810,902</b>	<b>683,765,443</b>	<b>722,508,401</b>	<b>714,533,534</b>
<b>By product-Foreign Currency</b>				
Overdrafts	1,851,593	1,502,467	1,851,593	1,502,467
Bills of exchange	1,745,469	1,767,664	1,745,469	1,767,664
Short term loans	1,972,605	1,885,191	1,972,605	1,885,191
Trust receipts	4,852,532	3,161,038	4,852,532	3,161,038
Packing credit loans	14,377,857	14,343,465	14,377,857	14,343,465
Term loans	68,497,986	62,706,644	68,497,986	62,706,644
Lease rentals receivable	203,524	214,732	203,524	214,732
Housing loans	2,784,374	2,592,357	2,784,374	2,592,357
<b>Sub total</b>	<b>96,285,940</b>	<b>88,173,558</b>	<b>96,285,940</b>	<b>88,173,558</b>
<b>Total</b>	<b>788,096,842</b>	<b>771,939,001</b>	<b>818,794,341</b>	<b>802,707,092</b>
<b>2) 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 2019</b>	3,336,650	3,714,854	15,592,301	22,643,805
Net impairment charge for the year	959,635	(204,570)	2,722,643	3,477,708
Write-offs during the year	-	-	-	-
Other movements	-	-	(152,084)	(152,084)
<b>Closing balance as at 31st March 2019</b>	<b>4,296,285</b>	<b>3,510,284</b>	<b>18,162,860</b>	<b>25,969,429</b>
<b>Opening balance as at 1st January 2020</b>	3,343,678	4,827,329	21,998,921	30,169,928
Net impairment charge for the year	344,534	581,233	2,862,716	3,788,483
Write-offs during the year	-	-	-	-
Other movements	-	-	143,751	143,751
<b>Closing balance as at 31st March 2020</b>	<b>3,688,212</b>	<b>5,408,562</b>	<b>25,005,388</b>	<b>34,102,162</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 2019</b>	4,013,171	3,940,900	16,498,029	24,452,100
Net impairment charge for the year	959,636	(204,570)	2,722,642	3,477,708
Write-offs during the year	-	-	-	-
Other movements	-	-	(152,084)	(152,084)
<b>Closing balance as at 31st March 2019</b>	<b>4,972,807</b>	<b>3,736,330</b>	<b>19,068,587</b>	<b>27,777,724</b>
<b>Opening balance as at 1st January 2020</b>	4,063,982	5,210,363	24,040,578	33,314,923
Net impairment charge for the year	326,105	581,233	2,862,716	3,770,054
Write-offs during the year	-	-	-	-
Other movements	-	-	143,751	143,751
<b>Closing balance as at 31st March 2020</b>	<b>4,390,087</b>	<b>5,791,595</b>	<b>27,047,045</b>	<b>37,228,727</b>

## ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

As at	BANK		GROUP	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
	Rs.000	Rs.000	Rs.000	Rs.000
<b>3) Gross commitments and contingencies</b>	646,859,504	673,230,813	646,859,504	673,230,813
Less : Accumulated impairment under stage 1	911,514	810,503	911,514	810,503
Accumulated impairment under stage 2	175,677	201,327	175,677	201,327
Accumulated impairment under stage 3	1,088,280	1,123,884	1,088,280	1,123,884
	644,684,033	671,095,099	644,684,033	671,095,099
<b>Product-wise commitments and contingencies</b>				
<b>By Product - Domestic Currency</b>				
Documentary credit	1,314,015	1,313,902	1,314,015	1,313,902
Guarantees	54,690,349	56,898,799	54,690,349	56,898,799
Acceptances	113,966	22,445	113,966	22,445
Bills for collection	323,953	228,467	323,953	228,467
Forward exchange contracts				
Forward exchange sales	-	-	-	-
Forward exchange purchases	43,544,997	45,514,841	43,544,997	45,514,841
Cheques sent on clearing	372,186	5,236,930	372,186	5,236,930
Undrawn credit lines	298,465,209	302,373,055	298,465,209	302,373,055
<b>Sub total</b>	<b>398,824,676</b>	<b>411,588,438</b>	<b>398,824,676</b>	<b>411,588,438</b>
<b>By Product - Foreign Currency</b>				
Documentary credit	27,791,300	23,692,559	27,791,300	23,692,559
Guarantees	65,694,353	64,055,869	65,694,353	64,055,869
Acceptances	16,335,973	16,583,808	16,335,973	16,583,808
Bills for collection	14,039,035	13,248,527	14,039,035	13,248,527
Forward exchange contracts				
Forward exchange sales	55,356,254	43,950,802	55,356,254	43,950,802
Forward exchange purchases	21,037,747	23,363,808	21,037,747	23,363,808
Cheques sent on clearing	-	-	-	-
Undrawn credit lines	47,780,167	76,747,002	47,780,167	76,747,002
<b>Sub total</b>	<b>248,034,828</b>	<b>261,642,375</b>	<b>248,034,828</b>	<b>261,642,375</b>
<b>Total</b>	<b>646,859,504</b>	<b>673,230,813</b>	<b>646,859,504</b>	<b>673,230,813</b>
<b>4) Movements in stage-wise impairment of commitments and contingencies during the period</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 2019</b>	771,580	230,064	274,280	1,275,924
Net impairment charge for the year	135,709	(86,561)	250,508	299,657
Write-offs during the year	-	-	-	-
Other movements	-	-	-	-
<b>Closing balance as at 31st March 2019</b>	<b>907,289</b>	<b>143,503</b>	<b>524,788</b>	<b>1,575,581</b>
Opening balance as at 1st January 2020	810,503	201,327	1,123,884	2,135,714
Net impairment charge for the year	101,011	(25,650)	(35,604)	39,757
Write-offs during the year	-	-	-	-
Other movements	-	-	-	-
<b>Closing balance as at 31st March 2020</b>	<b>911,514</b>	<b>175,677</b>	<b>1,088,280</b>	<b>2,175,471</b>

## ANALYSIS OF DEPOSITS

As at	BANK		GROUP	
	31.03.2020 Rs.000	31.12.2019 Rs.000	31.03.2020 Rs.000	31.12.2019 Rs.000
<b>5) Due to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Current account deposits	45,116,825	42,405,362	43,691,442	42,090,185
Savings deposits	208,895,196	194,914,147	211,054,332	197,711,495
Time deposits	433,955,669	426,439,801	458,176,397	449,220,299
Certificates of deposit	370,090	385,196	370,090	385,196
Margin deposits	1,517,993	1,334,003	1,517,993	1,334,003
<b>Sub total</b>	<b>689,855,773</b>	<b>665,478,509</b>	<b>714,810,254</b>	<b>690,741,178</b>
<b>By product- Foreign Currency</b>				
Current account deposits	6,176,544	7,387,838	6,176,544	7,387,838
Savings deposits	43,880,817	40,084,161	43,838,175	40,032,679
Time deposits	101,105,737	97,003,304	100,890,766	96,817,149
Margin deposits	59,512	81,302	59,512	81,302
<b>Sub total</b>	<b>151,222,610</b>	<b>144,556,605</b>	<b>150,964,997</b>	<b>144,318,968</b>
<b>Total</b>	<b>841,078,383</b>	<b>810,035,114</b>	<b>865,775,251</b>	<b>835,060,146</b>