



YOUR PARTNER IN PROGRESS

Interim Financial Statements

For the nine months ended 30th September 2020

FINANCIAL COMMENTARY FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2020

- HNB Group posts Rs. 8.8Bn in PAT during first nine months of 2020
- Bank PAT of Rs. 7.7Bn
- Deposit growth of over Rs. 112Bn
- Demonstrates stability and resilience with capital and liquidity well above statutory minimum levels

Hatton National Bank PLC (HNB) reported Profit After Taxes (PAT) of Rs. 7.7Bn for the first nine months of 2020, while the Group recorded a PAT for Rs. 8.8Bn for the same period.

The monetary easing adopted post the pandemic has led to a 400bps drop in AWPLR since the beginning of the year. The Interest Income of the Bank declined in line with the drop in interest rates to Rs. 79.6 Bn, by 8.7% YoY in comparison to the corresponding period of 2019. Interest Expenses of Rs. 45.8 Bn represented a 7.3% YoY drop from last year, resulting in a Net Interest Income (NII) of Rs. 33.8 Bn which was 10.6% lower compared to the first nine months of the previous year.

The impact of COVID-19 continued to hamper the Net Fee and Commission income which declined by 18.9% YoY to Rs. 5.4 Bn as a result of the restrictions placed on imports, low volume of foreign card transactions, removal of certain charges as part of CBSL initiated COVID relief scheme and low level of economic activity etc. However, the Bank witnessed an encouraging increase in income from digital products and platforms with customers shifting to digital channels under social distancing and health guidelines.

The NPA ratio of the Bank increased to 6.51% compared to 5.91% as at end of December 2019 and 6.4% as at 30th June 2020. However, an exposure of Rs. 11.5 Bn to a State Owned Enterprise, which was classified as NPA in December 2019, was regularized in October 2020. Accordingly, after adjusting for this recovery, the NPA ratio for the Bank would have decreased to 5.06% from the NPA ratio of 6.51% reported for September 2020. The impairment charge for the period increased by 45.6% YoY over the nine-month period to Rs. 11.8Bn. Although the Bank's policy is to account for impairment for foreign currency denominated government securities based on the ratings published by Fitch Ratings, the Bank recognized a provision of Rs 427 Mn during 3Q 2020, on account of the sovereign downgrade by Moody's in September 2020, in addition to the provision made in 1Q 2020 due to the sovereign downgrade by Fitch Ratings.

The Bank's focus on optimizing costs under challenging conditions, enabled a Rs. 1.3Bn decline in Operating expenses with cost to income ratio maintained at 40%, similar to the levels recorded in September 2019.

Accordingly, the Bank recorded a Profit Before Tax (PBT) of Rs. 10.3Bn for the nine-month period, which is a decline of 23.1% YoY compared to the corresponding period of 2019. The removal of Nations Building Tax and Debt Repayment Levy proved to be extremely vital to maintain the stability of the banking sector, especially in the current context. Accordingly, the Profit After Tax (PAT) of Rs. 7.7 Bn represented a drop of 3.8% YoY.

Gross loans grew marginally by Rs. 11.9Bn to Rs. 783.9Bn, in the backdrop of low demand for credit, while the deposit base grew by an impressive Rs. 112.4Bn recording a growth of 13.9% during the year 2020. The CASA base saw a faster growth of 24.8% during the nine months growing by Rs. 70.6Bn to Rs. 355.4 Bn as at end of September 2020. This has contributed to HNB being able to maintain a strong liquidity position during the period with Statutory Liquid Asset (SLAR) and Liquidity Coverage Ratio (LCR) being well above regulatory minimum requirements. Bank's total asset base expanded to Rs. 1,248.1Bn by 10.9% from December 2019 to September 2020. The Bank also continues to be among the best capitalized banks in the industry with Tier I and Total Capital Adequacy Ratios of 14.69% and 18.33% respectively.

The Group's Insurance and Investment Banking businesses performed admirably as the HNB Group made PBT of Rs. 12 Bn during the first nine months, which is a 18% YoY drop while Group PAT increased by a marginal 1.2% YoY to Rs. 8.8 Bn. Group level assets rose by Rs. 128 Bn since the end of last year, a 10.7% growth to Rs. 1.3 Trillion.

In recognition of HNB's efforts with regard to managing the impact of COVID, covering assistance to customers and community; driving transactions through digital platforms; intensified focus on managing risks and upgrading and enhancing digital and technological platforms, the Asian Banker, recently adjudged HNB as the 'Best Managed Bank in Sri Lanka during COVID-19', under its awards programme for the year 2020.

In early 2020 HNB was bestowed with the 'Best Retail Bank in Sri Lanka' award by the Asian Banker Magazine, for the 11th time. HNB is also the No. 1 Company in Sri Lanka in the latest Business Today Top 30 Company rankings and is listed amongst the Top 1,000 World Banks as published by the prestigious Banker magazine of UK.

STATEMENT OF PROFIT OR LOSS

	BANK			BANK			GROUP			GROUP		
	For the 9 months ended 30th September			For the 3 months ended 30th September			For the 9 months ended 30th September			For the 3 months ended 30th September		
	2020	2019	% Increase / (Decrease)	2020	2019	% Increase/ (Decrease)	2020	2019	% Increase / (Decrease)	2020	2019	% Increase/ (Decrease)
Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		
Gross Income	87,539,595	94,938,002	(8)	28,189,087	31,530,740	(11)	101,175,518	108,788,829	(7)	32,947,179	36,185,589	(9)
Interest income	79,607,326	87,214,676	(9)	25,805,008	28,243,596	(9)	86,217,098	93,938,485	(8)	27,675,093	30,305,568	(9)
Less : Interest expenses	45,794,050	49,382,013	(7)	14,432,054	16,282,863	(11)	47,786,609	51,072,676	(6)	15,106,768	16,647,497	(9)
Net interest income	33,813,276	37,832,663	(11)	11,372,954	11,960,733	(5)	38,430,489	42,865,809	(10)	12,568,325	13,658,071	(8)
Fee and commission income	5,615,287	6,834,701	(18)	2,048,162	2,294,296	(11)	6,093,618	7,690,423	(21)	2,264,607	2,569,300	(12)
Less : Fee and commission expenses	189,742	145,779	30	81,388	53,874	51	289,123	273,685	6	115,526	97,774	18
Net fee and commission income	5,425,545	6,688,922	(19)	1,966,774	2,240,422	(12)	5,804,495	7,416,738	(22)	2,149,081	2,471,526	(13)
Net interest, fee and commission income	39,238,821	44,521,585	(12)	13,339,728	14,201,155	(6)	44,234,984	50,282,547	(12)	14,717,406	16,129,597	(9)
Net gain/(loss) from trading	(654,994)	(2,778,339)	(76)	(276,503)	(1,915,317)	(86)	(661,675)	(2,780,450)	(76)	(257,579)	(1,904,307)	(86)
Net gain from financial investments at fair value through other comprehensive income	207,321	187,512	11	39,637	22,128	79	208,537	190,048	10	40,082	22,722	76
Net insurance premium income	-	-	-	-	-	-	6,413,898	6,086,098	5	2,540,482	2,172,482	17
Net gains on derecognition of financial assets	-	-	-	-	-	-	25,803	29,109	(11)	13,597	6,448	111
Net other operating income	2,764,655	3,479,452	(21)	572,783	2,886,037	(80)	2,878,239	3,635,116	(21)	670,897	3,013,376	(78)
Total operating income	41,555,803	45,410,210	(8)	13,675,645	15,194,003	(10)	53,099,786	57,442,468	(8)	17,724,885	19,440,318	(9)
Less : Impairment for loans and other losses	11,811,527	8,112,296	46	2,723,393	1,859,490	46	12,102,578	9,115,818	33	2,822,260	2,097,634	35
Net operating income	29,744,276	37,297,914	(20)	10,952,252	13,334,513	(18)	40,997,208	48,326,650	(15)	14,902,625	17,342,684	(14)
Less : Operating expenses												
Personnel expenses	8,661,349	8,881,101	(2)	2,956,611	2,987,211	(1)	10,482,437	10,757,101	(3)	3,582,703	3,638,284	(2)
Depreciation and amortisation	1,623,725	1,828,946	(11)	537,644	617,176	(13)	1,913,459	2,241,734	(15)	563,683	707,777	(20)
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	5,692,063	5,608,066	1	2,419,949	2,000,679	21
Other expenses	6,378,246	7,273,918	(12)	1,938,430	2,436,149	(20)	8,252,263	8,945,149	(8)	2,675,995	3,097,749	(14)
Total operating expenses	16,663,320	17,983,965	(7)	5,432,685	6,040,536	(10)	26,340,222	27,552,050	(4)	9,242,330	9,444,489	(2)
Operating profit before taxes on financial services	13,080,956	19,313,949	(32)	5,519,567	7,293,977	(24)	14,656,986	20,774,600	(29)	5,660,295	7,898,195	(28)
Less : Value Added Tax (VAT) on financial services	2,773,183	3,515,276	(21)	1,067,941	1,275,587	(16)	2,961,102	3,762,216	(21)	1,102,956	1,379,782	(20)
Less : Nation Building Tax (NBT) on financial services	-	468,704	(100)	-	170,078	(100)	-	501,731	(100)	-	182,340	(100)
Less : Debt Repayment Levy	-	1,919,341	(100)	-	696,470	(100)	-	2,056,908	(100)	-	755,811	(100)
Operating profit after taxes on financial services	10,307,773	13,410,628	(23)	4,451,626	5,151,842	(14)	11,695,884	14,453,745	(19)	4,557,339	5,580,262	(18)
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	278,380	144,545	93	27,625	59,419	(54)
PROFIT BEFORE INCOME TAX	10,307,773	13,410,628	(23)	4,451,626	5,151,842	(14)	11,974,264	14,598,290	(18)	4,584,964	5,639,681	(19)
Less : Income tax expense	2,568,816	5,363,538	(52)	1,175,851	1,904,910	(38)	3,173,792	5,904,187	(46)	1,261,646	2,074,601	(39)
PROFIT FOR THE PERIOD	7,738,957	8,047,090	(4)	3,275,775	3,246,932	1	8,800,472	8,694,103	1	3,323,318	3,565,080	(7)
Profit attributable to:												
Equity holders of the Bank	7,738,957	8,047,090	(4)	3,275,775	3,246,932	1	8,605,481	8,405,611	2	3,436,310	3,485,048	(1)
Non-controlling interests	-	-	-	-	-	-	194,991	288,492	(32)	(112,992)	80,032	(241)
PROFIT FOR THE PERIOD	7,738,957	8,047,090	(4)	3,275,775	3,246,932	1	8,800,472	8,694,103	1	3,323,318	3,565,080	(7)
Earnings per share												
Basic earnings per ordinary share (Rs)	15.12	15.72	(4)	6.40	6.34	1	16.81	16.42	2	6.71	6.81	(1)
Diluted earnings per ordinary share (Rs)	15.12	15.72	(4)	6.40	6.34	1	16.81	16.42	2	6.71	6.81	(1)

STATEMENT OF COMPREHENSIVE INCOME

	BANK			BANK			GROUP			GROUP		
	For the 9 months ended 30th September			For the 3 months ended 30th September			For the 9 months ended 30th September			For the 3 months ended 30th September		
	2020	2019	% Increase/ (Decrease)	2020	2019	% Increase/ (Decrease)	2020	2019	% Increase/ (Decrease)	2020	2019	% Increase/ (Decrease)
Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		
PROFIT FOR THE PERIOD	7,738,957	8,047,090	(4)	3,275,775	3,246,932	1	8,800,472	8,694,103	(1)	3,323,318	3,565,080	(7)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods												
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income	(1,133,456)	25,669	(4,516)	253,083	882,131	(71)	(1,133,456)	25,669	(4,516)	253,083	882,131	(71)
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	-	-	-
Total other comprehensive income that will not be reclassified to profit or loss	(1,133,456)	25,669	(4,516)	253,083	882,131	(71)	(1,138,861)	195,185	(683)	253,083	882,131	(71)
Other comprehensive income that will be reclassified to profit or loss in subsequent periods												
Debt instruments at fair value through other comprehensive income:												
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	2,112,556	1,731,600	22	(1,068,642)	(204,369)	423	2,958,386	2,124,591	39	(1,072,619)	(231,878)	363
Reclassification of net gains on de-recognition of debt instruments at fair value through other comprehensive income to statement of profit or loss	-	-	-	-	-	-	(25,803)	(29,109)	(11)	(13,597)	(6,448)	111
Net change in expected credit losses of debt securities measured at fair value through other comprehensive income	(508,893)	-	-	74,130	-	-	(508,893)	-	-	74,130	-	-
Transfer (to)/ from life policy holder reserve fund	-	-	-	-	-	-	(729,512)	(322,187)	126	12,939	29,286	(56)
Share of other comprehensive income of joint venture that will be reclassified to profit or loss	-	-	-	-	-	-	22,335	(3,764)	693	(15,083)	10,321	(246)
Less: Tax expense relating to items that will be reclassified to profit or loss	(591,516)	(484,848)	22	299,220	57,223	423	(599,744)	(494,295)	21	299,644	58,507	412
Total other comprehensive income that will be reclassified to profit or loss	1,012,147	1,246,752	(19)	(695,292)	(147,146)	373	1,116,769	1,275,236	(12)	(714,586)	(140,212)	410
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(121,309)	1,272,421	(110)	(442,209)	734,984	(160)	(22,092)	1,470,421	(102)	(461,503)	741,919	(162)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,617,648	9,319,511	(18)	2,833,566	3,981,916	(29)	8,778,380	10,164,524	(14)	2,861,815	4,306,999	(34)
Total comprehensive income attributable to:												
Equity holders of the Bank	7,617,648	9,319,511	(18)	2,833,566	3,981,916	(29)	8,553,601	9,765,085	(12)	2,976,492	4,228,322	(30)
Non-controlling interests	-	-	-	-	-	-	224,779	399,439	(44)	(114,677)	78,677	(246)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,617,648	9,319,511	(18)	2,833,566	3,981,916	(29)	8,778,380	10,164,524	(14)	2,861,815	4,306,999	(34)

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.09.2020	As at 31.12.2019	% Increase / (Decrease)	As at 30.09.2020	As at 31.12.2019	% Increase / (Decrease)
	Rs.000	(Audited) Rs.000		Rs.000	(Audited) Rs.000	
ASSETS						
Cash and cash equivalents	28,418,100	29,089,189	(2)	28,961,915	30,263,654	(4)
Placements with banks	2,937,717	7,602,543	(61)	14,686,615	15,490,267	(5)
Balances with Central Bank of Sri Lanka	8,779,806	22,795,332	(61)	8,779,806	22,795,332	(61)
Reverse repurchase agreements / Standing deposit facility	306,038	-	-	2,315,630	2,072,482	12
Derivative financial instruments	432,842	527,193	(18)	432,842	527,193	(18)
Financial assets measured at fair value through profit or loss	3,995,728	1,013,374	294	4,129,924	1,155,339	257
Financial assets measured at amortised cost - loans and advances to customers	743,047,970	741,769,073	-	770,388,049	769,392,169	-
Financial assets measured at amortised cost - debt and other instruments	171,533,986	149,720,834	15	178,628,034	156,511,277	14
Financial assets measured at fair value through other comprehensive income	246,070,221	127,694,982	93	253,540,722	133,953,117	89
Investment in joint venture	755,000	755,000	-	2,438,379	2,137,665	14
Investments in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	476,442	480,444	(1)	1,036,864	1,026,050	1
Property, plant and equipment	20,778,014	21,076,762	(1)	41,981,334	42,452,617	(1)
Right-of-use assets	5,012,350	5,482,679	(9)	1,316,066	1,571,319	(16)
Intangible assets and goodwill	1,314,454	1,076,641	22	1,913,143	1,568,080	22
Other assets	11,272,639	12,907,234	(13)	13,825,196	15,467,912	(11)
Total assets	1,248,148,592	1,125,008,565	11	1,324,374,519	1,196,384,473	11
LIABILITIES						
Due to banks	104,656,942	86,396,304	21	105,323,806	87,212,970	21
Derivative financial instruments	657,208	573,365	15	657,208	573,365	15
Securities sold under repurchase agreements	9,252,986	17,569,394	(47)	9,252,986	17,569,394	(47)
Financial liabilities measured at amortised cost - due to depositors	922,448,025	810,035,114	14	947,389,186	835,060,146	13
Dividends payable	996,498	1,449,472	(31)	1,014,892	1,466,959	(31)
Financial liabilities measured at amortised cost - other borrowings	17,280,979	22,604,039	(24)	17,280,979	22,604,039	(24)
Debt securities issued	1,817,688	1,797,644	1	2,389,162	2,368,986	1
Current tax liabilities	6,696,071	5,348,985	25	7,123,299	5,621,389	27
Deferred tax liabilities	606,827	1,381,754	(56)	5,450,178	6,083,293	(10)
Insurance Provision - life	-	-	-	16,726,627	14,468,866	16
Insurance Provision - general	-	-	-	3,352,841	2,871,417	17
Other provisions	3,490,437	3,599,739	(3)	3,882,738	4,171,801	(7)
Other liabilities	13,859,851	14,053,378	(1)	12,652,141	12,495,406	1
Subordinated term debts	33,022,985	32,695,221	1	33,779,756	33,345,904	1
Total liabilities	1,114,786,497	997,504,409	12	1,166,275,799	1,045,913,935	12

STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.09.2020	As at 31.12.2019 (Audited)	% Increase / (Decrease)	As at 30.09.2020	As at 31.12.2019 (Audited)	% Increase / (Decrease)
	Rs.000	Rs.000		Rs.000	Rs.000	
EQUITY						
Stated capital	35,572,329	33,820,905	5	35,572,329	33,820,905	5
Statutory reserve fund	7,060,000	7,060,000	-	7,060,000	7,060,000	-
Retained earnings	21,707,378	17,980,160	21	28,247,108	23,072,623	22
Other reserves	69,022,388	68,643,091	1	82,152,186	81,554,692	1
Total shareholder's equity	133,362,095	127,504,156	5	153,031,623	145,508,220	5
Non-controlling interests	-	-	-	5,067,097	4,962,318	2
Total equity	133,362,095	127,504,156	5	158,098,720	150,470,538	5
Total equity and liabilities	1,248,148,592	1,125,008,565	11	1,324,374,519	1,196,384,473	11
Contingent liabilities and commitments	653,898,917	673,230,813	(3)	653,898,917	673,230,813	(3)
Net Assets Value per Share (Rs.)	260.49	254.80	2	298.90	290.78	3
Memorandum Information						
Number of Employees	4,849	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 30th September 2020 and its profit for the nine months ended 30th September 2020.

(Sgd.)

Anuradhi Delage
Head of Finance
9th November 2020

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

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

(Sgd.)

Dilshan Rodrigo
Director / Chief Operating Officer
9th November 2020

(Sgd.)

Dinesh Weerakkody
Chairman
9th November 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		
For the 9 months ended 30th September 2020											
Balance as at 1st January 2020	27,839,768	5,981,137	7,060,000	10,790,994	-	2,752,097	55,100,000	-	17,980,160	127,504,156	
Total comprehensive income for the period											
Net profit for the period	-	-	-	-	-	-	-	-	7,738,957	7,738,957	
Other Comprehensive Income for the period, net of tax	-	-	-	-	-	387,584	-	-	(508,893)	(121,309)	
Total comprehensive income for the period	-	-	-	-	-	387,584	-	-	7,230,064	7,617,648	
Transactions with equity holders, recognised directly in equity											
Contributions by and distributions to equity holders											
Dividends to equity holders											
Final dividend 2019 - Scrip	1,404,704	346,720	-	-	-	-	-	-	(1,751,423)	-	
Final dividend 2019 - Cash	-	-	-	-	-	-	-	-	(1,751,423)	(1,751,423)	
Total contributions by and distributions to equity holders	1,404,704	346,720	-	-	-	-	-	-	(3,502,846)	(1,751,422)	
Transfers during the period	-	-	-	(8,287)	-	-	-	-	-	(8,287)	
Balance as at 30th September 2020	29,244,472	6,327,857	7,060,000	10,782,707	-	3,139,681	55,100,000	-	21,707,378	133,362,095	
For the 9 months ended 30th September 2019											
Balance as at 1st January 2019	26,649,460	5,688,566	6,260,000	10,790,994	-	1,536,439	49,100,000	-	15,728,513	115,753,972	
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	-	8,047,090	8,047,090	
Other Comprehensive Income for the period, net of tax	-	-	-	-	-	1,272,421	-	-	-	1,272,421	
Total comprehensive income for the period	-	-	-	-	-	1,272,421	-	-	8,047,090	9,319,510	
Transactions with equity holders, recognised directly in equity											
Contributions by and distributions to equity holders											
Dividends to equity holders											
Final dividend 2018 - Scrip	1,190,308	292,571	-	-	-	-	-	-	(1,724,277)	(241,398)	
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	(1,724,277)	(1,724,277)	
Total contributions by and distributions to equity holders	1,190,308	292,571	-	-	-	-	-	-	(3,448,554)	(1,965,675)	
Transfers during the period	-	-	-	-	-	(136,920)	-	-	136,920	-	
Balance as at 30th September 2019	27,839,768	5,981,137	6,260,000	10,790,994	-	2,671,940	49,100,000	-	20,463,969	123,107,807	

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		
For the 9 months ended 30th September 2020												
Balance as at 1st January 2020	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
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	-	8,605,481	194,991	8,800,472
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(138,313)	-	-	-	14,582	71,852	29,788	(22,091)
Total comprehensive income for the period	-	-	-	-	(138,313)	-	-	-	14,582	8,677,333	224,779	8,778,381
Transactions with equity holders, recognised directly in equity												
Contributions by and distributions to equity holders												
Dividends to equity holders												
Final dividend 2019 - Scrip	1,404,704	346,720	-	-	-	-	-	-	-	(1,751,424)	-	-
Final dividend 2019 - Cash	-	-	-	-	-	-	-	-	-	(1,751,424)	(120,000)	(1,871,424)
Total contributions by and distributions to equity holders	1,404,704	346,720	-	-	-	-	-	-	-	(3,502,848)	(120,000)	(1,871,424)
Transfers during the period	-	-	-	(8,287)	-	-	729,512	-	-	-	-	721,225
Balance as at 30th September 2020	29,244,472	6,327,857	7,060,000	23,054,711	2,621,550	55,100,000	901,809	381,156	92,960	28,247,108	5,067,097	158,098,720
For the 9 months ended 30th September 2019												
Balance as at 1st January 2019	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
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	-	8,405,611	288,492	8,694,103
Other comprehensive income for the period (net of tax)	-	-	-	68,488	1,291,770	-	-	-	(3,764)	2,980	110,947	1,470,421
Total comprehensive income for the period	-	-	-	68,488	1,291,770	-	-	-	(3,764)	8,408,591	399,439	10,164,524
Transactions with equity holders, recognised directly in equity												
Contributions by and distributions to equity holders												
Dividends to equity holders												
Final dividend 2018 - Scrip	1,190,309	292,571	-	-	-	-	-	-	-	(1,724,277)	-	(241,397)
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	-	(1,724,277)	(140,000)	(1,864,277)
Total contributions by and distributions to equity holders	1,190,309	292,571	-	-	-	-	-	-	-	(3,448,554)	(140,000)	(2,105,674)
Transfers during the period	-	-	-	-	(136,920)	-	322,187	-	-	136,920	-	322,187
Balance as at 30th September 2019	27,839,769	5,981,137	6,260,000	23,062,998	2,692,573	49,100,000	124,384	381,156	62,604	25,278,373	4,932,649	145,715,643

STATEMENT OF CASH FLOWS

For the 9 months ended 30th September	BANK		GROUP	
	2020 Rs 000	2019 Rs 000	2020 Rs 000	2019 Rs 000
Cash flows from operating activities				
Interest receipts	89,109,352	84,283,608	95,703,293	91,324,146
Interest payments	(48,626,808)	(52,479,613)	(51,050,447)	(53,813,035)
Net commission receipts	5,359,688	6,655,262	5,755,567	7,403,213
Trading income	192,696	(170,469)	192,449	(196,758)
Payments to employees	(8,755,499)	(8,178,016)	(10,747,576)	(10,021,653)
Taxes on financial services	(2,969,089)	(5,977,684)	(3,158,918)	(6,443,045)
Receipts from other operating activities	2,352,376	3,346,227	8,938,121	9,886,369
Payments on other operating activities	(6,821,277)	(7,714,620)	(11,464,756)	(12,815,827)
Operating profit before change in operating assets & liabilities	29,841,439	19,764,695	34,167,733	25,323,410
(Increase) / decrease in operating assets				
Balances with Central Bank of Sri Lanka	14,015,526	9,688,238	14,015,526	9,688,238
Financial assets measured at amortised cost - loans & advances to customers	(9,331,410)	34,264,411	(9,219,275)	27,813,800
Reverse repurchase agreements / Standing deposit facility	(306,076)	(4,862,000)	(243,110)	(4,551,935)
Other assets	1,007,288	3,458,870	817,477	2,934,177
	5,385,328	42,549,519	5,370,617	35,884,280
Increase / (decrease) in operating liabilities				
Financial liabilities measured at amortised cost - due to depositors	115,124,444	1,818,695	115,052,465	6,824,609
Financial liabilities measured at amortised cost - other borrowings	12,507,099	(3,087,065)	12,357,297	(2,538,090)
Securities sold under repurchase agreements	(8,269,812)	(11,713,682)	(8,269,812)	(11,713,682)
Other liabilities	567,152	770,254	1,319,819	1,496,525
	119,928,883	(12,211,798)	120,459,769	(5,930,638)
Net cash generated from operating activities before income tax	155,155,650	50,102,416	159,998,119	55,277,052
Income tax paid	(2,422,122)	(7,516,860)	(2,732,811)	(7,910,718)
Net cash generated from operating activities	152,733,528	42,585,556	157,265,308	47,366,334
Cash flows from investing activities				
Purchase of property, plant & equipment	(684,065)	(917,429)	(828,447)	(1,059,565)
Proceeds from the sale of property, plant & equipment	5,833	8,323	29,849	9,696
Net proceeds from the sale, maturity and purchase of financial investments	(154,915,778)	(33,904,736)	(155,772,894)	(36,064,409)
Net purchase of intangible assets	(500,298)	(477,918)	(528,504)	(484,607)
Dividends received from investment in subsidiaries	179,958	182,338	-	-
Dividends received from other investments	49,304	148,843	52,787	155,878
Net cash used in investing activities	(155,865,046)	(34,960,579)	(157,047,209)	(37,443,007)
Cash flows from financing activities				
Net proceeds from the issue of subordinated debt	-	9,984,733	-	9,907,093
Dividend paid to shareholders of the parent company	(2,204,397)	(1,962,213)	(2,204,397)	(1,962,214)
Dividend paid to non controlling interest	-	-	(119,093)	(141,427)
Net cash generated from / (used in) financing activities	(2,204,397)	8,022,520	(2,323,490)	7,803,452
Net increase / (decrease) in cash & cash equivalents	(5,335,915)	15,647,497	(2,105,391)	17,726,779
Cash and cash equivalents at the beginning of the period	36,691,732	28,434,623	45,753,921	33,473,086
Cash and cash equivalents at the end of the period	31,355,817	44,082,120	43,648,530	51,199,865
Cash and cash equivalents at the end of the period				
Cash and cash equivalents	28,418,100	24,935,004	28,961,915	24,908,894
Placements with banks	2,937,717	19,147,116	14,686,615	26,290,971
	31,355,817	44,082,120	43,648,530	51,199,865

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th September 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
ASSETS				
Cash and cash equivalents	-	28,418,100	-	28,418,100
Placements with banks	-	2,937,717	-	2,937,717
Balances with Central Bank of Sri Lanka	-	8,779,806	-	8,779,806
Reverse repurchase agreements / Standing deposit facility	-	306,038	-	306,038
Derivative financial instruments	432,842	-	-	432,842
Financial assets measured at fair value through profit or loss	3,995,728	-	-	3,995,728
Financial assets measured at amortised cost - loans and advances to customers	-	743,047,970	-	743,047,970
Financial assets measured at amortised cost - debt and other instruments	-	171,533,986	-	171,533,986
Financial assets measured at fair value through other comprehensive income	-	-	246,070,221	246,070,221
Other financial assets	-	400,615	-	400,615
Total financial assets	4,428,570	955,424,232	246,070,221	1,205,923,023
LIABILITIES				
Due to banks	-	104,656,942	-	104,656,942
Derivative financial instruments	657,208	-	-	657,208
Securities sold under repurchase agreements	-	9,252,986	-	9,252,986
Financial liabilities measured at amortised cost - due to depositors	-	922,448,025	-	922,448,025
Dividends payable	-	996,498	-	996,498
Financial liabilities measured at amortised cost - other borrowings	-	17,280,979	-	17,280,979
Debt securities issued	-	1,817,688	-	1,817,688
Other financial liabilities	-	715,438	-	715,438
Subordinated term debts	-	33,022,985	-	33,022,985
Total financial liabilities	657,208	1,090,191,541	-	1,090,848,749
As at 31st December 2019				
	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
ASSETS				
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
Total financial assets	1,540,567	951,669,185	127,694,982	1,080,904,734
LIABILITIES				
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
Total financial liabilities	573,365	973,265,156	-	973,838,521

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th September 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
ASSETS				
Cash and cash equivalents	-	28,961,915	-	28,961,915
Placements with banks	-	14,686,615	-	14,686,615
Balances with Central Bank of Sri Lanka	-	8,779,806	-	8,779,806
Reverse repurchase agreements / Standing deposit facility	-	2,315,630	-	2,315,630
Derivative financial instruments	432,842	-	-	432,842
Financial assets measured at fair value through profit or loss	4,129,924	-	-	4,129,924
Financial assets measured at amortised cost - loans and advances to customers	-	770,388,049	-	770,388,049
Financial assets measured at amortised cost - debt and other instruments	-	178,628,034	-	178,628,034
Financial assets measured at fair value through other comprehensive income	-	-	253,540,722	253,540,722
Other financial assets	-	2,320,498	-	2,320,498
Total financial assets	4,562,766	1,006,080,547	253,540,722	1,264,184,035
LIABILITIES				
Due to banks	-	105,323,806	-	105,323,806
Derivative financial instruments	657,208	-	-	657,208
Securities sold under repurchase agreements	-	9,252,986	-	9,252,986
Financial liabilities measured at amortised cost - due to depositors	-	947,389,186	-	947,389,186
Dividends payable	-	1,014,892	-	1,014,892
Financial liabilities measured at amortised cost - other borrowings	-	17,280,979	-	17,280,979
Debt securities issued	-	2,389,162	-	2,389,162
Other financial liabilities	-	2,738,529	-	2,738,529
Subordinated term debts	-	33,779,756	-	33,779,756
Total financial liabilities	657,208	1,119,169,296	-	1,119,826,504
As at 31st December 2019				
	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
ASSETS				
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 recognised through profit or loss	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 financial assets	-	2,147,894	-	2,147,894
Total financial assets	1,682,532	998,673,075	133,953,117	1,134,308,724
LIABILITIES				
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 financial liabilities	-	2,835,700	-	2,835,700
Subordinated term debts	-	33,345,904	-	33,345,904
Total financial liabilities	573,365	1,002,464,098	-	1,003,037,463

SEGMENT REPORTING

For the 9 months ended 30th September	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	7,542,647	8,726,626	9,982,830	13,143,909	9,383,417	10,286,265	857,971	858,859	8,584,830	5,944,994	(18,380)	(66,733)	1,854,757	1,647,752	2,304,333	3,280,641	(2,061,916)	(956,504)	38,430,489	42,865,809
Foreign Exchange income	81,677	137,300	87,369	99,555	173,527	248,515	1,740	2,170	1,311,115	52,276	-	-	-	-	-	-	(25,249)	(25,249)	1,653,428	514,567
Net fee and commission income	1,315,001	1,569,144	1,353,885	1,093,574	1,625,492	1,946,832	76,133	82,755	72,221	70,218	-	-	162,492	133,677	216,458	594,139	982,813	1,926,399	5,804,495	7,416,738
Other operating income	-	-	-	-	-	-	-	-	4,371	73,205	749,440	736,261	6,460,186	6,194,440	120,182	272,629	(124,805)	(631,181)	7,209,374	6,645,354
Total operating income	8,939,326	10,433,070	11,424,084	14,337,038	11,182,436	12,481,612	935,844	943,784	9,972,537	6,140,693	731,060	669,528	8,477,435	7,975,869	2,640,973	4,147,409	(1,203,908)	313,465	53,099,786	57,442,468
Impairment charge for loans and other losses	3,525,610	3,601,551	3,420,481	1,126,367	3,209,196	3,033,053	561,429	292,009	1,090,746	593,316	-	-	12,639	11,600	278,412	991,922	4,065	-	12,102,578	9,115,818
Net operating income	5,413,716	6,831,519	8,003,603	13,210,671	7,973,240	9,448,559	374,415	651,775	8,881,791	6,081,377	731,060	669,528	8,464,796	7,964,269	2,362,561	3,155,487	(1,207,973)	313,465	40,997,208	48,326,650
Profit from Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,695,884	14,453,745
Share of profit of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	278,380	144,545
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,173,792)	(5,904,187)
Non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(194,991)	(288,492)
Net Profit for the period attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,605,481	8,405,611
Segment assets	321,657,486	320,002,451	198,308,041	169,016,446	246,184,796	237,258,599	26,825,400	25,925,005	429,401,192	302,890,415	10,341,353	10,247,823	30,741,460	25,690,036	40,595,430	35,014,618	17,880,983	34,900,773	1,321,936,140	1,160,946,186
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,438,379	2,167,982
Total Assets	321,657,486	320,002,451	198,308,041	169,016,446	246,184,796	237,258,599	26,825,400	25,925,005	429,401,192	302,890,415	10,341,353	10,247,823	30,741,460	25,690,036	40,595,430	35,014,618	20,319,362	37,068,755	1,324,374,519	1,163,114,168
Segment liabilities	140,255,134	103,886,787	591,043,322	518,415,006	179,214,013	160,066,238	7,336,593	6,824,383	134,950,404	77,103,299	10,341,353	10,247,823	30,741,460	25,690,036	40,595,430	35,014,618	189,896,810	223,865,958	1,324,374,519	1,163,114,168
Total liabilities	140,255,134	103,886,787	591,043,322	518,415,006	179,214,013	160,066,238	7,336,593	6,824,383	134,950,404	77,103,299	10,341,353	10,247,823	30,741,460	25,690,036	40,595,430	35,014,618	189,896,810	223,865,958	1,324,374,519	1,163,114,168

* 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 Covid 19 outbreak in March 2020 followed by the second wave continues to pose challenges due to uncertainties and limitations faced by businesses both locally and globally which in turn has implications on the operations of the Bank/Group. Required adjustments have been made for the potential implications in these financial statements based on the available information and application of judgment as at Reporting date. The Board will continue to monitor the implications and make adjustments, if required.
- **ECL Assessment and computation**

The Bank has reassessed the Probabilities of Default (PD) as at September 2020 and made required adjustments. In respect of the loans subject to moratorium, stage assessment was made based on conditions which prevailed prior to granting of the moratorium unless specific information were available indicating subsequent increase in credit risk. The actual losses may differ from the assessment due to the uncertainty.
- **Reclassification of investment in Sovereign Bonds previously measured at Fair Value Through Other Comprehensive Income as measured at Amortized cost category**

The Bank re-classified its Sovereign Bond Portfolio consequent to the changes to the business model of managing the assets with effect from April 01, 2020 as per the Guidance Notes issued by CA Sri Lanka on Accounting Consideration of the Covid 19 Outbreak (updated on May 11, 2020). Accordingly, Sovereign Bond investments amounting to Rs 47 Bn which were previously classified as Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI) were re-classified as Amortized Cost. There was no change to the effective interest rate used and interest revenue recognized for the reclassified assets for the nine months ended 30th September 2020.
- **Basis adopted in the impairment assessment of foreign currency denominated government securities**

Bank's policy is to account for impairment of FCY denominated government securities based on the Fitch rating. However, Bank has incorporated Rs 427 Mn based on specific percentage of impairment out of the impact due to sovereign downgrade by Moody's Investors Service in September, in the financial statements for the nine months ended 30th September 2020, in a proactive manner applying the concept of Expected Credit Loss. A detailed assessment of the same will be carried out as at year end and adjustments, if any will be made.
4. **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 30th September 2020. The Bank has a cumulative net deferred tax asset of Rs 4,386.4 Mn recognized through the Statement of Profit or Loss and net deferred tax liability of Rs 4,993.2 Mn recognized through OCI.

Had the Bank applied the reduced income tax rate of 24% to calculate deferred tax assets/liabilities as at 30th September 2020, an additional deferred tax expense of Rs 626.6 Mn and reversal of Rs 713.3 Mn would have got charged to the Statement of Profit or Loss and reversed from OCI respectively for the nine months ended 30th September 2020.
5. 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.
6. An exposure of Rs 11.5 Bn to a State Owned Enterprise (SOE) which was classified as NPA as at the reporting date, was regularized during the month of October 2020. Accordingly, if the said recovery was adjusted to the NPA ratio as at 30th September 2020, reported NPA ratio will decrease from 6.51% to 5.06%.
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 were fully utilized for the objectives mentioned in the prospectuses.
10. Dr. Rohan Karunaratne, Director retired from his post w.e.f. 6th October 2020. Accordingly, he ceased to be a Key Management Personnel of the Bank from that date.
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 the above.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 30.09.2020	As at 31.12.2019	As at 30.09.2020	As at 31.12.2019
	BANK		GROUP	
BASEL III				
Regulatory Capital				
Common Equity Tier 1. Rs. Mn	117,410	115,072	130,655	126,476
Tier 1 Capital. Rs. Mn	117,410	115,072	130,655	126,476
Total Capital. Rs. Mn	146,517	144,326	160,149	155,544
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2020 - 7.00%; 2019 - 8.00%)	14.69%	14.57%	14.90%	14.74%
Tier 1 Capital Ratio (Minimum Requirement - 2020 - 8.50%; 2019 - 9.50%)	14.69%	14.57%	14.90%	14.74%
Total Capital Ratio (Minimum Requirement 2020 - 12.50%; 2019 - 13.50%)	18.33%	18.28%	18.27%	18.12%
Leverage Ratio (Minimum Requirement- 3.00%)	7.84%	8.14%	8.30%	8.51%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	6.51%	5.91%		
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	3.03%	3.27%		
Profitability (Annualised)				
Interest Margin, %	3.85%	4.50%		
Return on Assets (before Tax), %	1.17%	1.69%		
Return on Equity, %	7.91%	11.57%		
Regulatory Liquidity				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	418,048	242,986		
Off-Shore Banking Unit	33,695	42,308		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	41.09%	27.09%		
Off-Shore Banking Unit	38.77%	53.01%		
Total Stock of High-Quality Liquid Assets, Rs. Mn				
	314,797	140,423		
Liquidity Coverage Ratio (%) - Rupee				
(Minimum Requirement - 2020 -90%, 2019 - 100%)	351.25%	465.37%		
Liquidity Coverage Ratio (%) - All Currency				
(Minimum Requirement - 2020 - 90%, 2019 - 100%)	297.32%	251.07%		
Net Stable Funding Ratio(Minimum Requirement - 2020 - 90%, 2019 - 100%)				
	116.86%	107.87%		

LISTED DEBENTURE INFORMATION

Quarter ended 30th September	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2020		2019		2020	2019	Quarter ended 30th September	2020	2019
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.	HNB DEBENTURES 2006		
HNB DEBENTURES 2006									
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007									
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011									
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013									
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (14.25% p.a.)	N/T	N/T
HNB DEBENTURES 2014									
5 year Fixed Rate (7.75% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	5 year Fixed Rate (7.75% p.a.)	N/A	N/T
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
HNB DEBENTURES 2016									
5 year Fixed Rate (11.25% p.a.)	100.70	100.00	94.50	94.50	100.00	94.50	5 year Fixed Rate (11.25% p.a.)	10.93	15.46
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	5 year Fixed Rate (11.75% p.a.)	N/T	N/T
7 year Fixed Rate (13.00% p.a.)	102.42	99.47	N/T	N/T	99.47	N/T	7 year Fixed Rate (13.00% p.a.)	13.17	N/T
HNB DEBENTURES 2019									
5 year Fixed Rate (12.30% 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
7 year Fixed Rate (12.80% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	7 year Fixed Rate (12.80% p.a.)	N/T	N/T

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

N/T – Not Traded as at 30th September

N/A – Not Applicable as at 30th September

RATIOS OF DEBT		
	30.09.2020	31.12.2019
Debt Equity Ratio (%)	61.87	69.53
	30.09.2020	30.09.2019
Interest Cover (Times)	3.63	4.19
	30.09.2020	30.09.2019
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	4.70	8.66
2006 series 18 year maturity	6.30	10.17
2007 series 15 year maturity	5.56	9.24
2011 series 10 year maturity	4.97	8.75
2013 series 10 year maturity	6.08	9.93
2014 series 5 year maturity	N/A	7.61
2014 series 10 year maturity	6.48	10.30
2016 series 5 year maturity	4.70	8.66
2016 series 5 year maturity	5.00	8.84
2016 series 7 year maturity	6.17	9.95
2019 series 5 year maturity	6.40	10.26
2019 series 7 year maturity	6.93	10.41

Quarter ended 30th September	Yield to Maturity of Last Trade Done (% p.a)	
	2020	2019
HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007		
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013		
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
HNB DEBENTURES 2014		
5 year Fixed Rate (7.75% p.a.)	N/A	N/T
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
HNB DEBENTURES 2016		
5 year Fixed Rate (11.25% p.a.)	11.25	11.25
5 year Fixed Rate (11.75% p.a.)	N/T	N/T
7 year Fixed Rate (13.00% p.a.)	13.00	N/T
HNB DEBENTURES 2019		
5 year Fixed Rate (12.30% p.a.)	N/T	N/T
7 year Fixed Rate (12.80% p.a.)	N/T	N/T

N/T – Not Traded as at 30th September

N/A – Not Applicable as at 30th September

SHARE INFORMATION

As at	30-Sep-20	31-Dec-19
Number of Shares		
Voting	410,319,604	401,343,863
Non-voting	101,656,112	99,062,844
Last Traded Price per share		
Voting	127.00	172.20
Non-voting	99.60	135.50

For the Quarter Ended	30-Sep-20	30-Sep-19
Highest price per share		
Voting	132.50	199.00
Non-voting	103.90	160.00
Lowest price per share		
Voting	100.00	133.00
Non-voting	76.20	118.30

PUBLIC SHAREHOLDING PERCENTAGE

	30-Sep-20	
	Number	%
Number of shareholders representing the public holding (Voting)	8,082	69% approx.
Number of shareholders representing the public holding (Non Voting)	12,005	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs. 36 Bn	

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	30-Sep-20	31-Dec-19
1. Mr.D.S.Weerakkody	2,143	2,089
2. Mr.A.J.Alles *	128,355	125,452
3. Dr.L.R.Karunaratne	1,093	1,070
4. Mr.R.S.Captain	7,544	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	104	102
9. Mr.L.U.D.Fernando	637	624
10. Mr.W.M.M.D.Ratnayake	-	-
11. Mr.H.A.Pieris***	N/A	-
12. Dr.L.J.S.H.Cabral	-	-
13. Mr.N.P.D.Cooray****	8,330	N/A
14. Mr.D.P.N.Rodrigo*****	153,700	N/A
Mr.P.R.Saldin*****	3,078	-
Dr.T.K.D.A.P.Samarasinghe*****	-	-

- * Chief Executive Officer
- ** Retired w.e.f.27.02.2020
- *** Resigned w.e.f.02.07.2020
- **** Appointed w.e.f.03.07.2020
- ***** Appointed w.e.f.01.07.2020 / Chief Operating Officer
- ***** Alternate Director to Mr.R.S.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 30TH SEPTEMBER 2020

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	39,993,959	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	34,692,363	8.45
3.	Milford Exports (Ceylon) (Pvt) Limited	32,446,141	*7.91
4.	Stassen Exports (Pvt) Limited	28,123,237	*6.85
5.	Mr.S.E. Captain	26,713,485	6.51
6.	Sonetto Holdings Limited.	20,166,790	4.91
7.	Citibank Newyork S/A Norges Bank Account 2	19,374,800	4.72
8.	Sri Lanka Insurance Corporation Ltd-General Fund	17,369,863	4.23
9.	Distilleries Company of Sri Lanka PLC	12,582,692	*3.07
10.	National Savings Bank	11,773,268	2.87
11.	Indra Traders (Pvt) Ltd	9,189,899	2.24
12.	SSBT-AI Mehwar Commercial Investments L.L.C.	8,651,958	2.11
13.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,701,334	1.88
14.	Ms. L.A. Captain	7,668,457	1.87
15.	RBC Investor Services Trust-RBC Emerging Markets Small-CAP Equity Fund	7,261,129	1.77
16.	BNYM SANV Re-LF Ruffer Total Return Fund	6,000,000	1.46
17.	BNYM SA NV Re-First State Investments ICVC-First State Asia All-Cap Fund	3,817,988	0.93
18.	Employees Trust Fund Board	3,704,639	0.90
19.	BNYM SANV Re-LF Ruffer Investment Funds : LF Ruffer Pacific and emerging markets fund	3,302,008	0.80
20.	BNYM SANV Re-Neon Liberty Lorikeet Master Fund LP	3,084,293	0.75

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

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 30TH SEPTEMBER 2020

	Name	No. of shares	% on total non-voting capital
1.	UBS Switzerland AG	9,011,481	8.86
2.	BNYM SANV Re-Frontaura Global Frontier Fund LLC	5,623,544	5.53
3.	Citibank Newyork S/A Norges Bank Account 2	4,980,831	4.90
4.	Akbar Brothers Pvt Ltd A/c No 1	4,070,215	4.00
5.	BNYM SANV Re-Neon Liberty Lorikeet master fund lp	3,767,091	3.71
6.	BNYM SANV Re-LF Ruffer total return fund	3,000,000	2.95
7.	CB Europe plc lux s/a Dunross and co ab	2,101,637	2.07
8.	BNYM SANV Re-LF Ruffer absolute return fund	2,000,000	1.97
9.	Employees Trust Fund Board	1,833,400	1.80
10.	Mr. S.E. Captain	1,574,132	1.55
11.	Rubber Investment trust limited a/c # 01	1,492,052	1.47
12.	National Savings bank	1,358,907	1.34
13.	BNYM SANV Re-LF ruffer Investment funds : LF Ruffer Pacific and Emerging Markets Fund	1,286,976	1.27
14.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,081,374	1.06
15.	JN Lanka Holdings Company (Pvt) Ltd	800,264	0.79
16.	Hatton National Bank PLC A/c No 2	731,535	0.72
17.	Saboor Chatoor (pvt) ltd	696,100	0.68
18.	Mr. E Chatoor	659,000	0.65
19.	The Ceylon Investment PLC A/c # 02	601,427	0.59
20.	Deutsche Bank AG as trustee to Assetline income plus Growth Fund	600,000	0.59

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

As at	BANK		GROUP	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	Rs.000	Rs.000	Rs.000	Rs.000
1) Gross loans and advances to customers	783,888,816	771,939,001	814,664,941	802,707,092
Less : Accumulated impairment under stage 1	3,666,439	3,343,678	4,697,457	4,063,982
Accumulated impairment under stage 2	6,913,642	4,827,329	7,296,675	5,210,362
Accumulated impairment under stage 3	30,260,765	21,998,921	32,282,760	24,040,578
Net loans and advances	743,047,970	741,769,073	770,388,049	769,392,170
Product-wise Gross loans and advances to customers				
By product-Domestic Currency				
Overdrafts	97,310,152	112,713,896	97,174,274	112,583,348
Bills of exchange	392,703	749,689	392,703	749,689
Commercial papers	154,225	154,658	154,225	154,658
Short term loans	87,484,658	93,003,988	87,859,956	93,329,295
Credit Cards	9,042,378	9,365,055	9,042,378	9,365,055
Trust receipts	19,690,609	32,322,448	19,690,609	32,322,448
Packing credit loans	2,124,205	1,747,211	2,124,204	1,747,211
Staff loans	16,915,591	14,713,352	17,773,995	15,679,793
Term loans	332,939,082	307,978,718	352,010,047	326,683,590
Lease rentals receivable	60,429,875	52,420,198	71,037,212	62,451,328
Housing loans	38,221,159	35,825,186	38,221,159	35,825,186
Pawning advances	22,112,993	20,389,354	22,112,993	21,260,331
Securitised notes	2,305,711	2,381,690	2,305,711	2,381,690
Sub total	689,123,341	683,765,443	719,899,466	714,533,622
By product-Foreign Currency				
Overdrafts	1,815,971	1,502,467	1,815,971	1,502,379
Bills of exchange	1,496,413	1,767,664	1,496,413	1,767,664
Short term loans	2,105,173	1,885,191	2,105,173	1,885,191
Trust receipts	3,318,393	3,161,038	3,318,393	3,161,038
Packing credit loans	14,272,609	14,343,465	14,272,609	14,343,465
Term loans	68,932,362	62,706,644	68,932,362	62,706,644
Lease rentals receivable	209,131	214,732	209,131	214,732
Housing loans	2,615,423	2,592,357	2,615,423	2,592,357
Sub total	94,765,475	88,173,558	94,765,475	88,173,470
Total	783,888,816	771,939,001	814,664,941	802,707,092
Movements in stage-wise impairment of loans & advances during the period				
	BANK			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Opening balance as at 1st January 2019	3,336,650	3,714,854	15,592,301	22,643,805
Net impairment charge for the year	188,726	352,895	5,868,568	6,410,189
Write-offs during the year	-	-	-	-
Other movements	-	-	(16,667)	(16,667)
Closing balance as at 30th September 2019	3,525,376	4,067,749	21,444,202	29,037,327
Opening balance as at 1st January 2020	3,343,678	4,827,329	21,998,921	30,169,928
Net impairment charge for the year	322,761	2,086,313	8,186,843	10,595,917
Write-offs during the year	-	-	-	-
Other movements	-	-	75,000	75,000
Closing balance as at 30th September 2020	3,666,439	6,913,642	30,260,765	40,840,846
	GROUP			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Opening balance as at 1st January 2019	4,013,172	3,940,900	16,498,028	24,452,100
Net impairment charge for the year	155,815	423,877	6,813,577	7,393,269
Write-offs during the year	-	-	(158,763)	(158,763)
Other movements	-	-	(16,667)	(16,667)
Closing balance as at 30th September 2019	4,168,987	4,364,777	23,136,175	31,669,939
Opening balance as at 1st January 2020	4,063,982	5,210,362	24,040,578	33,314,922
Net impairment charge for the year	633,475	2,086,313	8,167,182	10,886,970
Write-offs during the year	-	-	-	-
Other movements	-	-	75,000	75,000
Closing balance as at 30th September 2020	4,697,457	7,296,675	32,282,760	44,276,892

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

As at	BANK		GROUP	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	Rs.000	Rs.000	Rs.000	Rs.000
2) Gross commitments and contingencies	653,898,917	673,230,813	653,898,917	673,230,813
Less : Accumulated impairment under stage 1	836,172	810,503	836,172	810,503
Accumulated impairment under stage 2	301,487	201,327	301,487	201,327
Accumulated impairment under stage 3	996,342	1,123,884	996,342	1,123,884
	651,764,916	671,095,099	651,764,916	671,095,099
Product-wise commitments and contingencies				
By Product - Domestic Currency				
Documentary credit	1,733,902	1,313,902	1,733,902	1,313,902
Guarantees	51,055,688	56,898,799	51,055,688	56,898,799
Acceptances	159,287	22,445	159,287	22,445
Bills for collection	801,528	228,467	801,528	228,467
Forward exchange contracts				
Forward exchange sales	-	-	-	-
Forward exchange purchases	51,556,611	45,514,841	51,556,611	45,514,841
Cheques sent on clearing	4,758,817	5,236,930	4,758,817	5,236,930
Undrawn credit lines	320,119,368	302,373,055	320,119,368	302,373,055
Sub total	430,185,201	411,588,439	430,185,201	411,588,439
By Product - Foreign Currency				
Documentary credit	30,554,978	23,692,559	30,554,978	23,692,559
Guarantees	50,959,402	64,055,869	50,959,402	64,055,869
Acceptances	24,730,692	16,583,808	24,730,692	16,583,808
Bills for collection	15,403,389	13,248,527	15,403,389	13,248,527
Forward exchange contracts				
Forward exchange sales	25,130,526	43,950,802	25,130,526	43,950,802
Forward exchange purchases	23,714,152	23,363,808	23,714,152	23,363,808
Cheques sent on clearing	-	-	-	-
Undrawn credit lines	53,220,577	76,747,002	53,220,577	76,747,002
Sub total	223,713,716	261,642,375	223,713,716	261,642,375
Total	653,898,917	673,230,813	653,898,917	673,230,813
Movements in stage-wise impairment of commitments and contingencies during the period				
	BANK / GROUP			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Opening balance as at 1st January 2019	771,580	230,064	274,280	1,275,924
Net impairment charge for the year	261,078	(62,816)	974,208	1,172,471
Write-offs during the year	-	-	-	-
Other movements	-	-	-	-
Closing balance as at 30th September 2019	1,032,658	167,248	1,248,488	2,448,395
Opening balance as at 1st January 2020	810,503	201,327	1,123,884	2,135,714
Net impairment charge for the year	25,669	100,160	(127,542)	(1,713)
Write-offs during the year	-	-	-	-
Other movements	-	-	-	-
Closing balance as at 30th September 2020	836,172	301,487	996,342	2,134,001

ANALYSIS OF DEPOSITS

As at	BANK		GROUP	
	30.09.2020 Rs.000	31.12.2019 Rs.000	30.09.2020 Rs.000	31.12.2019 Rs.000
3) Due to Customers - By product				
By product-Domestic Currency				
Current account deposits	55,710,627	42,405,362	55,424,288	42,090,185
Savings deposits	253,287,457	194,914,147	250,979,135	197,711,495
Time deposits	442,623,839	426,439,801	470,465,333	449,220,299
Certificates of deposit	336,649	385,196	336,649	385,196
Margin deposits	1,459,195	1,334,003	1,459,195	1,334,003
Sub total	753,417,767	665,478,509	778,664,600	690,741,178
By product- Foreign Currency				
Current account deposits	4,313,222	7,387,838	4,313,222	7,387,838
Savings deposits	42,096,829	40,084,161	42,068,215	40,032,679
Time deposits	122,360,508	97,003,304	122,083,450	96,817,149
Margin deposits	259,699	81,302	259,699	81,302
Sub total	169,030,258	144,556,605	168,724,586	144,318,968
Total	922,448,025	810,035,114	947,389,186	835,060,146