



Hatton National Bank PLC

**Interim Financial Statements
for the Nine Months ended 30th September 2016**

FINANCIAL COMMENTARY FOR THE 9 MONTHS ENDED 30TH SEPTEMBER 2016

Highlights

- HNB Group 9 months Post tax profits Rs 11 Bn
- NPA improves to 2.18%
- Cost to Income ratio down by 500 bps
- Rs 8 Bn paid as tax by the Group

Overview

HNB continued its trailblazing performance in 2016 with the Group's nine month PAT growing by 54.2% to exceed Rs 11 Bn. Group performance mirrored that of the Bank which reported an increase of 52.6% Year-on-Year (YoY) in profit before VAT and taxes to Rs 17.3 Bn and an increase in PAT by 48% YoY to Rs 10.1 Bn.

Core banking operations contributed strongly to HNB's results with net interest income growing by 28.8% YoY to Rs 24.9 Bn. Growth in the Bank's interest income was driven by robust growth of 21% YoY in assets. Despite 2016 witnessing a substantial shift towards higher yielding deposits, the Bank was able to maintain a LKR CASA ratio of 38.4%. The total deposit base grew by 16.8% YoY to Rs 580.5 Bn.

Net Fee and Commission income grew by 22.7% YoY to exceed Rs 5 Bn with credit cards and trade finance being the main contributors. Mark to market of the swaps taken by the bank to hedge its foreign currency borrowings showed a net trading loss of Rs 1.25 Bn which was offset by an increase in operating income as a result of conversion gains from balance sheet foreign currency positions.

Superior credit underwriting skills and aggressive recovery efforts enabled HNB to continuously drive down its NPA ratio which, as at last September, had recorded further improvements to reach 2.18% representing a decline of 25 bps during the year and 80 bps over the last 12 months.

Relentless efforts in process efficiency and cost optimization have resulted in continuous improvement in cost to income ratio. While operating expenses grew marginally by 10.1% YoY, the cost to income ratio dropped from 48.5% in September 2015 to 43.6% as at the end of 9 months this year, representing an improvement of nearly 500 bps.

The increase in profits to Rs 10.1 Bn resulted in the Bank yet again delivering a high ROE of 19.64%, significantly higher than the 14.62% achieved in the corresponding period of the previous year.

The losses incurred under Other Comprehensive Income increased marginally by Rs 11Mn to Rs 1.65Bn during the first nine months of 2016 compared to 2015. This loss was mainly on account of the drop in fair value of the Bank's investments in equity classified under the available for sale portfolio driven by bearish market conditions.

All group companies performed strongly during the period resulting in a Group PBT and PAT of Rs 16.1 Bn and Rs 11.2 Bn respectively, thereby enabling a ROA of 1.86% and ROE of 17.94%. Group Assets grew by 13% during the first nine months of the year and by 21.6% YoY.

STATEMENT OF PROFIT OR LOSS

	BANK						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		
	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)
Income	59,733,295	44,226,174	35	22,056,872	15,322,129	44	68,397,396	50,818,714	35	25,304,688	17,893,854	41
Interest income	53,568,968	38,138,715	40	20,027,520	13,197,754	52	57,893,756	41,264,320	40	21,627,083	14,379,382	50
Less: Interest expenses	28,628,597	18,769,731	53	10,946,583	6,671,944	64	29,543,742	19,441,541	52	11,276,774	6,929,326	63
Net interest income	24,940,371	19,368,984	29	9,080,937	6,525,810	39	28,350,014	21,822,779	30	10,350,309	7,450,056	39
Fee and commission income	5,162,861	4,220,602	22	1,756,126	1,501,510	17	5,644,192	4,603,524	23	1,915,936	1,641,123	17
Less: Fee and commission expenses	68,700	69,223	(1)	21,492	18,612	15	111,602	102,072	9	39,321	29,320	34
Net fee and commission income	5,094,161	4,151,379	23	1,734,634	1,482,898	17	5,532,590	4,501,452	23	1,876,615	1,611,803	16
Net interest, fee and commission income	30,034,532	23,520,363	28	10,815,571	8,008,708	35	33,882,604	26,324,231	29	12,226,924	9,061,859	35
Net gain/(loss) from trading	(1,250,822)	791,011	(258)	(727,494)	1,322,292	(155)	(1,272,523)	805,453	(258)	(707,856)	1,322,836	(154)
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) from financial investments	107,113	217,027	(51)	342	16,791	(98)	111,245	250,541	(56)	(7,368)	25,666	(129)
Net insurance premium income	-	-	-	-	-	-	4,037,660	3,386,620	19	1,452,137	1,190,402	22
Other operating income (net)	2,145,175	858,819	150	1,000,378	(716,218)	240	1,983,066	508,256	290	1,024,756	(665,555)	254
Total operating income	31,035,998	25,387,220	22	11,088,797	8,631,573	28	38,742,052	31,275,101	24	13,988,593	10,935,208	28
Impairment for loans and other losses												
Individual impairment	(19,260)	400,612	(105)	11,973	35,697	(66)	91,723	461,137	(80)	61,281	74,442	(18)
Collective impairment	149,491	1,282,187	(88)	(12,932)	241,196	(105)	149,491	1,282,187	(88)	(12,932)	229,378	(106)
Others	16,607	33,997	51	10,639	20,048	47	16,607	33,997	(51)	10,639	20,043	(47)
Net operating income	30,889,160	23,670,424	30	11,079,117	8,334,634	33	38,484,231	29,497,780	30	13,929,605	10,611,345	31
Operating expenses												
Personnel expenses	6,769,379	6,265,871	8	2,276,765	2,205,855	3	7,947,346	7,194,477	10	2,685,017	2,521,059	7
Depreciation and amortisation	762,993	732,473	4	262,584	240,235	9	1,029,026	938,924	10	371,054	309,929	20
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	3,685,129	3,258,912	13	1,312,233	1,275,264	3
Other expenses	6,010,909	5,302,997	13	1,983,996	1,797,659	10	6,734,023	5,822,226	16	2,228,863	1,979,924	13
Total operating expenses	13,543,281	12,301,341	10	4,523,345	4,243,749	7	19,395,524	17,214,539	13	6,597,167	6,086,176	8
Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services	17,345,879	11,369,083	53	6,555,772	4,090,883	60	19,088,707	12,283,241	55	7,332,438	4,525,169	62
Value added tax (VAT) and nation building tax (NBT) on financial services	2,854,771	1,865,515	53	1,176,298	664,885	77	3,105,589	2,052,483	51	1,273,389	742,405	72
Operating profit after value added tax (VAT) and nation building tax (NBT) on financial services	14,491,108	9,503,568	52	5,379,474	3,425,998	57	15,983,118	10,230,758	56	6,059,049	3,782,764	60
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	140,020	58,732	138	55,257	22,249	148
Profit before income tax	14,491,108	9,503,568	52	5,379,474	3,425,998	57	16,123,138	10,289,490	57	6,114,306	3,805,013	61
Income tax expense	4,393,798	2,674,087	64	1,690,953	908,439	86	4,891,579	3,004,761	63	1,887,391	1,076,466	75
Profit for the period	10,097,310	6,829,481	48	3,688,521	2,517,559	47	11,231,559	7,284,729	54	4,226,915	2,728,547	55
Profit attributable to:												
Equity holders of the Bank	10,097,310	6,829,481	48	3,688,521	2,517,559	47	10,677,609	6,982,036	53	4,012,608	2,680,708	50
Non-controlling interests	-	-	-	-	-	-	553,950	302,693	83	214,307	47,839	348
Profit for the period	10,097,310	6,829,481	48	3,688,521	2,517,559	47	11,231,559	7,284,729	54	4,226,915	2,728,547	55
Earnings per share on profit												
Basic earnings per ordinary share (Rs)	24.46	16.63	47	8.93	6.11	46	25.87	17.00	52	9.71	6.51	49
Diluted earnings per ordinary share (Rs)	24.40	16.55	47	8.91	6.09	46	25.80	16.92	52	9.69	6.49	49

STATEMENT OF COMPREHENSIVE INCOME

	BANK						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		
	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)	2016 Rs 000	2015 Rs 000	% Increase/ (Decrease)
Profit for the period	10,097,310	6,829,481	48	3,688,521	2,517,559	47	11,231,559	7,284,729	54	4,226,915	2,728,547	55
Other comprehensive income, net of tax												
Other comprehensive income to be reclassified to profit or loss in subsequent periods												
Available-for-sale financial assets:												
Net change in fair value during the period	(1,732,866)	(1,791,941)	3	1,436,050	(1,741,304)	182	(1,730,595)	(1,892,502)	9	1,595,741	(1,794,926)	189
Transfer to life policy holder reserve fund	-	-	-	-	-	-	1,665	91,591	(98)	(146,609)	49,594	(396)
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax effect on above	79,557	150,062	(47)	(363,184)	296,931	(222)	79,557	150,062	(47)	(363,184)	296,931	(222)
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	(26,867)	(15,395)	(75)	12,095	(1,401)	963
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(1,653,309)	(1,641,879)	(1)	1,072,866	(1,444,373)	174	(1,676,240)	(1,666,244)	(1)	1,098,043	(1,449,802)	176
Other comprehensive income not to be reclassified to profit or loss in subsequent periods												
Actuarial gains and losses on defined benefit plans	-	-	-	-	-	-	12,922	(12,781)	201	-	-	-
Deferred tax effect on above	-	-	-	-	-	-	(3,618)	3,578	201	-	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-	-	9,304	(9,203)	201	-	-	-
Other comprehensive income for the period, net of tax	(1,653,309)	(1,641,879)	(1)	1,072,866	(1,444,373)	174	(1,666,936)	(1,675,447)	(1)	1,098,043	(1,449,802)	176
Total comprehensive income for the period	8,444,001	5,187,602	63	4,761,387	1,073,186	344	9,564,623	5,609,282	71	5,324,958	1,278,745	316
Total comprehensive income attributable to:												
Equity holders of the Bank	8,444,001	5,187,602	63	4,761,387	1,073,186	344	9,003,718	5,315,500	69	5,105,419	1,232,520	314
Non-controlling interests	-	-	-	-	-	-	560,905	293,782	91	219,539	46,225	375
Total comprehensive income for the period	8,444,001	5,187,602	63	4,761,387	1,073,186	344	9,564,623	5,609,282	71	5,324,958	1,278,745	316

STATEMENT OF FINANCIAL POSITION						
	As at 30.09.2016	BANK As at 31.12.2015 (Audited)	% Increase / (Decrease)	As at 30.09.2016	GROUP As at 31.12.2015 (Audited)	% Increase / (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
ASSETS						
Cash and cash equivalents	16,400,812	14,909,598	10	16,812,216	15,419,654	9
Balances with Central Bank of Sri Lanka	32,681,683	20,096,090	63	32,681,683	20,096,090	63
Placements with banks	-	26,827	-	1,303,101	1,174,326	11
Reverse repurchase agreements	1,065,476	4,869,219	(78)	2,728,670	7,782,374	(65)
Derivative financial instruments	61,593	1,302,872	(95)	61,593	1,302,872	(95)
Financial investments - Fair value through profit or loss	582,106	593,390	(2)	765,423	1,948,772	(61)
Non - current assets held for sale	-	20,151	-	-	20,151	-
Loans and receivables to customers	544,007,564	498,341,628	9	556,197,760	507,244,329	10
Financial investments - Available-for-sale	101,034,090	78,046,505	29	106,803,051	79,718,231	34
Financial investments - Held-to-maturity	-	-	-	1,016,554	1,257,433	(19)
Financial investments - Loans and receivables	98,648,739	84,206,702	17	101,203,976	87,087,205	16
Investments in joint venture	755,000	655,000	15	1,466,202	1,253,370	17
Investments in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	398,600	386,643	3	1,109,453	1,041,797	6
Property, plant and equipment	11,627,925	11,473,569	1	24,001,400	23,908,688	-
Goodwill and other intangible assets	811,331	659,309	23	1,210,597	1,001,230	21
Deferred tax assets	-	-	-	-	-	-
Other assets	7,464,688	6,602,922	13	8,875,098	7,328,053	21
Total assets	818,556,892	725,207,710	13	856,236,777	757,584,575	13
LIABILITIES						
Due to banks	68,476,997	58,232,034	18	68,518,747	58,283,838	18
Derivative financial instruments	567,136	304,485	86	567,136	304,485	86
Securities sold under repurchase agreements	29,027,083	16,630,201	75	29,027,083	16,630,201	75
Due to customers	580,487,179	527,126,181	10	591,708,183	536,132,789	10
Dividends payable	826,978	764,771	8	826,978	764,771	8
Other borrowings	27,168,417	26,833,109	1	27,168,417	26,833,109	1
Debt securities issued	4,543,809	4,490,742	1	4,989,443	4,913,751	2
Current tax liabilities	5,471,044	4,542,977	20	5,645,375	4,762,707	19
Insurance provision - life	-	-	-	8,639,004	7,007,081	23
Insurance provision - general	-	-	-	1,906,023	1,546,266	23
Deferred tax liabilities	486,830	378,820	29	793,354	579,102	37
Other provisions	3,033,319	2,538,111	20	3,334,157	2,746,294	21
Other liabilities	6,893,866	6,250,856	10	8,110,504	7,250,893	12
Subordinated term debts	19,527,170	12,064,370	62	19,293,443	12,085,598	60
Total liabilities	746,509,828	660,156,657	13	770,527,847	679,840,885	13

STATEMENT OF FINANCIAL POSITION						
	As at 30.09.2016 Rs 000	BANK As at 31.12.2015 (Audited) Rs 000	% Increase / (Decrease)	As at 30.09.2016 Rs 000	GROUP As at 31.12.2015 (Audited) Rs 000	% Increase / (Decrease)
EQUITY						
Stated capital	15,256,674	13,826,873	10	15,256,674	13,826,873	10
Statutory reserves	3,760,000	3,760,000	-	3,760,000	3,760,000	-
Retained earnings	12,525,758	5,270,848	138	15,788,659	7,949,848	99
Other reserves	40,504,632	42,193,332	(4)	48,312,811	50,027,681	(3)
Total equity attributable to equity holders of the Bank	72,047,064	65,051,053	11	83,118,144	75,564,402	10
Non- controlling interests	-	-	-	2,590,786	2,179,288	19
Total equity	72,047,064	65,051,053	11	85,708,930	77,743,690	10
Total liabilities and equity	818,556,892	725,207,710	13	856,236,777	757,584,575	13
Contingent liabilities and commitments	399,897,392	343,386,012	16	399,897,392	343,386,012	16
Net asset value per share (Rs.)	174.30	160.29	9	201.09	186.20	8
Memorandum information						
Number of employees	4,210	4,285				
Number of branches	252	249				

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 2016 and its profit for the nine months ended 30th September 2016.

(Sgd.)

Anusha Gallage

AGM - Finance

10th November 2016

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

- the above statements have been prepared in compliance with the formats and definitions prescribed by the Central Bank of Sri Lanka and Rule 7.4 of Colombo Stock Exchange.
- the information contained in these statements have been extracted from the unaudited financial statements of the Bank, its Joint Venture and Subsidiary Companies unless indicated as audited.

(Sgd.)

Jonathan Alles

Managing Director / Chief Executive Officer

10th November 2016

(Sgd.)

Rienzie Arseculeratne

Chairman

10th November 2016

STATEMENT OF CHANGES IN EQUITY - BANK

For the 09 months ended 30th September 2016	Stated Capital		Statutory Reserves	Other Reserves					Total
	Voting	Non-Voting	Reserve	Available for	Capital	General	ESOP	Retained	
			Fund	Sale Reserve	Reserve	Reserve	Reserve	Earnings	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	4,455,566	6,435,410	31,100,000	202,356	5,270,848	65,051,053
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	10,097,310	10,097,310
Other Comprehensive Income for the period (net of tax)	-	-	-	(1,653,309)	-	-	-	-	(1,653,309)
Total comprehensive income for the period	-	-	-	(1,653,309)	-	-	-	10,097,310	8,444,001
Transactions with equity holders, recognised directly in equity									
Issue of shares under ESOP	100,968	14,361	-	-	-	-	-	-	115,329
Final dividend 2015 - Scrip	1,022,474	256,607	-	-	-	-	-	(1,421,200)	(142,119)
Final dividend 2015 - Cash	-	-	-	-	-	-	-	(1,421,200)	(1,421,200)
Total transactions with equity holders	1,123,442	270,968	-	-	-	-	-	(2,842,400)	(1,447,990)
Transfers during the period									
Fair value of the employee share options exercised	30,920	4,471	-	-	-	-	(35,391)	-	-
Balance as at 30th September 2016	12,265,051	2,991,623	3,760,000	2,802,257	6,435,410	31,100,000	166,965	12,525,758	72,047,064
For the 09 months ended 30th September 2015									
Balance as at 1st January 2015	10,640,391	2,649,601	3,160,000	6,755,355	4,466,918	25,100,000	318,339	7,808,059	60,898,663
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	6,829,481	6,829,481
Other Comprehensive Income for the period (net of tax)	-	-	-	(1,641,879)	-	-	-	-	(1,641,879)
Total comprehensive income for the period	-	-	-	(1,641,879)	-	-	-	6,829,481	5,187,602
Transactions with equity holders, recognised directly in equity									
Issue of shares under ESOP	335,050	44,698	-	-	-	-	-	-	379,748
Final dividend 2014 - Cash	-	-	-	-	-	-	-	(2,827,776)	(2,827,776)
Total transactions with equity holders	335,050	44,698	-	-	-	-	-	(2,827,776)	(2,448,028)
Transfers during the period									
Fair value of the employee share options exercised	90,325	12,175	-	-	-	-	(102,500)	-	-
Transfer of revaluation reserve for disposal of PPE	-	-	-	-	(22,544)	-	-	22,544	-
Balance as at 30th September 2015	11,065,766	2,706,474	3,160,000	5,113,476	4,444,374	25,100,000	215,839	11,832,308	63,638,237

STATEMENT OF CHANGES IN EQUITY - GROUP

For the 09 months ended 30th September 2016	Stated Capital		Statutory	Other Reserves				Life policy	Retained Earnings		Non Controlling Interests	Total Equity
	Voting	Non-Voting	Reserve	Available for	Capital	General	ESOP	holder				
	Rs 000	Rs 000	Fund Rs 000	Sale Reserve Rs 000	Reserve Rs 000	Reserve Rs 000	Reserve Rs 000	Reserve fund Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2016	11,110,689	2,716,184	3,760,000	4,518,441	14,263,234	31,100,000	202,356	(56,350)	7,949,848	2,179,288	77,743,690	
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	10,677,609	553,950	11,231,559	
Other Comprehensive Income for the period (net of tax)	-	-	-	(1,677,814)	-	-	-	-	3,923	6,955	(1,666,936)	
Total comprehensive income for the period	-	-	-	(1,677,814)	-	-	-	-	10,681,532	560,905	9,564,623	
Transactions with equity holders, recognised directly in equity												
Issue of shares under ESOP	100,968	14,361	-	-	-	-	-	-	-	-	115,329	
Final dividend 2015 - Scrip	1,022,474	256,607	-	-	-	-	-	-	(1,421,200)	-	(142,119)	
Final Dividend 2015 - Cash	-	-	-	-	-	-	-	-	(1,421,200)	(149,407)	(1,570,607)	
Deemed disposal loss through Joint Venture	-	-	-	-	-	-	-	-	(321)	-	(321)	
Total transactions with equity holders	1,123,442	270,968	-	-	-	-	-	-	(2,842,721)	(149,407)	(1,597,718)	
Transfers during the period												
Fair value of the employee share options exercised	30,920	4,471	-	-	-	-	(35,391)	-	-	-	-	
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	(1,665)	-	-	(1,665)	
Balance as at 30th September 2016	12,265,051	2,991,623	3,760,000	2,840,627	14,263,234	31,100,000	166,965	(58,015)	15,788,659	2,590,786	85,708,930	
For the 09 months ended 30th September 2015												
Balance as at 1st January 2015	10,640,391	2,649,601	3,160,000	6,806,191	8,792,778	25,100,000	318,339	40,748	10,396,517	1,734,132	69,638,697	
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	6,982,036	302,693	7,284,729	
Other Comprehensive Income for the period (net of tax)	-	-	-	(1,662,656)	-	-	-	-	(3,880)	(8,911)	(1,675,447)	
Total comprehensive income for the period	-	-	-	(1,662,656)	-	-	-	-	6,978,156	293,782	5,609,282	
Transactions with equity holders, recognised directly in equity												
Issue of shares under ESOP	335,050	44,698	-	-	-	-	-	-	-	-	379,748	
Final dividend 2014 - Cash	-	-	-	-	-	-	-	-	(2,827,776)	(75,000)	(2,902,776)	
Deemed disposal gain through Joint Venture	-	-	-	-	-	-	-	-	9,830	-	9,830	
Total transactions with equity holders	335,050	44,698	-	-	-	-	-	-	(2,817,946)	(75,000)	(2,513,198)	
Transfers during the period												
Fair value of the employee share options exercised	90,325	12,175	-	-	-	-	(102,500)	-	-	-	-	
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	(91,591)	-	-	(91,591)	
Transfer of revaluation reserve for disposal of PPE	-	-	-	-	(22,544)	-	-	-	22,544	-	-	
Balance as at 30th September 2015	11,065,766	2,706,474	3,160,000	5,143,535	8,770,234	25,100,000	215,839	(50,843)	14,579,271	1,952,914	72,643,190	

STATEMENT OF CASH FLOWS

	BANK		GROUP	
For the period ended 30th September	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Cash flows from operating activities				
Interest and commission receipts	55,833,857	42,578,922	60,561,310	45,640,776
Interest payments	(27,966,168)	(19,686,056)	(28,695,959)	(20,242,808)
Receipts from other operating activities	2,152,194	1,780,993	6,453,197	5,342,761
Cash payments to employees	(6,270,720)	(5,515,563)	(7,367,892)	(6,456,128)
Recovery of loans written off in previous years	22,536	14,739	22,536	14,739
Cash payments to other operating activities	(8,501,641)	(7,144,172)	(11,239,368)	(9,201,383)
Operating profit before changes in operating assets and liabilities	15,270,058	12,028,863	19,733,824	15,097,957
(Increase)/ decrease in operating assets				
Reverse repurchase agreements	3,803,545	11,071,261	5,012,850	9,923,153
Deposits held for regulatory or monetary control purpose	(12,585,593)	(2,539,624)	(12,585,593)	(2,539,624)
Loans and receivables to customers	(45,168,027)	(67,239,397)	(48,508,238)	(69,838,251)
Other short term assets	830,183	(1,583,175)	61,559	(1,762,855)
	(53,119,892)	(60,290,935)	(56,019,422)	(64,217,577)
Increase / (decrease) in operating liabilities				
Securities sold under repurchase agreements	12,193,832	(5,531,854)	12,193,832	(5,735,888)
Deposits from customers	51,908,465	77,154,398	53,995,833	78,988,810
Other liabilities	466,052	1,643,989	588,176	1,787,826
	64,568,349	73,266,533	66,777,841	75,040,748
Net cash generated from operating activities before income tax	26,718,515	25,004,461	30,492,243	25,921,128
Income taxes paid	(2,819,489)	(1,591,516)	(3,256,399)	(1,762,277)
Net cash generated from operating activities	23,899,026	23,412,945	27,235,844	24,158,851
Cash flows from investing activities				
Dividend income	509,788	764,129	135,478	253,620
Net proceeds from sale, maturity and purchase of financial investments	(38,181,650)	(45,918,678)	(40,463,051)	(46,020,696)
Purchase of property, plant and equipment	(776,507)	(359,744)	(920,812)	(498,239)
Purchase of intangible assets	(310,214)	(30,565)	(344,186)	(38,909)
Improvements to investment properties	(15,982)	-	(53,704)	-
Investment in joint venture company	(100,000)	-	(100,000)	-
Proceeds from sale of property, plant and equipment	28,994	50,218	30,297	50,714
Net cash flows used in investing activities	(38,845,571)	(45,494,640)	(41,715,978)	(46,253,510)
Cash flows from financing activities				
Increase in subordinated term debts	7,000,000	-	6,750,000	-
Increase of term borrowings	10,665,509	23,324,557	10,655,455	23,306,116
Dividends paid	(1,358,993)	(2,696,343)	(1,508,400)	(2,771,343)
Proceeds from issue of shares under ESOP	115,329	379,748	115,329	379,748
Debenture issue expenses	(10,913)	-	(10,913)	-
Net cash generated from financing activities	16,410,932	21,007,962	16,001,471	20,914,521
Net increase/(decrease) in cash and cash equivalents	1,464,387	(1,073,733)	1,521,337	(1,180,138)
Cash and cash equivalents at the beginning of the period	14,936,425	16,930,833	16,593,980	18,518,305
Cash and cash equivalents at the end of the period	16,400,812	15,857,100	18,115,317	17,338,167
Cash and cash equivalents at the end of the period				
Cash and short term funds	16,400,812	15,857,100	18,115,317	17,338,167

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30.09.2016	HFT	Designated at Fair Value	HTM	Amortised Cost	AFS	Hedging	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS							
Cash and cash equivalents	-	-	-	16,400,812	-	-	16,400,812
Balances with Central Bank of Sri Lanka	-	-	-	32,681,683	-	-	32,681,683
Placements with banks	-	-	-	-	-	-	-
Reverse repurchase agreements	-	-	-	1,065,476	-	-	1,065,476
Derivative financial instruments	61,593	-	-	-	-	-	61,593
Financial investments - Fair value through profit or loss	582,106	-	-	-	-	-	582,106
Loans and receivables to customers	-	-	-	544,007,564	-	-	544,007,564
Financial investments - Available-for-sale	-	-	-	-	101,034,090	-	101,034,090
Financial investments - Loans and receivables	-	-	-	98,648,739	-	-	98,648,739
Other assets	-	-	-	1,433,751	-	-	1,433,751
Total financial assets	643,699	-	-	694,238,025	101,034,090	-	795,915,814
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	68,476,997	-	68,476,997		
Derivative financial instruments	567,136	-	-	-	567,136		
Securities sold under repurchase agreements	-	-	29,027,083	-	29,027,083		
Due to customers	-	-	580,487,179	-	580,487,179		
Dividends payable	-	-	826,978	-	826,978		
Other borrowings	-	-	27,168,417	-	27,168,417		
Debt securities issued	-	-	4,543,809	-	4,543,809		
Other liabilities	-	-	167,146	-	167,146		
Subordinated term debts	-	-	19,527,170	-	19,527,170		
Total financial liabilities	567,136	-	730,224,779	-	730,791,915		
As at 31.12.2015	HFT	Designated at Fair Value	HTM	Amortised Cost	AFS	Hedging	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS							
Cash and cash equivalents	-	-	-	14,909,598	-	-	14,909,598
Balances with Central Bank of Sri Lanka	-	-	-	20,096,090	-	-	20,096,090
Placements with banks	-	-	-	26,827	-	-	26,827
Reverse repurchase agreements	-	-	-	4,869,219	-	-	4,869,219
Derivative financial instruments	1,302,872	-	-	-	-	-	1,302,872
Financial investments - Fair value through profit or loss	593,390	-	-	-	-	-	593,390
Loans and receivables to customers	-	-	-	498,341,628	-	-	498,341,628
Financial investments - Available-for-sale	-	-	-	-	78,046,505	-	78,046,505
Financial investments - Loans and receivables	-	-	-	84,206,702	-	-	84,206,702
Other assets	-	-	-	1,565,169	-	-	1,565,169
Total financial assets	1,896,262	-	-	624,015,233	78,046,505	-	703,958,000
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	58,232,034	-	58,232,034		
Derivative financial instruments	304,485	-	-	-	304,485		
Securities sold under repurchase agreements	-	-	16,630,201	-	16,630,201		
Due to customers	-	-	527,126,181	-	527,126,181		
Dividends payable	-	-	764,771	-	764,771		
Other borrowings	-	-	26,833,109	-	26,833,109		
Debt securities issued	-	-	4,490,742	-	4,490,742		
Other liabilities	-	-	278,585	-	278,585		
Subordinated term debts	-	-	12,064,370	-	12,064,370		
Total financial liabilities	304,485	-	646,419,993	-	646,724,478		
Held for trading - HFT	Designated at fair value through profit or loss - Designated at fair value			Loans and receivables/deposits at amortised cost - Amortised cost			
Held-to-maturity - HTM	Available-for-sale - AFS			Instruments of fair value and cash flow hedging - Hedging			

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30.09.2016	HFT Rs 000	Designated at Fair Value Rs 000	HTM Rs 000	Amortised Cost Rs 000	AFS Rs 000	Hedging Rs 000	Total Rs 000
ASSETS							
Cash and cash equivalents	-	-	-	16,812,216	-	-	16,812,216
Balances with Central Bank of Sri Lanka	-	-	-	32,681,683	-	-	32,681,683
Placements with banks	-	-	-	1,303,101	-	-	1,303,101
Reverse repurchase agreements	-	-	-	2,728,670	-	-	2,728,670
Derivative financial instruments	61,593	-	-	-	-	-	61,593
Financial investments - Fair value through profit or loss	765,423	-	-	-	-	-	765,423
Loans and receivables to customers	-	-	-	556,197,760	-	-	556,197,760
Financial investments - Available-for-sale	-	-	-	-	106,803,051	-	106,803,051
Financial investments - Held to maturity	-	-	1,016,554	-	-	-	1,016,554
Financial investments - Loans and receivables	-	-	-	101,203,976	-	-	101,203,976
Other assets	-	-	-	2,545,624	-	-	2,545,624
Total financial assets	827,016	-	1,016,554	713,473,030	106,803,051	-	822,119,651
	HFT Rs 000	Designated at Fair Value Rs 000	Amortised Cost Rs 000	Hedging Rs 000	Total Rs 000		
LIABILITIES							
Due to banks	-	-	68,518,747	-	68,518,747		
Derivative financial instruments	567,136	-	-	-	567,136		
Securities sold under repurchase agreements	-	-	29,027,083	-	29,027,083		
Due to customers	-	-	591,708,183	-	591,708,183		
Dividends payable	-	-	826,978	-	826,978		
Other borrowings	-	-	27,168,417	-	27,168,417		
Debt securities issued	-	-	4,989,443	-	4,989,443		
Other liabilities	-	-	1,093,436	-	1,093,436		
Subordinated term debts	-	-	19,293,443	-	19,293,443		
Total financial liabilities	567,136	-	742,625,730	-	743,192,866		
As at 31.12.2015	HFT Rs 000	Designated at Fair Value Rs 000	HTM Rs 000	Amortised Cost Rs 000	AFS Rs 000	Hedging Rs 000	Total Rs 000
ASSETS							
Cash and cash equivalents	-	-	-	15,419,654	-	-	15,419,654
Balances with Central Bank of Sri Lanka	-	-	-	20,096,090	-	-	20,096,090
Placements with banks	-	-	-	1,174,326	-	-	1,174,326
Reverse repurchase agreements	-	-	-	7,782,374	-	-	7,782,374
Derivative financial instruments	1,302,872	-	-	-	-	-	1,302,872
Financial investments - Fair value through profit or loss	1,948,772	-	-	-	-	-	1,948,772
Loans and receivables to customers	-	-	-	507,244,329	-	-	507,244,329
Financial investments - Available-for-sale	-	-	-	-	79,718,231	-	79,718,231
Financial investments - Held to maturity	-	-	1,257,433	-	-	-	1,257,433
Financial investments - Loans and receivables	-	-	-	87,087,205	-	-	87,087,205
Other assets	-	-	-	1,703,598	-	-	1,703,598
Total financial assets	3,251,644	-	1,257,433	640,507,576	79,718,231	-	724,734,884
	HFT Rs 000	Designated at Fair Value Rs 000	Amortised Cost Rs 000	Hedging Rs 000	Total Rs 000		
LIABILITIES							
Due to banks	-	-	58,283,838	-	58,283,838		
Derivative financial instruments	304,485	-	-	-	304,485		
Securities sold under repurchase agreements	-	-	16,630,201	-	16,630,201		
Due to customers	-	-	536,132,789	-	536,132,789		
Dividends payable	-	-	764,771	-	764,771		
Other borrowings	-	-	26,833,109	-	26,833,109		
Debt securities issued	-	-	4,913,751	-	4,913,751		
Other liabilities	-	-	715,537	-	715,537		
Subordinated term debts	-	-	12,085,598	-	12,085,598		
Total financial liabilities	304,485	-	656,359,594	-	656,664,079		
Held for trading - HFT	Designated at fair value through profit or loss - Designated at fair value			Loans and receivables/deposits at amortised cost - Amortised cost			
Held-to-maturity - HTM	Available-for-sale - AFS			Instruments of fair value and cash flow hedging - Hedging			

SEGMENT REPORTING

	Banking		Leasing/Hire purchase		Property		Insurance		Others*		Eliminations / Unallocated		Consolidated	
For the 9 months ended 30th September	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000
Total revenue from external customers	56,122,305	41,304,608	3,345,172	2,858,802	147,278	144,916	4,950,225	4,134,362	4,019,277	2,916,600	(386,861)	(540,574)	68,397,396	50,818,714
Inter segment revenue	65,818	62,764	-	-	551,976	544,599	102,009	54,488	24,000	-	(743,803)	(661,851)	-	-
Total revenue	56,188,123	41,367,372	3,345,172	2,858,802	699,254	689,515	5,052,234	4,188,850	4,043,277	2,916,600	(1,130,664)	(1,202,425)	68,397,396	50,818,714
Segment result	12,878,412	9,052,137	2,375,689	1,183,904	535,850	544,537	194,083	(39,907)	1,453,298	1,006,306	(425,188)	(577,295)	17,012,144	11,169,682
Unallocated expenses													(1,029,026)	(938,924)
Profit from operations													15,983,118	10,230,758
Income from Associates and Joint Venture													140,020	58,732
Taxes													(4,891,579)	(3,004,761)
Profit for the period													11,231,559	7,284,729
Non Controlling Interest													(553,950)	(302,693)
Profit attributable to the Equity holders of the Bank													10,677,609	6,982,036
Profit for the period													11,231,559	7,284,729
Other comprehensive Income, Net of tax	(1,653,309)	(1,641,879)	-	-	-	-	3,936	(8,970)	9,304	(9,203)	(26,867)	(15,395)	(1,666,936)	(1,675,447)
Total Comprehensive income for the period													9,564,623	5,609,282
Non Controlling Interest													(560,905)	(293,782)
Total comprehensive income attributable to the Equity Holders of the Bank													9,003,718	5,315,500
Total assets	777,867,654	639,777,117	40,689,238	37,274,112	10,389,130	7,601,607	13,762,982	11,159,607	16,296,154	11,986,462	(2,768,381)	(3,434,295)	856,236,777	704,364,610
Total liabilities	705,820,590	576,138,882	40,689,238	37,274,112	618,136	607,137	11,470,874	9,087,014	13,419,301	10,189,754	(1,490,292)	(1,575,479)	770,527,847	631,721,420
Cash flow from operating activities	25,640,492	39,095,661	(1,741,466)	(15,682,716)	288,134	474,146	844,812	737,642	(989,979)	7,462	3,193,851	(473,344)	27,235,844	24,158,851
Cash flow from Investing activities	(38,845,571)	(45,494,640)	-	-	(25,989)	(604,322)	(804,951)	(437,072)	856,818	62,882	(2,896,285)	219,642	(41,715,978)	(46,253,510)
Cash flow from financing activities	16,410,932	21,007,962	-	-	(260,000)	-	(100,000)	(187,500)	(16,595)	(31,834)	(32,866)	125,893	16,001,471	20,914,521

* Business of HNB Grameen Finance Ltd.

EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2015.
2. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
3. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
4. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
5. Details of Employee Share Option Plan (ESOP)

	2012 Allocation*		2013 Allocation**	
	Voting	Non-voting	Voting	Non-voting
No of options brought forward	1,120,852	195,408	1,578,045	365,409
No of options granted in 2016	-			
No of options exercised during the period	(424,174)	(51,582)	(275,218)	(92,338)
No of options expired during the period	(20,416)	(3,821)	(33,156)	(4,154)
No of options remaining	676,262	140,005	1,269,671	268,917
Allotment price (Rs)	145.79	81.43	142.17	110.04
Average market price for the period ended 30th June 2016 (Rs)	209.21	177.39	209.21	177.39

*These options were allocated on 30th March 2012 and the retention period ended on 30th March 2013.

**These options were allocated on 5th June 2013 and the retention period ended on 4th June 2014.

The outstanding options can be exercised within four years from the end of retention period or at retirement, resignation or death, whichever occurs first.

6. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Grameen Finance Ltd & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
7. Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given in the note to the financial statements.
8. The Bank adjusted the Value Added Tax rate on Financial Services for the period of 2nd May to 11th July 2016 to 15% based on the Bill passed in Parliament to amend the VAT Act on 26th October 2016. The effect of this adjustment amounts to Rs 204 Mn.
9. On 25th October 2016, the Bank opened the issuance of 50,000,000 unsecured subordinated redeemable debentures to the public at an issue price of Rs. 100/- with the option to issue further 10,000,000 unsecured subordinated redeemable debentures in the event the initial issue is oversubscribed. The total issue of 60,000,000 unsecured subordinated redeemable debentures was oversubscribed on the day of opening. Accordingly, the Bank allotted debentures amounting to Rs 6 Bn under category A and category B with category A debentures having a maturity period of 5 years with interest payable annually at a rate of 11.75% p.a and category B debentures having a maturity period of 7 years with interest payable annually at a rate of 13% p.a.
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 as disclosed above.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at	As at	As at	As at
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	Bank		Group	
Regulatory Capital Adequacy				
Core capital (Tier 1 Capital) Rs. Mn	58,859	52,459	64,452	58,138
Total Capital Base. Rs. Mn	76,063	63,250	82,048	69,299
Core capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	10.40%	10.53%	10.74%	10.99%
Total capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	13.44%	12.70%	13.67%	13.10%

	30.09.2016	31.12.2015
	Bank	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio, % (net of Interest in Suspense)	2.18%	2.43%
Net Non-Performing Advances Ratio, % (net of Interest in Suspense and provisions)	0.76%	0.85%
Profitability (Annualised)		
Interest Margin, %	4.30%	4.10%
Return on Assets (before Tax), %	2.50%	2.34%
Return on Equity, %	20.12%	16.77%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	153,451	136,406
Off-Shore Banking Unit	18,562	16,827
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	23.50%	23.89%
Off-Shore Banking Unit	28.59%	35.07%

LISTED DEBENTURE INFORMATION

Quarter ended 30th September	Market Value				Quarter ended 30th September	Yield as at Last Trade Done	
	2016	2015	2016	2015		2016	2015
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.			
HNB DEBENTURES 2006					HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	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	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007					HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011					HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013					HNB DEBENTURES 2013		
5 year Fixed Rate (14.00% p.a.)	N/T	N/T	112.90	111.92	5 year Fixed Rate (14.00% p.a.)	N/T	8.64
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (14.25% p.a.)	N/T	N/T
HNB DEBENTURES 2014					HNB DEBENTURES 2014		
3 year Fixed Rate (7.00% p.a.)	94.50	94.50	N/T	N/T	3 year Fixed Rate (7.00% p.a.)	11.59	N/T
5 year Fixed Rate (7.90% p.a.)	N/T	N/T	N/T	N/T	5 year Fixed Rate (7.90% p.a.)	N/T	N/T
10 year Fixed Rate (8.50% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (8.50% p.a.)	N/T	N/T
HNB DEBENTURES 2016					HNB DEBENTURES 2016		
5 year Fixed Rate (11.25% p.a.)	93.40	91.00	N/A	N/A	5 year Fixed Rate (11.25% p.a.)	14.02	N/A

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

Quarter ended 30th September	Yield to Maturity of Last Trade Done (% p.a.)	
	2016	2015
HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/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
HNB DEBENTURES 2013		
5 year Fixed Rate (14.00% p.a.)	N/T	8.68
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
HNB DEBENTURES 2014		
3 year Fixed Rate (7.00% p.a.)	11.56	N/T
5 year Fixed Rate (7.90% p.a.)	N/T	N/T
10 year Fixed Rate (8.50% p.a.)	N/T	N/T
HNB DEBENTURES 2016		
5 year Fixed Rate (11.25% p.a.)	13.23	N/A

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

RATIOS OF DEBT		
	30.09.2016	31.12.2015
Debt Equity Ratio (%)	99.58	100.63
Interest Cover (Times)	5.14	5.40
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
	30.09.2016	30.09.2015
2006 series 15 year maturity	12.18	10.66
2006 series 18 year maturity	12.59	11.28
2007 series 10 year maturity	11.13	8.98
2007 series 15 year maturity	12.48	10.99
2011 series 10 year maturity	12.39	10.81
2013 series 5 year maturity	10.42	8.62
2013 series 10 year maturity	11.41	10.03
2014 series 3 year maturity	10.21	8.30
2014 series 5 year maturity	10.88	9.27
2014 series 10 year maturity	11.52	10.23
2016 series 5 year maturity	10.97	N/A

SHARE INFORMATION

As at	30-Sep-16	31-Dec-15
Number of Shares		
Voting	330,367,181	324,405,445
Non-voting	82,977,562	81,415,925
Last Traded Price per share		
Voting	224.80	210.60
Non-voting	190.50	177.90

For the Quarter Ended	30-Sep-16	30-Sep-15
Highest price per share		
Voting	228.00	230.50
Non-voting	194.00	184.50
Lowest price per share		
Voting	206.00	203.00
Non-voting	170.00	170.00

PUBLIC SHARE HOLDING PERCENTAGE

As at	30-Sep-16
Voting	61% approx.
Non-voting	99% approx.

NUMBER OF PUBLIC SHAREHOLDERS

As at	30-Sep-16
Voting	4,603
Non-voting	10,419

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	30-Sep-16	31-Dec-15
1. Mr.Rienzie Arseculeratne	-	-
2. Mr.A.J.Alles *	2,033	2,000
3. Ms.M.A.R.C.Cooray	5,404	5,312
4. Dr.L.R.Karunaratne	1,034	1,018
5. Mr.L.U.D.Fernando	517	509
6. Mr.D.T.S.H.Mudalige	-	-
7. Miss.D.S.C.Jayawardena	508	500
8. Mr.R.S.Captain	6,104	6,007
9. Mr.D.A.Cabraal	-	-
10. Mr.P.S.C.Pelpola	-	-
11. Mr.E.D.P.Soosaipillai	-	-
12. Mr.A.H.D.A.N.De Silva	100	-

* Chief Executive Officer

20 MAJOR SHAREHOLDERS (VOTING) AS AT 30TH SEPTEMBER 2016

	Name	No. of Shares	Voting capital %
1.	Employees Provident Fund	32,352,748	9.79
2.	Sri Lanka Insurance Corporation Ltd - Life Fund	32,014,697	9.69
3.	Milford Exports (Ceylon) Limited	26,247,009	*7.94
4.	Mr.Sohli Edelji Captain	24,089,530	7.29
5.	Stassen Exports Ltd	22,750,036	*6.89
6.	Sri Lanka Insurance Corporation Ltd - General Fund	16,393,058	4.96
7.	Sonetto Holdings Limited	14,936,204	4.52
8.	HSBC Int'l Nominees Ltd-JPMLU-Franklin Templeton Investment	11,084,554	3.36
9.	Distilleries Company of Sri Lanka PLC	10,178,656	*3.08
10.	National Savings Bank	9,523,878	2.88
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,424,272	1.94
12.	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	5,221,591	1.58
13.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute return	3,504,886	1.06
14.	Citi Group Global Markets Ltd Agency Trading Prop.Sec.	3,291,006	1.00
15.	Citibank Newyork S/A Norges Bank Account 2	3,169,774	0.96
16.	HSBC INTL Nom Ltd-JPMCB-Templeton Global Investment Trust- Te	3,077,480	0.93
17.	Ms.Leesha Anne Captain	2,916,548	0.88
18.	Mrs. Cheryl Susan De Fonseka	2,763,993	0.84
19.	BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	2,671,131	0.81
20.	HSBC INTL Nom Ltd-UBS AG Zurich	2,623,449	0.79

**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 17.91% 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 2016

	Name	No. of shares	% on Non-voting capital
1.	HSBC Int'l Nom Ltd-UBS AG Zurich	7,203,090	8.68
2.	HSBC Intl nominees Ltd-JPMLU-Franklin Templeton Invest	5,778,350	6.96
3.	Citibank Newyork S/A Norges Bank Account 2	4,949,818	5.97
4.	BNYM SA/NV-Frontaura Global Frontier Fund LLC	4,415,801	5.32
5.	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	2,601,605	3.14
6.	BNYM SA/NV-Neon Liberty Lorikeet Master Fund LP	2,535,385	3.06
7.	Akbar Brothers Pvt Ltd A/c No.01	2,094,917	2.52
8.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return	1,733,008	2.09
9.	Mr. Sohli Edelji Captain	1,467,949	1.77
10.	Rubber Investment Trust Limited A/c # 01	1,184,341	1.43
11.	CB NY S/A Salient EM Dividend Signal Fund	1,162,835	1.40
12.	Union Assurance PLC No.1 A/c	1,131,457	1.36
13.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	1,028,711	1.24
14.	Northern Trust Company S/A Polar Capital Funds PLC	1,002,078	1.21
15.	Mr. Jayampathi Divale Bandaranayake	1,002,077	1.21
16.	Employee Trust Fund Board	909,800	1.10
17.	The Ceylon Guardian Investment Trust PLC A/c #02	750,857	0.90
18.	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	749,353	0.90
19.	The Ceylon Investment PLC A/c # 02	614,227	0.74
20.	Hatton National Bank PLC A/c No. 2	584,735	0.70

NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	30.09.2016 Rs 000	31.12.2015 Rs 000	30.09.2016 Rs 000	31.12.2015 Rs 000
1) Loans and receivables to customers				
Gross loans and receivables	555,320,857	509,525,467	567,752,491	518,586,177
Less : Individual impairment	(3,326,454)	(3,345,714)	(3,514,528)	(3,450,410)
Collective impairment	(7,986,839)	(7,838,125)	(8,040,203)	(7,891,438)
Net loans and receivables	544,007,564	498,341,628	556,197,760	507,244,329
2) Loans and receivables to customers				
By product-Domestic currency				
Overdrafts	82,422,784	71,116,853	82,341,912	71,116,853
Bills of exchange	859,251	1,042,923	859,251	1,042,923
Commercial papers	153,840	161,270	153,840	161,270
Short term loans	45,221,979	49,986,757	45,336,502	50,078,749
Credit Cards	5,493,926	4,548,110	5,493,926	4,548,110
Trust receipts	23,090,401	21,956,493	23,090,401	21,956,493
Packing credit loans	669,054	698,384	669,054	698,384
Staff loans	11,355,679	10,875,391	11,876,956	11,339,787
Term loans	232,275,336	199,275,891	243,499,932	207,777,654
Lease rentals receivable	41,645,524	40,287,937	42,297,634	40,290,496
Housing loans	32,178,344	29,633,094	32,178,344	29,633,094
Pawning advances	13,600,594	16,439,602	13,600,594	16,439,602
Securitisised notes	238,715	371,682	238,715	371,682
Sub total	489,205,427	446,394,387	501,637,061	455,455,097
By product-Foreign currency				
Overdrafts	520,284	449,581	520,284	449,581
Bills of exchange	2,051,240	2,072,263	2,051,240	2,072,263
Short term loans	2,562,673	895,123	2,562,673	895,123
Trust receipts	2,334,684	1,713,228	2,334,684	1,713,228
Packing credit loans	9,095,462	8,718,595	9,095,462	8,718,595
Term loans	48,243,660	48,053,396	48,243,660	48,053,396
Lease rentals receivable	90,331	53,659	90,331	53,659
Housing loans	1,217,096	1,175,235	1,217,096	1,175,235
Sub total	66,115,430	63,131,080	66,115,430	63,131,080
Total	555,320,857	509,525,467	567,752,491	518,586,177
	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000
3) Movements in individual and collective impairment during the period for loans and receivables to customers				
Individual impairment				
Opening balance as at 01st January	3,345,714	2,645,389	3,450,410	3,333,404
Increase in individual impairment allowance from acquisition of subsidiary	-	-	-	-
Charge/(write back) to income statement	(19,260)	400,612	91,723	461,137
Amounts written off	-	-	(27,605)	(629,473)
Closing balance as at 30th September	3,326,454	3,046,001	3,514,528	3,165,068
Collective impairment				
Opening balance as at 01st January	7,838,125	8,008,889	7,891,438	8,030,362
Increase in individual impairment allowance from acquisition of subsidiary	-	-	-	-
Charge/(write back) to income statement	149,491	1,282,187	149,491	1,282,187
Amounts written off	(777)	(40,433)	(726)	(40,433)
Closing balance as at 30th September	7,986,839	9,250,643	8,040,203	9,272,116
Total impairment	11,313,293	12,296,644	11,554,731	12,437,184
As at	30.09.2016 Rs 000	31.12.2015 Rs 000	30.09.2016 Rs 000	31.12.2015 Rs 000
4) Due to customers				
By product-Domestic currency				
Current account deposits	32,446,716	31,932,262	32,242,990	31,649,897
Savings deposits	154,239,456	157,972,669	156,176,697	159,382,475
Time deposits	298,114,262	245,363,599	307,653,266	253,330,243
Certificates of deposit	960,070	1,092,263	960,070	1,092,263
Margin deposits	1,945,476	1,892,467	1,945,476	1,892,467
Sub total	487,705,980	438,253,260	498,978,499	447,347,345
By product- Foreign currency				
Current account deposits	1,498,247	2,026,434	1,498,247	2,026,434
Savings deposits	26,958,126	26,232,225	26,953,799	26,225,880
Time deposits	64,282,633	60,581,727	64,235,445	60,500,595
Margin deposits	42,193	32,535	42,193	32,535
Sub total	92,781,199	88,872,921	92,729,684	88,785,444
Total	580,487,179	527,126,181	591,708,183	536,132,789