



# **H**atton **N**ational **B**ank PLC

**Interim Financial Statements**

**For the three months ended 31st March 2017**

## FINANCIAL COMMENTARY FOR THE 03 MONTHS ENDED 31ST MARCH 2017

- Group PBT grows by 18% to Rs 5.8 Bn
- Group PAT surpasses Rs 4 Bn
- Bank cost to income improves to 41.9% by 372 bps yoy

HNB continued its growth momentum during the first quarter of 2017 with Group PAT growing by 16.4% yoy to surpass Rs 4 Bn while Bank PAT grew by 18.1% yoy to be recorded at Rs 3.65 Bn.

Growth in advances coupled with the rise in interest rates enabled interest income growth in excess of 45% yoy to Rs 22.6 Bn. While interest expenses were also higher on account of funds moving into higher yielding deposits, the Bank's substantial CASA base of Rs 228 Bn cushioned the impact on interest costs partly. As a result, the Net Interest income grew by 25.9% to Rs 9.3 Bn during the first quarter of 2017.

Net fee and commission income also performed well, supplementing core banking performance with a contribution of approximately Rs 2 Bn which is a 15.9% growth from Q1 2016. Credit Cards, Trade Finance, Bank Guarantees and Current Account services comprised 75% of the Bank's net fee and commission income.

The net gain from trading declined to Rs 542Mn compared to Rs 2,071Mn in Q1 2016 on account of the relative impact from fluctuations in the exchange rates and the higher swap cost during Q1 2017 compared to the corresponding period in the last year.

The Bank's asset quality remained strong with the NPA ratio being at 1.85% as at the end of the first quarter of 2017, compared to the industry average of 2.7%. The provision coverage of the Bank improved from 73.4% in Q1 2016 to 79.5% in March 2017.

Operational excellence initiatives continued to yield transformational benefits for the Bank which improved its cost to income ratio by 372 bps yoy to 41.9%. Operating profits before VAT and Taxes grew by 22.1% yoy to Rs 6.35 Bn. Charges for VAT and NBT increased by 52.5% as a direct result of the revision in the rate of VAT from 11% to 15%. Subsequently the Bank's PBT grew by 16.5% to Rs 5.1 Bn. The Rs 3.65 Bn in PAT represented a ROA of 1.7% and a ROE of 18.8.

The total Comprehensive Income for the quarter improved to Rs 3Bn, compared to the Rs 244.5 Mn loss reported during the first quarter of 2016. This was mainly due to the decline in the loss on available for sale assets from Rs 3.3Bn in Q1 2016 to Rs 612Mn in the current period, largely on account of the comparative improvement in the capital market.

The Bank also reported efficient balance sheet growth, boosting its asset base by 18.7% yoy to surpass Rs 900 Bn in total assets. The Bank's deposit base increased by Rs 107.9 Bn YOY, to finance the Rs 101 Bn growth in advances during the same period.

HNB Group performance was on par with that of the Bank with Group assets growing by 19.3% to Rs 945.9 Bn. All group companies performed well to compliment the Bank's performance. Group PBT grew by 18% to Rs 5.8 Bn while the Rs 4 Bn in Group PAT represented a ROA of 1.8%. Profit attributable to the equity holders of the parent grew by 15.9% to Rs 3.8 Bn and resulted in generating a ROE of 16.6%.

HNB's Total Capital Adequacy Ratio stood at 13.85% as at the end of the quarter. The payment of final dividends for 2016 coupled with amortisation of debentures and the balance sheet growth resulted in the decline in the ratio from December 2016.

HNB continued to win many accolades with the 'Asian Banker' adjudging it to be the 'Best Retail Bank in Sri Lanka' for the ninth time overall in 2017, while also recognizing the Bank with the 'Best Micro Finance Product' award for the Asia Pacific Region. The Bank was also awarded by 'Asiamoney' in 2017 as the 'Best Bank for SME' and the 'Best Bank for CSR' in Sri Lanka. Locally, HNB won the Runners up award in the Banking category at the Association of Chartered Certified Accountants (ACCA) Sustainability Reporting Awards 2017 held in February.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services while maintaining a national long term rating of AA - (lka) from Fitch Ratings Lanka Ltd.

## STATEMENT OF PROFIT OR LOSS

	BANK			GROUP		
	For the 3 months ended 31st March			For the 3 months ended 31st March		
	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
<b>Gross Income</b>	25,063,065	17,928,728	40	28,547,716	20,703,975	38
Interest income	22,582,588	15,538,382	45	24,397,266	16,868,881	45
Less : Interest expenses	13,290,678	8,158,719	63	13,674,895	8,438,966	62
<b>Net interest income</b>	9,291,910	7,379,663	26	10,722,371	8,429,915	27
Fee and commission income	2,009,625	1,735,145	16	2,207,725	1,899,081	16
Less : Fee and commission expenses	25,883	22,738	14	53,063	34,230	55
<b>Net fee and commission income</b>	1,983,742	1,712,407	16	2,154,662	1,864,851	16
<b>Net interest, fee and commission income</b>	11,275,652	9,092,070	24	12,877,033	10,294,766	25
Net gain/(loss) from trading	541,707	2,071,283	(74)	537,474	2,014,406	(73)
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-
Net gain/(loss) from financial investments	183,199	102,781	78	189,405	103,559	83
Net insurance premium income	-	-	-	1,511,219	1,316,539	15
Other operating income (net)	(254,054)	(1,518,863)	83	(295,373)	(1,498,491)	80
<b>Total operating income</b>	11,746,504	9,747,271	21	14,819,758	12,230,779	21
<b>Impairment for loans and other losses</b>						
Individual Impairment	42,184	34,700	22	42,184	34,700	22
Collective Impairment	439,077	68,881	537	397,412	100,212	297
Others	379	2,313	(84)	379	2,313	(84)
<b>Net operating income</b>	11,264,864	9,641,377	17	14,379,783	12,093,554	19
<b>Operating expenses</b>						
Personnel expenses	2,292,656	2,210,946	4	2,747,932	2,575,174	7
Depreciation and amortisation	262,144	247,344	6	361,331	332,174	9
Benefits, claims and underwriting expenditure	-	-	-	1,399,471	1,150,684	22
Other expenses	2,362,073	1,984,527	19	2,684,097	2,224,180	21
<b>Total operating expenses</b>	4,916,873	4,442,817	11	7,192,831	6,282,212	14
<b>Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services</b>	6,347,991	5,198,560	22	7,186,952	5,811,342	24
Value added tax (VAT) and nation building tax (NBT) on financial services	1,238,321	812,238	52	1,381,798	895,467	54
<b>Operating profit after value added tax (VAT) and nation building tax (NBT) on financial services</b>	5,109,670	4,386,322	16	5,805,154	4,915,875	18
Share of profit of Joint Venture (net of income tax)	-	-	-	8,019	11,596	(31)
<b>Profit before income tax</b>	5,109,670	4,386,322	16	5,813,173	4,927,471	18
Income tax expense	1,457,353	1,294,525	13	1,772,411	1,455,564	22
<b>Profit for the period</b>	3,652,317	3,091,797	18	4,040,762	3,471,907	16
<b>Profit attributable to:</b>						
Equity holders of the Bank	3,652,317	3,091,797	18	3,829,969	3,305,579	16
Non-controlling interests	-	-	-	210,793	166,328	27
<b>Profit for the period</b>	3,652,317	3,091,797	18	4,040,762	3,471,907	16
<b>Earnings per share on profit</b>						
Basic earnings per ordinary share (Rs)	8.70	7.39	18	9.12	7.90	15
Diluted earnings per ordinary share (Rs)	8.69	7.37	18	9.11	7.88	16

## STATEMENT OF COMPREHENSIVE INCOME

	BANK			GROUP		
	For the 3 months ended 31st March			For the 3 months ended 31st March		
	2017	2016	% Increase/ (Decrease)	2017	2016	% Increase/ (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
<b>Profit for the period</b>	3,652,317	3,091,797	18	4,040,762	3,471,907	16
<b>Other comprehensive income, net of tax</b>						
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>						
<b>Available-for-sale financial assets:</b>						
Net change in fair value during the period	(686,818)	(4,158,851)	83	(736,605)	(4,309,947)	83
Transfer from life policy holder reserve fund	-	-	-	40,447	141,034	(71)
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-	-	3,233	-	100
Deferred tax effect on above	74,406	822,542	(91)	75,092	822,542	(91)
Share of other comprehensive income of equity accounted joint venture	-	-	-	(18,296)	(9,191)	(99)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	(612,412)	(3,336,309)	82	(636,129)	(3,355,562)	81
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>						
Re-measurement gains/(losses) on defined benefit plans	-	-	-	8,793	-	100
Revaluation of freehold land and buildings	-	-	-	-	-	-
Deferred tax effect on above	-	-	-	(2,462)	-	100
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	-	-	-	6,331	-	100
<b>Other comprehensive income for the period, net of tax</b>	(612,412)	(3,336,309)	82	(629,798)	(3,355,562)	81
<b>Total comprehensive income for the period</b>	3,039,905	(244,512)	1,343	3,410,964	116,345	2,832
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Bank	3,039,905	(244,512)	1,343	3,198,678	(45,958)	7,060
Non-controlling interests	-	-	-	212,286	162,303	31
<b>Total comprehensive income for the period</b>	3,039,905	(244,512)	1,343	3,410,964	116,345	2,832

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.03.2017	As at 31.12.2016 (Audited)	% Increase / (Decrease)	As at 31.03.2017	As at 31.12.2016 (Audited)	% Increase / (Decrease)
	Rs.000	Rs.000		Rs.000	Rs.000	
<b>ASSETS</b>						
Cash and cash equivalents	18,043,024	17,511,446	3	18,643,692	18,668,703	-
Balances with Central Bank of Sri Lanka	34,769,438	33,777,614	3	34,769,438	33,777,614	3
Placements with banks	761,567	753,050	1	3,061,862	2,198,446	39
Reverse repurchase agreements	185,512	4,303,460	(96)	1,722,141	5,756,794	(70)
Derivative financial instruments	513,456	289,989	77	513,456	289,989	77
Financial investments - fair value through profit or loss	501,587	544,915	(8)	657,356	716,009	(8)
Non - current assets held for sale	-	-	-	-	-	-
Loans and receivables to customers	614,120,254	584,412,727	5	627,759,169	597,467,460	5
Financial investments - loans and receivables	112,519,960	99,260,698	13	115,271,966	102,063,229	13
Financial investments - available-for-sale	91,964,625	89,915,153	2	98,125,318	95,797,142	2
Financial investments - held-to-maturity	-	-	-	469,948	465,081	1
Investment in joint venture	755,000	755,000	-	1,440,529	1,450,806	(1)
Investments in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	418,779	403,959	4	1,186,719	1,054,300	13
Property, plant and equipment	14,151,614	13,945,002	1	29,935,322	29,844,234	-
Intangible assets and goodwill	820,525	789,648	4	1,234,141	1,180,269	5
Other assets	9,568,013	9,193,879	4	11,102,638	10,720,506	4
<b>Total Assets</b>	<b>902,110,639</b>	<b>858,873,825</b>	<b>5</b>	<b>945,893,695</b>	<b>901,450,582</b>	<b>5</b>
<b>LIABILITIES</b>						
Due to banks	70,695,547	69,928,789	1	70,707,221	69,964,380	1
Derivative financial instruments	450,816	665,890	(32)	450,816	665,890	(32)
Securities sold under repurchase agreements	36,614,188	13,458,127	172	36,614,188	13,458,127	172
Due to customers	638,363,289	623,494,969	2	650,260,342	635,371,097	2
Dividends payable	2,188,527	1,007,075	117	2,196,838	1,015,463	116
Other borrowings	26,724,070	27,130,358	(1)	26,724,070	27,130,358	(1)
Debt securities issued	4,644,693	4,653,057	-	5,113,250	5,115,801	-
Current tax liabilities	6,919,158	6,223,943	11	7,284,966	6,425,379	13
Deferred tax liabilities	27,483	231,364	(88)	629,618	824,778	(24)
Insurance provision - life	-	-	-	9,345,120	8,747,856	7
Insurance provision - general	-	-	-	2,015,992	1,921,567	5
Other provisions	2,544,210	3,158,444	(19)	2,787,894	3,407,050	(18)
Other liabilities	8,126,944	5,751,107	41	9,671,070	7,190,028	35
Subordinated term debts	26,219,307	26,153,476	-	25,974,819	25,901,110	-
<b>Total Liabilities</b>	<b>823,518,232</b>	<b>781,856,599</b>	<b>5</b>	<b>849,776,204</b>	<b>807,138,884</b>	<b>5</b>

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 31.03.2017 Rs.000	As at 31.12.2016 (Audited) Rs.000	% Increase / (Decrease)	As at 31.03.2017 Rs.000	As at 31.12.2016 (Audited) Rs.000	% Increase / (Decrease)
<b>EQUITY</b>						
Stated capital	16,797,050	15,340,158	9	16,797,050	15,340,158	9
Statutory reserve	4,560,000	4,560,000	-	4,560,000	4,560,000	-
Other reserves	46,943,980	47,592,832	(1)	57,858,554	58,569,401	(1)
Retained earnings	10,291,377	9,524,236	8	13,768,578	12,821,116	7
<b>Total equity attributable to equity holders of the Bank</b>	<b>78,592,407</b>	<b>77,017,226</b>	<b>2</b>	<b>92,984,182</b>	<b>91,290,675</b>	<b>2</b>
<b>Non - controlling interests</b>	-	-	-	3,133,309	3,021,023	4
<b>Total equity</b>	<b>78,592,407</b>	<b>77,017,226</b>	<b>2</b>	<b>96,117,491</b>	<b>94,311,698</b>	<b>2</b>
<b>Total Liabilities and equity</b>	<b>902,110,639</b>	<b>858,873,825</b>	<b>5</b>	<b>945,893,695</b>	<b>901,450,582</b>	<b>5</b>
Contingent liabilities and commitments	523,780,357	502,372,909	4	523,780,357	502,372,909	4
<b>Net Assets Value per Share (Rs.)</b>	<b>186.91</b>	<b>186.11</b>	<b>-</b>	<b>221.13</b>	<b>220.60</b>	<b>-</b>
Memorandum Information						
Number of Employees	4,198	4,190				
Number of Branches	252	251				

## CERTIFICATION

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of Hatton National Bank PLC and the Group as at 31st March 2017 and its profit for the three months ended 31st March 2017.

(Sgd.)

**Anusha Gallage**

Chief Financial Officer

15th May 2017

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

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

(Sgd.)

**Jonathan Alles**

Managing Director / Chief Executive Officer

15th May 2017

(Sgd.)

**Rienzie Arseculeratne**

Chairman

15th May 2017

## STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserves	Other Reserves				Retained Earnings	Total
	Voting Shares	Non-Voting Shares	Reserve Fund	Capital Reserve	Available-for-Sale Reserve	General Reserve	ESOP Reserve		
	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000		
<b>For the 3 months ended 31st March 2017</b>									
<b>Balance as at 1st January 2017</b>	12,338,734	3,001,424	4,560,000	8,644,483	1,701,257	37,100,000	147,092	9,524,236	77,017,226
<b>Total comprehensive income for the period</b>									
Profit for the period	-	-	-	-	-	-	-	3,652,317	3,652,317
Other comprehensive income for the period (net of tax)	-	-	-	-	(612,412)	-	-	-	(612,412)
<b>Total comprehensive income for the period</b>	-	-	-	-	(612,412)	-	-	3,652,317	3,039,905
<b>Transactions with equity holders, recognised directly in equity</b>									
Final dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	(1,451,296)	(145,130)
Final dividend 2016 - Cash	-	-	-	-	-	-	-	(1,451,296)	(1,451,296)
Issue of shares under ESOP	99,991	14,295	-	-	-	-	-	-	114,286
<b>Total transactions with equity holders</b>	1,144,064	276,388	-	-	-	-	-	(2,902,592)	(1,482,140)
Transfers during the period	-	-	-	-	-	-	-	17,415	17,415
Fair value of the employee share options exercised	31,981	4,459	-	-	-	-	(36,440)	-	-
<b>Balance as at 31st March 2017</b>	13,514,779	3,282,271	4,560,000	8,644,483	1,088,845	37,100,000	110,652	10,291,377	78,592,407
<b>For the 3 months ended 31st March 2016</b>									
<b>Balance as at 1st January 2016</b>	11,110,689	2,716,184	3,760,000	6,435,410	4,455,566	31,100,000	202,356	5,270,848	65,051,053
<b>Total comprehensive income for the period</b>									
Profit for the period	-	-	-	-	-	-	-	3,091,797	3,091,797
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(3,336,309)	-	-	-	(3,336,309)
<b>Total comprehensive income for the period</b>	-	-	-	-	(3,336,309)	-	-	3,091,797	(244,512)
<b>Transactions with equity holders, recognised directly in equity</b>									
Final Dividend 2015 - Scrip	1,022,473	256,607	-	-	-	-	-	(1,421,200)	(142,120)
Final Dividend 2015 - Cash	-	-	-	-	-	-	-	(1,421,200)	(1,421,200)
Issue of shares under ESOP	27,324	4,686	-	-	-	-	-	-	32,010
<b>Total transactions with equity holders</b>	1,049,797	261,293	-	-	-	-	-	(2,842,400)	(1,531,310)
Fair value of the employee share options exercised	8,400	1,457	-	-	-	-	(9,857)	-	-
<b>Balance as at 31st March 2016</b>	12,168,886	2,978,934	3,760,000	6,435,410	1,119,257	31,100,000	192,499	5,520,245	63,275,231

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital		Statutory	Other Reserves					Retained Earnings Rs 000	Non Controlling Interests Rs 000	Total Equity Rs 000
	Voting Rs 000	Non-Voting Rs 000	Reserve Fund Rs 000	Capital Reserve Rs 000	Available for Sale Reserve Rs 000	General Reserve Rs 000	Life policy holder Reserve fund Rs 000	ESOP Reserve Rs 000			
<b>For the 3 months ended 31st March 2017</b>											
<b>Balance as at 1st January 2017</b>	12,338,734	3,001,424	4,560,000	19,771,905	1,741,535	37,100,000	(191,131)	147,092	12,821,116	3,021,023	94,311,698
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	-	3,829,969	210,793	4,040,762
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(633,960)	-	-	-	2,669	1,493	(629,798)
<b>Total comprehensive income for the period</b>	-	-	-	-	(633,960)	-	-	-	3,832,638	212,286	3,410,964
<b>Transactions with equity holders, recognised directly in equity</b>											
Final dividend 2016 - Scrip	1,044,073	262,093	-	-	-	-	-	-	(1,451,296)	-	(145,130)
Final dividend 2016 - Cash	-	-	-	-	-	-	-	-	(1,451,296)	(100,000)	(1,551,296)
Issue of shares under ESOP	99,991	14,295	-	-	-	-	-	-	-	-	114,286
<b>Total transactions with equity holders</b>	1,144,064	276,388	-	-	-	-	-	-	(2,902,592)	(100,000)	(1,582,140)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(40,447)	-	-	-	(40,447)
Transfers during the period	-	-	-	-	-	-	-	-	17,415	-	17,415
Fair value of the employee share options exercised	31,981	4,459	-	-	-	-	-	(36,440)	-	-	-
<b>Balance as at 31st March 2017</b>	13,514,779	3,282,271	4,560,000	19,771,905	1,107,575	37,100,000	(231,578)	110,652	13,768,578	3,133,309	96,117,491
<b>For the 3 months ended 31st March 2016</b>											
<b>Balance as at 1st January 2016</b>	11,110,689	2,716,184	3,760,000	14,263,234	4,518,441	31,100,000	(56,350)	202,356	7,949,848	2,179,288	77,743,690
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	-	3,305,579	166,328	3,471,907
Other Comprehensive Income for the period (net of tax)	-	-	-	-	(3,351,537)	-	-	-	-	(4,025)	(3,355,562)
<b>Total comprehensive income for the period</b>	-	-	-	-	(3,351,537)	-	-	-	3,305,579	162,303	116,345
<b>Transactions with equity holders, recognised directly in equity</b>											
Final Dividend 2015 - Scrip	1,022,473	256,607	-	-	-	-	-	-	(1,421,200)	-	(142,120)
Final Dividend 2015 - Cash	-	-	-	-	-	-	-	-	(1,421,200)	(40,000)	(1,461,200)
Issue of shares under ESOP	27,324	4,686	-	-	-	-	-	-	-	-	32,010
<b>Total transactions with equity holders</b>	1,049,797	261,293	-	-	-	-	-	-	(2,842,400)	(40,000)	(1,571,310)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(141,034)	-	-	-	(141,034)
Deemed disposal loss through Joint Venture	-	-	-	-	-	-	-	-	(321)	-	(321)
Fair value of the employee share options exercised	8,400	1,457	-	-	-	-	-	(9,857)	-	-	-
<b>Balance as at 31st March 2016</b>	12,168,886	2,978,934	3,760,000	14,263,234	1,166,904	31,100,000	(197,384)	192,499	8,412,706	2,301,591	76,147,370



## STATEMENT OF CASH FLOWS

For the 3 month ended 31st March	BANK		GROUP	
	2017 Rs 000	2016 Rs 000	2017 Rs 000	2016 Rs 000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	23,571,370	16,646,739	25,618,813	18,283,595
Interest payments	(14,086,757)	(7,669,949)	(14,414,686)	(7,818,029)
Cash payments to employees	(2,792,954)	(2,544,216)	(3,258,401)	(2,917,508)
Cash payments to other operating activities	(3,597,279)	(2,764,497)	(4,779,686)	(3,769,376)
Receipts from other operating activities	987,243	752,172	2,624,174	2,184,497
Recovery of loans written off in previous years	10,938	4,909	10,938	4,909
<b>Operating profit before changes in operating assets and liabilities</b>	<b>4,092,561</b>	<b>4,425,158</b>	<b>5,801,152</b>	<b>5,968,088</b>
<b>(Increase)/ decrease in operating assets</b>				
Deposits held for regulatory or monetary control purpose	(991,824)	(7,156,417)	(991,824)	(7,156,417)
Loans and receivables to other customers	(30,148,102)	(14,625,865)	(30,716,180)	(15,138,091)
Reverse repurchase agreements	4,115,998	4,573,065	3,976,282	4,906,052
Other short term assets	(356,366)	(673,997)	(484,189)	(977,812)
	(27,380,294)	(17,883,214)	(28,215,911)	(18,366,268)
<b>Increase / (decrease) in operating liabilities</b>				
Deposits from customers	15,010,699	3,174,046	14,989,027	2,940,239
Securities sold under repurchase agreements	23,050,738	13,660,521	23,050,738	13,660,521
Other liabilities	2,139,877	(32,464)	2,238,911	24,122
	40,201,314	16,802,103	40,278,676	16,624,882
<b>Net cash generated from operating activities before income tax</b>	<b>16,913,581</b>	<b>3,344,047</b>	<b>17,863,917</b>	<b>4,226,702</b>
Income taxes paid	(678,032)	(550,199)	(799,047)	(592,584)
<b>Net cash generated from operating activities</b>	<b>16,235,549</b>	<b>2,793,848</b>	<b>17,064,870</b>	<b>3,634,118</b>
<b>Cash flows from investing activities</b>				
Dividend income	163,445	98,905	165,313	102,143
Net proceeds from sale, maturity and purchase of financial investments	(15,742,598)	(18,835,910)	(16,024,165)	(19,513,754)
Purchase of property, plant and equipment	(357,577)	(82,734)	(403,035)	(119,913)
Purchase of intangible assets	(96,369)	(40,231)	(123,820)	(41,157)
Improvements to investment properties	(14,769)	-	(69,805)	-
Proceeds from sale of property, plant and equipment	27,268	1,436	27,895	2,578
Proceeds from sale of non-current assets held for sale	-	23,708	-	23,708
<b>Net cash used in investing activities</b>	<b>(16,020,600)</b>	<b>(18,834,826)</b>	<b>(16,427,617)</b>	<b>(19,546,395)</b>
<b>Cash flows from financing activities</b>				
Increase in subordinated term debts	-	7,000,000	-	6,750,000
Increase in long term borrowings	463,289	10,536,386	439,372	10,538,820
Dividends paid	(252,429)	(11,565)	(352,506)	(11,565)
Proceeds from issue of shares under ESOP	114,286	32,010	114,286	32,010
<b>Net cash generated from financing activities</b>	<b>325,146</b>	<b>17,556,831</b>	<b>201,152</b>	<b>17,309,265</b>
<b>Net increase in cash and cash equivalents</b>	<b>540,095</b>	<b>1,515,853</b>	<b>838,405</b>	<b>1,396,988</b>
Cash and cash equivalents at the beginning of the period	18,264,496	14,936,425	20,867,149	16,593,980
<b>Cash and cash equivalents at the end of the period</b>	<b>18,804,591</b>	<b>16,452,278</b>	<b>21,705,554</b>	<b>17,990,968</b>
<b>Cash and Cash Equivalents at the end of the period</b>				
Cash and cash equivalents	18,043,024	16,452,278	18,643,692	16,953,694
Placements with banks	761,567	-	3,061,862	1,037,274
	<b>18,804,591</b>	<b>16,452,278</b>	<b>21,705,554</b>	<b>17,990,968</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31st March 2017	Fair Value Through Profit or Loss	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>				
Cash and cash equivalents	-	18,043,024	-	18,043,024
Balances with Central Bank of Sri Lanka	-	34,769,438	-	34,769,438
Placements with banks	-	761,567	-	761,567
Reverse repurchase agreements	-	185,512	-	185,512
Derivative financial instruments	513,456	-	-	513,456
Financial investments - fair value through profit or loss	501,587	-	-	501,587
Loans and receivables to customers	-	614,120,254	-	614,120,254
Financial investments - loans and receivables	-	112,519,960	-	112,519,960
Financial investments - available-for-sale	-	-	91,964,625	91,964,625
Other assets	-	2,321,057	-	2,321,057
<b>Total financial assets</b>	<b>1,015,043</b>	<b>782,720,812</b>	<b>91,964,625</b>	<b>875,700,480</b>
<b>LIABILITIES</b>				
Due to banks	-	70,695,547	-	70,695,547
Derivative financial instruments	450,816	-	-	450,816
Securities sold under repurchase agreements	-	36,614,188	-	36,614,188
Due to customers	-	638,363,289	-	638,363,289
Dividends payable	-	2,188,527	-	2,188,527
Other borrowings	-	26,724,070	-	26,724,070
Debt securities issued	-	4,644,693	-	4,644,693
Other liabilities	-	327,647	-	327,647
Subordinated term debts	-	26,219,307	-	26,219,307
<b>Total financial liabilities</b>	<b>450,816</b>	<b>805,777,268</b>	<b>-</b>	<b>806,228,084</b>
<b>As at 31st December 2016</b>				
	Fair Value Through Profit or Loss	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>				
Cash and cash equivalents	-	17,511,446	-	17,511,446
Balances with Central Bank of Sri Lanka	-	33,777,614	-	33,777,614
Placements with banks	-	753,050	-	753,050
Reverse repurchase agreements	-	4,303,460	-	4,303,460
Derivative financial instruments	289,989	-	-	289,989
Financial investments - fair value through profit or loss	544,915	-	-	544,915
Loans and receivables to customers	-	584,412,727	-	584,412,727
Financial investments - loans and receivables	-	99,260,698	-	99,260,698
Financial investments - available for sale	-	-	89,915,153	89,915,153
Other assets	-	2,308,521	-	2,308,521
<b>Total financial assets</b>	<b>834,904</b>	<b>742,327,516</b>	<b>89,915,153</b>	<b>833,077,573</b>
<b>LIABILITIES</b>				
Due to banks	-	69,928,789	-	69,928,789
Derivative financial instruments	665,890	-	-	665,890
Securities sold under repurchase agreements	-	13,458,127	-	13,458,127
Due to customers	-	623,494,969	-	623,494,969
Dividends payable	-	1,007,075	-	1,007,075
Other borrowings	-	27,130,358	-	27,130,358
Debt securities issued	-	4,653,057	-	4,653,057
Other liabilities	-	403,851	-	403,851
Subordinated term debts	-	26,153,476	-	26,153,476
<b>Total financial liabilities</b>	<b>665,890</b>	<b>766,229,702</b>	<b>-</b>	<b>766,895,592</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 31st March 2017	Fair Value Through Profit or Loss	Held to Maturity	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	18,643,692	-	18,643,692
Balances with Central Bank of Sri Lanka	-	-	34,769,438	-	34,769,438
Placements with banks	-	-	3,061,862	-	3,061,862
Reverse repurchase agreements	-	-	1,722,141	-	1,722,141
Derivative financial instruments	513,456	-	-	-	513,456
Financial investments - fair value through profit or loss	657,356	-	-	-	657,356
Loans and receivables to customers	-	-	627,759,169	-	627,759,169
Financial investments - loans and receivables	-	-	115,271,966	-	115,271,966
Financial investments - available-for-sale	-	-	-	98,125,318	98,125,318
Financial investments - held to maturity	-	-	469,948	-	469,948
Other assets	-	-	3,216,371	-	3,216,371
<b>Total financial assets</b>	<b>1,170,812</b>	<b>-</b>	<b>804,914,587</b>	<b>98,125,318</b>	<b>904,210,717</b>
<b>LIABILITIES</b>					
Due to banks	-	-	70,707,221	-	70,707,221
Derivative financial instruments	450,816	-	-	-	450,816
Securities sold under repurchase agreements	-	-	36,614,188	-	36,614,188
Due to customers	-	-	650,260,342	-	650,260,342
Dividends payable	-	-	2,196,838	-	2,196,838
Other borrowings	-	-	26,724,070	-	26,724,070
Debt securities issued	-	-	5,113,250	-	5,113,250
Other liabilities	-	-	1,277,440	-	1,277,440
Subordinated term debts	-	-	25,974,819	-	25,974,819
<b>Total financial liabilities</b>	<b>450,816</b>	<b>-</b>	<b>818,868,168</b>	<b>-</b>	<b>819,318,984</b>
<b>As at 31st December 2016</b>					
	Fair Value Through Profit or Loss	Held to Maturity	Loans and Receivable	Available- for-Sale	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	18,668,703	-	18,668,703
Balances with Central Bank of Sri Lanka	-	-	33,777,614	-	33,777,614
Placements with banks	-	-	2,198,446	-	2,198,446
Reverse repurchase agreements	-	-	5,756,794	-	5,756,794
Derivative financial instruments	289,989	-	-	-	289,989
Financial investments - fair value through profit or loss	716,009	-	-	-	716,009
Loans and receivables to customers	-	-	597,467,460	-	597,467,460
Financial investments - loans and receivables	-	-	102,063,229	-	102,063,229
Financial investments - available for sale	-	-	-	95,797,142	95,797,142
Financial investments - held to maturity	-	465,081	-	-	465,081
Other assets	-	-	3,175,431	-	3,175,431
<b>Total financial assets</b>	<b>1,005,998</b>	<b>465,081</b>	<b>763,107,677</b>	<b>95,797,142</b>	<b>860,375,898</b>
<b>LIABILITIES</b>					
Due to banks	-	-	69,964,380	-	69,964,380
Derivative financial instruments	665,890	-	-	-	665,890
Securities sold under repurchase agreements	-	-	13,458,127	-	13,458,127
Due to customers	-	-	635,371,097	-	635,371,097
Dividends payable	-	-	1,015,463	-	1,015,463
Other borrowings	-	-	27,130,358	-	27,130,358
Debt securities issued	-	-	5,115,801	-	5,115,801
Other liabilities	-	-	1,295,848	-	1,295,848
Subordinated term debts	-	-	25,901,110	-	25,901,110
<b>Total financial liabilities</b>	<b>665,890</b>	<b>-</b>	<b>779,252,184</b>	<b>-</b>	<b>779,918,074</b>

## SEGMENT REPORTING

For the 3 months ended 31st March	Banking		Leasing/Hire purchase		Property		Insurance		Others*		Eliminations / Unallocated		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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
Total revenue from external customers	23,711,857	16,749,969	1,317,614	1,157,049	52,722	50,503	1,919,705	1,562,278	1,681,447	1,239,271	(135,630)	(55,095)	28,547,715	20,703,975
Inter segment revenue	33,594	21,710	-	-	190,159	179,305	41,720	26,278	35,707	-	(301,180)	(227,293)	-	-
Total revenue	23,745,451	16,771,679	1,317,614	1,157,049	242,881	229,808	1,961,425	1,588,556	1,717,154	1,239,271	(436,810)	(282,388)	28,547,715	20,703,975
Segment result	4,525,415	3,791,611	846,399	842,055	197,449	171,773	112,424	62,404	644,873	448,679	(160,075)	(68,473)	6,166,485	5,248,049
Unallocated expenses													(361,331)	(332,174)
Profit from operations													5,805,154	4,915,875
Income from Associates and Joint Venture													8,019	11,596
Taxes													(1,772,411)	(1,455,564)
Profit for the period													4,040,762	3,471,907
Non Controlling Interest													(210,793)	(166,328)
Profit attributable to the Equity holders of the Bank													3,829,969	3,305,579
Profit for the period													4,040,762	3,471,907
Other comprehensive Income, Net of tax	(612,412)	-3,336,309	-	-	-	-	(5,421)	-10,062	6,331	-	(18,296)	(9,191)	(629,798)	(3,355,562)
Total Comprehensive income for the period													3,410,964	116,345
Non Controlling Interest													(212,286)	(162,303)
Total comprehensive income attributable to the Equity Holders of the Bank													3,198,678	(45,958)
Total assets	859,729,042	719,861,866	42,381,597	40,197,120	10,356,268	10,342,582	15,080,937	12,115,248	20,053,777	14,425,597	(1,707,925)	(4,206,902)	945,893,695	792,735,511
Total liabilities	781,136,635	656,586,636	42,381,597	40,197,120	627,706	590,535	12,605,711	10,048,866	16,378,289	12,037,599	(3,353,682)	(2,872,615)	849,776,256	716,588,141
Cash flow from operating activities	17,671,300	3,976,704	(1,435,751)	(1,182,856)	201,054	124,673	408,534	376,226	1,096,922	582,881	(877,189)	(243,510)	17,064,870	3,634,118
Cash flow from Investing activities	(16,020,600)	(18,834,826)	-	-	(54,657)	(136,272)	(350,958)	(168,756)	(1,352,084)	517,182	1,350,682	110,641	(16,427,617)	(19,546,395)
Cash flow from financing activities	325,146	17,556,832	-	-	-	-	(250,000)	-	(73,931)	(22,467)	199,937	(225,100)	201,152	17,309,265

\* Business for 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 2016.
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	432,522	82,151	1,093,810	245,092
No of options granted in 2017	-	-	-	-
No of options exercised during the period	(322,944)	(59,225)	-	-
No of options expired during the period	(109,578)	(22,926)	(372,154)	(86,080)
No of options remaining	-	-	721,656	159,012
Allotment price (Rs)	145.79	81.43	142.17	110.04
Average market price for the period ended 31st March 2017 (Rs)	226.67	190.33	226.67	190.33

\*These options were allocated on 30th March 2012 and the retention period ended on 30th March 2013. The remaining options expired on 30th March 2017.

\*\*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 funds raised through debentures were fully utilized for the objectives mentioned in the prospectuses.
9. There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at		As at	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	<b>BANK</b>		<b>GROUP</b>	
<b>Regulatory Capital Adequacy</b>				
Core capital (Tier 1 Capital) Rs. Mn	62,782	65,082	69,774	71,295
Total Capital Base. Rs. Mn	84,960	88,569	92,385	95,199
Core capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	10.24%	11.22%	10.65%	11.51%
Total capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	13.85%	15.27%	14.11%	15.37%

	31.03.2017	31.12.2016
	<b>BANK</b>	
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Advances Ratio, % (net of Interest in Suspense)	1.85%	1.80%
Net Non-Performing Advances Ratio, % (net of Interest in Suspense and provisions)	0.48%	0.46%
<b>Profitability (Annualised)</b>		
Interest Margin, %	4.22%	4.26%
Return on Assets (before Tax), %	2.32%	2.49%
Return on Equity, %	18.78%	20.24%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	151,956	159,581
Off-Shore Banking Unit	22,166	16,786
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	21.02%	23.49%
Off-Shore Banking Unit	31.98%	26.46%

## LISTED DEBENTURE INFORMATION

Quarter ended 31st March	Market Value				Quarter ended 31st March	Yield as at Last Trade Done		
	2017		2016			2017	2016	
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.				
<b>HNB DEBENTURES 2006</b>					<b>HNB DEBENTURES 2006</b>			
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
<b>HNB DEBENTURES 2007</b>					<b>HNB DEBENTURES 2007</b>			
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
<b>HNB DEBENTURES 2011</b>					<b>HNB DEBENTURES 2011</b>			
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
<b>HNB DEBENTURES 2013</b>					<b>HNB DEBENTURES 2013</b>			
5 year Fixed Rate (14.00% p.a.)	N/T	N/T	N/T	N/T	5 year Fixed Rate (14.00% p.a.)		N/T	N/T
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
<b>HNB DEBENTURES 2014</b>					<b>HNB DEBENTURES 2014</b>			
3 year Fixed Rate (7.00% p.a.)	92.00	92.00	94.00	94.00	3 year Fixed Rate (7.00% p.a.)	16.97	10.58	
5 year Fixed Rate (7.90% p.a.)	N/T	N/T	89.00	89.00	5 year Fixed Rate (7.90% p.a.)	N/T	11.38	
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	
<b>HNB DEBENTURES 2016</b>					<b>HNB DEBENTURES 2016</b>			
5 year Fixed Rate (11.25% p.a.)	95.00	85.50	N/A	N/A	5 year Fixed Rate (11.25% p.a.)	12.93	N/A	
5 year Fixed Rate (11.75% p.a.)	N/T	N/T	N/A	N/A	5 year Fixed Rate (11.75% p.a.)	N/T	N/A	
7 year Fixed Rate (13.00% p.a.)	100.00	100.00	N/A	N/A	7 year Fixed Rate (13.00% p.a.)	12.96	N/A	

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

### Yield to Maturity of Last Trade Done (% p.a.)

Quarter ended 31st December	2017	2016
<b>HNB DEBENTURES 2006</b>		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2007</b>		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2011</b>		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2013</b>		
5 year Fixed Rate (14.00% p.a.)	N/T	N/T
10 year Fixed Rate (14.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2014</b>		
3 year Fixed Rate (7.00% p.a.)	19.57	10.58
5 year Fixed Rate (7.90% p.a.)	N/T	11.38
10 year Fixed Rate (8.50% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2016</b>		
5 year Fixed Rate (11.25% p.a.)	12.93	N/A
5 year Fixed Rate (11.75% p.a.)	N/T	N/A
7 year Fixed Rate (13.00% p.a.)	13.00	N/A

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

### RATIOS OF DEBT

	31.03.2017	31.12.2016
Debt Equity Ratio (%)	<b>106.71</b>	119.84
Interest Cover (Times)	<b>4.14</b>	5.32
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)	<b>31.03.2017</b>	31.12.2016
2006 series 15 year maturity	<b>13.85</b>	13.37
2006 series 18 year maturity	<b>14.09</b>	13.76
2007 series 10 year maturity	<b>11.41</b>	11.27
2007 series 15 year maturity	<b>14.04</b>	13.64
2011 series 10 year maturity	<b>13.78</b>	13.46
2013 series 5 year maturity	<b>11.23</b>	11.17
2013 series 10 year maturity	<b>12.55</b>	12.35
2014 series 3 year maturity	<b>10.27</b>	10.15
2014 series 5 year maturity	<b>11.98</b>	11.85
2014 series 10 year maturity	<b>12.64</b>	12.49
2016 series 5 year maturity	<b>12.47</b>	12.04
2016 series 5 year maturity	<b>12.41</b>	12.15
2016 series 5 year maturity	<b>12.60</b>	12.51

## SHARE INFORMATION

As at	31-Mar-17	31-Dec-16
<b>Number of Shares</b>		
Voting	335,971,677	330,756,782
Non-voting	84,514,459	83,058,692
<b>Last Traded Price per share</b>		
Voting	225.30	225.00
Non-voting	185.00	190.00

For the Quarter Ended	31-Mar-17	31-Mar-16
<b>Highest price per share</b>		
Voting	236.50	207.00
Non-voting	203.90	176.50
<b>Lowest price per share</b>		
Voting	221.00	185.00
Non-voting	185.00	165.50

## PUBLIC SHAREHOLDING PERCENTAGE

As at	31-Mar-17
Voting	61% approx.
Non-voting	99% approx.

## NUMBER OF PUBLIC SHAREHOLDERS

As at	31-Mar-17
Voting	4,570
Non-voting	10,318

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-March-17	31-Dec-16
1. Mr. Rienzie Arseculeratne	10,136	-
2. Mr. A.J. Alles *	103,393	101,959
3. Ms. M.A.R.C. Cooray	5,489	5,404
4. Dr. L.R. Karunaratne	1,048	1,034
5. Mr. L.U.D. Fernando **	524	517
6. Mr. D.T.S.H. Mudalige	-	-
7. Miss. D.S.C. Jayawardena	514	508
8. Mr. R.S. Captain	6,187	6,104
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	101	100

\* Chief Executive Officer

\*\* Resigned w.e.f. 3rd April 2017

## 20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST MARCH 2017

	Name	No. of shares	% on total voting capital
1.	Employees Provident Fund	32,793,921	9.76
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	32,451,260	9.66
3.	Milford Exports (Ceylon) (Pvt) Limited	26,604,922	*7.92
4.	Mr.S.E. Captain	24,418,023	7.27
5.	Stassen Exports (Pvt) Limited	23,060,263	*6.86
6.	Sri Lanka Insurance Corporation Ltd-General Fund	16,616,599	4.95
7.	Sonetto Holdings Limited.	15,139,879	4.51
8.	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	11,626,465	3.46
9.	Distilleries Company of Sri Lanka PLC	10,317,455	*3.07
10.	National Savings Bank	9,653,749	2.87
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	6,355,721	1.89
12.	BNYMSANV RE-CF Ruffer Total Return Fund	5,292,794	1.58
13.	BNYMSANV RE-CF Ruffer Absolute Return Fund	3,552,679	1.06
14.	RBC Investor Services Bank-COELI SICAV I- Frontier Markets Fund	3,271,332	0.97
15.	Citibank Newyork S/A Norges Bank Account 2	3,212,107	0.96
16.	Ms. L.A. Captain	2,956,319	0.88
17.	BNYMSANV RE-Magna Umbrella Fund PLC	2,844,564	0.85
18.	Mrs. C.S. De Fonseka	2,835,133	0.84
19.	Citigroup Global Markets Limited Agency Trading Prop Securities A/C	2,769,240	0.82
20.	BNYMSANV RE-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	2,707,555	0.81

\*\* 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 17.85% 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 31ST MARCH 2017

	Name	No. of shares	% on total non-voting capital
1.	HSBC Intl Nom Ltd-UBS AG Zurich	7,316,538	8.66
2.	Citibank Newyork S/A Norges Bank Account 2	6,842,715	8.10
3.	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	5,869,358	6.94
4.	BNYMSANV RE-Frontaura Global Frontier Fund LLC	4,408,152	5.22
5.	BNYMSANV RE-CF Ruffer Total Return Fund	2,642,580	3.13
6.	BNYMSANV RE-Neon Liberty Lorikeet Master Fund LP	2,617,484	3.10
7.	Akbar Brothers Pvt Ltd A/C No 1	2,566,519	3.04
8.	BNYMSANV RE-CF Ruffer Absolute Return Fund	1,760,302	2.08
9.	Mr.S.E. Captain	1,491,069	1.76
10.	Rubber Investment Trust Limited A/C # 01	1,202,994	1.42
11.	Union Assurance PLC/No-01A/C	1,149,277	1.36
12.	BNYMSANV RE-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	1,044,913	1.24
13.	Mr.J.D. Bandaranayake	1,017,859	1.20
14.	Employees Trust Fund Board	924,129	1.09
15.	Northern Trust Company S/A Polar Capital Funds PLC	888,247	1.05
16.	Union Assurance PLC/Account No.05 (Unit-Linked Life Insurance Fund-Equity Fund)	829,443	0.98
17.	The Ceylon Guardian Investment Trust PLC A/C # 02	762,682	0.90
18.	Deutsche Bank AG as Trustee For JB Vantage Value Equity Fund	761,155	0.90
19.	The Ceylon Investment PLC A/C # 02	623,901	0.74
20.	CB NY S/A Salient International Dividend Signal Fund	606,438	0.72



## NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	31.03.2017 Rs.000	31.12.2016 Rs.000	31.03.2017 Rs.000	31.12.2016 Rs.000
<b>1) Loans and Receivables to Customers</b>				
Gross loans and receivables	625,702,707	595,513,919	639,696,988	608,965,683
Less: Individual impairment	(3,408,462)	(3,366,278)	(3,408,462)	(3,366,278)
Collective impairment	(8,173,991)	(7,734,914)	(8,529,357)	(8,131,945)
<b>Net loans and receivables</b>	<b>614,120,254</b>	<b>584,412,727</b>	<b>627,759,169</b>	<b>597,467,460</b>
<b>2) Loans and Receivables to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Overdrafts	96,278,354	90,479,762	96,270,302	90,471,621
Bills of exchange	967,957	875,321	967,957	875,321
Commercial papers	153,987	153,972	153,987	153,972
Short term loans	59,762,971	56,342,739	59,891,653	56,462,680
Credit Cards	6,196,584	6,061,567	6,196,584	6,061,567
Trust receipts	27,735,630	22,529,322	27,735,630	22,529,322
Packing credit loans	220,503	360,888	220,503	360,888
Staff loans	11,482,350	11,430,637	11,744,006	11,975,374
Term loans	264,116,816	249,690,118	276,041,685	261,318,923
Lease rentals receivable	43,571,953	42,517,424	45,259,079	43,683,846
Housing loans	33,404,011	32,657,439	33,404,011	32,657,439
Pawning advances	14,302,986	14,010,152	14,302,986	14,010,152
Securitized notes	142,060	179,359	142,060	179,359
<b>Sub total</b>	<b>558,336,162</b>	<b>527,288,700</b>	<b>572,330,443</b>	<b>540,740,464</b>
<b>By product-Foreign Currency</b>				
Overdrafts	440,224	613,418	440,224	613,418
Bills of exchange	1,909,454	2,038,299	1,909,454	2,038,299
Short term loans	2,860,354	4,219,372	2,860,354	4,219,372
Trust receipts	2,932,463	2,356,391	2,932,463	2,356,391
Packing credit loans	11,815,517	10,532,884	11,815,517	10,532,884
Term loans	46,000,816	47,051,799	46,000,816	47,051,799
Lease rentals receivable	100,023	104,476	100,023	104,476
Housing loans	1,307,694	1,308,580	1,307,694	1,308,580
<b>Sub total</b>	<b>67,366,545</b>	<b>68,225,219</b>	<b>67,366,545</b>	<b>68,225,219</b>
<b>Total</b>	<b>625,702,707</b>	<b>595,513,919</b>	<b>639,696,988</b>	<b>608,965,683</b>
<b>3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Customers</b>				
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Individual impairment</b>				
Opening balance at 01st January	3,366,278	3,345,714	3,366,278	3,450,410
Charge/(Write back) to income statement	32,836	28,967	32,836	28,967
Amounts written off	-	-	-	-
Interest accrued on impaired loans and receivables	9,348	5,733	9,348	5,733
<b>Closing balance as at 31st March</b>	<b>3,408,462</b>	<b>3,380,414</b>	<b>3,408,462</b>	<b>3,485,110</b>
<b>Collective impairment</b>				
Opening balance at 01st January	7,734,914	7,838,125	8,131,945	7,894,438
Charge/(Write back) to income statement	439,077	68,881	397,412	100,212
Amounts written off	-	(705)	-	(705)
<b>Closing balance as at 31st March</b>	<b>8,173,991</b>	<b>7,906,301</b>	<b>8,529,357</b>	<b>7,993,945</b>
<b>Total impairment</b>	<b>11,582,453</b>	<b>11,286,715</b>	<b>11,937,819</b>	<b>11,479,055</b>
<b>4) Due to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Current account deposits	33,507,651	34,256,113	32,542,315	33,973,012
Savings deposits	161,987,196	159,484,011	164,167,872	160,860,604
Time deposits	330,320,023	325,957,667	341,081,760	336,798,439
Certificates of deposit	951,473	957,804	951,473	957,804
Margin deposits	1,755,643	1,513,014	1,755,643	1,513,014
<b>Sub total</b>	<b>528,521,986</b>	<b>522,168,609</b>	<b>540,499,063</b>	<b>534,102,873</b>
<b>By product- Foreign Currency</b>				
Current account deposits	1,896,255	2,419,687	1,896,255	2,419,687
Savings deposits	30,586,889	29,361,173	30,563,896	29,351,297
Time deposits	77,167,108	69,524,852	77,110,077	69,476,592
Margin deposits	191,051	20,648	191,051	20,648
<b>Sub total</b>	<b>109,841,303</b>	<b>101,326,360</b>	<b>109,761,279</b>	<b>101,268,224</b>
<b>Total</b>	<b>638,363,289</b>	<b>623,494,969</b>	<b>650,260,342</b>	<b>635,371,097</b>