



YOUR PARTNER IN PROGRESS

## Interim Financial Statements

For the six months ended 30th June 2023

## FINANCIAL COMMENTARY FOR THE 6 MONTHS ENDED 30TH JUNE 2023

- Bank PAT improves to Rs 8.6Bn
- Impairment charge of Rs 28 Bn in 1H
- Deposits grow by nearly Rs 70 Bn in 6 months
- Tier I and total capital ratios improve to 12.48% and 15.58% respectively

Hatton National Bank PLC continued its steady performance in Q2 2023, posting a 1H 2023 PBT of Rs 13.6 Bn, while 1H 2023 PAT stood at Rs 8.6 Bn, growing 56% YoY. Meanwhile, the Group made a consolidated PBT and PAT of Rs 15.2 Bn and Rs 9.8 Bn respectively.

Although interest rates tapered off towards the latter part of Q2 2023, 1H 2023 rates still remained relatively higher when compared with the corresponding period in 2022, enabling the Bank to report a net interest income of Rs 59.3 Bn in 1H 2023, up 48% YoY. Additionally, net fee and commission income grew by 12% YoY to Rs 8.0 Bn, driven by increased activity in cards, remittances, trade and digital platforms.

On the back of improved foreign inflows and the consequent rising dollars in circulation, the Rupee appreciated by approx. 15% YoY in the first six months of 2023. Currency volatility caused the Bank to record a net exchange loss of Rs 3.8 Bn for 1H 2023, primarily stemming from revaluation losses of FCBU retained earnings.

Despite the challenges, the Bank continued to prioritise asset quality, with the net stage III loan ratio at 4.77% and stage III provision cover at 51.4% as at end June 2023. In terms of impairment provisions, the Bank recorded a cumulative impairment of Rs 28.3 Bn in 1H 2023 which included impairment on loans and advances as well as on investments in foreign currency denominated government securities.

The Bank's 1H 2023 operating expenses increased by 19% YoY, to Rs 17.6 Bn driven largely by inflation. Nevertheless, the Bank maintained an efficient cost-to-income ratio of 27% for the first half of 2023.

Due to the increase in the corporate tax rate from 24% to 30% coupled with the introduction of the social security contribution levy w.e.f. October 2022, the Bank's total effective tax rate for 1H 2023 increased to 53%.

Since March 2023, the asset base marginally grew to Rs 1.8 Trillion as at end June 2023. Moreover, given the tight credit conditions and exchange rate volatility prevailing for a majority of the June quarter, the Bank's gross loan book dropped to Rs 986 Bn as at end of 1H 2023. Meanwhile, as deposits remained attractive to customers, the Bank's deposit base reached closer to Rs 1.5 Trillion at the end of June 2023.

Compared to Q1 2023, the Bank recorded stronger Tier I and Total Capital Adequacy Ratios of 12.48% and 15.58% against the minimum statutory requirements of 9.5% and 13.5% respectively, with the provision to drawdown a further 250bps from the Capital Conservation Buffer. HNB's liquidity levels also continued to be strong and well above the regulatory minimum requirements, with Statutory Liquid Assets ratio around 40% (vs. a 20% requirement) and all currency Liquidity Coverage ratio at 341.5% (vs. a 100% requirement).

HNB is rated A (Ika) by Fitch Ratings and was awarded the esteemed title of "Sri Lanka's Best Corporate Citizen" for 2022 by the Ceylon Chamber of Commerce. Other major accolades include being ranked among the Top 1,000 Banks in the World for six consecutive years by the acclaimed UK based "The Banker Magazine", being adjudged the "Best Retail Bank in Sri Lanka" for the 13th occasion by the Asian Banker, being declared the "Best SME Bank" by Asiamoney Magazine, as well as securing a Top 5 position on Business Today's Top 40 rankings for 2022.

## INCOME STATEMENT

	BANK			BANK			GROUP			GROUP		
	For the 6 months ended 30th June			For the 3 months ended 30th June			For the 6 months ended 30th June			For the 3 months ended 30th June		
	2023 (Audited) Rs 000	2022 (Audited) Rs 000	% Increase / (Decrease)	2023 Rs 000	2022 Rs 000	% Increase / (Decrease)	2023 Rs 000	2022 Rs 000	% Increase / (Decrease)	2023 Rs 000	2022 Rs 000	% Increase / (Decrease)
<b>Gross income</b>	156,178,486	97,099,622	61	78,097,264	55,641,028	40	174,739,840	109,593,511	59	87,458,715	61,931,873	41
Interest income	151,232,068	73,755,146	105	75,718,723	43,493,787	74	161,976,900	79,262,399	104	81,226,556	46,414,784	75
Less : Interest expenses	91,906,653	33,595,998	174	47,954,861	20,198,430	137	95,712,352	35,083,205	173	49,782,436	21,124,141	136
<b>Net interest income</b>	59,325,415	40,159,148	48	27,763,862	23,295,357	19	66,264,548	44,179,194	50	31,444,120	25,290,643	24
Fee and commission income	8,193,107	7,321,117	12	3,847,165	4,002,878	(4)	8,718,597	7,753,234	12	4,022,488	4,155,456	(3)
Less: Fee and commission expenses	208,551	173,713	20	101,092	100,364	1	295,118	256,842	15	144,395	130,167	11
<b>Net fee and commission income</b>	7,984,556	7,147,404	12	3,746,073	3,902,514	(4)	8,423,479	7,496,392	12	3,878,093	4,025,289	(4)
<b>Net interest, fee and commission income</b>	67,309,971	47,306,552	42	31,509,935	27,197,871	16	74,688,027	51,675,586	45	35,322,213	29,315,932	20
Net gains / (losses) from trading	(8,639,604)	9,802,674	(188)	(1,369,787)	2,303,227	(159)	(8,599,369)	9,703,040	(189)	(1,353,600)	2,274,915	(160)
Net gain from financial investments at fair value through other comprehensive income	-	211,404	(100)	-	54,446	(100)	2,743	214,450	(99)	2,743	56,249	(95)
Net gains arising on de-recognition of financial assets	-	-	-	-	-	-	3,147	-	-	3,147	-	-
Net insurance premium income	-	-	-	-	-	-	7,148,573	6,137,602	16	3,376,845	2,896,572	17
Net other operating income	5,392,915	6,009,281	(10)	(98,837)	5,786,690	(102)	5,489,249	6,522,786	(16)	180,536	6,133,897	(97)
<b>Total operating income</b>	64,063,282	63,329,911	1	30,041,311	35,342,234	(15)	78,732,370	74,253,464	6	37,531,884	40,677,565	(8)
Less: Impairment charge for loans and other losses	28,251,749	40,093,907	(30)	16,871,891	26,740,331	(37)	29,490,606	40,780,565	(28)	17,779,699	27,236,986	(35)
<b>Net operating income</b>	35,811,533	23,236,004	54	13,169,420	8,601,903	53	49,241,764	33,472,899	47	19,752,185	13,440,579	47
<b>Less : Operating expenses</b>												
Personnel expenses	8,698,129	7,394,122	18	4,367,195	3,929,665	11	10,609,732	9,127,838	16	5,335,407	4,810,929	11
Depreciation and amortisation	1,332,633	1,266,207	5	684,044	658,346	4	1,556,548	1,467,150	6	757,370	718,524	5
Benefits, claims and underwriting expenditure	-	-	-	-	-	-	8,023,725	6,072,616	32	3,620,625	2,889,474	25
Other expenses	7,576,206	6,195,779	22	3,689,005	3,249,485	14	9,629,160	7,795,647	24	4,897,951	4,145,505	18
<b>Total operating expenses</b>	17,606,968	14,856,108	19	8,740,244	7,837,496	12	29,819,165	24,463,251	22	14,611,353	12,564,432	16
<b>Operating profit before taxes on financial services</b>	18,204,565	8,379,896	117	4,429,176	764,407	479	19,422,599	9,009,648	116	5,140,832	876,147	487
Less : Taxes on financial services	4,575,790	2,392,603	91	1,502,050	715,815	110	4,753,241	2,493,805	91	1,582,551	705,620	124
<b>Operating profit after taxes on financial services</b>	13,628,775	5,987,293	128	2,927,126	48,592	5,924	14,669,358	6,515,843	125	3,558,281	170,527	1,987
Share of profit of joint venture (net of income tax)	-	-	-	-	-	-	525,588	150,573	249	311,356	80,465	287
<b>PROFIT BEFORE INCOME TAX</b>	13,628,775	5,987,293	128	2,927,126	48,592	5,924	15,194,946	6,666,416	128	3,869,637	250,992	1,442
Less: Income tax expense	5,023,460	482,627	941	1,182,554	(641,204)	284	5,355,735	603,255	788	1,292,501	(451,069)	387
<b>PROFIT FOR THE PERIOD</b>	8,605,315	5,504,666	56	1,744,572	689,796	153	9,839,211	6,063,161	62	2,577,136	702,061	267
<b>Profit attributable to:</b>												
Equity holders of the Bank	8,605,315	5,504,666	56	1,744,572	689,796	153	9,456,546	5,808,469	63	2,368,960	871,432	172
Non-controlling interests	-	-	-	-	-	-	382,665	254,692	50	208,176	(169,371)	(223)
<b>PROFIT FOR THE PERIOD</b>	8,605,315	5,504,666	56	1,744,572	689,796	153	9,839,211	6,063,161	62	2,577,136	702,061	267
<b>Earnings per share</b>												
Basic earnings per ordinary share (Rs)	15.37	9.83	56	3.12	1.23	153	16.89	10.38	63	4.23	1.56	172
Diluted earnings per ordinary share (Rs)	15.37	9.83	56	3.12	1.23	153	16.89	10.38	63	4.23	1.56	172

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	BANK			BANK			GROUP			GROUP		
	For the 6 months ended 30th June			For the 3 months ended 30th June			For the 6 months ended 30th June			For the 3 months ended 30th June		
	2023	2022	% Increase /	2023	2022	% Increase /	2023	2022	% Increase /	2023	2022	% Increase /
	(Audited)	(Audited)	(Decrease)			(Decrease)			(Decrease)			(Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000		Rs 000	Rs 000	
<b>PROFIT FOR THE PERIOD</b>	8,605,315	5,504,666	56	1,744,572	689,796	153	9,839,211	6,063,161	62	2,577,136	702,061	267
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>												
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income	1,267,091	(1,833,380)	169	266,509	(830,080)	132	1,269,432	(1,833,380)	169	268,849	(830,080)	132
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	38,648	12,482	210	38,648	-	-
Revaluation gain on freehold land and buildings	-	-	-	-	-	-	-	200,071	(100)	-	200,071	(100)
Share of other comprehensive income of joint venture that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Less: Tax expense relating to items that will not be reclassified to profit or loss	-	-	-	-	-	-	(71,025)	(50,583)	40	(71,026)	(48,017)	48
<b>Total other comprehensive income that will not be reclassified to profit or loss</b>	1,267,091	(1,833,380)	(169)	266,509	(830,080)	(132)	1,237,055	(1,671,410)	(174)	236,471	(678,026)	(135)
<b>Other comprehensive income that will be reclassified to profit or loss in subsequent periods</b>												
<b>Debt instruments at fair value through other comprehensive income :</b>												
Net gains / (losses) on investments in debt instruments measured at fair value through other comprehensive income	5	(3,634,091)	100	3	-	-	519,675	(5,020,846)	(110)	367,058	(399,431)	(192)
Cumulative net gains/(losses) on debt instruments measured at fair value through other comprehensive income that are reclassified to amortised cost	-	5,577,587	(100)	-	5,577,587	(100)	-	6,281,572	-	-	6,281,572	-
Net change in expected credit losses of debt securities measured at fair value through other comprehensive income	-	(295,445)	(100)	-	(708,635)	(100)	-	(295,445)	(100)	-	(708,635)	(100)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	(259,264)	1,143,219	(123)	(167,517)	275,922	(161)
Share of other comprehensive income of joint venture that will be reclassified to profit or loss	-	-	-	-	-	-	(334,645)	789,012	(142)	(151,242)	289,112	(152)
Less: Tax expense relating to items that will be reclassified to profit or loss	-	(466,439)	(100)	-	(1,338,621)	(100)	(52,864)	(448,468)	88	(40,611)	(1,329,779)	97
<b>Total other comprehensive income that will be reclassified to profit or loss</b>	5	1,181,612	(100)	3	3,530,331	(100)	(127,098)	2,449,044	(105)	7,688	4,408,761	(100)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	1,267,096	(651,768)	294	266,512	2,700,250	(90)	1,109,957	777,634	(43)	244,159	3,730,735	(93)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	9,872,411	4,852,898	103	2,011,084	3,390,046	(41)	10,949,168	6,840,795	60	2,821,295	4,432,796	(36)
Total comprehensive income attributable to:												
Equity holders of the Bank	9,872,411	4,852,898	103	2,011,084	3,390,046	(41)	10,500,859	6,301,052	67	2,566,922	4,278,508	(40)
Non-controlling interests	-	-	-	-	-	-	448,309	539,743	(17)	254,373	154,288	65
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	9,872,411	4,852,898	103	2,011,084	3,390,046	(41)	10,949,168	6,840,795	60	2,821,295	4,432,796	(36)

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.06.2023 (Audited) Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)	As at 30.06.2023 Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)
	<b>ASSETS</b>					
Cash and cash equivalents	83,676,403	80,238,881	4	83,029,116	80,629,698	3
Placements with banks	40,947,305	54,371,028	(25)	48,826,436	58,172,046	(16)
Balances with Central Bank of Sri Lanka	15,377,419	32,344,341	(52)	15,377,419	32,344,341	(52)
Reverse repurchase agreements	2,002,390	-	-	3,905,554	1,380,579	183
Derivative financial instruments	366,168	5,370,501	(93)	366,168	5,370,501	(93)
Financial assets measured at fair value through profit or loss	109,887	111,617	(2)	501,122	236,178	112
Financial assets measured at amortised cost - loans and advances to customers	899,329,490	974,131,252	(8)	934,680,483	1,014,518,939	(8)
Financial assets measured at amortised cost - debt and other financial instruments	689,956,555	448,791,874	54	722,174,215	479,787,015	51
Financial assets measured at fair value through other comprehensive income	3,978,947	2,706,660	47	7,650,602	6,062,195	26
Investment in joint venture	755,000	755,000	-	3,841,297	3,650,354	5
Investment in subsidiaries	3,017,285	3,017,285	-	-	-	-
Investment properties	461,772	464,439	(1)	988,905	935,549	6
Property, plant and equipment	25,479,269	24,835,729	3	50,203,037	49,616,338	1
Right-of-use assets	5,115,012	5,397,734	(5)	2,350,023	2,463,788	(5)
Intangible assets and goodwill	1,339,992	1,250,154	7	1,801,270	1,771,092	2
Deferred tax assets	33,573,321	30,471,351	10	33,860,146	30,763,166	10
Other assets	29,506,178	26,281,118	12	33,853,575	30,573,372	11
<b>Total assets</b>	<b>1,834,992,393</b>	<b>1,690,538,964</b>	<b>9</b>	<b>1,943,409,368</b>	<b>1,798,275,151</b>	<b>8</b>
<b>LIABILITIES</b>						
Due to banks	8,840,625	6,104,578	45	8,832,292	6,104,578	45
Derivative financial instruments	2,161,619	25,632	8,333	2,161,619	25,632	8,333
Securities sold under repurchase agreements	66,321,390	6,540,014	914	66,321,390	6,540,014	914
Financial liabilities measured at amortised cost - due to depositors	1,477,205,841	1,407,800,492	5	1,509,240,526	1,443,179,121	5
Dividends payable	984,728	1,008,325	(2)	1,010,397	1,038,542	(3)
Financial liabilities measured at amortised cost - other borrowings	26,265,248	32,350,594	(19)	26,319,010	33,385,598	(21)
Debt securities issued	2,201,513	2,062,950	7	2,685,033	2,555,109	5
Current tax liabilities	33,070,979	30,025,919	10	33,468,932	30,460,242	10
Deferred tax liabilities	-	-	-	6,540,939	6,465,029	1
Insurance provision - life	-	-	-	28,609,050	24,592,403	16
Insurance provision - non life	-	-	-	4,393,274	4,181,588	5
Other provisions	5,847,011	5,000,513	17	5,974,834	5,467,274	9
Other liabilities	19,070,686	17,378,270	10	19,963,336	18,041,795	11
Subordinated term debts	24,196,645	22,914,299	6	27,186,059	26,151,300	4
<b>Total liabilities</b>	<b>1,666,166,285</b>	<b>1,531,211,586</b>	<b>9</b>	<b>1,742,706,691</b>	<b>1,608,188,225</b>	<b>8</b>

## STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	As at 30.06.2023 (Audited) Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)	As at 30.06.2023 Rs 000	As at 31.12.2022 (Audited) Rs 000	% Increase / (Decrease)
<b>EQUITY</b>						
Stated capital	40,955,116	38,679,005	6	40,955,116	38,679,005	6
Statutory reserve fund	9,310,000	9,310,000	-	9,310,000	9,310,000	-
Retained earnings	46,662,486	40,706,963	15	57,065,520	50,247,360	14
Other reserves	71,898,506	70,631,410	2	86,347,636	85,055,465	2
<b>Total shareholders' equity</b>	<b>168,826,108</b>	<b>159,327,378</b>	<b>6</b>	<b>193,678,272</b>	<b>183,291,830</b>	<b>6</b>
<b>Non-controlling interests</b>	-	-	-	7,024,405	6,795,096	3
<b>Total equity</b>	<b>168,826,108</b>	<b>159,327,378</b>	<b>6</b>	<b>200,702,677</b>	<b>190,086,926</b>	<b>6</b>
<b>Total equity and liabilities</b>	<b>1,834,992,393</b>	<b>1,690,538,964</b>	<b>9</b>	<b>1,943,409,368</b>	<b>1,798,275,151</b>	<b>8</b>
<b>Contingent liabilities and commitments</b>	<b>828,736,815</b>	<b>809,328,957</b>	<b>2</b>	<b>828,736,815</b>	<b>809,328,957</b>	<b>2</b>
<b>Net assets value per ordinary share (Rs.)</b>	<b>301.62</b>	<b>284.65</b>	<b>6</b>	<b>346.02</b>	<b>327.46</b>	<b>6</b>
<b>Memorandum Information</b>						
Number of Employees	5,157	5,156				
Number of Customer Centers	255	255				

## CERTIFICATION

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of Hatton National Bank PLC and the Group as at 30th June 2023 and its profit for the 6 months ended 30th June 2023.

Sgd.  
**Anuradhi Delage**  
 Chief Financial Officer  
 11th August 2023

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

- (a) the above statements have been prepared in compliance with the formats and definitions prescribed by the Central Bank of Sri Lanka;
- (b) the information contained in these statements have been extracted from the 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  
 11th August 2023

Sgd.  
**Nihal Jayawardena**  
 Chairman  
 11th August 2023

## STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital			Other Reserves			Retained Earnings	Total Equity
	Voting Shares	Non-Voting Shares	Statutory Reserve	Capital Reserve	Fair value Reserve	General Reserve		
	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000		
<b>For the 6 months ended 30th June 2023</b>								
Balance as at 1st January 2023	31,732,741	6,946,264	9,310,000	13,927,316	(1,395,906)	58,100,000	40,706,963	159,327,378
<b>Total comprehensive income for the period</b>								
Net profit for the period	-	-	-	-	-	-	8,605,315	8,605,315
Other comprehensive income for the period, net of tax	-	-	-	-	1,267,096	-	-	1,267,096
<b>Total comprehensive income for the period</b>	-	-	-	-	1,267,096	-	8,605,315	9,872,411
<b>Transactions with equity holders, recognised directly in equity</b>								
<b>Contributions by and distributions to equity holders</b>								
<b>Dividends to equity holders</b>								
Final dividend 2022 - Scrip	1,820,883	455,228	-	-	-	-	(2,677,777)	(401,666)
<b>Total contributions by and distributions to equity holders</b>	1,820,883	455,228	-	-	-	-	(2,677,777)	(401,666)
Transfer of/(subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	27,985	27,985
Transfers during the period	-	-	-	-	-	-	-	-
<b>Balance as at 30th June 2023</b>	<b>33,553,624</b>	<b>7,401,492</b>	<b>9,310,000</b>	<b>13,927,316</b>	<b>(128,810)</b>	<b>58,100,000</b>	<b>46,662,486</b>	<b>168,826,108</b>
<b>For the 6 months ended 30th June 2022</b>								
Balance as at 1st January 2022	30,680,591	6,683,653	8,560,000	15,084,556	(1,254,053)	57,100,000	35,186,607	152,041,354
<b>Adjustment for surcharge tax levied under the Surcharge Tax Act No.14 of 2022</b>							(3,611,625)	(3,611,625)
<b>Adjusted balance as at 1st January 2022</b>	<b>30,680,591</b>	<b>6,683,653</b>	<b>8,560,000</b>	<b>15,084,556</b>	<b>(1,254,053)</b>	<b>57,100,000</b>	<b>31,574,982</b>	<b>148,429,729</b>
<b>Total comprehensive income for the period</b>								
Net profit for the period	-	-	-	-	-	-	5,504,666	5,504,666
Other comprehensive income for the period, net of tax	-	-	-	-	(356,323)	-	(295,445)	(651,768)
<b>Total comprehensive income for the period</b>	-	-	-	-	(356,323)	-	5,209,221	4,852,898
<b>Transactions with equity holders, recognised directly in equity</b>								
<b>Contributions by and distributions to equity holders</b>								
<b>Dividends to equity holders</b>								
Final dividend 2021 - Cash	-	-	-	-	-	-	(3,418,380)	(3,418,380)
Final dividend 2021 - Scrip	1,052,150	262,611	-	-	-	-	(1,314,761)	-
<b>Total contributions by and distributions to equity holders</b>	1,052,150	262,611	-	-	-	-	(4,733,141)	(3,418,380)
Transfer of/(subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	6,178	6,178
Transfers during the period	-	-	-	-	-	-	-	-
<b>Balance as at 30th June 2022</b>	<b>31,732,741</b>	<b>6,946,264</b>	<b>8,560,000</b>	<b>15,084,556</b>	<b>(1,610,376)</b>	<b>57,100,000</b>	<b>32,057,240</b>	<b>149,870,425</b>

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital			Other Reserves									
	Voting	Non-Voting	Statutory Reserve	Capital	General	Fair value	Life Policy	Restricted	Exchange	Retained	Shareholders'	Non	Total
	Shares	Shares		Reserve	Reserve	Reserve	Reserve	Holder	Regulatory	Equalization	Earnings	Funds	Controlling
Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Fund	Reserve	Reserve	Rs 000	Rs 000	Rs 000	Rs 000
<b>For the 6 months ended 30th June 2023</b>													
<b>Balance as at 1st January 2023</b>	31,732,741	6,946,264	9,310,000	28,493,417	58,100,000	(1,182,630)	(1,347,731)	381,156	611,253	50,247,360	183,291,830	6,795,096	190,086,926
<b>Total comprehensive income for the period</b>													
Net profit for the period	-	-	-	-	-	-	-	-	-	9,456,546	9,456,546	382,665	9,839,211
Other comprehensive income for the period, net of tax	-	-	-	(25,056)	-	1,057,963	-	-	-	11,406	1,044,313	65,644	1,109,957
<b>Total comprehensive income for the period</b>	-	-	-	(25,056)	-	1,057,963	-	-	-	9,467,952	10,500,859	448,309	10,949,168
<b>Transactions with equity holders, recognised directly in equity</b>													
<b>Contributions by and distributions to equity holders</b>													
<b>Dividends to equity holders</b>													
Final dividend 2022 - Cash	-	-	-	-	-	-	-	-	-	-	-	(219,000)	(219,000)
Final dividend 2022 - Scrip	1,820,883	455,228	-	-	-	-	-	-	-	(2,677,777)	(401,666)	-	(401,666)
<b>Total contributions by and distributions to equity holders</b>	1,820,883	455,228	-	-	-	-	-	-	-	(2,677,777)	(401,666)	(219,000)	(620,666)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	259,264	-	-	-	259,264	-	259,264
Transfer of / (subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	-	-	-	27,985	27,985	-	27,985
<b>Balance as at 30th June 2023</b>	33,553,624	7,401,492	9,310,000	28,468,361	58,100,000	(124,667)	(1,088,467)	381,156	611,253	57,065,520	193,678,272	7,024,405	200,702,677
<b>For the 6 months ended 30th June 2022</b>													
<b>Balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	43,643,801	176,668,042	6,599,222	183,267,264
<b>Adjustment for surcharge tax levied under the Surcharge Tax Act No.14 of 2022</b>	-	-	-	-	-	-	-	-	-	(3,912,900)	(3,912,900)	(68,996)	(3,981,896)
<b>Adjusted balance as at 1st January 2022</b>	30,680,591	6,683,653	8,560,000	30,816,980	57,100,000	(1,258,039)	(103,302)	381,156	163,202	39,730,901	172,755,142	6,530,226	179,285,368
Acquisition of non controlling interest during amalgamation of HNB Finance PLC with Prime Finance PLC	-	-	-	-	-	-	-	-	-	-	-	(301,135)	(301,135)
<b>Total comprehensive income for the period</b>													
Net profit for the period	-	-	-	-	-	-	-	-	-	5,808,469	5,808,469	254,692	6,063,161
Other comprehensive income for the period, net of tax	-	-	-	64,106	-	719,741	-	-	-	(291,264)	492,583	285,051	777,634
<b>Total comprehensive income for the period</b>	-	-	-	64,106	-	719,741	-	-	-	5,517,205	6,301,052	539,743	6,840,795
<b>Transactions with equity holders, recognised directly in equity</b>													
<b>Contributions by and distributions to equity holders</b>													
<b>Dividends to equity holders</b>													
Final dividend 2021 - Scrip	1,052,150	262,612	-	-	-	-	-	-	-	(1,314,762)	-	-	-
Final dividend 2021 - Cash	-	-	-	-	-	-	-	-	-	(3,418,380)	(3,418,380)	(192,000)	(3,610,380)
<b>Total contributions by and distributions to equity holders</b>	1,052,150	262,612	-	-	-	-	-	-	-	(4,733,142)	(3,418,380)	(192,000)	(3,610,380)
Transfer from life policy holder reserve fund	-	-	-	-	-	-	(1,143,219)	-	-	-	(1,143,219)	-	(1,143,219)
Transfer of / (subsequent settlement of) unclaimed dividends	-	-	-	-	-	-	-	-	-	6,178	6,178	-	6,178
Gain on step acquisition of Non controlling Interest in subsidiary by HNB Finance PLC	-	-	-	-	-	-	-	-	-	4,199	4,199	5,761	9,960
<b>Balance as at 30th June 2022</b>	31,732,741	6,946,265	8,560,000	30,881,086	57,100,000	(538,298)	(1,246,521)	381,156	163,202	40,525,341	174,504,972	6,582,595	181,087,567



## STATEMENT OF CASH FLOWS

For the 6 months ended 30th June	BANK		GROUP	
	2023 Rs 000	2022 Rs 000	2023 Rs 000	2022 Rs 000
<b>Cash flows from operating activities</b>				
Interest receipts	154,361,556	74,280,326	165,122,349	79,834,852
Interest payments	(95,285,976)	(26,852,698)	(99,167,646)	(28,244,550)
Net commission receipts	7,999,883	7,103,438	8,434,344	7,435,739
Net trading income	(5,755,551)	10,137,104	(5,718,463)	10,140,859
Payments to employees	(8,059,409)	(7,615,708)	(10,222,917)	(9,341,258)
Taxes on financial services	(3,457,044)	(2,009,512)	(3,623,145)	(2,200,691)
Receipts from other operating activities	(3,757,955)	(2,505,451)	3,681,577	4,701,242
Payments on other operating activities	(7,238,273)	(4,781,809)	(13,382,319)	(9,363,819)
<b>Operating profit before change in operating assets and liabilities</b>	<b>38,807,231</b>	<b>47,755,690</b>	<b>45,123,780</b>	<b>52,962,374</b>
<b>(Increase)/decrease in operating assets</b>				
Balances with Central Bank of Sri Lanka	16,966,922	(469,843)	16,966,922	(469,843)
Financial assets measured at amortised cost - loans and advances to customers	46,223,978	(63,164,532)	50,248,470	(64,759,464)
Reverse repurchase agreements	(2,002,390)	618	(2,524,975)	1,799,004
Other assets	3,618,699	7,915,919	3,508,097	8,214,255
	<b>64,807,209</b>	<b>(55,717,838)</b>	<b>68,198,514</b>	<b>(55,216,048)</b>
<b>Increase/(decrease) in operating liabilities</b>				
Financial liabilities measured at amortised cost - due to depositors	107,565,081	53,229,486	104,285,927	54,618,319
Financial liabilities measured at amortised cost - other borrowings	1,532,249	(14,814,709)	(159,627)	(13,361,278)
Securities sold under repurchase agreements	59,397,349	9,932,282	59,397,349	9,932,282
Other liabilities	(2,817,883)	(16,604,388)	3,622,959	(17,509,491)
	<b>165,676,796</b>	<b>31,742,671</b>	<b>167,146,608</b>	<b>33,679,832</b>
<b>Net cash generated from operating activities before income tax</b>	<b>269,291,236</b>	<b>23,780,523</b>	<b>280,468,902</b>	<b>31,426,158</b>
Income tax paid	(4,543,577)	(3,537,699)	(4,918,313)	(3,906,249)
<b>Net cash generated from operating activities</b>	<b>264,747,659</b>	<b>20,242,824</b>	<b>275,550,589</b>	<b>27,519,909</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,374,077)	(403,907)	(1,584,001)	(512,805)
Proceeds from the sale of property, plant and equipment	3,823	12,800	12,560	13,276
Net proceeds from sale, maturity and purchase of financial investments	(273,339,252)	22,479,098	(280,596,919)	14,049,435
Net purchase of intangible assets	(290,791)	(123,781)	(306,385)	(150,508)
Dividends received from investment in subsidiaries	288,473	-	-	-
Dividends received from other investments	1,561	297,832	1,561	13,999
<b>Net cash generated from / (used in) investing activities</b>	<b>(274,710,263)</b>	<b>22,262,042</b>	<b>(282,473,184)</b>	<b>13,413,397</b>
<b>Cash flows from financing activities</b>				
Dividend paid to non controlling interest	-	-	-	(192,119)
Dividend paid to shareholders of the parent company	(23,597)	(3,383,123)	(23,597)	(3,383,123)
<b>Net cash used in financing activities</b>	<b>(23,597)</b>	<b>(3,383,123)</b>	<b>(23,597)</b>	<b>(3,575,242)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(9,986,201)</b>	<b>39,121,743</b>	<b>(6,946,192)</b>	<b>37,358,064</b>
Cash and cash equivalents at the beginning of the period	134,609,909	38,185,254	138,801,744	47,271,645
<b>Cash and cash equivalents at the end of the period</b>	<b>124,623,708</b>	<b>77,306,997</b>	<b>131,855,552</b>	<b>84,629,709</b>
<b>Cash and cash equivalents at the end of the period</b>				
Cash and cash equivalents	83,676,403	71,394,852	83,029,116	72,901,586
Placements with banks	40,947,305	5,912,145	48,826,436	11,728,123
	<b>124,623,708</b>	<b>77,306,997</b>	<b>131,855,552</b>	<b>84,629,709</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 30th June 2023	Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	83,676,403	-	83,676,403
Placements with banks	-	40,947,305	-	40,947,305
Balances with Central Bank of Sri Lanka	-	15,377,419	-	15,377,419
Derivative financial instruments	366,168	-	-	366,168
Financial assets measured at fair value through profit or loss	109,887	-	-	109,887
Financial assets measured at amortised cost				
- loans and advances to customer	-	899,329,490	-	899,329,490
Financial assets measured at amortised cost - debt and other financial instruments	-	689,956,555	-	689,956,555
Financial assets measured at fair value through other comprehensive income	-	-	3,978,947	3,978,947
Other financial assets	-	10,896,978	-	10,896,978
<b>Total financial assets</b>	<b>476,055</b>	<b>1,742,186,540</b>	<b>3,978,947</b>	<b>1,746,641,542</b>
<b>Liabilities</b>				
Due to banks	-	8,840,625	-	8,840,625
Derivative financial instruments	2,161,619	-	-	2,161,619
Securities sold under repurchase agreements	-	66,321,390	-	66,321,390
Financial liabilities measured at amortised cost - due to depositors	-	1,477,205,841	-	1,477,205,841
Dividends payable	-	984,728	-	984,728
Financial liabilities measured at amortised cost - other borrowings	-	26,265,248	-	26,265,248
Debt securities issued	-	2,201,513	-	2,201,513
Other financial liabilities	-	9,371	-	9,371
Subordinated term debts	-	24,196,645	-	24,196,645
<b>Total financial liabilities</b>	<b>2,161,619</b>	<b>1,606,025,361</b>	<b>-</b>	<b>1,608,186,980</b>
<b>As at 31st December 2022 (Audited)</b>				
	Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	80,238,881	-	80,238,881
Placements with banks	-	54,371,028	-	54,371,028
Balances with Central Bank of Sri Lanka	-	32,344,341	-	32,344,341
Derivative financial instruments	5,370,501	-	-	5,370,501
Financial assets measured at fair value through profit or loss	111,617	-	-	111,617
Financial assets measured at amortised cost -- loans and advances to customer	-	974,131,252	-	974,131,252
Financial assets measured at amortised cost - debt and other financial instruments	-	448,791,874	-	448,791,874
Financial assets measured at fair value through other comprehensive income	-	-	2,706,660	2,706,660
Other financial assets	-	9,227,790	-	9,227,790
<b>Total financial assets</b>	<b>5,482,118</b>	<b>1,599,105,166</b>	<b>2,706,660</b>	<b>1,607,293,944</b>
<b>Liabilities</b>				
Due to banks	-	6,104,578	-	6,104,578
Derivative financial instruments	25,632	-	-	25,632
Securities sold under repurchase agreements	-	6,540,014	-	6,540,014
Financial liabilities measured at amortised cost - due to depositors	-	1,407,800,492	-	1,407,800,492
Dividends payable	-	1,008,325	-	1,008,325
Financial liabilities measured at amortised cost - other borrowings	-	32,350,594	-	32,350,594
Debt securities issued	-	2,062,950	-	2,062,950
Other financial liabilities	-	4,213	-	4,213
Subordinated term debts	-	22,914,299	-	22,914,299
<b>Total financial liabilities</b>	<b>25,632</b>	<b>1,478,785,465</b>	<b>-</b>	<b>1,478,811,097</b>

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 30th June 2023	Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	83,029,116	-	83,029,116
Placements with banks	-	48,826,436	-	48,826,436
Balances with Central Bank of Sri Lanka	-	15,377,419	-	15,377,419
Reverse repurchase agreements	-	3,905,554	-	3,905,554
Derivative financial instruments	366,168	-	-	366,168
Financial assets measured at fair value through profit or loss	501,122	-	-	501,122
Financial assets measured at amortised cost	-	-	-	-
- loans and advances to customers	-	934,680,483	-	934,680,483
Financial assets measured at amortised cost - debt and other financial instruments	-	722,174,215	-	722,174,215
Financial assets measured at fair value through other comprehensive income	-	-	7,650,602	7,650,602
Other financial assets	-	15,390,307	-	15,390,307
<b>Total financial assets</b>	<b>867,290</b>	<b>1,823,383,530</b>	<b>7,650,602</b>	<b>1,831,901,422</b>
<b>Liabilities</b>				
Due to banks	-	8,832,292	-	8,832,292
Derivative financial instruments	2,161,619	-	-	2,161,619
Securities sold under repurchase agreements	-	66,321,390	-	66,321,390
Financial liabilities measured at amortised cost - due to depositors	-	1,509,240,526	-	1,509,240,526
Dividends payable	-	1,010,397	-	1,010,397
Financial liabilities measured at amortised cost - other borrowings	-	26,319,010	-	26,319,010
Debt securities issued	-	2,685,033	-	2,685,033
Other financial liabilities	-	2,499,186	-	2,499,186
Subordinated term debts	-	27,186,059	-	27,186,059
<b>Total financial liabilities</b>	<b>2,161,619</b>	<b>1,644,093,893</b>	<b>-</b>	<b>1,646,255,512</b>
<b>As at 31st December 2022 (Audited)</b>				
	Fair Value through Profit or Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>				
Cash and cash equivalents	-	80,629,698	-	80,629,698
Placements with banks	-	58,172,046	-	58,172,046
Balances with Central Bank of Sri Lanka	-	32,344,341	-	32,344,341
Reverse repurchase agreements	-	1,380,579	-	1,380,579
Derivative financial instruments	5,370,501	-	-	5,370,501
Financial assets measured at fair value through profit or loss	236,178	-	-	236,178
Financial assets measured at amortised cost - loans and advances to customers	-	1,014,518,939	-	1,014,518,939
Financial assets measured at amortised cost - debt and other financial instruments	-	479,787,015	-	479,787,015
Financial assets measured at fair value through other comprehensive income	-	-	6,062,195	6,062,195
Other financial assets	-	12,041,606	-	12,041,606
<b>Total financial assets</b>	<b>5,606,679</b>	<b>1,678,874,224</b>	<b>6,062,195</b>	<b>1,690,543,098</b>
<b>Liabilities</b>				
Due to banks	-	6,104,578	-	6,104,578
Derivative financial instruments	25,632	-	-	25,632
Securities sold under repurchase agreements	-	6,540,014	-	6,540,014
Financial liabilities measured at amortised cost - due to depositors	-	1,443,179,121	-	1,443,179,121
Dividends payable	-	1,038,542	-	1,038,542
Financial liabilities measured at amortised cost - other borrowings	-	33,385,598	-	33,385,598
Debt securities issued	-	2,555,109	-	2,555,109
Other financial liabilities	-	2,434,631	-	2,434,631
Subordinated term debts	-	26,151,300	-	26,151,300
<b>Total financial liabilities</b>	<b>25,632</b>	<b>1,521,388,893</b>	<b>-</b>	<b>1,521,414,525</b>

## SEGMENT REPORTING

For the 6 months ended 30th June	Corporate		Retail		SME		Micro		Treasury		Real Estate		Insurance		NBFI*		Eliminations / Unallocated		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Net interest income	10,684,374	3,046,708	25,705,217	12,263,526	8,334,980	4,192,510	368,408	396,802	17,200,365	19,563,444	148,954	40,543	3,527,133	1,753,390	2,955,898	1,922,139	(2,660,781)	1,000,132	66,264,548	44,179,194
Foreign exchange income	3,273,517	(3,922,343)	400,836	108,536	566,507	(118,729)	1,635	1,730	(1,776,439)	787,241	-	-	-	-	-	-	(6,262,832)	18,718,126	(3,796,776)	15,574,561
Net fee and commission income	2,671,823	2,560,875	3,357,516	2,647,368	2,065,933	1,710,095	110,821	93,697	14,673	1,651	-	-	154,821	139,080	284,103	209,908	(236,211)	133,718	8,423,479	7,496,392
Other operating income	-	-	-	-	-	-	-	-	118,040	28,880	543,533	506,966	7,393,059	6,570,604	444,723	422,649	(658,236)	(525,782)	7,841,119	7,003,317
Total operating income	16,629,714	1,685,240	29,463,569	15,019,430	10,967,420	5,783,876	480,864	492,229	15,556,639	20,381,216	692,487	547,509	11,075,013	8,463,074	3,684,724	2,554,696	(9,818,059)	19,326,194	78,732,370	74,253,464
Impairment charge for loans and other losses	1,816,531	11,356,093	1,182,730	2,498,285	2,894,327	4,981,387	(89,890)	52,282	23,641,056	21,205,860	-	-	(34,560)	16,048	1,273,417	670,610	(1,193,005)	-	29,490,606	40,780,565
Net operating income	14,813,183	(9,670,853)	28,280,839	12,521,145	8,073,093	802,489	570,754	439,947	(8,084,417)	(824,644)	692,487	547,509	11,109,572	8,447,026	2,411,307	1,884,086	(8,625,054)	19,326,194	49,241,764	33,472,899
Profit from operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,669,358	6,515,843
Share of profit of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	525,588	150,573
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,355,735)	(603,255)
Non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(382,665)	(254,692)
Net Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,456,546	5,808,469
<b>As at 30th June</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>
Segment assets	404,328,540	556,479,716	262,769,897	263,360,022	181,223,997	237,015,547	22,606,963	25,957,443	750,882,001	463,478,400	11,315,234	10,984,625	46,010,929	38,491,096	49,689,522	50,749,343	210,740,988	47,851,073	1,939,568,071	1,694,367,265
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,841,297	3,817,006	3,841,297	3,817,006
Total assets	404,328,540	556,479,716	262,769,897	263,360,022	181,223,997	237,015,547	22,606,963	25,957,443	750,882,001	463,478,400	11,315,234	10,984,625	46,010,929	38,491,096	49,689,522	50,749,343	214,582,285	51,668,079	1,943,409,368	1,698,184,271
Segment liabilities	259,701,621	253,332,157	872,153,364	776,520,407	267,679,543	235,278,802	21,297,446	11,803,728	90,629,366	43,419,763	11,315,234	10,984,625	46,010,929	38,491,096	49,689,522	50,749,343	324,932,343	277,604,350	1,943,409,368	1,698,184,271
Total liabilities	259,701,621	253,332,157	872,153,364	776,520,407	267,679,543	235,278,802	21,297,446	11,803,728	90,629,366	43,419,763	11,315,234	10,984,625	46,010,929	38,491,096	49,689,522	50,749,343	324,932,343	277,604,350	1,943,409,368	1,698,184,271
<b>For the 6 months ended 30th June</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Information on cash flows																				
Cash flows from operating activities	110,600,443	(20,252,662)	96,901,178	3,860,455	47,967,565	13,199,416	7,353,417	4,511,367	91,766,723	5,736,648	316,710	58,471	1,163,678	1,672,737	3,800,001	(597,076)	(84,319,126)	19,330,553	275,550,589	27,519,909
Cash flows from investing activities	-	(1,500,000)	-	-	-	-	-	-	(273,339,252)	14,049,435	-	948,828	(258,110)	(2,239,170)	(456,233)	(3,737,150)	(8,419,589)	5,891,454	(282,473,184)	13,413,397
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	-	-	(638,595)	(557,106)	(1,325,931)	(311,253)	1,940,929	(2,706,883)	(23,597)	(3,575,242)
Net cash flow generated / (used in) during the period	110,600,443	(21,752,662)	96,901,178	3,860,455	47,967,565	13,199,416	7,353,417	4,511,367	(181,572,529)	19,786,083	316,710	1,007,299	266,973	(1,123,539)	2,017,837	(4,645,479)	(90,797,786)	22,515,124	(6,946,192)	37,358,064
<b>Capital expenditure</b>																				
- Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	(181,782)	(93,912)	(28,142)	(14,986)	(1,374,077)	(403,907)	(1,584,001)	(512,805)
- Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	(6,446)	(9,026)	(9,148)	(17,701)	(290,791)	(123,781)	(306,385)	(150,508)
<b>Total Capital Expenditure</b>	-	-	-	-	-	-	-	-	-	-	-	-	(188,228)	(102,938)	(37,290)	(32,687)	(1,664,868)	(527,688)	(1,890,386)	(663,313)

\* Business of HNB Finance PLC.

## EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2022.
2. There are no material changes during the period in the composition of assets, liabilities and contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
3. 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. **ECL Assessment and computation**

The Bank reassessed the Probabilities of Default (PD) used in collective impairment assessment as at June 2023. Further management overlays were also recognised in respect of exposures to specific industries where an elevated level of risk have been identified. Bank has made adequate provisions for expected credit losses in the financial statements as at 30th June 2023 to ensure that the potential impact to its loan portfolio is adequately covered. The Board will continue to monitor the implications and make adjustments, if required.

5. Bank re-classified its debt securities portfolio measured at Fair Value Through Other Comprehensive Income category to Amortised Cost category with effect from 1st April 2022 in accordance with "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio" issued by CA Sri Lanka. Accordingly, Treasury Bills, Treasury Bonds and International Sovereign Bond investments which were previously classified as financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) were re-classified as financial assets measured at amortised cost. There was no change to the effective interest rate used and interest revenue recognised in respect of the reclassified assets.

Had these investments continued to be carried at fair value through other comprehensive income, the fair value of the remaining portfolio as at 30th June 2023 would have amounted to Rs 21Bn and would have resulted in the recognition of a fair value loss of Rs 2.9 Bn (net of tax) in other comprehensive income during the period.

6. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.

#### 7. **Reporting entity**

Bank does not have an identifiable parent of its own. Hatton National Bank PLC is the ultimate parent of the Group. The consolidated financial statements of the Bank cover the Bank and its subsidiaries, HNB Assurance PLC, Sithma Development (Pvt) Ltd, HNB Finance PLC & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.

8. Mrs. Aruni Goonetilleke, Chairperson resigned from the office of the Director of the Bank w.e.f. 9th June 2023 and Mr. Nihal Jayawardene was appointed as Chairman w.e.f. 09th June 2023
9. Mr. Vish Govindasamy was appointed as a Director w.e.f. 16th June 2023
10. The funds raised through debentures were fully utilized for the objectives mentioned in the prospectuses
11. There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements other than as disclosed above.

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 30.06.2023	As at 31.12.2022	As at 30.06.2023	As at 31.12.2022
	BANK		GROUP	
<b>BASEL III</b>				
<b>Regulatory Capital</b>				
Common Equity Tier 1.Rs.Mn	113,607	110,339	131,913	125,236
Tier 1 Capital.Rs.Mn	113,607	110,339	131,913	125,236
Total Capital.Rs.Mn	141,819	139,615	160,735	155,160
<b>Regulatory Capital Ratios</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2023 - 8.00%:2022 - 8.00%)	12.48%	11.06%	13.06%	11.42%
Tier 1 Capital Ratio (Minimum Requirement - 2023 - 9.50%:2022 - 9.50%)	12.48%	11.06%	13.06%	11.42%
Total Capital Ratio (Minimum Requirement 2023 - 13.50%: 2022 - 13.50%)	15.58%	14.00%	15.91%	14.15%
Leverage Ratio (Minimum Requirement- 3.00%)	5.62%	6.22%	6.19%	6.65%
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Impaired Loans (Stage 3) Ratio, %	4.77%	3.40%		
Impairment (Stage 3) to Stage 3 loans Ratio, %	51.35%	56.99%		
<b>Profitability (Annualised)</b>				
Interest Margin, %	6.63%	6.40%		
Return on Assets (before Tax), %	1.52%	0.75%		
Return on Equity, %	10.26%	9.14%		
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets, Rs. Mn				
Domestic Banking unit	643,734	464,288		
Off-Shore Banking Unit	60,827	47,720		
Consolidated (Bank)	687,070	494,462		
Statutory Liquid Assets Ratio (Minimum requirement 20%)				
Domestic Banking unit	41.29%	31.04%		
Off-Shore Banking Unit	36.05%	29.10%		
Consolidated (Bank)	43.78%	33.95%		
Total Stock of High-Quality Liquid Assets, Rs. Mn	469,918	323,526		
Liquidity Coverage Ratio (%) - Rupee	286.48%	255.83%		
(Minimum Requirement - 2023 -100%, 2022 -100%)				
Liquidity Coverage Ratio (%) - All Currency	341.50%	519.47%		
(Minimum Requirement - 2023 - 100%, 2022 - 100%)				
Net Stable Funding Ratio(Minimum Requirement - 2023 - 100%, 2022 - 100%)	145.22%	130.85%		

## LISTED DEBENTURE INFORMATION

Quarter ended 30th June	Market Value				Last Traded		Interest Yield as at Last Trade Done (%)		
	2023		2022		2023	2022	2023	2022	
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.	Rs.	Rs.			
<b>HNB DEBENTURES 2006</b>							<b>HNB DEBENTURES 2006</b>		
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2007</b>							<b>HNB DEBENTURES 2007</b>		
15 year Fixed Rate (16.75% p.a.)	N/A	N/A	N/T	N/T	N/A	N/T	15 year Fixed Rate (16.75% p.a.)	N/A	N/T
<b>HNB DEBENTURES 2013</b>							<b>HNB DEBENTURES 2013</b>		
10 year Fixed Rate (8.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (8.00% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2014</b>							<b>HNB DEBENTURES 2014</b>		
10 year Fixed Rate (8.33% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (8.33% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2016</b>							<b>HNB DEBENTURES 2016</b>		
7 year Fixed Rate (13.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	7 year Fixed Rate (13.00% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2019</b>							<b>HNB DEBENTURES 2019</b>		
5 year Fixed Rate (12.30% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	5 year Fixed Rate (12.30% p.a.)	N/T	N/T
7 year Fixed Rate (12.80% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	7 year Fixed Rate (12.80% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2021</b>							<b>HNB DEBENTURES 2021</b>		
10 year Fixed Rate (9.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T	10 year Fixed Rate (9.50% p.a.)	N/T	N/T

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

RATIOS OF DEBT		
	30.06.2023	31.12.2022
Debt Equity Ratio (%)	26.46	30.91
	30.06.2023	30.06.2022
Interest Cover (Times)	6.98	4.30
	30.06.2023	30.06.2022
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 18 year maturity	25.50	20.56
2007 series 15 year maturity	N/A	19.55
2013 series 10 year maturity	24.19	20.82
2014 series 10 year maturity	25.86	20.93
2016 series 7 year maturity	24.60	20.82
2019 series 5 year maturity	25.65	20.83
2019 series 7 year maturity	25.39	22.53
2021 series 10 year maturity	21.36	21.34

Quarter ended 30th June	Yield to Maturity of Last Trade Done (% p.a.)	
	2023	2022
<b>HNB DEBENTURES 2006</b>	%	%
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2007</b>		
15 year Fixed Rate (16.75% p.a.)	N/A	N/T
<b>HNB DEBENTURES 2013</b>		
10 year Fixed Rate (8.00% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2014</b>		
10 year Fixed Rate (8.33% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2016</b>		
7 year Fixed Rate (13.00% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2019</b>		
5 year Fixed Rate (12.30% p.a.)	N/T	N/T
7 year Fixed Rate (12.80% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2021</b>		
10 year Fixed Rate (9.50% p.a.)	N/T	N/T

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

## SHARE INFORMATION

As at	30-Jun-23	31-Dec-22
<b>Number of Shares</b>		
Voting	446,651,811	428,442,985
Non-voting	113,086,576	107,112,457
<b>Last Traded Price per share</b>		
Voting	140.00	78.90
Non-voting	108.00	70.00

For the Quarter Ended	30-Jun-23	30-Jun-22
<b>Highest price per share</b>		
Voting	141.00	110.75
Non-voting	110.00	101.25
<b>Lowest price per share</b>		
Voting	106.00	76.50
Non-voting	72.60	73.00

## PUBLIC SHAREHOLDING PERCENTAGE

	30-Jun-23	
	Number	%
Number of shareholders representing the public holding (Voting)	7,740	69% approx.
Number of shareholders representing the public holding (Non Voting)	11,122	99% approx.
Compliant under Option 1 - Float Adjusted Market Capitalization	Rs. 42.84 Bn	

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	30-Jun-23	31-Dec-22
1. Mr.N.Jayawardena (Appointed as Chairman w.e.f.9th June 2023)	-	-
2. Mrs.A.Goonetilleke (Resigned w.e.f.9th June 2023)	N/A	-
3. Mr.A.J.Alles (Chief Executive Officer)	140,353	143,614
4. Mr.D.A.Cabraal (Retired w.e.f.1st April 2023)	N/A	-
5. Mr.W.M.M.D.Ratnayake	-	-
6. Mr.M.P.D.Cooray	9,265	8,776
7. Mr.D.P.N.Rodrigo (Chief Operating Officer)	27,222	26,164
8. Mr.O.H.S.Chandrawansa	-	-
9. Mr.P.R.Saldin	3,422	3,242
10. Mr.K.Gunawardena	-	-
11. Mr.R.Gunawardena	25,653	24,362
12. Dr.T.K.D.A.P.Samarasinghe	-	-
13. Mr.V.Govindasamy (Appointed as Director w.e.f.16th June 2023)	-	N/A



**20 MAJOR SHAREHOLDERS (VOTING) OF HNB PLC  
AS AT 30TH JUNE 2023**

	Name	No. of shares	% on total voting capital
1.	BROWNS INVESTMENTS PLC (CONSISTING OF SAMPATH BANK PLC/ BROWNS INVESTMENTS PLC & BROWNS INVESTMENTS PLC ACCOUNTS)	44,599,422	9.99
2.	EMPLOYEE'S PROVIDENT FUND	43,535,266	9.75
3.	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	36,926,034	8.27
4.	MILFORD EXPORTS (CEYLON) (PVT) LIMITED	35,319,119	* 7.91
5.	STASSEN EXPORTS (PVT) LIMITED	30,613,438	* 6.85
6.	MR. S.E. CAPTAIN	22,118,683	4.95
7.	SONETTO HOLDINGS LIMITED	21,952,479	4.91
8.	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	18,970,648	4.25
9.	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	16,506,914	3.70
10.	DISTILLERIES COMPANY OF SRI LANKA PLC	13,696,840	* 3.07
11.	DON AND DON HOLDINGS (PRIVATE) LIMITED (CONSISTING OF PEOPLE'S LEASING & FINANCE PLC / DON AND DON HOLDINGS (PRIVATE) LIMITED & DON AND DON HOLDINGS (PRIVATE) LIMITED)	13,626,897	3.05
12.	NATIONAL SAVINGS BANK	12,815,744	2.87
13.	MR. D.N.N. LOKUGE	9,288,560	2.08
14.	STANDARD CHARTERED BANK SINGAPORE S/A HL BANK SINGAPORE BRANCH	8,383,256	1.88
15.	MS. L.A. CAPTAIN	8,347,467	1.87
16.	FINCO HOLDINGS (PRIVATE) LIMITED	7,121,362	1.59
17.	SIMONAS TRUST SERVICE PVT LTD	4,545,906	1.02
18.	INVENCO CAPITAL PRIVATE LIMITED	3,620,491	0.81
19.	EMPLOYEES TRUST FUND BOARD	3,296,546	0.74
20.	UNION ASSURANCE PLC - UNIVERSAL LIFE FUND	2,764,828	0.62

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

**20 MAJOR SHAREHOLDERS (NON-VOTING) OF HNB PLC  
AS AT 30TH JUNE 2023**

	Name	No. of shares	% on total non-voting capital
1.	BROWNS INVESTMENTS PLC (CONSISTING OF SAMPATH BANK PLC/BROWNS INVESTMENTS PLC & BROWNS INVESTMENTS PLC ACCOUNTS)	51,871,980	45.87
2.	ACUITY PARTNERS (PVT) LIMITED/MR.ELAYATHAMBY THAVAGNANASOORIYAM / MR.ELAYATHAMBY THAVAGNANASUNDARAM	5,671,825	5.02
3.	AKBAR BROTHERS PVT LTD A/C NO 1	5,010,179	4.43
4.	MR. S.E. CAPTAIN	1,751,130	1.55
5.	EMPLOYEES TRUST FUND BOARD	1,669,388	1.48
6.	MR. J.D. BANDARANAYAKE	1,245,795	1.10
7.	HATTON NATIONAL BANK PLC A/C NO 2	813,789	0.72
8.	SABOOR CHATOOR (PVT) LTD	774,370	0.68
9.	MR. E. CHATOOR	733,097	0.65
10.	INVENCO CAPITAL PRIVATE LIMITED	660,861	0.58
11.	E.W. BALASURIYA & CO. (PVT) LTD	564,887	0.50
12.	PEOPLE'S LEASING & FINANCE PLC/MR. I.D.R. PERERA	554,928	0.49
13.	MISS R.H. ABDULHUSSEIN	487,064	0.43
14.	DON AND DON HOLDINGS PRIVATE LIMITED	479,701	0.42
15.	MR. M.J. FERNANDO	462,965	0.41
16.	DR. R.D. BANDARANAIKE	437,668	0.39
17.	LANKA SYNTHETIC FIBRE CO LTD	411,963	0.36
18.	MR. Y.H. ABDULHUSSEIN	402,005	0.36
19.	MR. M.V. THEAGARAJAH	376,810	0.33
20.	BANK OF CEYLON - NO 2 A/C - (BOC PTF)	353,983	0.31

## ANALYSIS OF LOANS & ADVANCES AND IMPAIRMENT

As at	BANK		GROUP	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
	Rs.000	Rs.000	Rs.000	Rs.000
<b>1) Gross loans and advances to customers</b>	985,743,979	1,061,371,654	1,028,032,409	1,107,500,061
Less : Accumulated impairment under stage 1	12,283,231	12,477,377	14,148,235	14,914,751
Accumulated impairment under stage 2	11,197,023	16,235,373	11,968,443	16,799,238
Accumulated impairment under stage 3	62,934,235	58,527,652	67,235,248	61,267,133
<b>Net loans and advances to customers</b>	<b>899,329,490</b>	<b>974,131,252</b>	<b>934,680,483</b>	<b>1,014,518,939</b>
<b>Product-wise Gross loans and advances to customers</b>				
<b>By product-Domestic Currency</b>				
Overdrafts	125,234,213	135,721,743	124,937,953	135,220,210
Bills of exchange	328,089	335,603	328,089	335,603
Commercial papers	157,167	156,664	157,167	156,664
Short term loans	115,194,563	135,249,436	115,624,232	135,670,350
Credit Cards	16,734,911	15,318,167	16,734,911	15,318,167
Trust receipts	17,534,292	18,150,519	17,534,292	18,150,519
Packing credit loans	4,466,411	5,095,100	4,466,411	5,095,100
Staff loans	14,549,097	14,619,004	15,040,128	15,169,226
Term loans	358,143,946	386,476,297	382,108,373	411,167,743
Lease rentals receivable	65,186,994	70,317,417	78,709,792	85,445,987
Housing loans	50,285,571	52,596,983	50,285,571	52,596,983
Pawning advances	66,331,908	53,678,626	70,508,673	59,517,414
Securitized notes	316,763	723,863	316,763	723,863
<b>Sub total</b>	<b>834,463,925</b>	<b>888,439,422</b>	<b>876,752,355</b>	<b>934,567,829</b>
<b>By product-Foreign Currency</b>				
Overdrafts	5,004,134	5,672,035	5,004,134	5,672,035
Bills of exchange	1,264,168	1,569,929	1,264,168	1,569,929
Short term loans	16,301,855	19,168,790	16,301,855	19,168,790
Trust receipts	4,565,572	5,692,336	4,565,572	5,692,336
Packing credit loans	31,456,771	32,290,321	31,456,771	32,290,321
Term loans	90,191,541	105,153,901	90,191,541	105,153,901
Lease rentals receivable	363,015	485,362	363,015	485,362
Housing loans	2,132,998	2,899,558	2,132,998	2,899,558
<b>Sub total</b>	<b>151,280,054</b>	<b>172,932,232</b>	<b>151,280,054</b>	<b>172,932,232</b>
<b>Total</b>	<b>985,743,979</b>	<b>1,061,371,654</b>	<b>1,028,032,409</b>	<b>1,107,500,061</b>
<b>Movements in stage-wise impairment of loans &amp; advances during the period</b>				
	<b>Bank</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
<b>Opening balance as at 1st January 2022</b>	6,494,958	10,188,641	36,033,438	52,717,037
Net impairment charge for the period	985,227	4,215,367	12,558,748	17,759,342
Write-offs during the period	-	-	-	-
Effect of exchange rate fluctuations	6,215	9,200	4,882,138	4,897,553
<b>Closing balance as at 30th June 2022</b>	<b>7,486,400</b>	<b>14,413,208</b>	<b>53,474,324</b>	<b>75,373,932</b>
<b>Opening balance as at 1st January 2023</b>	12,477,377	16,235,373	58,527,652	87,240,402
Net impairment charge for the period	(15,622)	(4,723,061)	7,870,846	3,132,163
Write-offs during the period	-	-	(1,038,539)	(1,038,539)
Effect of exchange rate fluctuations	(178,524)	(315,289)	(2,425,724)	(2,919,537)
<b>Closing balance as at 30th June 2023</b>	<b>12,283,231</b>	<b>11,197,023</b>	<b>62,934,235</b>	<b>86,414,489</b>
	<b>Group</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
<b>Opening balance as at 1st January 2022</b>	7,653,405	10,754,926	39,245,578	57,653,909
Net impairment charge for the period	1,671,935	4,215,367	12,558,748	18,446,050
Write-offs during the period	-	-	-	-
Effect of exchange rate fluctuations	6,215	9,200	4,882,138	4,897,553
<b>Closing balance as at 30th June 2022</b>	<b>9,331,555</b>	<b>14,979,493</b>	<b>56,686,464</b>	<b>80,997,512</b>
<b>Opening balance as at 1st January 2023</b>	14,914,751	16,799,238	61,267,133	92,981,122
Net impairment charge for the period	(587,992)	(4,515,506)	9,505,010	4,401,512
Write-offs during the period	-	-	(1,111,171)	(1,111,171)
Effect of exchange rate fluctuations	(178,524)	(315,289)	(2,425,724)	(2,919,537)
<b>Closing balance as at 30th June 2023</b>	<b>14,148,235</b>	<b>11,968,443</b>	<b>67,235,248</b>	<b>93,351,926</b>

## ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

As at	BANK		GROUP	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
	Rs.000	Rs.000	Rs.000	Rs.000
<b>2) Gross commitments and contingencies</b>	828,736,815	809,328,957	828,736,815	809,328,957
Less : Accumulated impairment under stage 1	3,663,771	2,567,514	3,663,771	2,567,514
Accumulated impairment under stage 2	565,861	517,350	565,861	517,350
Accumulated impairment under stage 3	1,267,342	1,325,651	1,267,342	1,325,651
	<b>823,239,841</b>	<b>804,918,442</b>	<b>823,239,841</b>	<b>804,918,442</b>
<b>Product-wise commitments and contingencies</b>				
<b>By Product - Domestic Currency</b>				
Documentary credit	826,270	307,220	826,270	307,220
Guarantees	50,953,026	51,577,207	50,953,026	51,577,207
Acceptances	73,813	29,171	73,813	29,171
Bills for collection	117,824	600,132	117,824	600,132
Forward exchange contracts				
Forward exchange sales	-	-	-	-
Forward exchange purchases	-	-	-	-
Cheques sent on clearing	4,777,845	5,471,029	4,777,845	5,471,029
Undrawn credit lines	434,454,355	571,093,074	434,454,355	571,093,074
<b>Sub total</b>	<b>491,203,133</b>	<b>629,077,833</b>	<b>491,203,133</b>	<b>629,077,833</b>
<b>By Product - Foreign Currency</b>				
Documentary credit	18,519,926	20,919,590	18,519,926	20,919,590
Guarantees	36,456,793	57,775,114	36,456,793	57,775,114
Acceptances	11,762,568	6,729,398	11,762,568	6,729,398
Bills for collection	23,817,330	29,993,216	23,817,330	29,993,216
Forward exchange contracts				
Forward exchange sales	16,255,481	2,310,116	16,255,481	2,310,116
Forward exchange purchases	44,395,649	16,891,372	44,395,649	16,891,372
Cheques sent on clearing	36,393	78,139	36,393	78,139
Undrawn credit lines	186,289,542	45,554,179	186,289,542	45,554,179
<b>Sub total</b>	<b>337,533,682</b>	<b>180,251,124</b>	<b>337,533,682</b>	<b>180,251,124</b>
<b>Total</b>	<b>828,736,815</b>	<b>809,328,957</b>	<b>828,736,815</b>	<b>809,328,957</b>
<b>Movements in stage-wise impairment of commitments and contingencies during the period</b>				
	BANK / GROUP			
	Stage 1	Stage 2	Stage 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Opening balance as at 1st January 2022</b>	789,147	154,772	1,249,055	2,192,974
Net impairment charge for the period	509,986	329,674	78,325	917,985
<b>Closing balance as at 30th June 2022</b>	<b>1,299,133</b>	<b>484,446</b>	<b>1,327,380</b>	<b>3,110,959</b>
<b>Opening balance as at 1st January 2023</b>	2,567,514	517,350	1,325,651	4,410,515
Net impairment charge for the period	1,096,257	48,511	(58,309)	1,086,459
<b>Closing balance as at 30th June 2023</b>	<b>3,663,771</b>	<b>565,861</b>	<b>1,267,342</b>	<b>5,496,974</b>

## ANALYSIS OF DEPOSITS

As at	BANK		GROUP	
	30.06.2023 Rs.000	31.12.2022 Rs.000	30.06.2023 Rs.000	31.12.2022 Rs.000
<b>3) Due to Customers - By product</b>				
<b>By product-Domestic Currency</b>				
Current account deposits	74,784,546	67,555,022	73,225,737	67,184,485
Savings deposits	275,832,826	270,828,160	277,945,662	273,524,592
Time deposits	789,106,332	697,669,859	821,122,986	731,389,208
Certificates of deposit	280,652	305,891	280,652	305,891
Margin deposits	1,631,032	2,276,939	1,631,032	2,276,939
<b>Sub total</b>	<b>1,141,635,388</b>	<b>1,038,635,871</b>	<b>1,174,206,069</b>	<b>1,074,681,115</b>
<b>By product- Foreign Currency</b>				
Current account deposits	6,671,350	12,346,150	6,671,350	12,346,150
Savings deposits	62,527,987	85,224,460	62,505,805	85,145,504
Time deposits	266,210,931	270,999,282	265,697,117	270,411,623
Margin deposits	160,185	594,729	160,185	594,729
<b>Sub total</b>	<b>335,570,453</b>	<b>369,164,621</b>	<b>335,034,457</b>	<b>368,498,006</b>
<b>Total</b>	<b>1,477,205,841</b>	<b>1,407,800,492</b>	<b>1,509,240,526</b>	<b>1,443,179,121</b>

## FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The Group measures the fair values of financial instruments using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

### Level 1: Fair value measurement using unadjusted quoted market prices

When available, the fair values of financial instruments are determined using quoted market prices (unadjusted) in active markets for identical instruments. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Accordingly, the fair values of treasury bills and bonds have been derived using the market yields and market prices published by Central Bank of Sri Lanka while fair value of quoted equity securities and Sri Lanka Sovereign Bonds have been valued using the quoted market prices as at the reporting date.

### Level 2: Fair value measurement using significant observable inputs

In the absence of an active market for a financial instrument, the fair value is determined using quoted market prices in active markets for similar instruments or quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The spot and forward premiums available as at the reporting date have been used to estimate the fair value of derivative financial instruments while the fair value of unquoted units have been measured using manager's selling prices. The fair values of financial assets and financial liabilities carried at amortised cost have been estimated by comparing the interest rates when they were first recognised with the current market rates of similar instruments.

### Level 3: Fair value measurement using significant unobservable inputs

Financial instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation.

There are no material changes in the fair value of financial assets categorised under Level 3 compared to the values reported as at 31st December 2022. The Group has not changed the valuation models and assumptions used to measure the fair values of Level 3 financial instruments during the period ended 30th June 2023.

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

As at 30th June 2023	BANK				GROUP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Financial assets measured at fair value</b>								
Derivative financial instruments	-	366,168	-	366,168	-	366,168	-	366,168
Financial assets measured at fair value through profit or loss	109,887	-	-	109,887	501,122	-	-	501,122
Financial assets measured at fair value through other comprehensive income	3,315,484	630,428	33,035	3,978,947	6,982,087	630,428	38,087	7,650,602
<b>Total financial assets measured at fair value</b>	<b>3,425,371</b>	<b>996,596</b>	<b>33,035</b>	<b>4,455,002</b>	<b>7,483,209</b>	<b>996,596</b>	<b>38,087</b>	<b>8,517,892</b>
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments	-	-	-	-	-	2,161,619	-	2,161,619
<b>Total financial assets measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,161,619</b>	<b>-</b>	<b>2,161,619</b>

As at 31st December 2022	BANK				GROUP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Financial assets measured at fair value</b>								
Derivative financial instruments	-	5,370,501	-	5,370,501	-	5,370,501	-	5,370,501
Financial assets measured at fair value through profit or loss	111,617	-	-	111,617	236,178	-	-	236,178
Financial assets measured at fair value through other comprehensive income	2,134,875	543,946	27,839	2,706,660	5,487,698	543,946	30,551	6,062,195
<b>Total financial assets measured at fair value</b>	<b>2,246,492</b>	<b>5,914,447</b>	<b>27,839</b>	<b>8,188,778</b>	<b>5,723,876</b>	<b>5,914,447</b>	<b>30,551</b>	<b>11,668,874</b>
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments	-	2,161,619	-	2,161,619	-	2,161,619	-	2,161,619
<b>Total financial assets measured at fair value</b>	<b>-</b>	<b>2,161,619</b>	<b>-</b>	<b>2,161,619</b>	<b>-</b>	<b>2,161,619</b>	<b>-</b>	<b>2,161,619</b>

## FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

As at 30th June 2023	BANK					GROUP				
	Carrying Value Rs.000	Fair Value			Total Rs.000	Carrying Value Rs.000	Fair Value			Total Rs.000
		Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000			Level 1 Rs.000	Level 2 Rs.000	Level 3 Rs.000	
<b>Financial Assets</b>										
<b>Financial assets measured at amortised cost</b>										
Loans and advances to customers	899,329,490	-	876,951,383	-	876,951,383	934,680,483	-	914,613,114	-	914,613,114
Debt and other financial instruments	689,956,555	639,162,751	21,246,237	-	660,408,988	722,174,215	665,872,058	28,321,308	-	694,193,366
<b>Total financial assets measured at amortised cost</b>	<b>1,589,286,045</b>	<b>639,162,751</b>	<b>898,197,620</b>	<b>-</b>	<b>1,537,360,371</b>	<b>1,656,854,698</b>	<b>665,872,058</b>	<b>942,934,422</b>	<b>-</b>	<b>1,608,806,480</b>
<b>Financial Liabilities</b>										
<b>Financial liabilities measured at amortised cost</b>										
Due to depositors	1,477,205,841	-	1,500,124,769	-	1,500,124,769	1,509,240,526	-	1,538,320,499	-	1,538,320,499
Other borrowings	26,265,248	-	26,265,248	-	26,265,248	26,319,010	-	26,372,772	-	26,372,772
Debt securities issued	2,201,513	-	2,183,661	-	2,183,661	2,685,033	-	2,698,895	-	2,698,895
Subordinated term debts	24,196,645	-	16,890,829	-	16,890,829	27,186,059	-	20,429,004	-	20,429,004
<b>Total financial liabilities measured at amortised cost</b>	<b>1,529,869,247</b>	<b>-</b>	<b>1,545,464,507</b>	<b>-</b>	<b>1,545,464,507</b>	<b>1,565,430,628</b>	<b>-</b>	<b>1,587,821,170</b>	<b>-</b>	<b>1,587,821,170</b>

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