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The Board of Directors
Hatton National Bank PLC
HNB Towers
Level 21
No. 479, T.B. Jayah Mawatha
Colombo 10

24 April 2024

Dear Sirs

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF HATTON NATIONAL BANK PLC

This report has been prepared for the inclusion in the Prospectus issued in connection with the Public Offer of Listed, Rated, BASEL III compliant, Tier II, Unsecured Subordinated Redeemable Debentures with a feature for Non-viability Conversion which said debenture issue comprises **an issue of 80 million of such Debentures of LKR 100/- each amounting to LKR 8 Billion; with the option to issue further 40 Million Debentures of LKR 100/- each amounting to LKR 4 Billion** in the event of an oversubscription of such initial issue.

We have examined the financial statements included in the annual reports of Hatton National Bank PLC ("Bank") for the financial years ended 31 December 2019 to 2023. Extracts of these financial statements have been included in the prospectus and report as follows;

1. INCORPORATION

Hatton National Bank PLC (the "Bank") is a public quoted company incorporated on 05 March 1970 with limited liability and domiciled in Sri Lanka. The Bank was re-registered under the Companies Act No. 07 of 2007. The registered office of the Bank is situated at No 479, T B Jayah Mawatha, Colombo 10. The shares of the Bank have a primary listing on the Colombo Stock Exchange. The unsecured subordinated debentures of the Bank are also listed on the Colombo Stock Exchange.

The Bank does not have an identifiable parent of its own. The Hatton National Bank PLC is the ultimate parent of the Group.

The Bank is licensed by the Central Bank of Sri Lanka to conduct banking and related activities. The principal activities of the Bank are banking and related activities such as deposit acceptance, corporate and retail banking, personal financial services, off shore banking, foreign currency operations, trade services, investment banking, development banking, rural finance, project finance, leasing, issuing of local and international debit and credit cards, internet banking, mobile banking, money remittance facilities, dealing in government securities and treasury-related products, export and domestic factoring, pawning, margin trading, digital banking services, bancassurance and Islamic banking products and services etc.

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2. FINANCIAL STATEMENTS

2.1 Five years summary of financial statements

A summary of Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows of the Bank for the years ended 31 December 2019 to 2023, based on the audited financial statements of the Bank are set out in Annexure 1.

Summaries presented for Operating Results, Assets, Liabilities and Shareholders' funds for financial years ended 31 December 2019 to 2023 are based on the financial statements prepared in accordance with SLFRSs and LKASs, effective from 01 January 2012 applied from the date of transition of 01 January 2011 and the amendments there to, which were applicable up to the financial year ended 31 December 2023.

2.2 Audit reports

We have audited the financial statements of the Bank for the years ended 31 December 2020 to 2023 and the predecessor auditor has audited the financial statements for the financial year ended 31 December 2019. Unqualified audit opinions have been issued for the said financial years by both auditors.

2.3 Application of accounting standards and accounting policies

The financial statements of the Bank for the financial years ended 31 December 2019 to 2023 complied with and prepared in accordance with Sri Lanka Accounting Standards (commonly referred as "SLFRS"/"LKAS") laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007.

The accounting policies of the Bank are stated in detail in the audited financial statements of the Bank for the year ended 31 December 2023. The adoption of revised/ new accounting standards and a summary of related amendments to the accounting policies of the Bank from financial years ended 31 December 2019 to 2023 are given below.

Financial year	Adoption of revised Accounting Standards, and related changes in Accounting Policies
31 December 2019	<p>The Bank adopted Sri Lanka Accounting Standard - SLFRS 16 on "Leases" and IFRIC Interpretation 23 - "Uncertainty over Income Tax Treatment" which became effective for the annual reporting periods beginning on or after 1st January 2019, for the first time.</p> <p>Sri Lanka Accounting Standard SLFRS 16 - "Leases" (SLFRS 16) became effective for annual periods beginning on or after 01 January 2019. SLFRS 16 supersedes LKAS 17 "Leases", IFRIC interpretation 4 - "Determining whether an Arrangement contains a Lease, SIC - 15 "Operating Leases - Incentives" and SIC - 27 "Evaluating the Substance of Transactions involve in the legal form of a Lease" This standard replaced Sri Lanka Accounting Standard</p> <p>LKAS 17 - "Leases" (LKAS 17), sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17 whereby lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17.</p>

	<p>Therefore, SLFRS 16 did not have an impact for leases where the Bank is the lessor.</p> <p>The Bank adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application as 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised on the date of initial application. The Bank elected to use the transitional practical expedient to not reassess whether a contract is or contains a lease at 01 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.</p> <p>The Bank recognised right of use of assets and lease liabilities for those leases previously classified as operating leases. The right of use of assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate on the date of initial application.</p> <p>Right-of-use asset recognised as at 01 January 2019, varies from the same derived based on lease commitments disclosed in prior year, mainly due to revisions to lease terms under SLFRS 16.</p> <p>2. IFRIC Interpretation 23 - “Uncertainty over Income Tax Treatment”</p> <p>The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Sri Lanka Accounting Standard LKAS 12 - “Income Taxes”. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> • Whether an entity considers uncertain tax treatments separately <p>The assumptions an entity makes about the examination of tax treatments by taxation authorities.</p> <ul style="list-style-type: none"> • How an entity determines taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates. • How an entity considers changes in facts and circumstances <p>The Bank applied significant judgement in identifying uncertainties over income tax treatments. The Bank determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Bank.</p>
<p>31 December 2020</p>	<p>The Bank initially adopted definition of the Business (Amendments to SLFRS 3) from 01 January 2020. A number of other new standards are also effective from 01 January 2020 that did not have a material effect on the financial statements.</p>



	<ul style="list-style-type: none">• Definition of a business <p>The Bank applied Definition of a Business (Amendments to SLFRS3) to business combinations whose dates of acquisition are on or after 01 January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Bank's financial statements because the Bank has not acquired any subsidiaries during the year. However, the Bank has amended its accounting policies for acquisition on or after 01 January 2020.</p>
31 December 2021	<p>1. Specific Policies applicable from 1 January 2021 for Interest Rate Benchmark Reform ("IBOR") (Amendments to SLFRS 9, LKAS 39 and SLFRS 7)</p> <p>A fundamental reform of major interest rate benchmark is being undertaken globally, replacing certain interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform"). The Bank has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.</p> <p>The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform Phase 1 and Phase 2. The effective date of both IBOR reform Phase 1 and Phase 2 amendments are for annual reporting periods beginning on or after 01 January 2021 in the Sri Lankan context and the requirements under phase 2 amendments have to be applied retrospectively.</p> <p>The Bank commenced a process to evaluate the impact from this reform on its financial instruments. This process will involve evaluating the extent to which loans advanced, loan commitments, liabilities, and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform, how to manage communication about IBOR reform with counterparties and the changes required for the existing credit policies.</p> <p>As at 31 December 2021, the IBORs for certain key currencies to which the Bank had exposure to were in the process of reforming. However, there was no material impact to the Bank financial statements.</p>
31 December 2022	<p>1. Reclassification of Debt portfolio from Fair value through Other Comprehensive Income to Amortized Cost</p> <p>The Bank re-classified its debt securities portfolio measure at fair value through other comprehensive income category to amortized cost category with effect from 01 April 2022 in accordance with "Statement of Alternative Treatment (SOAT) on Reclassification on Debt Portfolio" issues by CA Sri Lanka.</p>

	<p>Accordingly, Government of Sri Lanka Treasury bills, Government of Sri Lanka Treasury Bonds and International Sovereign Bond investments which were previously classified as financial assets measure at fair value through other comprehensive income were re-classified s financial assets measured at amortized cost. There was no change to the effective interest rate used and interest revenue recognized in respect of the re-classified assets for the year ended 31 December 2022.</p> <p>2. Surcharge tax</p> <p>As per the Surcharge tax Act No. 14 of 2002, surcharge tax is pertaining to the year of assessment 2020/21. According to the said Act, surcharge tax tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment 2020/21. Since the Act supersedes the requirements of Sri Lanka Accounting standards, the surcharge tax expense has been accounted as recommended by the Statement of Alternative Treatment (SOAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka.</p> <p>The liability arising from the Surcharge Tax Act No. 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SOAT) issued by the Institute of Chartered Accountants of Sri Lanka.</p> <p>Accordingly, the Bank recognized the total liability to the surcharge tax as an adjustment to the opening retained earnings as at 01 January 2022.</p>
<p>31 December 2023</p>	<p>The Bank adopted two new accounting standards during the year.</p> <p>1. Deferred tax related to assets and liabilities arising from a single Transaction</p> <p>The Bank adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 01 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.</p> <p>For leases, the Group is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.</p> <p>The Bank previously accounted for deferred tax on leases by applying the ‘integrally linked’ approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Bank has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets.</p>



However, there was no impact on the statement of financial position because the balances qualify for offset under LKAS 12. There was also no impact on the opening retained earnings as at 01 January 2022 as a result of the change. The key impact for the Bank relates to disclosure of the deferred tax assets and liabilities recognised.

2. Material accounting policy information

The Bank also adopted Disclosure of Accounting Policies (Amendments to LKAS1) from 01 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.

The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

3. Events after reporting date

There were no significant events occurred after the last audit report date other than mentioned below.

• Proposed dividends

The Directors recommended a final dividend of Rs. 8.00/= per share which consist of a cash dividend of Rs. 4.00/= and a scrip dividend of Rs. 4.00/= on both voting and non-voting shares of the Bank which will be applicable to financial year ended 31 December 2023. In accordance with Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period”, the final dividend has not been recognized as a liability as at 31 December 2023.

The final dividend approved by the shareholders at the Annual General Meeting held on 28 March 2024.

4. Dividends

The Bank had declared the following dividends in respect of ordinary shares for the years ended 31 December 2019 to 31 December 2023.

Year ended. 31 December	Dividend Per Share Rs.
2019	8.00*
2020	8.00**
2021	9.00***
2022	5.00****
2023	8.00*****

* Rs.8.00/- by way of cash dividend

** Rs. 4.50/- by way of cash dividend and Rs.3.50/- by way of a scrip dividend.

*** Rs. 6.50/- by way of a cash dividend/ Rs. 2.50/- by way of a scrip dividend.



**** Rs. 5.00/- by way of a scrip dividend.

***** Rs. 4.00/- by way of a cash dividend/ Rs. 4.00/- by way of a scrip dividend.

5. Change in the Key Management Personnel

Retirement of Managing Director/Chief Executive Officer

Managing Director/Chief Executive Officer of the Hatton National Bank PLC who will be retiring from the service of the Bank with effect from 23 August 2024 availed his prior to retirement leave w.e.f. 06 April 2024.

Appointment of Acting Chief Executive Officer

The Board of Directors at its meeting held on 04 March 2024 approved the appointment of Acting Chief Executive Officer w.e.f. 06 April 2024 for the interim period subject to approval of his fit and propriety from Central Bank of Sri Lanka. Subsequently the Central Bank of Sri Lanka vide their letter dated 8th April 2024 granted approval for the fit and propriety of the Acting Chief Executive Officer.

6. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Hatton National Bank PLC in usage in the application for the purpose of issuance of Listed, Rated, BASEL III compliant, Tier II, Unsecured Subordinated Redeemable Debentures with a feature for Non-viability Conversion which said debenture issue comprises **an issue of 80 million of such Debentures of LKR 100/- each amounting to LKR 8 Billion; with the option to issue further 40 Million Debentures of LKR 100/- each amounting to LKR 4 Billion** in the event of an oversubscription of such initial issue.

This report should not be used for any other purpose than mentioned above and should not be distributed to or used by parties other than the Bank. Our report is not modified in respect of this matter.

Yours faithfully,

Chartered Accountants
Colombo

Annexure 1
INCOME STATEMENT

For the year ended 31st December	BANK				
	2019 Rs 000	2020 Rs 000	2021 Rs 000	2022 Rs 000	2023 Rs 000
Gross Income	125,998,086	115,813,618	115,047,325	242,412,491	299,139,347
Interest Income	115,210,769	103,944,602	98,600,557	207,019,354	284,097,697
Less Interest Expense	65,997,133	59,235,456	49,041,200	104,142,478	179,755,441
Net Interest Expense	49,213,636	44,709,146	49,559,357	102,876,876	104,342,256
Fees & Commission Income	9,206,399	7,794,929	9,893,263	15,520,113	16,308,907
Less Fee & commission expense	213,176	249,880	270,702	345,863	467,572
Net fee & commission income	9,993,223	7,545,049	9,622,561	15,174,250	15,841,335
Net interest, fee and commission income	58,206,859	52,254,195	59,181,918	118,051,126	120,183,591
Net gain/(loss) from trading	(2,280,969)	(837,108)	(522,039)	4,898,719	(11,951,627)
Net gain from financial investments	187,512	207,321	195,927	22,619	271,537
Net gains arising on de-recognition of financial assets	-	1,053,543	-	-	-
Other operating income	3,674,375	3,650,331	6,879,617	14,951,686	10,412,833
Total operating income	59,787,777	56,328,282	65,735,423	137,924,150	118,916,334
Less impairment charge	9,656,010	15,258,468	18,778,047	90,461,305	40,589,311
Net operating income	50,131,767	41,069,814	46,957,376	47,462,845	78,327,023
Less operating expenses					
Personnel Expenses	11,444,259	11,459,352	10,757,563	15,025,888	16,944,206
Other operating expenses	12,313,978	10,659,633	11,875,964	15,361,679	18,559,609
Total operating expenses	23,758,237	22,118,985	22,633,527	30,387,567	35,503,815
Operating profit before taxes on financial services	26,373,530	18,950,829	24,323,849	17,075,278	42,823,208
Less: Taxes on financial services	7,910,527	3,869,649	4,498,822	5,101,372	10,134,513
Profit before income tax	18,463,003	15,081,180	19,825,027	11,973,906	32,688,695
Less: Income tax expense	4,430,751	3,618,544	2,525,260	(2,059,587)	12,335,577
Profit for the year	14,032,252	11,462,636	17,299,767	14,033,493	20,353,118



Annexure 1
STATEMENT OF FINANCIAL POSITION

As at 31st December	BANK				
	2019 Rs 000	2020 Rs 000	2021 Rs 000	2022 Rs 000	2023 Rs 000
Assets					
Cash and cash equivalents	29,089,189	34,123,562	38,185,254	80,238,881	73,148,596
Balances with Central Bank of Sri Lanka	22,795,332	7,212,395	25,820,489	32,344,341	12,234,361
Placements with banks	7,602,543	-	-	54,371,028	55,991,134
Derivative financial instruments	527,193	1,032,318	927,487	5,370,501	452,193
Financial investments measured at fair value through profit or loss	1,013,374	84,499	103,365	111,617	115,641
Financial assets measured at amortised cost - loans and advances to customers	741,769,073	772,580,720	876,254,693	974,131,252	954,880,316
Financial assets measured at amortised cost - debt and other financial instruments	149,720,834	186,605,516	160,677,520	448,791,874	549,772,155
Financial assets measured at fair value through other comprehensive income	127,694,982	249,271,658	203,426,433	2,706,660	189,325,958
Investment in joint venture	755,000	755,000	755,000	755,000	755,000
Investment in subsidiaries	3,017,285	3,017,285	3,017,285	3,017,285	3,017,285
Investment properties	480,444	475,109	469,774	464,439	459,104
Property, plant and equipment	21,076,762	20,705,056	24,953,736	24,635,729	25,418,520
Right-of-use assets	5,482,679	5,356,868	5,439,384	5,397,731	5,081,338
Intangible assets and goodwill	1,076,641	1,309,172	1,429,544	1,250,154	1,660,099
Deferred tax assets	-	806,539	4,461,561	30,471,351	33,944,563
Other assets	12,907,234	8,515,839	12,415,094	26,281,118	28,096,221
Total assets	1,125,008,565	1,291,851,536	1,358,336,621	1,690,538,964	1,934,252,484
Liabilities					
Due to banks	86,396,304	89,746,709	17,075,502	6,104,578	9,019,582
Derivative financial instruments	573,365	337,014	353,356	25,632	1,365,523
Securities sold under repurchase agreements	17,569,394	10,361,383	33,524,226	6,540,014	61,793,694
Financial liabilities measured at amortised cost - due to depositors	810,035,114	967,821,404	1,075,709,287	1,407,800,492	1,579,780,228
Dividends payable	1,449,472	962,185	989,212	1,008,325	974,790
Financial liabilities measured at amortised cost - other borrowings	22,604,039	30,526,261	24,747,869	32,350,594	24,933,215
Debt securities issued	1,797,644	1,875,042	1,962,749	2,062,950	87,569
Current tax liabilities	5,348,985	7,725,731	10,051,689	30,025,919	23,953,823
Deferred tax liabilities	1,381,754	-	-	-	-
Other provisions	3,599,739	3,917,784	3,928,598	5,000,513	9,079,375
Other liabilities	14,053,378	16,278,033	14,400,456	17,378,270	19,325,952
Subordinated term debts	32,695,221	28,298,365	23,552,323	22,914,299	18,961,556
Total liabilities	997,504,409	1,157,849,911	1,206,295,267	1,531,211,586	1,749,275,307
Equity					
Stated capital	33,820,905	35,572,329	37,364,244	38,679,005	40,955,116
Statutory reserve fund	7,060,000	7,660,000	8,560,000	9,310,000	10,410,000
Retained earnings	17,980,160	22,665,227	35,186,607	40,706,963	56,311,574
Other reserves	68,643,091	68,104,069	70,930,503	70,631,410	77,300,487
Total shareholders' equity	127,504,156	134,001,625	152,041,354	159,327,378	184,977,177
Total equity and liabilities	1,125,008,565	1,291,851,536	1,358,336,621	1,690,538,964	1,934,252,484
Contingent liabilities and commitments	673,230,813	531,948,220	676,242,350	800,328,057	882,033,112
Net assets value per ordinary share* (Rs.)	227.79	239.40	271.63	284.65	330.47

*Number of shares used in net assets value per ordinary share calculation has been adjusted by the number of shares issued as scrip dividends according to the most recent financial statements



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Annexure 1

STATEMENT OF CHANGES IN EQUITY
BANK

	Stated Capital		Statutory Reserve	Other Reserves				Retained Earnings	Total
	Voting Shares Rs 000	Non-Voting Shares Rs 000		Capital Reserve Rs 000	Available-For-Sale Reserve Rs 000	Fair Value Reserve Rs 000	General Reserve Rs 000		
Balance as at 1st January 2019	25,649,460	5,688,565	6,260,000	10,790,994	-	1,536,439	49,100,000	15,728,513	115,753,972
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Net profit for the year 2019	-	-	-	-	-	-	-	14,032,252	14,032,252
Other comprehensive income, net of tax	-	-	-	-	-	1,352,578	-	(1,198,486)	154,092
Total comprehensive income for the year	-	-	-	-	-	1,352,578	-	12,833,766	14,186,344
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Final dividend 2018 - Cash	-	-	-	-	-	-	-	(1,724,277)	(1,724,277)
Final dividend 2018 - Scrip	1,190,308	292,571	-	-	-	-	-	(1,724,277)	(241,398)
Interim dividend 2019 - Cash	-	-	-	-	-	-	-	(500,407)	(500,407)
Total contributions by and distributions to equity holders	1,190,308	292,571	-	-	-	-	-	(3,948,961)	(2,466,082)
Realised gain from maturity of investment in units	-	-	-	-	-	(136,920)	-	136,920	-
Transfer of unclaimed dividends	-	-	-	-	-	-	-	29,922	29,922
Transfers during the year 2019	-	-	800,000	-	-	-	6,000,000	(6,800,000)	-
Balance as at 31st December 2019	27,839,768	5,981,137	7,060,000	10,790,994	-	2,752,097	55,100,000	17,980,160	127,504,156
Balance as at 1st January 2020	27,839,768	5,981,137	7,060,000	10,790,994	-	2,752,097	55,100,000	17,980,160	127,504,156
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Net profit for the year 2020	-	-	-	-	-	-	-	11,462,636	11,462,636
Other comprehensive income, net of tax	-	-	-	-	-	(1,530,734)	-	(1,706,874)	(3,237,508)
Total comprehensive income for the year	-	-	-	-	-	(1,530,734)	-	9,755,762	8,225,028
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Final dividend 2019 - Cash	-	-	-	-	-	-	-	(1,751,424)	(1,751,424)
Final dividend 2019 - Scrip	1,404,704	346,720	-	-	-	-	-	(1,751,424)	-
Total contributions by and distributions to equity holders	1,404,704	346,720	-	-	-	-	-	(3,502,848)	(1,751,424)
Transfer of unclaimed dividends	-	-	-	-	-	-	-	32,153	32,153
Transfers during the year 2020	-	-	600,000	(8,288)	-	-	1,000,000	(1,600,000)	(8,288)
Balance as at 31st December 2020	29,244,472	6,327,857	7,660,000	10,782,706	-	1,221,363	56,100,000	22,665,227	134,001,625
Balance as at 1st January 2021	29,244,472	6,327,857	7,660,000	10,782,706	-	1,221,363	56,100,000	22,665,227	134,001,625
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Net profit for the year 2021	-	-	-	-	-	-	-	17,299,767	17,299,767
Other comprehensive income, net of tax	-	-	-	4,301,850	-	(2,475,416)	-	1,217,686	3,044,120
Total comprehensive income for the year	-	-	-	4,301,850	-	(2,475,416)	-	18,517,453	20,343,887
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Final dividend 2020 - Cash	-	-	-	-	-	-	-	(2,303,891)	(2,303,891)
Final dividend 2020 - Scrip	1,436,119	355,796	-	-	-	-	-	(1,791,915)	-
Total contributions by and distributions to equity holders	1,436,119	355,796	-	-	-	-	-	(4,095,806)	(2,303,891)
Transfer of unclaimed dividends	-	-	-	-	-	-	-	(267)	(267)
Transfers during the year 2021	-	-	900,000	-	-	-	1,000,000	(1,900,000)	-
Balance as at 31st December 2021	30,680,591	6,683,653	8,560,000	15,084,556	-	(1,254,053)	57,100,000	35,186,607	152,041,354



Annexure 1
STATEMENT OF CHANGES IN EQUITY
BANK

	Stated Capital		Statutory Reserve	Other Reserves				Retained Earnings	Total
	Voting Shares Rs 000	Non-Voting Shares Rs 000		Capital Reserve Rs 000	Available-For-Sale Reserve Rs 000	Fair Value Reserve Rs 000	General Reserve Rs 000		
Balance as at 1st January 2022	30,680,591	6,683,653	8,560,000	15,084,556	-	(1,254,053)	57,100,000	35,186,507	152,041,354
Adjustment for surcharge tax levied under the surcharge tax Act No.14 of 2022								(3,611,625)	(3,611,625)
Adjusted balance as at 1st January 2022	30,680,591	6,683,653	8,560,000	15,084,556	-	(1,254,053)	57,100,000	31,574,982	148,429,729
Total comprehensive income for the year									
Net profit for the year 2022								14,033,493	14,033,493
Transfer of fair value losses on debt instruments measured at FVOCI upon reclassification to amortised cost measurement category						1,477,057			1,477,057
Other comprehensive income, net of tax				(1,157,240)		(1,618,910)		1,581,607	(1,214,543)
Total comprehensive income for the year				(1,157,240)		(1,41,853)		15,595,100	14,296,007
Transactions with equity holders, recognised directly in equity									
Contributions by and distributions to equity holders									
Dividends to equity holders									
Final dividend 2021 - Cash								(3,418,380)	(3,418,380)
Final dividend 2021 - Scrip	1,052,150	262,611						(1,314,761)	-
Total contributions by and distributions to equity holders	1,052,150	262,611						(4,733,141)	(3,418,380)
Transfer of unclaimed dividends								20,022	20,022
Transfers during the year 2022			750,000				1,000,000	(1,750,000)	-
Balance as at 31st December 2022	31,732,741	6,946,264	9,310,000	13,927,316	-	(1,395,906)	58,100,000	40,706,963	159,327,378
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
Total comprehensive income for the year									
Net profit for the year 2023								20,353,118	20,353,118
Other comprehensive income, net of tax						5,669,077			5,669,077
Total comprehensive income for the year						5,669,077		20,353,118	26,022,195
Transactions with equity holders, recognised directly in equity									
Contributions by and distributions to equity holders									
Dividends to equity holders									
Final dividend 2022 - Cash								(2,677,777)	(401,666)
Final dividend 2022 - Scrip	1,820,883	455,228							
Total contributions by and distributions to equity holders	1,820,883	455,228						(2,677,777)	(401,666)
Transfer of unclaimed dividends								29,270	29,270
Transfers during the year 2023			1,100,000				1,000,000	(2,100,000)	-
Balance as at 31st December 2023	33,553,624	7,401,492	10,410,000	13,927,316	-	4,273,171	59,100,000	56,311,574	184,977,177



Annexure 1
STATEMENT OF CASH FLOWS

For the year ended 31st December	BANK				
	2019	2020	2021	2022	2023
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash flows from operating activities					
Interest receipts	111,784,834	103,914,685	99,044,623	204,741,871	278,180,411
Interest payments	(66,961,896)	(59,963,150)	(50,890,505)	(78,077,951)	(154,092,480)
Net commission receipts	8,914,171	7,326,950	9,948,665	15,080,565	15,738,388
Trading income	765,683	1,130,075	(600,577)	-	-
Payments to employees	(10,191,482)	(11,531,908)	(12,327,246)	(14,787,910)	(14,832,343)
Taxes on financial services	(7,765,237)	(3,466,833)	(4,824,723)	(3,657,416)	(7,494,176)
Receipts from other operating activities	3,586,902	1,886,621	4,974,996	12,094,882	(13,335,103)
Payments for other operating activities	(10,957,980)	(9,355,244)	(10,978,088)	(10,738,450)	(17,147,416)
Operating profit before changes in operating assets and liabilities	29,174,995	29,941,195	34,347,145	124,455,591	87,017,281
(Increase)/decrease in operating assets					
Balances with Central Bank of Sri Lanka	11,111,725	15,582,937	(18,608,094)	(6,523,852)	20,107,567
Financial assets measured at amortised cost - loans and advances to customers	608,737	(43,396,238)	(114,928,093)	(58,431,085)	(3,338,089)
Reverse repurchase agreements	90,000	-	-	-	-
Other assets	2,297,875	2,396,134	(1,266,482)	(6,107,771)	(1,087,316)
	14,108,337	(25,417,167)	(134,802,669)	(71,062,708)	15,682,181
Increase/(decrease) in operating liabilities					
Financial liabilities measured at amortised cost - due to depositors	8,992,084	158,515,740	108,560,558	149,135,812	183,203,524
Financial liabilities measured at amortised cost - other borrowings	6,837,511	5,763,038	(77,713,587)	(14,013,993)	(4,491,892)
Securities sold under repurchase agreements	859,696	(7,228,435)	23,193,118	(27,224,146)	55,144,079
Other liabilities	(391,694)	1,034,401	1,100,303	(16,324,873)	2,555,130
	16,297,597	158,084,744	55,140,392	91,572,800	236,410,841
Net cash generated from/(used in) operating activities before income tax	59,580,929	162,608,773	(45,315,132)	144,965,683	339,110,305
Income tax paid	(9,084,423)	(3,202,642)	(3,545,047)	(9,520,889)	(22,852,568)
Net cash generated from/(used in) operating activities	50,496,505	159,406,131	(48,860,179)	135,444,794	316,257,737
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,148,451)	(890,286)	(706,891)	(1,173,458)	(2,082,288)
Proceeds from the sale of property, plant and equipment	21,530	6,188	12,801	13,295	12,692
Net proceeds from sale, maturity and purchase of financial investments	(46,300,863)	(158,797,770)	60,084,178	(33,860,569)	(312,813,721)
Net purchase of intangible assets	(499,079)	(507,094)	(504,339)	(229,884)	(760,537)
Dividend received from joint venture	75,500	50,000	-	-	-
Dividends received from investment in subsidiaries	236,794	179,958	251,941	287,933	288,473
Dividends received from other investments	148,843	191,261	60,778	41,771	33,497
Net cash generated from/(used in) investing activities	(47,465,726)	(159,767,743)	59,198,468	(34,920,912)	(315,321,954)
Cash flows from financing activities					
Net proceeds from the issue of subordinated debt	9,965,069	-	7,000,000	-	-
Repayment of subordinated debt/debt securities issued	(2,757,240)	-	(11,000,000)	(700,000)	(6,000,000)
Dividend paid to shareholders of the parent company	(1,081,500)	(2,206,558)	(2,776,507)	(2,399,227)	(1,050,022)
Net cash generated from/(used in) financing activities	5,226,329	(2,206,558)	(6,276,507)	(4,099,227)	(6,405,922)
Net increase/(decrease) in cash and cash equivalents	8,257,109	(2,568,170)	4,061,692	96,424,655	(5,470,179)
Cash and cash equivalents at the beginning of the year	28,434,623	36,591,732	34,123,562	38,186,254	134,809,909
Cash and cash equivalents at the end of the year	36,691,732	34,123,562	38,185,254	134,609,909	129,139,730

