

Income Statement

FOR THE YEAR ENDED 31 MARCH	2018 (LKR'000)	2017 (LKR'000)
Gross Income	7,482,548	6,234,034
Interest income	6,537,663	5,327,018
Interest expenses	(2,373,461)	(1,465,618)
Net interest income	4,164,202	3,861,400
Fee and commission income	702,442	670,219
Fee and commission expenses	(110,386)	(98,395)
Net fee and commission income	592,056	571,824
Net interest, fee and commission income	4,756,258	4,433,224
Other Operating Income	242,443	236,796
Net mark to market valuation gain	1,103	82
Total operating income	4,999,804	4,670,102
Impairment Charges for Loans and Other Losses	(685,270)	(707,508)
Net operating income	4,314,534	3,962,594
Personnel expenses	(1,108,124)	(943,611)
Other expenses	(1,179,177)	(1,011,929)
Total operating Expenses	(2,287,301)	(1,955,540)
Operating Profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	2,027,233	2,007,054
Value Added Tax (VAT) on financial services	(392,263)	(331,394)
Nation Building Tax (NBT) on financial services	(52,302)	(49,279)
Operating Profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	1,582,668	1,626,381
Income tax expenses	(570,885)	(567,547)
Profit for the year	1,011,783	1,058,834
Basic earnings per share	0.59	0.62

Statement of Financial Position

As at 31 March	2018 (LKR'000)	2017 (LKR'000)
ASSETS		
Cash and cash equivalents	905,160	1,204,484
Financial Assets Held for Trading	16,128	15,025
Loans and Advances to members	18,465,081	13,260,732
Loans and Advances to others	579,593	503,034
Financial investment - Loan & Receivable	307,113	307,113.00
Financial Investments - Available-For-Sale	12,430	12,430
Financial Investments - Held-To-Maturity	2,215,318	1,743,276
Other Assets	242,604	210,612
Investment Properties	1,180,150	1,049,600
Intangible Assets	131,534	127,078
Property, Plant & Equipment	1,158,835	1,119,409
Deferred Tax Assets	124,849	-
Total assets	25,338,795	19,552,793
LIABILITIES		
Due to customers	18,821,364	14,040,245
Debt issued and other borrowed funds	1,178,231	1,333,380
Income Tax Payable	203,496	353,448
Value added tax payable	(25,379)	(6,263)
Other Liabilities	849,771	268,154
Retiring Benefit Obligation	181,017	157,509
Deferred Tax Liability	-	16,116
Total liabilities	21,208,500	16,162,589
SHAREHOLDERS' FUND		
Stated Capital	223,545	223,545
General Reserve	82,898	82,898
Statutory Reserve Fund	840,876	638,520
Revaluation Reserve	429,266	384,484
Retained Earnings	2,553,710	2,060,757
Total equity and liabilities	25,338,795	19,552,793

We, the undersigned, being the Managing Director/Chief Executive Officer and the Chief Operating Officer of HNB Grameen Finance Limited certify jointly that,

- The above Statements have been prepared in compliance with the formats and definitions prescribed by the Central Bank of Sri Lanka.
- The information contained in these Statements have been extracted from the Audited Financial Statements of HNB Grameen Finance Limited.

Signed - B.M.D.C. Prabhath
Managing Director/Chief Executive Officer

26 June 2018

Signed - W.S.P. Arangala
Chief Operating Officer

26 June 2018

Statement of Other Comprehensive Income

Year ended 31 March	2018 (LKR'000)	2017 (LKR'000)
Profit for the year	1,011,783	1,058,834
Other Comprehensive Income for the year, net of tax		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Actuarial Gain/(losses) on defined benefit plans	14,232	8,793
Deferred tax effect on actuarial gains/(losses) on defined benefit plans	(3,985)	(2,462)
Revaluation Reserve of free hold Lands & Buildings	62,197	166,240
Deferred tax effect on revaluation of Property, Plant & Equipment	(17,415)	(44,070)
Other Comprehensive Income for the year, net of tax	55,029	128,501
Total Comprehensive Income for the year	1,066,812	1,187,335

Performance Indicators

AS AT 31 st March	2018	2017
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital)	LKR'000 3,406,730	2,842,420
Total Capital Base	LKR'000 3,389,800	2,995,490
Core Capital Adequacy Ratio as % of Risk Weighted Assets (Minimum Requirement 5%)	15.71	17.43
Total Capital Adequacy Ratio as % of Risk Weighted Assets (Minimum Requirement 10%)	15.63	18.37
Capital Funds to deposit liabilities Ratio %	21.95	24.33
Regulatory Liquidity		
Required Minimum Amount of liquid Assets	LKR'000 2,074,615	1,576,725
Available Amount of Liquid Assets	LKR'000 3,098,273	3,556,864
Required Minimum Amount of Government Approved Securities	LKR'000 1,278,182	944,228
Available Amount of Government Approved Securities	LKR'000 1,307,433	988,244
Quality of Loan Portfolio		
Gross Non Performing Accommodations	LKR'000 758,736	349,096
Gross Non Performing Accommodations Ratio %	3.79	2.47
Net Non Performing Accommodations Ratio %	-	-
Profitability		
Interest Margin	21.42	26.69
Return on Average Assets (%)	7.05	9.59
Return on Average Equity (%)	26.91	36.62
Memorandum Information		
Number of Employees	1745	1672
No of Branches	48	48
No of Service Centres	21	21



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TO THE SHAREHOLDERS OF HNB GRAMEEN FINANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HNB Grameen Finance Limited ("the Company"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



26 June 2018

Colombo