



Hatton National Bank PLC

**Interim Financial Statements
for the Three Months Ended 31st March 2014**

INCOME STATEMENT

For the 3 months ended 31st March	BANK			GROUP		
	2014	2013	% Increase/ (Decrease)	2014	2013 Restated	% Increase/ (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
Income	14,652,900	14,628,065	-	15,736,026	15,567,137	1
Interest income	13,050,490	13,687,859	(5)	13,219,775	13,812,446	(4)
Interest expenses	7,438,684	7,584,415	(2)	7,432,810	7,581,164	(2)
Net interest income	5,611,806	6,103,444	(8)	5,786,965	6,231,282	(7)
Fee and commission income	1,234,375	1,038,230	19	1,290,699	1,061,811	22
Fee and commission expenses	18,962	20,465	(7)	158,879	138,886	14
Net fee and commission income	1,215,413	1,017,765	19	1,131,820	922,925	23
Net interest, fee and commission income	6,827,219	7,121,209	(4)	6,918,785	7,154,207	(3)
Net gain/(loss) from trading	263,203	(1,022,199)	126	278,331	(1,011,398)	128
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-
Net gain/(loss) from financial investments	21,322	19,600	9	21,138	18,599	14
Other operating income (net)	83,510	904,575	(91)	926,083	1,685,679	(45)
Total operating income	7,195,254	7,023,185	2	8,144,337	7,847,087	4
Impairment for loans and other losses						
Individual impairment	96,690	138,880	(30)	96,690	138,880	(30)
Collective impairment	1,237,196	861,363	44	1,237,196	861,363	44
Others	107,190	24,145	344	107,190	24,145	344
Net operating income	5,754,178	5,998,797	(4)	6,703,261	6,822,699	(2)
Operating expenses						
Personnel expenses	1,798,305	1,965,413	(9)	1,952,693	2,088,833	(7)
Depreciation and amortisation	288,154	258,324	12	335,645	305,427	10
Other expenses	1,842,492	1,659,379	11	2,493,083	2,207,368	13
	3,928,951	3,883,116	1	4,781,421	4,601,628	4
Operating profit before value added tax (VAT)	1,825,227	2,115,681	(14)	1,921,840	2,221,071	(13)
Value added tax (VAT) on financial services	358,461	425,732	(16)	358,461	425,732	(16)
Operating profit after value added tax (VAT)	1,466,766	1,689,949	(13)	1,563,379	1,795,339	(13)
Share of profits of Associate and Joint Venture	-	-	-	4,442	9,802	(55)
Profit before tax	1,466,766	1,689,949	(13)	1,567,821	1,805,141	(13)
Tax expenses	447,132	531,996	(16)	444,986	534,887	(17)
Profit for the period	1,019,634	1,157,953	(12)	1,122,835	1,270,254	(12)
Profit attributable to:						
Owners of the parent	1,019,634	1,157,953	(12)	1,097,091	1,262,190	(13)
Non-controlling interests	-	-	-	25,744	8,064	219
Profit for the period	1,019,634	1,157,953	(12)	1,122,835	1,270,254	(12)
Earnings per share on profit						
Basic earnings per ordinary share (Rs.)	2.55	2.91	(12)	2.74	3.30	(17)
Diluted earnings per ordinary share (Rs.)	2.54	2.90	(12)	2.74	3.29	(17)

STATEMENT OF COMPREHENSIVE INCOME

For the 3 months ended 31st March	BANK			GROUP		
	2014 Rs 000	2013 Rs 000	% Increase/ (Decrease)	2014 Rs 000	2013 Restated Rs 000	% Increase/ (Decrease)
Profit for the period	1,019,634	1,157,953	(12)	1,122,835	1,270,254	(12)
Other comprehensive income, net of tax						
Gains and losses arising from translating the financial statements of foreign operations	-	-	-	-	(501)	(100)
Gains and losses on re-measuring available - for - sale financial assets						
Net change in fair value on available - for - sale financial assets	650,959	834,077	(22)	658,469	843,730	(22)
Transfer to life policy holder reserve fund	-	-	-	(8,123)	(7,845)	4
Share of other comprehensive income of Associate and Joint Venture	-	-	-	(972)	744	(231)
Others	-	-	-	-	-	-
Other comprehensive income for the period, net of taxes	650,959	834,077	(22)	649,374	836,128	(22)
Total comprehensive income for the period	1,670,593	1,992,030	(16)	1,772,209	2,106,382	(16)
Total comprehensive income attributable to:						
Owners of the parent	1,670,593	1,992,030	(16)	1,746,710	2,097,895	(17)
Non-controlling interests	-	-	-	25,499	8,487	200
Total comprehensive income for the period	1,670,593	1,992,030	(16)	1,772,209	2,106,382	(16)

STATEMENT OF FINANCIAL POSITION

	As at 31.03.2014	BANK As at 31.12.2013 (Audited)	% Increase / (Decrease)	As at 31.03.2014	GROUP As at 31.12.2013 Restated	% Increase / (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
ASSETS						
Cash and cash equivalents	9,976,080	11,624,645	(14)	9,990,823	11,621,193	(14)
Balances with central banks	16,560,835	16,366,368	1	16,560,835	16,366,368	1
Placements with banks	632,454	1,246,611	(49)	2,467,944	2,990,099	(17)
Derivative financial instruments	201,134	174,573	15	201,134	174,573	15
Other financial assets held-for-trading	485,330	652,312	(26)	845,882	986,391	(14)
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Loans and receivables to banks	521,872	6,267,809	(92)	521,872	6,267,809	(92)
Loans and receivables to other customers	361,108,589	351,976,401	3	361,819,274	352,499,145	3
Financial investments – Available-for-sale	73,875,516	63,391,086	17	74,815,734	64,035,975	17
Financial investments – Held-to-maturity	-	-	-	812,946	931,681	(13)
Financial investments – Loans and Receivables	33,045,567	33,104,536	-	35,041,714	35,103,762	-
Investments in Associate and Joint Venture	655,000	655,000	-	1,095,919	1,075,140	2
Investments in subsidiaries	2,357,285	2,357,285	-	-	-	-
Investment properties	396,145	346,478	14	210,636	160,864	31
Property, plant and equipment	9,476,291	9,521,496	-	17,684,266	17,769,878	-
Intangible assets	933,823	994,677	(6)	989,116	1,048,866	(6)
Deferred tax assets	1,187,998	767,826	55	1,099,808	655,768	68
Other assets	12,124,801	10,863,333	12	12,530,365	11,191,706	12
Total assets	523,538,720	510,310,436	3	536,688,268	522,879,218	3
LIABILITIES						
Due to banks	38,636,594	34,934,217	11	38,636,594	34,934,217	11
Derivative financial instruments	645,396	748,962	(14)	645,396	748,962	(14)
Other financial liabilities held-for-trading	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Due to other customers	393,239,142	385,360,970	2	392,939,971	385,066,624	2
Other borrowings	8,460,513	8,663,102	(2)	8,460,513	8,663,102	(2)
Debt securities issued	1,464,276	1,418,775	3	1,444,031	1,399,184	3
Current tax liabilities	3,609,477	3,040,107	19	3,653,511	3,075,252	19
Insurance provision - Life	-	-	-	4,657,232	4,348,491	7
Insurance provision - Non-Life	-	-	-	1,121,647	1,011,101	11
Other provisions	1,589,815	2,919,320	(46)	1,602,645	2,944,691	(46)
Other liabilities	13,639,561	9,914,569	38	14,368,784	10,535,005	36
Due to subsidiaries	-	-	-	-	-	-
Subordinated term debts	11,867,322	11,856,560	-	11,792,783	11,781,709	-
Total liabilities	473,152,096	458,856,582	3	479,323,107	464,508,338	3

STATEMENT OF FINANCIAL POSITION

	As at 31.03.2014	BANK As at 31.12.2013 (Audited)	% Increase / (Decrease)	As at 31.03.2014	GROUP As at 31.12.2013 Restated	% Increase / (Decrease)
	Rs 000	Rs 000		Rs 000	Rs 000	
EQUITY						
Stated capital	12,893,357	12,830,268	-	12,893,357	12,830,268	-
Statutory reserve funds	6,915,471	6,761,205	2	6,915,471	6,761,205	2
Retained earnings	1,529,875	3,465,419	(56)	3,369,171	5,210,483	(35)
Other reserves	29,047,921	28,396,962	2	33,417,422	32,759,683	2
Total shareholders' equity	50,386,624	51,453,854	(2)	56,595,421	57,561,639	(2)
Non-controlling interests	-	-	-	769,740	809,241	(5)
Total equity	50,386,624	51,453,854	(2)	57,365,161	58,370,880	(2)
Total equity and liabilities	523,538,720	510,310,436	3	536,688,268	522,879,218	3
Contingent liabilities and commitments	195,934,371	174,070,970	13	195,934,371	174,070,970	13
Net Assets Value per Share (Rs.)	125.93	128.78	(2)	141.44	144.06	(2)
Memorandum Information						
Number of Employees	4,569	4,604				
Number of Branches	250	250				

CERTIFICATION

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of Hatton National Bank PLC and the Group as at 31st March 2014 and its profit for the three months ended 31st March 2014.

(Sgd.)

Ashok Goonesekere

Chief Financial Officer

13th May 2014

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

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

(Sgd.)

Jonathan Alles

Managing Director / Chief Executive Officer

13th May 2014

(Sgd.)

Ranee Jayamaha

Chairperson

13th May 2014

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserves			Other Reserves				
	Voting	Non-voting	Reserve	Investment	Available for	Capital	General	ESOP	Retained	Total
	Rs 000	Rs 000	Fund	Fund *	Sale Reserve	Reserve	Reserve	Reserve	Earnings	Equity
For the 3 months ended 31st March 2014	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 31st December 2013	10,254,944	2,575,324	2,660,000	4,101,205	4,413,828	4,466,918	19,100,000	416,216	3,465,419	51,453,854
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	-	1,019,634	1,019,634
Other comprehensive income for the period (net of tax)	-	-	-	-	650,959	-	-	-	-	650,959
Total comprehensive income for the period	-	-	-	-	650,959	-	-	-	1,019,634	1,670,593
Transactions with equity holders, recognised directly in equity										
Issue of shares under ESOP	51,126	11,963	-	-	-	-	-	-	-	63,089
Final dividend 2013	-	-	-	-	-	-	-	-	(2,800,912)	(2,800,912)
Transfer to Investment Fund	-	-	-	154,266	-	-	-	-	(154,266)	-
Total transactions with equity holders	51,126	11,963	-	154,266	-	-	-	-	(2,955,178)	(2,737,823)
Balance as at 31st March 2014	10,306,070	2,587,287	2,660,000	4,255,471	5,064,787	4,466,918	19,100,000	416,216	1,529,875	50,386,624
For the 3 months ended 31st March 2013										
Balance as at 31st December 2012	10,049,259	2,530,220	2,230,000	2,300,562	3,119,631	4,466,918	17,800,000	176,515	4,225,948	46,899,053
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	-	1,157,953	1,157,953
Other comprehensive income for the period (net of tax)	-	-	-	-	834,077	-	-	-	-	834,077
Total comprehensive income for the period	-	-	-	-	834,077	-	-	-	1,157,953	1,992,030
Transactions with equity holders, recognised directly in equity										
Issue of shares under ESOP	22,361	7,297	-	-	-	-	-	-	-	29,658
Final dividend 2012	-	-	-	-	-	-	-	-	(2,782,814)	(2,782,814)
Transfer to Investment Fund	-	-	-	400,591	-	-	-	-	(400,591)	-
Total transactions with equity holders	22,361	7,297	-	400,591	-	-	-	-	(3,183,405)	(2,753,156)
Balance as at 31st March 2013	10,071,620	2,537,517	2,230,000	2,701,153	3,953,708	4,466,918	17,800,000	176,515	2,200,496	46,137,927

* Tax Saving on the reduction of Financial VAT and Income Tax rate transferred to the Investment Fund as per the guidelines issued by the Department of Inland Revenue and the Central Bank of Sri Lanka.

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital		Statutory Reserve		Other Reserves										
	Voting	Non-voting	Reserve	Investment	Available	Treasury	Capital	General	ESOP	Life policy	Exchange	Retained	Non	Total	
	Rs 000	Rs 000	Fund	Fund*	for sale	Shares	Reserve	Reserve	Reserve	holder reserve	Equalization	Earnings	Controlling	Equity	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Interest	Rs 000	
For the 3 months ended 31st March 2014															
Restated balance as at 31st December 2013	10,254,944	2,575,324	2,660,000	4,101,205	4,454,989	-	8,792,657	19,100,000	416,216	(4,182)	-	5,210,483	809,241	58,370,877	
Total comprehensive income for the period															
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,097,091	25,744	1,122,835	
Other comprehensive income for the period (net of tax)	-	-	-	-	649,619	-	-	-	-	-	-	-	(245)	649,374	
Total comprehensive income for the period	-	-	-	-	649,619	-	-	-	-	-	-	1,097,091	25,499	1,772,209	
Transactions with equity holders, recognised directly in equity															
Issue of shares under ESOP	51,126	11,963	-	-	-	-	-	-	-	-	-	-	-	63,089	
Final dividend 2013	-	-	-	-	-	-	-	-	-	-	-	(2,800,912)	(65,000)	(2,865,912)	
Deemed disposal gain in Joint Venture Group	-	-	-	-	-	-	-	-	-	-	-	16,775	-	16,775	
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	-	-	8,123	-	-	-	8,123	
Transfer to Investment Fund	-	-	-	154,266	-	-	-	-	-	-	-	(154,266)	-	-	
Total transactions with equity holders	51,126	11,963	-	154,266	-	-	-	-	-	8,123	-	(2,938,403)	(65,000)	(2,777,925)	
Balance as at 31st March 2014	10,306,070	2,587,287	2,660,000	4,255,471	5,104,608	-	8,792,657	19,100,000	416,216	3,941	-	3,369,171	769,740	57,365,161	
For the 3 months ended 31st March 2013															
Balance as at 31st December 2012	10,049,259	2,530,220	2,230,000	2,300,562	3,150,301	(310,938)	8,792,657	17,800,000	176,515	(1,191)	8,544	5,321,846	969,438	53,017,213	
Prior year adjustment **	-	-	-	-	-	-	-	-	-	-	-	-	(203,325)	(203,325)	
Restated balance as at 31st December 2012	10,049,259	2,530,220	2,230,000	2,300,562	3,150,301	(310,938)	8,792,657	17,800,000	176,515	(1,191)	8,544	5,321,846	766,113	52,813,888	
Total comprehensive income for the period															
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,262,190	8,064	1,270,254	
Other comprehensive income for the period (net of tax)	-	-	-	-	835,905	-	-	-	-	-	(200)	-	423	836,128	
Total comprehensive income for the period	-	-	-	-	835,905	-	-	-	-	-	(200)	1,262,192	8,487	2,106,382	
Transactions with equity holders, recognised directly in equity															
Issue of shares under ESOP	22,362	7,298	-	-	-	-	-	-	-	-	-	-	-	29,660	
Final dividend 2012	-	-	-	-	-	-	-	-	-	-	-	(2,674,308)	(55,000)	(2,729,308)	
Deemed disposal gain in Joint Venture Group	-	-	-	-	-	-	-	-	-	-	-	15,342	-	15,342	
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	-	-	7,845	-	-	-	7,845	
Transfer to Investment Fund	-	-	-	400,591	-	-	-	-	-	-	-	(400,591)	-	-	
Total transactions with equity holders	22,362	7,298	-	400,591	-	-	-	-	-	7,845	-	(3,059,557)	(55,000)	(2,676,461)	
Balance as at 31st March 2013	10,071,621	2,537,518	2,230,000	2,701,153	3,986,206	(310,938)	8,792,657	17,800,000	176,515	6,654	8,344	3,524,479	719,600	52,243,809	

* Tax Saving on the reduction of Financial VAT and Income Tax rate transferred to the Investment Fund as per the guidelines issued by the Department of Inland Revenue and the Central Bank of Sri Lanka.

** Refer note 1 of "explanatory notes".

STATEMENT OF CASH FLOWS

For the 3 months ended 31st March	BANK		GROUP	
	2014 Rs 000	2013 Rs 000	2014 Rs 000	2013 Rs 000
Cash Flows from Operating Activities				
Interest & Commission Receipts	14,985,752	13,724,090	15,100,558	12,280,180
Interest Payments	(8,341,515)	(7,581,136)	(8,335,983)	(7,577,885)
Receipts from other Operating Activities	369,839	331,216	1,296,641	1,113,902
Cash Payments to Employees	(2,079,975)	(2,005,939)	(2,220,514)	(2,237,165)
Recoveries from loans written off in previous years	3,785	2,160	3,785	2,160
Cash Payments to Suppliers and Other Operating Activities	(3,194,530)	(2,570,852)	(3,451,713)	(3,011,147)
Operating Profit before Changes in Operating Assets & Liabilities	1,743,356	1,899,539	2,392,774	570,045
(Increase)/ Decrease in Operating assets				
Deposits held for Regulatory or Monetary Control Purpose	(194,467)	(531,719)	(194,467)	(531,719)
Loans and advances	(5,017,701)	(4,131,041)	(5,203,197)	(4,329,818)
Other Short Term assets	(1,039,466)	229,748	(1,224,856)	(108,199)
	(6,251,634)	(4,433,012)	(6,622,520)	(4,969,736)
Increase / (Decrease) in Operating Liabilities				
Deposits from Customers	8,756,856	6,758,077	8,752,031	6,768,497
Other Liabilities	805,901	759,356	859,001	1,353,136
	9,562,757	7,517,433	9,611,032	8,121,633
Net Cash Generated from / (used in) Operating Activities before Income Tax	5,054,479	4,983,960	5,381,286	3,721,942
Income Taxes Paid	(133,764)	(320,514)	(146,597)	(328,053)
Net Cash Generated from Operating Activities	4,920,715	4,663,446	5,234,689	3,393,889
Cash Flows from Investing Activities				
Dividend Income	23,260	22,769	24,764	25,085
Net Proceeds from Sale, Maturity and Purchase of Financial Investments	(10,266,310)	(4,155,789)	(10,468,550)	(2,674,043)
Purchase of Property, Plant & Equipment	(166,720)	(240,306)	(170,135)	(244,828)
Purchase of Intangible Assets	(14,221)	(108,622)	(14,221)	(108,622)
Improvements to Investment Properties	(50,965)	(25)	(50,965)	(304)
Proceeds from Sale of Property Plant & Equipment	12,451	844	12,892	875
Net Cash Used in Investing Activities	(10,462,505)	(4,481,129)	(10,666,215)	(3,001,837)
Cash Flows from Financing Activities				
Increase/ (Decrease) in Debentures	(282,833)	-	(282,833)	-
Increase/ (Decrease) of Borrowings / Term Loans	3,536,915	(3,998,986)	3,536,848	(4,008,632)
Dividends Paid	(38,103)	(40,884)	(38,103)	(40,884)
Proceeds from issue of shares under ESOP	63,089	29,658	63,089	29,658
Net Cash Generated from / (used in) Financing Activities	3,279,068	(4,010,212)	3,279,001	(4,019,858)
Net Decrease in Cash and Cash Equivalents	(2,262,722)	(3,827,895)	(2,152,525)	(3,627,806)
Cash and Cash Equivalents at the Beginning of the period	12,871,256	19,091,038	14,611,292	20,378,969
Cash and Cash Equivalents at the End of the period	10,608,534	15,263,143	12,458,767	16,751,163

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

As at 31.03.2014	HFT	Designated at Fair Value	HTM	Amortised Cost	AFS	Hedging	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS							
Cash and cash equivalents	-	-	-	9,976,080	-	-	9,976,080
Balances with central banks	-	-	-	16,560,835	-	-	16,560,835
Placements with banks	-	-	-	632,454	-	-	632,454
Derivative financial instruments	201,134	-	-	-	-	-	201,134
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Loans and receivables to banks	-	-	-	521,872	-	-	521,872
Loans and receivables to other customers	-	-	-	361,108,589	-	-	361,108,589
Financial investments	485,330	-	-	33,045,567	73,875,516	-	107,406,413
Total financial assets	686,464	-	-	421,845,397	73,875,516	-	496,407,377
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	38,636,594	-	38,636,594		
Derivative financial instruments	645,396	-	-	-	645,396		
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-		
Due to other customers	-	-	393,239,142	-	393,239,142		
Other borrowings	-	-	8,460,513	-	8,460,513		
Debt securities issued	-	-	1,464,276	-	1,464,276		
Total financial liabilities	645,396	-	441,800,525	-	442,445,921		
As at 31.12.2013	HFT	Designated at Fair Value	HTM	Amortised Cost	AFS	Hedging	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS							
Cash and cash equivalents	-	-	-	11,624,645	-	-	11,624,645
Balances with central banks	-	-	-	16,366,368	-	-	16,366,368
Placements with banks	-	-	-	1,246,611	-	-	1,246,611
Derivative financial instruments	174,573	-	-	-	-	-	174,573
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Loans and receivables to banks	-	-	-	6,267,809	-	-	6,267,809
Loans and receivables to other customers	-	-	-	351,976,401	-	-	351,976,401
Financial investments	652,312	-	-	33,104,536	63,391,086	-	97,147,934
Total financial assets	826,885	-	-	420,586,370	63,391,086	-	484,804,341
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	34,934,217	-	34,934,217		
Derivative financial instruments	748,962	-	-	-	748,962		
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-		
Due to other customers	-	-	385,360,970	-	385,360,970		
Other borrowings	-	-	8,663,102	-	8,663,102		
Debt securities issued	-	-	1,418,775	-	1,418,775		
Total financial liabilities	748,962	-	430,377,064	-	431,126,026	-	
Held for trading - HFT	Designated at fair value through profit or loss - Designated at fair value			Loans and receivables/deposits at amortised cost - Amortised cost			
Held-to-maturity - HTM	Available-for-sale - AFS			Instruments of fair value and cash flow hedging - Hedging			

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - GROUP

As at 31.03.2014	HFT	Designated at Fair Value	HTM	Amortised Cost	AFS	Hedging	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	9,990,823	-	-	9,990,823
Balances with central banks	-	-	-	16,560,835	-	-	16,560,835
Placements with banks	-	-	-	2,467,944	-	-	2,467,944
Derivative financial instruments	201,134	-	-	-	-	-	201,134
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Loans and receivables to banks	-	-	-	521,872	-	-	521,872
Loans and receivables to other customers	-	-	-	361,819,274	-	-	361,819,274
Financial investments	845,882	-	812,946	35,041,714	74,815,734	-	111,516,276
Total financial assets	1,047,016	-	812,946	426,402,462	74,815,734	-	503,078,158
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES	-	-	-	-	-	-	-
Due to banks	-	-	38,636,594	-	38,636,594	-	-
Derivative financial instruments	645,396	-	-	-	645,396	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Due to other customers	-	-	392,939,971	-	392,939,971	-	-
Other borrowings	-	-	8,460,513	-	8,460,513	-	-
Debt securities issued	-	-	1,444,031	-	1,444,031	-	-
Subordinated term debts	-	-	11,792,783	-	11,792,783	-	-
Total financial liabilities	645,396	-	453,273,892	-	453,919,288	-	-
As at 31.12.2013	HFT	Designated at Fair Value	HTM	Amortised Cost	AFS	Hedging	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	11,621,193	-	-	11,621,193
Balances with central banks	-	-	-	16,366,368	-	-	16,366,368
Placements with banks	-	-	-	2,990,099	-	-	2,990,099
Derivative financial instruments	174,573	-	-	-	-	-	174,573
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Loans and receivables to banks	-	-	-	6,267,809	-	-	6,267,809
Loans and receivables to other customers	-	-	-	352,499,145	-	-	352,499,145
Financial investments	986,391	-	931,681	35,103,762	64,035,975	-	101,057,809
Total financial assets	1,160,964	-	931,681	424,848,376	64,035,975	-	490,976,996
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES	-	-	-	-	-	-	-
Due to banks	-	-	34,934,217	-	34,934,217	-	-
Derivative financial instruments	748,962	-	-	-	748,962	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Due to other customers	-	-	385,066,624	-	385,066,624	-	-
Other borrowings	-	-	8,663,102	-	8,663,102	-	-
Debt securities issued	-	-	1,399,184	-	1,399,184	-	-
Subordinated term debts	-	-	11,781,709	-	11,781,709	-	-
Total financial liabilities	748,962	-	441,844,836	-	442,593,798	-	-
Held for trading - HFT	Designated at fair value through profit or loss - Designated at fair value			Loans and receivables/deposits at amortised cost - Amortised cost			
Held-to-maturity - HTM	Available-for-sale - AFS			Instruments of fair value and cash flow hedging - Hedging			

SEGMENT REPORTING

	Banking		Leasing		Property		Insurance		Elimination /unallocated		Consolidated	
For the 3 months ended 31st March	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Total revenue from external customers	13,792,586	13,694,512	831,208	878,045	32,488	59,281	1,164,893	926,295	(85,149)	9,004	15,736,026	15,567,137
Inter segment revenue	29,106	55,508	-	-	189,808	165,144	11,323	9,621	(230,237)	(230,273)	-	-
Total revenue	13,821,692	13,750,020	831,208	878,045	222,296	224,425	1,176,216	935,916	(315,386)	(221,269)	15,736,026	15,567,137
Segment result	1,161,651	1,371,091	593,269	577,182	160,847	109,609	76,016	74,603	(92,759)	(31,719)	1,899,024	2,100,766
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(335,645)	(305,427)
Profit from operations	-	-	-	-	-	-	-	-	-	-	1,563,379	1,795,339
Income from Associate and Joint Venture	-	-	-	-	-	-	-	-	-	-	4,442	9,802
Taxes	-	-	-	-	-	-	-	-	-	-	(444,986)	(534,887)
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,122,835	1,270,254
Non Controlling Interest	-	-	-	-	-	-	-	-	-	-	(25,744)	(8,064)
Profit attributable to the Equity holders of the Bank	-	-	-	-	-	-	-	-	-	-	1,097,091	1,262,190
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,122,835	1,270,254
Other comprehensive Income,Net of tax	650,959	834,077	-	-	-	-	(613)	1,808	(972)	243	649,374	836,128
Total Comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	1,772,209	2,106,382
Non Controlling Interest	-	-	-	-	-	-	-	-	-	-	(25,499)	(8,487)
Total comprehensive income attributable to the Equity Holders of the Bank	-	-	-	-	-	-	-	-	-	-	1,746,710	2,097,895
Total assets	500,967,595	427,579,201	22,571,125	24,609,310	7,578,306	7,867,226	8,587,105	7,603,273	(3,015,863)	(4,194,188)	536,688,268	463,464,822
Total liabilities	450,580,971	381,441,273	22,571,125	24,609,310	971,334	1,679,808	6,575,526	5,813,943	(1,375,849)	(2,323,317)	479,323,107	411,221,017
Cash flow from operating activities	3,327,288	3,155,562	1,593,427	1,507,884	148,427	132,438	474,958	304,964	(309,411)	(1,706,959)	5,234,689	3,393,889
Cash flow from Investing activities	(10,462,505)	(4,481,129)	-	-	-	355	(137,489)	(114,916)	(66,221)	1,593,853	(10,666,215)	(3,001,837)
Cash flow from financing activities	3,279,068	(4,010,212)	-	-	(157,670)	(62,520)	-	-	157,603	52,873	3,279,001	(4,019,859)

EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2013, other than as disclosed below.
- (a) The Group adopted Sri Lanka Accounting Standard (SLFRS 11) "Joint Arrangements" with effect from 1st January 2014 as part of its mandatory application and changed the basis of accounting for its interest in the joint venture, Acuity Partners (Pvt) Ltd.
As a result of the change, the Group now accounts for the investment in Acuity Partners (Pvt) Ltd using the equity method in accordance with LKAS 28 "Investments in Associates and Joint Ventures".
Previously, the Group accounted for its investment in the said entity using the proportionate consolidation method.
The change in accounting policy has been applied retrospectively as per Sri Lanka Accounting Standard (LKAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".
This change in accounting policy had no impact on net assets of the Group as at 31st December 2013.
2. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. All known expenditure items have been provided for.
3. These interim financial statements are presented in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
4. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
5. Details of Employee Share Option Plan (ESOP)

	Allocation 2010*		Allocation 2012**		Allocation 2013***	
	Voting	Non voting	Voting	Non voting	Voting	Non voting
No of options brought forward	1,639,045	315,483	3,268,192	666,777	3,539,465	886,894
No of options granted in 2014	-	-	-	-	-	-
No of options exercised during the year	(264,681)	(80,436)	(108,328)	(76,419)	(41,078)	(4,154)
No of options expired during the year	-	(6,267)	(23,124)	-	(368)	(6,231)
No of options remaining	1,374,364	228,780	3,136,740	590,358	(3,498,019)	(876,509)
Allotment price (Rs)	111.43	65.67	145.79	81.43	142.17	110.04
Average market price for the quarter ended 31st March 2014 (Rs)	153.93	123.40	153.93	123.40	153.93	123.40

* These options were allocated on 20th April 2010 and the retention period ended on 19th April 2011.

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

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

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

6. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
7. Mr. Amal Cabraal was appointed as an Independent Non-executive Director of the Bank with effect from 1st April 2014.
8. Additional Information requested by the Banking Supervision Division of Central Bank of Sri Lanka by their circular dated 11th October 2013, has been given in the note to the financial statements.
9. There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.03.2014	As at 31.12.2013	As at 31.03.2014	As at 31.12.2013
	Bank		Group	
Regulatory Capital Adequacy				
Core capital (Tier 1 Capital) Rs 000	39,033	41,771	41,741	45,159
Total Capital Base Rs 000	50,464	53,274	53,250	57,096
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	11.67%	12.95%	11.94%	13.33%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	15.08%	16.52%	15.23%	16.86%

	As at 31.03.2014	As at 31.12.2013
	Bank	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio, % (net of Interest in Suspense)	4.53%	3.64%
Net Non-Performing Advances Ratio, % (net of Interest in Suspense and provisions)	2.22%	1.36%
Profitability (Annualised)		
Interest Margin, %	4.34%	5.09%
Return on Assets (before Tax), %	1.13%	2.09%
Return on Equity, %	8.01%	14.26%
Regulatory Liquidity		
Statutory Liquid Assets, Rs 000		
Domestic Banking unit	98,739	94,819
Off-Shore Banking Unit	7,457	7,548
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	23.06%	22.89%
Off-Shore Banking Unit	22.83%	22.64%

LISTED DEBENTURE INFORMATION

Quarter Ended 31st March	Market Value				Yield as at Last Trade Done		
	2014		2013		2014	2013	
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.			
HNB DEBENTURES 2006					HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007					HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011					HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013					HNB DEBENTURES 2013		
5 year Fixed Rate (14.00% p.a.)	N/T	N/T	N/A	N/A	5 year Fixed Rate (14.00% p.a.)	N/T	N/A
10 year Fixed Rate (14.25% p.a.)	83.77	82.74	N/A	N/A	10 year Fixed Rate (14.25% p.a.)	11.00	N/A

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

Quarter Ended 31st March	Yield to Maturity of Last Trade Done (% p.a)	
	2014	2013
HNB DEBENTURES 2006		
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
HNB DEBENTURES 2013		
5 year Fixed Rate (14.00% p.a.)	N/T	N/A
10 year Fixed Rate (14.25% p.a.)	11.00	N/A

** The yield to maturity calculation is not applicable for floating rate debentures.

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

RATIOS OF DEBT

	31.03.2014	31.12.2013
Debt Equity Ratio (%)	60.74	59.12
	31.03.2014	31.03.2013
Interest Cover (Times)	4.39	6.17
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	11.10	13.07
2006 series 18 year maturity	11.27	13.22
2007 series 10 year maturity	9.29	12.43
2007 series 15 year maturity	11.24	13.17
2011 series 10 year maturity	11.10	13.17
2013 series 5 year maturity	9.88	N/A
2013 series 10 year maturity	11.16	N/A
N/A - Not Applicable		

SHARE INFORMATION

As at	31-Mar-2014	31-Dec-2013
Number of Shares		
Voting	319,767,916	319,353,829
Non-voting	80,362,381	80,201,372
Last Traded Price per Share		
Voting (Rs.)	150.00	147.00
Non-voting (Rs.)	120.00	119.00

For the Quarter Ended	31-Mar-2014	31-Mar-2013
Highest Price per Share		
Voting (Rs.)	176.00	169.00
Non-voting (Rs.)	131.00	132.50
Lowest Price per Share		
Voting (Rs.)	140.00	142.50
Non-voting (Rs.)	108.20	111.00

PUBLIC SHAREHOLDING PERCENTAGE

As at	31- Mar - 2014
Voting	61% approx.
Non-voting	99% approx.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Mar-2014	31-Dec-2013
1 Dr.Ranee Jayamaha	101	101
2 Mr.A.J. Alles*	2,000	2,000
3 Ms.M.A.R.C. Cooray	5,312	5,312
4 Dr.W.W.Gamage	101	101
5 Dr.L.R.Karunaratne	1,018	1,018
6 Mr.L.U.D.Fernando	2,667	2,667
7 Mr.D.T.S.H.Mudalige	-	-
8 Miss D.S.C.Jayawardena	500	500
9 Mr.R.S.Captain	6,007	6,007

* Chief Executive Officer.

20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST MARCH 2014

	Name	No. of shares	% on total voting capital
1.	Sri Lanka Insurance Corporation Ltd.	47,635,487	14.90
2.	Employees Provident Fund	31,836,612	9.96
3.	Milford Exports (Ceylon) Limited	25,828,280	*8.08
4.	Mr.Sohli Edelji Captain	23,705,220	7.41
5.	Stassen Exports Ltd	22,387,096	*7.00
6.	Sonetto Holdings Limited	14,697,921	4.60
7.	HSBC Int'l Nominees Ltd-JPLU-Franklin Templeton Investment	13,876,398	4.34
8.	Distilleries Company of Sri Lanka PLC	10,016,272	*3.13
9.	National Savings Bank	9,371,940	2.93
10.	Citi Group Global Markets Ltd Agency Trading Prop. Sec.	7,582,044	2.37
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,320,188	1.98
12.	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	5,138,289	1.61
13.	Employees Trust Fund Board	4,022,752	1.26
14.	Northern Trust Co S/A HNC Opportunities Master Fund	3,500,000	1.09
15.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute return	3,448,972	1.08
16.	HSBC INTL Nom Ltd-UBS AG Zurich	3,195,940	1.00
17.	Ms.Leesha Anne Captain	2,870,020	0.90
18.	BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	2,628,518	0.82
19.	HSBC Int'l Nom Ltd-JPMCB-Investerings Foreningen Bank Invest, AF	2,590,000	0.81
20.	Mellon Bank N.A. - Frontier Market Opportunities Master Fund	2,580,973	0.81

* Pursuant to the provisions of the Banking Act Directions No. 1 of 2007, the total collective voting rights in the Bank, of Milford Exports (Ceylon) Limited, Stassen Exports Limited and Distilleries Company of Sri Lanka (who collectively hold 18.21% of the voting shares of the Bank) are limited to 10% of the total voting rights of the Bank with effect from 15th March 2012 as the voting rights in excess of such percentage is deemed invalid from that date.

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 31ST MARCH 2014

	Name	No. of shares	% on total non-voting capital
1.	HSBC Intl nominees Ltd-JPLU-Franklin Templeton Invest	7,625,980	9.49
2.	Mellon-Frontaura Global Frontier Fund LLC	7,334,507	9.13
3.	HSBC Int'l Nom Ltd-UBS AG Zurich	4,437,534	5.52
4.	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	2,557,103	3.18
5.	Employees Trust Fund Board	2,220,644	2.76
6.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return	1,703,364	2.12
7.	CITI Bank NY S/A Forward International Dividend Fund	1,461,149	1.82
8.	Northern Trust Company S/A Polar Capital Funds PLC	1,447,181	1.80
9.	Mr. Sohli Edelji Captain	1,442,839	1.80
10.	HINL-JPMCB-Butterfield Trust (Bermuda) LTD	1,285,885	1.60
11.	National Savings Bank	1,103,175	1.37
12.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	1,011,115	1.26
13.	Akbar Brothers Pvt Ltd A/c No.01	968,370	1.21
14.	Pershing LLC S/A Averbach Grauson & Co.	944,507	1.18
15.	Capital Development & Investment Company PLC A/c No.02	932,306	1.16
16.	Mr. Jayampathi Divale Bandaranayake	765,997	0.95
17.	Waldock Mackenzie Ltd/Mr. H M S Abdulhussein	623,487	0.78
18.	Bank of Ceylon A/c Ceybank Century Growth Fund	591,506	0.74
19.	Hatton National Bank PLC A/c No.2	574,733	0.72
20.	Union Assurance PLC No.1 A/c	521,346	0.65

NOTES TO THE FINANCIAL STATEMENTS

As at	BANK		GROUP	
	31.03.2014 Rs 000	31.12.2013 Rs 000	31.03.2014 Rs 000	31.12.2013 Rs 000
1) Loans and Receivables to Other Customers				
Gross loans and receivables	373,056,658	362,590,583	373,767,343	363,113,327
Individual impairment	(2,124,534)	(2,027,843)	(2,124,534)	(2,027,843)
Collective impairment	(9,823,535)	(8,586,339)	(9,823,535)	(8,586,339)
Net loans and receivables	361,108,589	351,976,401	361,819,274	352,499,145
2) Loans and Receivables to Other Customers - By product				
By product-Domestic Currency				
Overdrafts	66,438,920	61,038,687	66,400,481	61,009,491
Bills of exchange	735,371	610,165	735,371	610,165
Commercial papers	-	-	62,492	60,372
Securities purchased under resale agreements	11,018	11,022	756,171	712,470
Short term loans	41,172,032	39,604,985	41,222,685	39,658,641
Trust receipts	11,597,149	13,368,274	11,597,149	13,368,274
Packing credit loans	273,101	235,120	273,101	235,120
Staff loans	7,557,220	7,159,143	7,793,359	7,398,588
Term loans	114,991,190	106,243,536	114,645,877	105,740,555
Lease rentals receivable	22,563,399	23,146,967	22,563,399	23,146,967
Housing loans	24,997,338	24,246,600	24,997,338	24,246,600
Pawning advances	40,703,321	46,234,919	40,703,321	46,234,919
Sub total	331,040,059	321,899,418	331,750,744	322,422,162
By product-Foreign Currency				
Overdrafts	1,440,862	1,420,266	1,440,862	1,420,266
Bills of exchange	1,543,214	1,246,832	1,543,214	1,246,832
Short term loans	1,309,172	23,940	1,309,172	23,940
Trust receipts	353,260	452,568	353,260	452,568
Packing credit loans	5,296,462	5,535,623	5,296,462	5,535,623
Term loans	31,213,786	31,168,183	31,213,786	31,168,183
Lease rentals receivable	7,726	5,855	7,726	5,855
Housing loans	852,117	837,898	852,116	837,898
Sub total	42,016,599	40,691,165	42,016,599	40,691,165
Total	373,056,658	362,590,583	373,767,343	363,113,327
For the 3 months ended 31st March	2014 Rs 000	2013 Rs 000	2014 Rs 000	2013 Rs 000
3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers				
Individual impairment				
Balance as at 01st January	2,027,843	1,788,262	2,027,843	1,788,262
Charge/(Write back) to income statement	96,691	138,880	96,691	138,880
Balance as at 31st March	2,124,534	1,927,142	2,124,534	1,927,142
Collective impairment				
Balance as at 01st January	8,586,339	5,815,311	8,586,339	5,815,311
Charge/(Write back) to income statement	1,237,196	861,363	1,237,196	861,363
Balance as at 31st March	9,823,535	6,676,674	9,823,535	6,676,674
Total impairment	11,948,069	8,603,816	11,948,069	8,603,816
As at	31.03.2014 Rs 000	31.12.2013 Rs 000	31.03.2014 Rs 000	31.12.2013 Rs 000
4) Due to Other Customers - By product				
By product-Domestic Currency				
Current account deposits	22,987,914	22,676,557	22,876,064	22,515,521
Savings deposits	109,087,044	106,137,491	109,082,143	106,136,448
Time deposits	194,062,829	189,424,506	194,009,613	189,396,055
Certificates of deposit	2,893,310	3,928,076	2,893,310	3,928,076
Sub total	329,031,097	322,166,630	328,861,130	321,976,100
By product- Foreign Currency				
Current account deposits	1,028,010	1,161,375	1,028,010	1,161,375
Savings deposits	18,781,208	18,372,750	18,756,147	18,367,126
Time deposits	44,398,827	43,660,215	44,294,684	43,562,023
Sub total	64,208,045	63,194,340	64,078,841	63,090,524
Total	393,239,142	385,360,970	392,939,971	385,066,624