



Hatton National Bank PLC

**Interim Financial Statements
for the year ended 31st December 2014**

INCOME STATEMENT

	BANK						GROUP					
	For the year ended 31st December			For the quarter ended 31st December			For the year ended 31st December			For the quarter ended 31st December		
	2014	2013	% Increase/ (Decrease)	2014	2013	% Increase/ (Decrease)	2014	2013	% Increase/ (Decrease)	2014	2013	% Increase/ (Decrease)
	R\$ 000	R\$ 000		R\$ 000	R\$ 000		R\$ 000	R\$ 000		R\$ 000	R\$ 000	
Income	59,500,495	61,006,414	(2)	14,488,930	15,337,692	(6)	65,023,846	65,183,483	-	16,397,560	16,408,946	-
Interest income	51,868,333	56,770,713	(9)	12,509,051	14,397,359	(13)	53,062,579	57,364,012	(7)	13,173,819	14,557,244	(10)
Less: Interest expenses	26,966,826	31,423,945	(14)	5,947,876	7,930,599	(25)	27,077,830	31,403,749	(14)	6,079,880	7,923,877	(23)
Net interest income	24,901,507	25,346,768	(2)	6,561,175	6,466,760	1	25,984,749	25,960,263	-	7,093,939	6,633,367	7
Fee and commission income	4,976,212	4,263,200	17	1,303,565	1,112,076	17	5,196,099	4,348,213	19	1,425,442	1,043,450	37
Less: Fee and commission expenses	98,329	82,081	20	28,146	20,531	37	617,275	465,083	33	178,900	43,779	309
Net fee and commission income	4,877,883	4,181,119	17	1,275,419	1,091,545	17	4,578,824	3,883,130	18	1,246,542	999,671	25
Net interest, fee and commission income	29,779,390	29,527,887	1	7,836,594	7,558,305	4	30,563,573	29,843,393	2	8,340,481	7,633,038	9
Net gain/(loss) from trading	(570,720)	(1,815,061)	69	109,291	(826,752)	113	(441,618)	(1,782,580)	75	130,248	(811,855)	116
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Net gain from financial investments	1,398,025	246,591	467	305,010	22,353	1,265	1,493,975	292,429	411	383,311	62,813	510
Less: Fee and commission expenses	1,828,645	1,540,971	19	262,013	632,656	(59)	5,712,811	4,961,409	15	1,284,740	1,557,294	(18)
Total operating income	32,435,340	29,500,388	10	8,512,908	7,386,562	15	37,328,741	33,314,651	12	10,138,780	8,441,290	20
Impairment for loans and other losses												
Individual impairment	617,545	239,582	158	494,844	101,218	389	625,373	239,582	161	502,672	101,218	397
Collective impairment	1,688,681	4,039,203	(58)	(576,861)	1,070,657	(154)	1,704,719	4,039,260	(58)	(560,823)	1,070,714	(152)
Others	185,294	(8,099)	2,388	9,249	(52,299)	118	202,716	48,022	322	26,671	3,822	598
Net operating income	29,943,820	25,229,702	19	8,585,676	6,266,986	37	34,795,933	28,987,787	20	10,170,260	7,265,536	40
Personnel expenses	7,407,015	5,453,778	36	1,894,433	1,398,320	35	8,108,200	5,962,095	36	2,165,277	1,505,751	44
Depreciation and amortisation	1,126,996	1,084,256	4	264,852	287,557	(8)	1,330,851	1,276,422	4	324,344	338,907	(4)
Other expenses	6,844,004	7,024,252	(3)	1,768,814	1,728,724	2	9,801,159	9,339,599	5	2,465,785	2,230,530	11
Total operating expenses	15,378,015	13,562,286	13	3,928,099	3,414,601	15	19,240,210	16,578,116	16	4,955,406	4,075,188	22
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	14,565,805	11,667,416	25	4,657,577	2,852,385	63	15,555,723	12,409,671	25	5,214,854	3,190,348	63
Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	2,501,876	1,659,755	51	761,387	312,584	144	2,550,247	1,659,755	54	809,758	312,584	159
Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	12,063,929	10,007,661	21	3,896,190	2,539,801	53	13,005,476	10,749,916	21	4,405,096	2,877,764	53
Share of profits of Associate and Joint Venture (net of income tax)	-	-	-	-	-	-	142,977	98,198	46	4,165	8,302	(50)
Profit before income tax	12,063,929	10,007,661	21	3,896,190	2,539,801	53	13,148,453	10,848,114	21	4,409,261	2,886,066	53
Income tax expense	3,058,655	2,997,555	2	579,458	869,032	(33)	3,080,360	3,070,326	-	571,445	913,328	(37)
Profit for the period	9,005,274	7,010,106	28	3,316,732	1,670,769	99	10,068,093	7,777,788	29	3,837,816	1,972,738	95
Profit attributable to:												
Equity holders of the Bank	9,005,274	7,010,106	28	3,316,732	1,670,769	99	9,819,595	7,650,466	28	3,652,828	1,888,546	93
Non-controlling interests	-	-	-	-	-	-	248,498	127,322	95	184,988	84,192	120
Profit for the period	9,005,274	7,010,106	28	3,316,732	1,670,769	99	10,068,093	7,777,788	29	3,837,816	1,972,738	95
Earnings per share on profit												
Basic earnings per ordinary share (Rs)	22.47	17.59	28	8.25	4.18	97	24.50	19.20	28	9.09	4.73	92
Diluted earnings per ordinary share (Rs)	22.37	17.55	27	8.21	4.17	97	24.39	19.15	27	9.04	4.72	92

STATEMENT OF OTHER COMPREHENSIVE INCOME

	BANK						GROUP					
	For the year ended 31st December			For the quarter ended 31st December			For the year ended 31st December			For the quarter ended 31st December		
	2014 Rs 000	2013 (Restated) Rs 000	% Increase/ (Decrease)	2014 Rs 000	2013 (Restated) Rs 000	% Increase/ (Decrease)	2014 Rs 000	2013 (Restated) Rs 000	% Increase/ (Decrease)	2014 Rs 000	2013 (Restated) Rs 000	% Increase/ (Decrease)
Profit for the period	9,005,274	7,010,106	28	3,316,732	1,670,769	99	10,068,093	7,777,788	29	3,837,816	1,972,738	95
Other comprehensive income for the period, net of tax												
Other comprehensive income to be reclassified to income statement												
Available-for-sale financial assets:												
Net change in fair value during the year	3,027,688	1,294,197	134	137,663	785,552	(82)	3,144,503	1,286,424	144	127,247	781,193	(84)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	(44,930)	2,991	(1,602)	81,548	3,930	1,975
Net amount transferred to profit or loss (Available-for-sale financial assets)	(645,437)	-	-	-	-	-	(715,159)	-	-	(69,722)	-	-
Deferred tax effect on above	(40,724)	-	-	119,595	-	-	(40,724)	-	-	119,595	-	-
Share of other comprehensive income of equity accounted joint venture	-	-	-	-	-	-	8,378	13,360	(37)	6,546	(1,475)	544
Total other comprehensive income to be reclassified to income statement	2,341,527	1,294,197	81	257,258	785,552	(67)	2,352,068	1,302,775	81	265,214	783,648	(66)
Other comprehensive income not to be reclassified to income statement												
Gains and losses arising from translating the financial statements of foreign operations	-	-	-	-	-	-	-	1,764	(100)	-	-	-
Actuarial gains / (losses) on defined benefit plans	1,140,012	(857,846)	233	1,140,012	(857,846)	233	1,144,366	(855,674)	234	1,144,366	(855,674)	234
Deferred tax effect on above	-	-	-	-	-	-	1,498	-	-	1,498	-	-
Total other comprehensive income not to be reclassified to income statement	1,140,012	(857,846)	233	1,140,012	(857,846)	233	1,145,864	(853,910)	234	1,145,864	(855,674)	234
Other comprehensive income for the period, net of tax	3,481,539	436,351	698	1,397,270	(72,294)	2,033	3,497,932	448,865	679	1,411,078	(72,026)	2,059
Total comprehensive income for the period	12,486,813	7,446,457	68	4,714,002	1,598,476	195	13,566,025	8,226,653	65	5,248,894	1,900,712	176
Total comprehensive income attributable to:												
Equity holders of the bank	12,486,813	7,446,457	68	4,714,002	1,598,476	195	13,313,100	8,099,317	64	5,059,781	1,815,828	179
Non-controlling interests	-	-	-	-	-	-	252,925	127,336	99	189,113	84,888	123
Total comprehensive income for the period	12,486,813	7,446,457	68	4,714,002	1,598,476	195	13,566,025	8,226,653	65	5,248,894	1,900,716	176

STATEMENT OF FINANCIAL POSITION

	As at 31.12.2014	BANK As at 31.12.2013 (Audited)	% Increase / (Decrease)	As at 31.12.2014	GROUP As at 31.12.2013 (Restated)	% Increase / (Decrease)	As at 01.01.2013 (Restated)
	Rs.000	Rs.000		Rs.000	Rs.000		Rs.000
ASSETS							
Cash and cash equivalents	13,141,295	11,624,645	13	13,421,850	11,621,193	15	8,840,646
Balances with central banks	16,907,538	16,366,368	3	16,907,538	16,366,368	3	19,950,040
Placements with banks	3,789,538	1,246,612	204	5,096,455	2,990,100	70	11,538,323
Reverse repurchase agreements	16,930,572	6,278,832	170	19,575,253	6,980,280	180	500,771
Derivative financial instruments	178,370	174,573	2	178,370	174,573	2	344,552
Other financial assets held for trading	551,371	652,312	(15)	1,052,727	986,391	7	888,432
Non-current assets held for sale	30,238	-	-	30,238	-	-	-
Loans and receivables to customers	395,699,387	351,965,376	12	401,281,976	351,776,782	14	301,607,714
Financial investments – Available-for-sale	67,842,229	63,391,086	7	69,443,057	64,035,975	8	59,269,037
Financial investments – Held-to-maturity	-	-	-	955,421	931,681	3	1,567,968
Financial investments – Loans and Receivables	36,166,064	33,104,536	9	38,846,129	35,103,762	11	20,904,172
Investment in associates	-	-	-	-	28,864	(100)	24,388
Investment in joint venture	655,000	655,000	-	1,196,544	1,046,274	14	920,176
Investments in subsidiaries	3,017,285	2,357,285	28	-	-	-	-
Investment properties	392,088	346,478	13	1,042,386	160,864	548	164,598
Property, plant and equipment	9,304,665	9,521,496	(2)	18,290,365	17,769,880	3	17,785,548
Intangible assets and goodwill	802,728	994,677	(19)	1,089,759	1,048,866	4	617,284
Deferred tax assets	287,384	767,826	(63)	199,315	655,769	(70)	-
Other assets	10,940,270	10,863,335	1	11,668,060	11,202,118	4	12,577,054
Total assets	576,636,022	510,310,437	13	600,275,443	522,879,740	15	457,500,703
LIABILITIES							
Due to banks	43,428,762	34,934,218	24	43,504,729	34,934,218	25	22,956,431
Derivative financial instruments	630,598	748,962	(16)	630,598	748,962	(16)	1,436,443
Securities sold under repurchase agreements	16,983,545	4,132,602	311	16,983,545	4,132,602	311	4,601,484
Due to customers	419,327,123	387,158,390	8	425,620,382	386,864,044	10	342,355,430
Dividends payable	587,078	426,347	38	587,078	426,347	38	221,455
Other borrowings	4,345,285	4,530,499	(4)	4,345,285	4,530,499	(4)	4,642,984
Debt securities issued	4,451,407	1,418,775	214	4,842,627	1,399,184	246	-
Current tax liabilities	3,297,530	3,040,108	8	3,394,992	3,075,251	10	1,798,379
Deferred tax liabilities	-	-	-	-	-	-	1,186,369
Insurance provision -Life	-	-	-	5,562,649	4,348,491	28	3,626,239
Insurance provision -General	-	-	-	1,279,139	1,011,101	27	969,441
Other provisions	1,810,892	2,934,131	(38)	2,123,089	3,020,306	(30)	4,336,069
Other liabilities	9,221,380	7,675,990	20	10,085,587	8,236,151	22	8,819,396
Subordinated term debts	11,653,759	11,856,561	(2)	11,677,046	11,781,703	(1)	7,736,695
Total liabilities	515,737,359	458,856,583	12	530,636,746	464,508,859	14	404,686,815

STATEMENT OF FINANCIAL POSITION

	As at 31.12.2014	As at 31.12.2013	% Increase / (Audited) (Decrease)	As at 31.12.2014	As at 31.12.2013	% Increase / (Restated) (Decrease)	As at 01.01.2013 (Restated)
	Rs.000	Rs.000		Rs.000	Rs.000		Rs.000
EQUITY							
Stated capital	13,289,992	12,830,268	4	13,289,992	12,830,268	4	12,579,479
Statutory reserves	3,160,000	6,761,205	(53)	3,160,000	6,761,205	(53)	4,530,562
Retained earnings	7,808,059	3,465,419	125	10,396,517	5,210,488	100	5,321,846
Other reserves	36,640,612	28,396,962	29	41,058,056	32,759,680	25	29,615,888
Total equity attributable to equity holders of the Bank	60,898,663	51,453,854	18	67,904,565	57,561,641	18	52,047,775
Non-controlling interests	-	-	-	1,734,132	809,240	114	766,113
Total equity	60,898,663	51,453,854	18	69,638,697	58,370,881	19	52,813,888
Total liabilities and equity	576,636,022	510,310,437	13	600,275,443	522,879,740	15	457,500,703
Contingent liabilities and commitments	339,722,332	239,703,923	42	339,722,332	239,703,923	42	202,819,429
Net Assets Value per Share (Rs.)	151.26	128.78	17	168.67	144.06	17	131.02
Memorandum Information							
Number of Employees	4,451	4,604					
Number of Branches	249	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 December 2014 and its profit for the year ended 31st December 2014.

(Sgd.)

Ashok Goonesekere

Chief Financial Officer

20th February 2015

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, it's Joint Venture and Subsidiary Companies unless indicated as audited.

(Sgd.)

Jonathan Alles

Managing Director / Chief Executive Officer

20th February 2015

(Sgd.)

Ranee Jayamaha

Chairperson

20th February 2015

STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital		Statutory Reserves		Other Reserves				Retained Earnings	Total
	Voting Shares Rs 000	Non-Voting Shares Rs 000	Statutory Reserve Rs 000	Investment Fund Account Rs 000	Capital Reserve Rs 000	Available for Sale Reserve Rs 000	General Reserve Rs 000	ESOP Reserve Rs 000		
Balance as at 1st January 2013	10,049,259	2,530,220	2,230,000	2,300,562	4,466,918	3,119,631	17,800,000	176,515	4,225,948	46,899,053
Total comprehensive income for the year										
Net profit for the year 2013	-	-	-	-	-	-	-	-	7,010,106	7,010,106
Other comprehensive income net of tax	-	-	-	-	-	1,294,197	-	-	(857,846)	436,351
Total comprehensive income for the year	-	-	-	-	-	1,294,197	-	-	6,152,260	7,446,457
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend 2012 - Cash	-	-	-	-	-	-	-	-	(2,782,814)	(2,782,814)
Interim dividend 2013 - Cash	-	-	-	-	-	-	-	-	(599,332)	(599,332)
ESOP allocation 2013	-	-	-	-	-	-	-	239,701	-	239,701
Issue of shares under ESOP	205,685	45,104	-	-	-	-	-	-	-	250,789
Total contributions by and distributions to equity holders	205,685	45,104	-	-	-	-	-	239,701	(3,382,146)	(2,891,656)
Transfers during the year 2013	-	-	430,000	1,800,643	-	-	1,300,000	-	(3,530,643)	-
Balance as at 31st December 2013	10,254,944	2,575,324	2,660,000	4,101,205	4,466,918	4,413,828	19,100,000	416,216	3,465,419	51,453,854
Balance as at 1st January 2014	10,254,944	2,575,324	2,660,000	4,101,205	4,466,918	4,413,828	19,100,000	416,216	3,465,419	51,453,854
Total comprehensive income for the year										
Net profit for the year 2014	-	-	-	-	-	-	-	-	9,005,274	9,005,274
Other comprehensive income, net of tax	-	-	-	-	-	2,341,527	-	-	1,140,012	3,481,539
Total comprehensive income for the year	-	-	-	-	-	2,341,527	-	-	10,145,286	12,486,813
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend 2013 - Cash	-	-	-	-	-	-	-	-	(2,800,912)	(2,800,912)
Interim dividend 2014 - Cash	-	-	-	-	-	-	-	-	(602,939)	(602,939)
Issue of shares under ESOP	307,076	54,771	-	-	-	-	-	-	-	361,847
Total contributions by and distributions to equity holders	307,076	54,771	-	-	-	-	-	-	(3,403,851)	(3,042,004)
Transfers during the year 2014	78,371	19,506	500,000	306,821	-	-	6,000,000	(97,877)	(6,806,821)	-
Transfer of investment fund account balance	-	-	-	(4,408,026)	-	-	-	-	4,408,026	-
Balance as at 31st December 2014	10,640,391	2,649,601	3,160,000	-	4,466,918	6,755,355	25,100,000	318,339	7,808,059	60,898,663

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital		Statutory Reserves		Other Reserves										Total
	Voting Shares	Non-Voting Shares	Statutory Reserve	Investment Fund Account	Capital Reserve	Available for sale Reserve	Treasury Shares	General Reserve	Exchange Equalisation Reserve	Life Policy Holder Reserve Fund	ESOP Reserve	Retained Earnings	Non Controlling Interest		
	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	
Balance as at 1st January 2013 as reported previously	10,049,259	2,530,220	2,230,000	2,300,562	8,792,657	3,150,301	(310,938)	17,800,000	8,544	(1,191)	176,515	5,321,846	969,438	53,017,213	
Prior year adjustment on change in accounting policy *	-	-	-	-	-	-	-	-	-	-	-	-	(203,325)	(203,325)	
Balance as at 1st January 2013 (restated)	10,049,259	2,530,220	2,230,000	2,300,562	8,792,657	3,150,301	(310,938)	17,800,000	8,544	(1,191)	176,515	5,321,846	766,113	52,813,888	
Total comprehensive income for the year															
Net profit for the year 2013	-	-	-	-	-	-	-	-	-	-	-	7,650,466	127,322	7,777,788	
Other comprehensive income net of tax	-	-	-	-	-	1,304,688	-	-	706	-	-	(856,543)	14	448,865	
Total comprehensive income for the year	-	-	-	-	-	1,304,688	-	-	706	-	-	6,793,923	127,336	8,226,653	
Transactions with equity holders, recognised directly in equity															
Contributions by and distributions to equity holders															
Final dividend 2012 - Cash	-	-	-	-	-	-	-	-	-	-	-	(2,782,814)	(55,000)	(2,837,814)	
Interim dividend 2013 - Cash	-	-	-	-	-	-	-	-	-	-	-	(599,332)	-	(599,332)	
ESOP allocation 2013	-	-	-	-	-	-	-	-	-	-	239,701	-	-	239,701	
Effect of winding up of Special Purpose Entity	-	-	-	-	-	-	310,938	-	-	-	-	(41,931)	-	269,007	
Issue of shares under ESOP	205,685	45,104	-	-	-	-	-	-	-	-	-	-	-	250,789	
Total contributions by and distributions to equity holders	205,685	45,104	-	-	-	-	310,938	-	-	-	239,701	(3,424,077)	(55,000)	(2,677,649)	
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	-	-	(2,991)	-	-	-	(2,991)	
Disposal of subsidiary company	-	-	-	-	-	-	-	-	(9,250)	-	-	9,250	(29,209)	(29,209)	
Deemed disposal gain through joint venture	-	-	-	-	-	-	-	-	-	-	-	40,189	-	40,189	
Transfers during the year 2013	-	-	430,000	1,800,643	-	-	-	1,300,000	-	-	-	(3,530,643)	-	-	
Balance as at 31st December 2013	10,254,944	2,575,324	2,660,000	4,101,205	8,792,657	4,454,989	-	19,100,000	-	(4,182)	416,216	5,210,488	809,240	58,370,881	
Balance as at 1st January 2014	10,254,944	2,575,324	2,660,000	4,101,205	8,792,657	4,454,989	-	19,100,000	-	(4,182)	416,216	5,210,488	809,240	58,370,881	
Total comprehensive income for the year															
Net profit for the year 2014	-	-	-	-	-	-	-	-	-	-	-	9,819,595	248,498	10,068,093	
Other comprehensive income, net of tax	-	-	-	-	-	2,351,202	-	-	-	-	-	1,142,303	4,427	3,497,932	
Total comprehensive income for the year	-	-	-	-	-	2,351,202	-	-	-	-	-	10,961,898	252,925	13,566,025	
Transactions with equity holders, recognised directly in equity															
Contributions by and distributions to equity holders															
Final dividend 2013 - Cash	-	-	-	-	-	-	-	-	-	-	-	(2,800,912)	(65,000)	(2,865,912)	
Interim dividend 2014 - Cash	-	-	-	-	-	-	-	-	-	-	-	(602,939)	-	(602,939)	
Issue of shares under ESOP	307,076	54,771	-	-	-	-	-	-	-	-	-	-	-	361,847	
Total contributions by and distributions to equity holders	307,076	54,771	-	-	-	-	-	-	-	-	-	(3,403,851)	(65,000)	(3,107,004)	
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	-	-	44,930	-	-	-	44,930	
Deemed disposal gain through joint venture	-	-	-	-	-	-	-	-	-	-	-	26,777	-	26,777	
Deferred tax on revaluation of property, plant and equipment	-	-	-	-	121	-	-	-	-	-	-	-	167	288	
Share of non controlling interest on investment in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	736,800	736,800	
Transfers during the year 2014	78,371	19,506	500,000	306,821	-	-	-	6,000,000	-	-	(97,877)	(6,806,821)	-	-	
Transfer of investment fund account balance	-	-	-	(4,408,026)	-	-	-	-	-	-	-	4,408,026	-	-	
Balance as at 31st December 2014	10,640,391	2,649,601	3,160,000	-	8,792,778	6,806,191	-	25,100,000	-	40,748	318,339	10,396,517	1,734,132	69,638,697	

* Refer explanatory note 1(a)

STATEMENT OF CASH FLOWS

For the year ended 31st December	BANK		GROUP	
	2014 Rs 000	2013 Rs 000	2014 Rs 000	2013 Rs 000
Cash flows from operating activities				
Interest and commission receipts	58,459,603	56,662,642	59,237,182	56,886,504
Interest payments	(31,065,772)	(31,927,052)	(31,163,966)	(31,917,851)
Receipts from other operating activities	1,742,375	1,848,832	5,736,461	5,246,493
Cash payments to employees	(7,085,900)	(6,947,716)	(7,747,437)	(7,332,296)
Recovery of loans written off in prior years	8,913	8,295	8,913	8,295
Cash payments to other operating activities	(10,234,794)	(9,570,581)	(11,813,945)	(11,149,917)
Operating profit before changes in operating assets and liabilities	11,824,425	10,074,420	14,257,208	11,741,228
(Increase) / decrease in operating assets				
Reverse repurchase agreements	(10,513,871)	(6,226,870)	(10,945,922)	(6,479,509)
Deposits held for regulatory or monetary control purpose	(541,170)	3,567,095	(541,170)	3,567,095
Loans and receivables to other customers	(46,909,728)	(51,735,528)	(48,122,441)	(52,368,957)
Other short term assets	(528,076)	763,225	(677,976)	722,460
	(58,492,845)	(53,632,078)	(60,287,509)	(54,558,911)
Increase / (decrease) in operating liabilities				
Securities sold under repurchase agreements	12,822,441	(461,595)	12,822,441	(461,595)
Deposits from customers	34,850,988	43,322,311	35,416,711	43,316,675
Other liabilities	1,340,779	421,940	1,454,515	387,268
	49,014,208	43,282,656	49,693,667	43,242,348
Net cash generated from / (used in) operating activities before income tax	2,345,788	(275,002)	3,663,366	424,665
Income taxes paid	(1,222,240)	(2,889,691)	(1,281,374)	(2,927,327)
Net cash generated from / (used in) operating activities	1,123,548	(3,164,693)	2,381,992	(2,502,662)
Cash flows from investing activities				
Dividend income	368,830	362,509	269,037	280,047
Dividend income received from associates	-	-	438	147
Net proceeds from sale, maturity and purchase of financial investments	(4,170,141)	(15,854,115)	(5,581,636)	(15,775,760)
Purchase of property, plant and equipment	(645,368)	(952,411)	(752,255)	(1,020,117)
Purchase of intangible assets	(104,687)	(671,888)	(120,477)	(681,059)
Improvements to investment properties	(51,010)	(2,202)	-	(993)
Net proceeds from sale of associate company	-	-	30,519	-
Proceeds from deemed disposal of subsidiary company by joint venture	-	-	26,777	40,189
Net cash effect on acquisition of subsidiary	(660,000)	-	(342,294)	-
Net cash effect on disposal of subsidiary	-	56,158	-	9,920
Proceeds from sale of property, plant and equipment	49,942	18,397	50,876	22,398
Net cash used in investing activities	(5,212,434)	(17,043,552)	(6,419,015)	(17,125,228)
Cash flows from financing activities				
Increase/ (decrease) in subordinated term debts	(318,581)	3,725,177	(318,581)	3,665,513
Increase of debt securities issued	3,000,000	1,354,300	2,949,854	1,334,709
Increase of long term borrowings	8,358,214	11,857,794	8,268,933	11,863,799
Dividends paid	(3,243,120)	(3,177,254)	(3,308,120)	(3,232,254)
Proceeds from issue of shares under ESOP	361,847	250,789	361,847	250,789
Debenture issue expenses	(9,898)	(22,342)	(9,898)	(22,342)
Net cash generated from financing activities	8,148,462	13,988,464	7,944,035	13,860,214
Net increase/ (decrease) in cash and cash equivalents	4,059,576	(6,219,781)	3,907,012	(5,767,676)
Cash and cash equivalents at the beginning of the year	12,871,257	19,091,038	14,611,293	20,378,969
Cash and cash equivalents at the end of the year	16,930,833	12,871,257	18,518,305	14,611,293

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

31st December 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	-	-	-	13,141,295	-	-	13,141,295
Balances with Central Bank of Sri Lanka	-	-	-	16,907,538	-	-	16,907,538
Placements with banks	-	-	-	3,789,538	-	-	3,789,538
Reverse repurchase agreements	-	-	-	16,930,572	-	-	16,930,572
Derivative financial instruments	178,370	-	-	-	-	-	178,370
Other financial assets held for trading	551,371	-	-	-	-	-	551,371
Loans and receivables to customers	-	-	-	395,699,387	-	-	395,699,387
Financial investments - Available-for-sale	-	-	-	-	67,842,229	-	67,842,229
Financial investments - Loans and receivables	-	-	-	36,166,064	-	-	36,166,064
Other assets	-	-	-	1,954,191	-	-	1,954,191
Total financial assets	729,741	-	-	484,588,585	67,842,229	-	553,160,555
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	43,428,762	-	43,428,762		
Derivative financial instruments	630,598	-	-	-	630,598		
Securities sold under repurchase agreements	-	-	16,983,545	-	16,983,545		
Due to customers	-	-	419,327,123	-	419,327,123		
Other borrowings	-	-	4,345,285	-	4,345,285		
Debt securities issued	-	-	4,451,407	-	4,451,407		
Subordinated term debts	-	-	11,653,759	-	11,653,759		
Dividends payable	-	-	587,078	-	587,078		
Other liabilities	-	-	373,925	-	373,925		
Total financial liabilities	630,598	-	501,150,884	-	501,781,482		
31st December 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 Bank of Sri Lanka	-	-	-	16,366,368	-	-	16,366,368
Placements with banks	-	-	-	1,246,612	-	-	1,246,612
Reverse repurchase agreements	-	-	-	6,278,832	-	-	6,278,832
Derivative financial instruments	174,573	-	-	-	-	-	174,573
Other financial assets held for trading	652,312	-	-	-	-	-	652,312
Loans and receivables to customers	-	-	-	351,965,376	-	-	351,965,376
Financial investments - Available-for-sale	-	-	-	-	63,391,086	-	63,391,086
Financial investments - Loans and receivables	-	-	-	33,104,536	-	-	33,104,536
Other assets	-	-	-	481,422	-	-	481,422
Total financial assets	826,885	-	-	421,067,791	63,391,086	-	485,285,762
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	34,934,218	-	34,934,218		
Derivative financial instruments	748,962	-	-	-	748,962		
Securities sold under repurchase agreements	-	-	4,132,602	-	4,132,602		
Due to customers	-	-	387,158,390	-	387,158,390		
Other borrowings	-	-	4,530,499	-	4,530,499		
Debt securities issued	-	-	1,418,775	-	1,418,775		
Subordinated term debts	-	-	11,856,561	-	11,856,561		
Dividends payable	-	-	426,347	-	426,347		
Other liabilities	-	-	422,607	-	422,607		
Total financial liabilities	748,962	-	444,879,999	-	445,628,961		
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

31st December 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	-	-	-	13,421,850	-	-	13,421,850
Balances with Central Banks	-	-	-	16,907,538	-	-	16,907,538
Placements with banks	-	-	-	5,096,455	-	-	5,096,455
Reverse repurchase agreements	-	-	-	19,575,253	-	-	19,575,253
Derivative financial instruments	178,370	-	-	-	-	-	178,370
Other financial assets held for trading	1,052,727	-	-	-	-	-	1,052,727
Loans and receivables to customers	-	-	-	401,281,976	-	-	401,281,976
Financial investments - Available-for-sale	-	-	-	-	69,443,057	-	69,443,057
Financial investments - Held-to-maturity	-	-	955,421	-	-	-	955,421
Financial investments - Loans and receivables	-	-	-	38,846,129	-	-	38,846,129
Other assets	-	-	-	2,154,664	-	-	2,154,664
Total financial assets	1,231,097	-	955,421	497,283,865	69,443,057	-	568,913,440
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	43,504,729	-	43,504,729	-	-
Derivative financial instruments	630,598	-	-	-	630,598	-	-
Securities sold under repurchase agreements	-	-	16,983,545	-	16,983,545	-	-
Due to customers	-	-	425,620,382	-	425,620,382	-	-
Other borrowings	-	-	4,345,285	-	4,345,285	-	-
Debt securities issued	-	-	4,842,627	-	4,842,627	-	-
Subordinated term debts	-	-	11,677,046	-	11,677,046	-	-
Dividends payable	-	-	587,078	-	587,078	-	-
Other liabilities	-	-	832,552	-	832,552	-	-
Total financial liabilities	630,598	-	508,393,244	-	509,023,842	-	-
31st December 2013 (Restated)	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	-	-	-	2,990,100	-	-	2,990,100
Reverse repurchase agreements	-	-	-	6,980,280	-	-	6,980,280
Derivative financial instruments	174,573	-	-	-	-	-	174,573
Other financial assets held for trading	986,391	-	-	-	-	-	986,391
Loans and receivables to customers	-	-	-	351,776,782	-	-	351,776,782
Financial investments - Available-for-sale	-	-	-	-	64,035,975	-	64,035,975
Financial investments - Held-to-maturity	-	-	931,681	-	-	-	931,681
Financial investments - Loans and receivables	-	-	-	35,103,762	-	-	35,103,762
Other assets	-	-	-	513,699	-	-	513,699
Total financial assets	1,160,964	-	931,681	425,352,184	64,035,975	-	491,480,804
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	34,934,218	-	34,934,218	-	-
Derivative financial instruments	748,962	-	-	-	748,962	-	-
Securities sold under repurchase agreements	-	-	4,132,602	-	4,132,602	-	-
Due to customers	-	-	386,864,044	-	386,864,044	-	-
Other borrowings	-	-	4,530,499	-	4,530,499	-	-
Debt securities issued	-	-	1,399,184	-	1,399,184	-	-
Subordinated term debts	-	-	11,781,703	-	11,781,703	-	-
Dividends payable	-	-	426,347	-	426,347	-	-
Other liabilities	-	-	756,566	-	756,566	-	-
Total financial liabilities	748,962	-	444,825,163	-	445,574,125	-	-
01st January 2013 (Restated)	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	-	-	-	8,840,646	-	-	8,840,646
Balances with Central Banks	-	-	-	19,950,040	-	-	19,950,040
Placements with banks	-	-	-	11,538,323	-	-	11,538,323
Reverse repurchase agreements	-	-	-	500,771	-	-	500,771
Derivative financial instruments	344,552	-	-	-	-	-	344,552
Other financial assets held for trading	888,432	-	-	-	-	-	888,432
Loans and receivables to customers	-	-	-	301,607,714	-	-	301,607,714
Financial investments - Available-for-sale	-	-	-	-	59,269,037	-	59,269,037
Financial investments - Held-to-maturity	-	-	1,567,968	-	-	-	1,567,968
Financial investments - Loans and receivables	-	-	-	20,904,172	-	-	20,904,172
Other assets	-	-	-	923,880	-	-	923,880
Total financial assets	1,232,984	-	1,567,968	364,265,546	59,269,037	-	426,335,535
	HFT	Designated at Fair Value	Amortised Cost	Hedging	Total		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000		
LIABILITIES							
Due to banks	-	-	22,956,431	-	22,956,431	-	-
Derivative financial instruments	1,436,443	-	-	-	1,436,443	-	-
Securities sold under repurchase agreements	-	-	4,601,484	-	4,601,484	-	-
Due to customers	-	-	342,355,430	-	342,355,430	-	-
Other borrowings	-	-	4,642,984	-	4,642,984	-	-
Subordinated term debts	-	-	7,736,695	-	7,736,695	-	-
Dividends payable	-	-	221,455	-	221,455	-	-
Other liabilities	-	-	557,889	-	557,889	-	-
Total financial liabilities	1,436,443	-	383,072,368	-	384,508,811	-	-
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/Hirepurchase		Property		Insurance		Others		Eliminations /Unallocated		Consolidated	
For the year ended 31st December	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Rs 000	(Restated) Rs 000	Rs 000	(Restated) Rs 000	Rs 000	(Restated) Rs 000	Rs 000	(Restated) Rs 000	Rs 000	(Restated) Rs 000	Rs 000	(Restated) Rs 000	Rs 000	(Restated) Rs 000
Revenue from external customers:														
Interest income	48,588,803	52,951,280	3,212,589	3,666,692	595	-	782,511	745,599	478,081	441	-	-	53,062,579	57,364,012
Fee and commission income	4,976,164	4,263,200	-	-	-	-	134,072	72,900	85,863	12,113	-	-	5,196,099	4,348,213
Net gain/(loss) from trading	(570,720)	(1,815,061)	-	-	-	-	126,242	32,481	2,860	-	-	-	(441,618)	(1,782,580)
Net gain/(loss) from financial investments	1,398,025	246,591	-	-	-	-	95,950	45,838	-	-	-	-	1,493,975	292,429
Other operating income	1,798,531	1,513,293	-	-	204,779	145,397	3,833,964	3,274,192	9,501	771	(133,964)	27,756	5,712,811	4,961,409
Total revenue from external customers	56,190,803	57,159,303	3,212,589	3,666,692	205,374	145,397	4,972,739	4,171,010	576,305	13,325	(133,964)	27,757	65,023,846	65,183,483
Inter-segment revenue	97,103	180,419	-	-	711,392	678,746	40,682	41,245	-	-	(849,177)	(900,410)	-	-
Total revenue	56,287,906	57,339,722	3,212,589	3,666,692	916,766	824,143	5,013,421	4,212,255	576,305	13,325	(849,177)	(872,653)	65,023,846	65,183,483
Impairment charge for loans and other losses	2,479,809	4,017,338	11,711	253,348	-	-	1,109	57	40,179	-	-	56,121	2,532,808	4,326,864
Net operating income	26,742,942	21,816,358	3,200,878	3,413,344	849,825	671,402	4,518,326	3,830,939	373,653	10,809	(889,691)	(755,065)	34,795,933	28,987,787
Segment result	13,812,210	10,440,059	1,880,591	2,311,619	639,793	517,868	496,872	477,932	199,162	(11,593)	(142,054)	(49,792)	16,886,574	13,686,093
Unallocated operating expenses													(1,330,851)	(1,276,422)
VAT and NBT on financial services													(2,550,247)	(1,659,755)
Operating profit													13,005,476	10,749,916
Share of profit of associates and joint venture													142,977	98,198
Income tax expense													(3,080,360)	(3,070,326)
Profit for the year													10,068,093	7,777,788
Non-controlling interests													(248,498)	(127,322)
Profit attributable to the Equity Holders of the Bank													9,819,595	7,650,466
Profit for the year													10,068,093	7,777,788
Other comprehensive income, net of tax	3,481,539	436,351	-	-	-	-	1,168	(2,610)	6,847	-	8,378	15,124	3,497,932	448,865
Total Comprehensive income													13,566,025	8,226,653
Non controlling interests													(252,925)	(127,336)
Total comprehensive income attributable to the Equity Holders of the Bank													13,313,100	8,099,317
Segment assets	527,264,746	462,198,251	23,941,618	22,606,090	7,585,280	7,626,706	9,969,316	8,059,665	9,251,320	-	(149,211)	(759,784)	577,863,069	499,730,928
Investment in associates													1,196,544	1,046,274
Unallocated assets													21,215,830	22,102,538
Total Assets													600,275,443	522,879,740
Segment liabilities	465,225,102	410,317,356	23,941,618	22,606,090	600,002	1,146,995	7,555,382	5,946,553	8,133,708	-	(1,389,706)	(1,441,268)	504,066,106	438,575,726
Unallocated liabilities													26,570,640	25,933,133
Total liabilities													530,636,746	464,508,859
Cash flows from operating activities	2,490,188	(5,982,358)	(1,366,640)	2,817,665	628,878	611,961	854,029	236,396	1,901,786	-	(2,126,249)	(186,326)	2,381,992	(2,502,662)
Cash flows from investing activities	(5,212,434)	(17,043,552)	-	-	30,519	(10,856)	(625,589)	(200,883)	1,478,256	-	(2,089,767)	130,063	(6,419,015)	(17,125,228)
Cash flows from financing activities	8,148,462	13,988,464	-	-	(502,982)	(505,001)	(162,500)	(137,500)	(214,493)	-	675,548	514,251	7,944,035	13,860,214
Capital expenditure	792,823	1,528,975	8,242	97,526	-	10,856	53,538	64,812	18,129	-	-	-	872,732	1,702,169
Depreciation	830,163	848,141	197	2,733	132,544	131,355	40,814	36,812	8,654	-	2,640	7,903	1,015,012	1,026,944
Amortization	280,114	223,994	16,522	9,388	68	68	17,975	16,028	1,160	-	-	-	315,839	249,478

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) Upon adoption of Sri Lanka Accounting Standard (SLFRS 11) – “Joint Arrangements”, the Group has determined its interest in Acuity Partners (Pvt) Ltd to be classified as a joint venture under SLFRS 11 and it is required to be accounted for using the equity method.
 Prior to the transition to SLFRS 11, Acuity Partners (Pvt) Ltd was classified as a jointly controlled entity and the Group’s share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements.
 The transition was applied retrospectively as required by SLFRS 11 and the comparative information for the immediately preceding period is restated. The change in accounting policy had no impact on net assets of the Group as at 31st December 2013.
2. Pawning interest losses materializing through auctions previously classified in interest income has been reclassified to “Impairment for loans and other losses”. Accordingly interest loss of Rs 1,022 Mn relating to 2013 has been reclassified.
3. 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.
4. There are no material events that took place after the Balance Sheet date, which require adjustment or disclosure in the financial statements, other than those disclosed below.
 - (a) The Directors recommend that a final cash dividend of Rs. 7.00 per share on both voting and non-voting shares of the Bank, be paid for the financial year ended 31st December 2014.
 Further this dividend is to be approved at the Annual General Meeting to be held on 30th March 2015. In accordance with Sri Lanka Accounting Standard (LKAS 10) “Events after the reporting period”, this proposed final dividend has not been recognised as a liability as at 31st December 2014.
 - (b) Super gains tax
 According to the interim budget presented to the Parliament on 29th January 2015 (which was passed in the Parliament on 7th February 2015) a tax of 25% will be imposed on the profits of any company exceeding Rs 2,000 Mn earned in the year of assessment 2013/14 as a one off tax, which is yet to be enacted.
 - (c) Transfer of General Insurance business to HNB General Insurance Ltd by HNB Assurance PLC (HNBA), Bank’s fully owned subsidiary
 HNBA transferred its general insurance business to the new fully owned subsidiary company HNB General Insurance Ltd w.e.f. 1st January 2015 in line with the segregation guidelines issued by the Insurance Board of Sri Lanka (IBSL).
 Accordingly, HNB Assurance PLC has become a Life Insurance Company w.e.f. 1st January 2015 and HNB General Insurance Ltd, is a licensed General Insurance Company.
5. 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.
6. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
7. 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	(1,114,969)	(226,412)	(719,712)	(272,108)	(547,999)	(161,255)
No of options expired during the year	(79,429)	(23,652)	(154,160)	(30,078)	(157,863)	(45,695)
No of options remaining	444,647	65,419	2,394,320	364,591	2,833,603	679,944
Allotment price (Rs)	111.43	65.67	145.79	81.43	142.17	110.04
Average market price for the year ended 31st December (Rs.)	170.23	133.88	170.23	133.88	170.23	133.88

*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 ended on 4th June 2014.

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

8. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd & Prime Grameen Micro Finance Ltd & the Group’s interest in Joint Venture Acuity Partners (Pvt) Ltd.
9. The Bank acquired a stake of 51% of voting rights in Prime Grameen Micro Finance Limited on 7th November 2014. The Bank’s holding in the said company amounts to 42.16%.
10. Additional Information requested by the Bank 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.

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at	As at	As at	As at
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	Bank		Group	
Regulatory Capital Adequacy				
Core Capital (Tier 1 Capital) Rs. Mn	47,299	41,771	52,191	45,159
Total Capital Base. Rs. Mn	57,750	53,274	63,029	57,096
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	12.15%	12.95%	12.70%	13.33%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	14.83%	16.52%	15.34%	16.86%

	31.12.2014	31.12.2013
	Bank	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio, % (net of Interest in Suspense)	3.16%	3.64%
Net Non-Performing Advances Ratio, % (net of Interest in Suspense and provisions)	1.43%	1.36%
Profitability (Annualised)		
Interest Margin, %	4.58%	5.30%
Return on Assets (before Tax), %	2.22%	2.09%
Return on Equity, %	16.03%	14.25%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	99,627	94,819
Off-Shore Banking Unit	7,442	7,548
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	22.39%	22.89%
Off-Shore Banking Unit	22.49%	22.64%

LISTED DEBENTURE INFORMATION

Quarter ended 31st December	Market Value				Yield as at Last Trade Done	
	2014		2013		2014	2013
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.		
HNB DEBENTURES 2006						
15 year Fixed Rate (11.00% 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	N/T	N/T	N/T	N/T
HNB DEBENTURES 2007						
10 year Fixed Rate (16.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T
HNB DEBENTURES 2011						
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T
HNB DEBENTURES 2013						
5 year Fixed Rate (14.00% p.a.)	N/T	N/T	N/T	N/T	N/T	N/T
10 year Fixed Rate (14.25% p.a.)	70.13	70.13	N/T	N/T	14.18	N/T
HNB DEBENTURES 2014						
3 year Fixed Rate (7.00% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A
5 year Fixed Rate (7.90% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A
10 year Fixed Rate (8.50% p.a.)	N/T	N/T	N/A	N/A	N/T	N/A

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

Quarter ended 31st December	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/T
10 year Fixed Rate (14.25% p.a.)	14.18	N/T
HNB DEBENTURES 2014		
3 year Fixed Rate (7.00% p.a.)	N/T	N/A
5 year Fixed Rate (7.90% p.a.)	N/T	N/A
10 year Fixed Rate (8.50% p.a.)	N/T	N/A

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

RATIOS OF DEBT		
	31.12.2014	31.12.2013
Debt Equity Ratio (%)	54.59	59.12
Interest Cover (Times)	7.01	6.82
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 15 year maturity	8.53	11.39
2006 series 18 year maturity	8.94	11.94
2007 series 10 year maturity	7.71	10.22
2007 series 15 year maturity	8.76	11.64
2011 series 10 year maturity	8.55	11.39
2013 series 5 year maturity	7.06	10.87
2013 series 10 year maturity	7.97	11.84
2014 series 3 year maturity	7.01	N/A
2014 series 5 year maturity	7.29	N/A
2014 series 10 year maturity	8.14	N/A
N/A – Not Applicable		

SHARE INFORMATION

As at	31-Dec-14	31-Dec-13
Number of Shares		
Voting	321,736,509	319,353,829
Non-voting	80,861,147	80,201,372
Last Traded Price per Share		
Voting (Rs.)	194.90	147.00
Non-voting (Rs.)	152.90	119.00

For the Quarter Ended	31-Dec-14	31-Dec-13
Highest Price per Share		
Voting (Rs.)	205.00	155.00
Non-voting (Rs.)	153.20	119.20
Lowest Price per Share		
Voting (Rs.)	175.10	140.20
Non-voting (Rs.)	142.00	109.60

PUBLIC SHAREHOLDING PERCENTAGE

As at	31-Dec-14
Voting	61 % approx.
Non-voting	99 % approx.

NUMBER OF PUBLIC SHAREHOLDERS

As at	31-Dec-14
Voting	4,349
Non-voting	10,757

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-14	31-Dec-13
1 Dr. Rane 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. Sujeewa Mudalige	-	-
8 Miss D.S.C. Jayawardena	500	500
9 Mr. R.S. Captain	6,007	6,007
10 Mr. D.A. Cabraal **	-	N/A

* Chief Executive Officer.

** Appointed with effect from 1st April 2014

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

	Name	No. of shares	% on total voting capital
1.	Sri Lanka Insurance Corporation Ltd.	47,635,487	14.81
2.	Employees Provident Fund	31,836,612	9.90
3.	Milford Exports (Ceylon) Limited	25,828,280	*8.03
4.	Mr. Sohli Edelji Captain	23,705,220	7.37
5.	Stassen Exports Ltd	22,387,096	*6.96
6.	Sonetto Holdings Limited	14,697,921	4.57
7.	HSBC Int'l Nominees Ltd-JPLU-Franklin Templeton Investment	13,876,398	4.31
8.	Distilleries Company of Sri Lanka PLC	10,016,272	*3.11
9.	National Savings Bank	9,371,940	2.91
10.	Citi Group Global Markets Ltd Agency Trading Prop. Sec.	8,764,778	2.72
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,420,188	2.00
12.	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	5,138,289	1.60
13.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute return	3,448,972	1.07
14.	Ms. Leesha Anne Captain	2,870,020	0.89
15.	BNY-CF Ruffer Investment Funds :CF Ruffer Pacific Fund	2,628,518	0.82
16.	HSBC INTL Nom Ltd-UBS AG Zurich	2,619,841	0.81
17.	Mellon Bank N. A. - Frontier Market Opportunities Master Fund	2,580,973	0.80
18.	Employees Trust Fund Board	2,436,964	0.76
19.	Mellon Bank N.A. - Frontier Market Select Fund II	2,165,000	0.67
20.	BNYM SA/NV-Blackrock Frontiers Investment Trust PLC	2,129,201	0.66

* 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 18.10% 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 DECEMBER 2014

	Name	No. of shares	% on total non-voting capital
1.	HSBC Intl nominees Ltd-JPLU-Franklin Templeton Invest	8,026,537	9.93
2.	Mellon-Frontaura Global Frontier Fund LLC	7,334,507	9.07
3.	HSBC Int'l Nom Ltd-UBS AG Zurich	7,045,334	8.71
4.	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	2,557,103	3.16
5.	Akbar Brothers Pvt Ltd A/c No.01	1,838,157	2.27
6.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return	1,703,364	2.11
7.	CITI Bank NY S/A Forward International Dividend Fund	1,542,944	1.91
8.	Northern Trust Company S/A Polar Capital Funds PLC	1,503,570	1.86
9.	Mr. Sohli Edelji Captain	1,442,839	1.78
10.	Union Assurance PLC No.1 A/c	1,047,778	1.30
11.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	1,011,115	1.25
12.	Mr. Jayampathi Divale Bandaranayake	1,000,022	1.24
13.	Employees Trust Fund Board	897,453	1.11
14.	CITI Bank NY S/A Forward Select EM Dividend Fund	739,625	0.91
15.	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	667,731	0.83
16.	Waldock Mackenzie Ltd/Mr. H M S Abdulhussein	613,487	0.76
17.	Hatton National Bank PLC A/c No. 2	574,733	0.71
18.	Pershing LLC S/A Averbach Grauson & Co.	510,000	0.63
19.	Bank of Ceylon A/c Ceybank Century Growth Fund	491,247	0.61
20.	Deutsche Bank AG Singapore Branch	467,424	0.58

NOTES TO THE FINANCIAL STATEMENTS

As at	BANK			GROUP	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	01.01.2013
	Rs.000	Rs.000	Rs.000	(Restated) Rs.000	(Restated) Rs.000
1) Loans and Receivables to Customers					
Gross loans and receivables	406,353,665	362,579,558	412,645,742	362,392,964	309,211,287
Less : Individual impairment	(2,645,389)	(2,027,843)	(3,333,404)	(2,027,843)	(1,788,262)
Collective impairment	(8,008,889)	(8,586,339)	(8,030,362)	(8,588,339)	(5,815,311)
Net loans and receivables	395,699,387	351,965,376	401,281,976	351,776,782	301,607,714
2) Loans and Receivables to Customers - By product					
By product-Domestic Currency					
Overdrafts	67,433,323	61,038,687	67,433,323	61,009,491	59,072,376
Bills of exchange	872,934	610,165	872,934	610,165	533,995
Commercial papers	161,631	-	161,631	60,372	681,526
Short term loans	40,019,432	36,176,948	40,090,513	36,176,948	13,930,443
Credit Cards	3,913,915	3,428,037	3,913,915	3,428,037	2,804,569
Trust receipts	16,582,564	13,368,273	16,582,564	13,368,273	12,674,783
Packing credit loans	182,316	235,120	182,316	235,120	197,298
Staff loans	9,699,851	7,159,143	10,013,163	7,390,697	6,365,946
Term loans	145,768,353	106,243,536	151,676,036	105,794,212	84,366,099
Lease and hire purchase rentals receivable	24,478,081	23,146,967	24,478,081	23,146,967	25,280,078
Housing loans	26,531,815	24,246,598	26,531,815	24,246,598	22,147,054
Pawning advances	23,031,032	46,234,919	23,031,032	46,234,919	49,260,270
Sub total	358,675,246	321,888,393	364,967,323	321,701,799	277,314,437
By product-Foreign Currency					
Overdrafts	1,685,644	1,420,266	1,685,644	1,420,266	1,955,088
Bills of exchange	1,596,978	1,246,832	1,596,978	1,246,832	738,699
Short term loans	645,222	23,940	645,222	23,940	21,632
Trust receipts	1,284,926	452,568	1,284,926	452,568	385,148
Packing credit loans	9,212,549	5,535,623	9,212,549	5,535,623	3,080,189
Term loans	32,157,641	31,168,183	32,157,641	31,168,183	24,872,895
Lease and hire purchase rentals receivable	4,792	5,855	4,792	5,855	-
Housing loans	1,090,667	837,898	1,090,667	837,898	843,199
Sub total	47,678,418	40,691,165	47,678,419	40,691,165	31,896,850
Total	406,353,665	362,579,558	412,645,742	362,392,964	309,211,287
3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Customers					
Individual impairment					
Opening balance at 01st January	2,027,843	1,788,262	2,027,843	1,788,262	
Increase in individual impairment allowance from acquisition of subsidiary	-	-	680,187	-	
Charge/(Write back) to income statement	499,299	171,439	507,127	171,439	
Interest accrued on impaired loans and receivables	118,247	68,142	118,247	68,142	
Closing balance as at 31st December	2,645,389	2,027,843	3,333,404	2,027,843	
Collective impairment					
Opening balance at 01st January	8,586,339	5,815,311	8,588,339	5,815,311	
Increase in collective impairment allowance from acquisition of subsidiary	-	-	3,435	-	
Charge/(Write back) to income statement	1,688,681	4,039,203	1,704,719	4,041,203	
Amounts written off	(2,266,131)	(1,268,175)	(2,266,131)	(1,268,175)	
Closing balance as at 31st December	8,008,889	8,586,339	8,030,362	8,588,339	
Total impairment	10,654,278	10,614,182	11,363,766	10,616,182	
4) Due to Customers - By product					
By product-Domestic Currency					
Current account deposits	29,739,375	22,676,587	29,350,797	22,515,550	22,159,630
Savings deposits	137,079,901	106,137,490	137,950,881	106,136,447	90,875,355
Time deposits	182,986,184	189,424,505	188,899,993	189,396,055	159,389,423
Certificates of deposit	1,374,807	3,928,076	1,374,807	3,928,076	8,054,895
Margin deposits	1,552,448	1,758,357	1,552,448	1,758,357	1,201,365
Sub total	352,732,715	323,925,015	359,128,926	323,734,485	281,680,668
By product- Foreign Currency					
Current account deposits	2,869,270	1,161,345	2,869,270	1,161,345	1,108,510
Savings deposits	20,866,722	18,372,750	20,852,427	18,367,126	18,294,171
Time deposits	42,826,192	43,660,215	42,737,535	43,562,023	41,253,642
Margin deposits	32,224	39,065	32,224	39,065	18,439
Sub total	66,594,408	63,233,375	66,491,456	63,129,559	60,674,762
Total	419,327,123	387,158,390	425,620,382	386,864,044	342,355,430