



# **H**atton **N**ational **B**ank PLC

**Interim Financial Statements  
For the year ended 31st December 2013**

## 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		
	2013 Rs.000	2012 Restated Rs.000	% Increase/ (Decrease)	2013 Rs.000	2012 Restated Rs.000	% Increase/ (Decrease)	2013 Rs.000	2012 Restated Rs.000	% Increase/ (Decrease)	2013 Rs.000	2012 Restated Rs.000	% Increase/ (Decrease)
<b>Income</b>	60,073,685	51,538,779	17	14,658,187	14,061,301	4	64,637,504	55,211,622	17	15,816,549	14,923,959	6
Interest income	55,749,193	47,326,377	18	13,700,976	13,430,237	2	56,626,984	47,919,387	18	13,929,922	13,583,559	3
Less: Interest expenses	31,423,945	25,368,432	24	7,930,599	7,384,847	7	31,576,786	25,495,541	24	7,967,282	7,399,354	8
<b>Net interest income</b>	24,325,248	21,957,945	11	5,770,377	6,045,390	(5)	25,050,198	22,423,846	12	5,962,640	6,184,205	(4)
Fee and commission income	4,351,992	3,740,497	16	1,151,469	983,551	17	4,500,180	3,905,052	15	1,089,709	959,305	14
Less: Fee and commission expenses	82,082	53,407	54	20,532	14,733	39	470,456	411,943	14	51,026	52,014	(2)
<b>Net fee and commission income</b>	4,269,910	3,687,090	16	1,130,937	968,818	17	4,029,724	3,493,109	15	1,038,683	907,291	14
<b>Net interest, fee and commission income</b>	28,595,158	25,645,035	12	6,901,314	7,014,208	(2)	29,079,922	25,916,955	12	7,001,323	7,091,496	(1)
Net gain/(loss) from trading	(1,815,061)	(1,632,528)	(11)	(826,752)	(983,116)	16	(1,755,536)	(1,624,049)	(8)	(785,394)	(993,496)	21
Net gain/(loss) from financial investments	246,591	87,446	182	22,353	(69,198)	132	309,493	116,463	166	62,812	(52,926)	219
Other operating income	1,540,970	2,016,987	(24)	610,141	699,827	(13)	4,956,383	4,894,769	1	1,519,500	1,427,517	6
<b>Total Operating income</b>	28,567,658	26,116,940	9	6,707,056	6,661,721	1	32,590,262	29,304,138	11	7,798,241	7,472,591	4
<b>Impairment for loans and other losses</b>												
Individual impairment	239,581	(269,588)	189	146,303	(416,996)	135	239,581	(269,588)	189	146,303	(416,996)	135
Collective impairment	2,867,781	1,317,503	118	193,080	395,724	(51)	2,867,781	1,317,503	118	193,080	395,724	(51)
Others	141,804	94,195	51	83,809	(14,001)	699	197,925	94,195	110	139,930	(14,001)	1,099
<b>Net operating income</b>	25,318,492	24,974,830	1	6,283,864	6,696,994	(6)	29,284,975	28,162,028	4	7,318,928	7,507,864	(3)
Personnel expenses	5,453,778	6,689,864	(18)	1,398,320	1,458,488	(4)	6,061,024	7,272,980	(17)	1,542,438	1,607,995	(4)
Depreciation and amortisation	1,084,256	975,700	11	287,557	247,729	16	1,286,423	1,159,298	11	340,876	298,000	14
Other expenses	7,113,042	6,184,903	15	1,745,602	1,637,209	7	9,489,941	7,975,129	19	2,233,710	2,023,369	10
	13,651,076	13,850,467	(1)	3,431,479	3,343,426	3	16,837,388	16,407,407	3	4,117,024	3,929,364	5
<b>Operating profit before value added tax (VAT)</b>	11,667,416	11,124,363	5	2,852,385	3,353,568	(15)	12,447,587	11,754,621	6	3,201,904	3,578,500	(11)
Less: Value added tax (VAT) on financial services	1,659,755	1,247,873	33	312,584	121,961	156	1,659,755	1,247,873	33	312,584	121,961	156
<b>Operating profit after value added tax (VAT)</b>	10,007,661	9,876,490	1	2,539,801	3,231,607	(21)	10,787,832	10,506,748	3	2,889,320	3,456,539	(16)
Share of profit of Associates (net of income tax)	-	-	-	-	-	-	127,815	16,632	668	12,541	5,201	141
<b>PROFIT BEFORE INCOME TAX</b>	10,007,661	9,876,490	1	2,539,801	3,231,607	(21)	10,915,647	10,523,380	4	2,901,861	3,461,740	(16)
Less: Income tax expense	2,997,555	2,342,335	28	869,032	325,596	167	3,103,199	2,421,431	28	930,828	356,625	161
<b>PROFIT FOR THE PERIOD</b>	7,010,106	7,534,155	(7)	1,670,769	2,906,011	(43)	7,812,448	8,101,949	(4)	1,971,033	3,105,115	(37)
<b>Profit attributable to:</b>												
Equity holders of the Bank	7,010,106	7,534,155	(7)	1,670,769	2,906,011	(43)	7,650,461	7,941,754	(4)	1,888,546	3,029,166	(38)
Non-controlling interests	-	-	-	-	-	-	161,987	160,195	1	82,487	75,949	9
<b>PROFIT FOR THE PERIOD</b>	7,010,106	7,534,155	(7)	1,670,769	2,906,011	(43)	7,812,448	8,101,949	(4)	1,971,033	3,105,115	(37)
<b>Earnings per share on profit</b>												
Basic earnings per ordinary share (Rs)	17.59	18.94	(7)	4.18	7.61	(45)	19.20	20.75	(7)	4.73	7.93	(40)
Diluted earnings per ordinary share (Rs)	17.55	18.91	(7)	4.17	7.59	(45)	19.15	20.72	(8)	4.72	7.91	(40)

## STATEMENT OF 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		
	2013 Rs.000	2012 Restated Rs.000	% Increase/ (Decrease)	2013 Rs.000	2012 Restated Rs.000	% Increase/ (Decrease)	2013 Rs.000	2012 Restated Rs.000	% Increase/ (Decrease)	2013 Restated Rs.000	2012 Rs.000	% Increase/ (Decrease)
<b>Profit for the period</b>	7,010,106	7,534,155	(7)	1,670,769	2,906,011	(43)	7,812,448	8,101,949	(4)	1,971,033	3,105,115	(37)
<b>Other comprehensive income, net of tax</b>												
Gains and losses arising from translating the financial statements of foreign operations	-	-	-	-	-	-	1,764	13,843	(87)	-	(1,644)	(100)
Gains and losses on re-measuring available-for-sale financial assets												
<i>Net change in fair value on available-for-sale financial assets</i>	1,294,197	453,801	185	781,595	(68,617)	1,239	1,306,774	475,771	175	777,148	(47,079)	(1,751)
<i>Transfer to life policy holder reserve fund</i>	-	-	-	-	-	-	2,991	(21,335)	114	2,052	(22,665)	(109)
<i>Net amount transferred to profit or loss (available for sale financial assets)</i>	-	75,402	(100)	-	-	-	-	76,765	(100)	-	1,363	(100)
Actuarial gains and losses on defined benefit plans	(857,846)	756,710	(213)	(857,846)	756,710	(213)	(855,674)	756,710	(213)	(855,674)	756,710	(213)
Changes in revaluation surplus	-	1,462,621	(100)	-	1,462,621	(100)	-	2,394,797	(100)	-	2,394,797	(100)
<b>Other comprehensive income for the period, net of tax</b>	436,351	2,748,534	(84)	(76,251)	2,150,714	(104)	455,855	3,696,551	(88)	(76,474)	3,081,482	(102)
<b>Total comprehensive income for the period</b>	7,446,457	10,282,689	(28)	1,594,518	5,056,725	(68)	8,268,303	11,798,500	(30)	1,894,559	6,186,597	(69)
<b>Total comprehensive income attributable to:</b>												
Equity holders of the Bank	7,446,457	10,282,689	(28)	1,594,518	5,056,725	(68)	8,099,312	11,627,878	(30)	1,810,927	6,110,313	(70)
Non-controlling interests	-	-	-	-	-	-	168,991	170,622	(1)	83,632	76,284	10
<b>Total comprehensive income for the period</b>	7,446,457	10,282,689	(28)	1,594,518	5,056,725	(68)	8,268,303	11,798,500	(30)	1,894,559	6,186,597	(69)

## STATEMENT OF FINANCIAL POSITION

As at	BANK			GROUP		
	31st Dec 2013	31st Dec 2012	% Increase / (Decrease)	31st Dec 2013	31st Dec 2012	% Increase / (Decrease)
	Rs. 000	Restated Rs. 000		Rs. 000	Restated Rs. 000	
<b>ASSETS</b>						
Cash and cash equivalents	11,624,645	8,769,206	33	11,588,264	8,848,466	31
Balances with central banks	16,366,368	19,933,463	(18)	16,366,565	19,950,321	(18)
Placements with banks	1,246,611	10,321,832	(88)	3,083,584	11,667,417	(74)
Derivative financial instruments	174,573	344,552	(49)	174,573	344,552	(49)
Other financial assets held for trading	652,312	474,083	38	2,568,136	1,078,124	138
Other financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	2,875	(100)
Loans and receivables to banks	6,267,809	-	-	6,680,288	651,480	925
Loans and receivables to other customers	351,976,401	302,760,980	16	352,845,678	303,270,612	16
Financial investments - Available-for-sale	63,391,086	58,295,356	9	64,270,094	59,355,106	8
Financial investments - Held-to-maturity	-	-	-	1,004,501	1,643,852	(39)
Financial investments - Loans and receivables	33,104,536	20,030,669	65	35,103,762	20,904,172	68
Investments in associates and joint ventures	655,000	655,000	-	582,115	386,172	51
Investments in Subsidiaries	2,357,285	2,357,285	-	-	-	-
Investment properties	346,478	349,708	(1)	160,864	164,598	(2)
Property, plant and equipment	9,521,496	9,417,915	1	17,791,159	17,815,411	-
Intangible assets	994,677	556,171	79	1,121,005	689,501	63
Deferred tax assets	767,826	-	-	656,191	-	-
Other assets	10,863,333	12,092,199	(10)	11,398,073	12,679,956	(10)
<b>Total Assets</b>	<b>510,310,436</b>	<b>446,358,419</b>	<b>14</b>	<b>525,394,852</b>	<b>459,452,615</b>	<b>14</b>
<b>LIABILITIES</b>						
Due to banks	34,934,217	23,852,647	46	35,360,925	24,443,058	45
Derivative financial instruments	748,962	1,436,443	(48)	748,962	1,436,443	(48)
Other financial liabilities held-for-trading	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Due to other customers	385,360,970	341,423,986	13	385,000,600	340,847,606	13
Other borrowings	8,663,102	8,332,545	4	10,253,539	9,538,743	7
Debt securities issued	1,418,775	-	-	1,530,295	150,000	920
Current tax liabilities	3,040,107	1,755,428	73	3,134,407	1,839,714	70
Insurance provision - Life	-	-	-	4,348,491	3,626,239	20
Insurance provision - Non-Life	-	-	-	1,011,101	969,441	4
Deferred tax liabilities	-	1,111,111	(100)	-	1,186,615	(100)
Other provisions	2,919,320	4,240,497	(31)	2,966,730	4,400,091	(33)
Other liabilities	9,914,569	9,554,819	4	10,592,370	10,268,119	3
Due to subsidiaries	-	-	-	-	-	-
Subordinated term debts	11,856,560	7,751,890	53	11,781,703	7,729,333	52
<b>Total Liabilities</b>	<b>458,856,582</b>	<b>399,459,366</b>	<b>15</b>	<b>466,729,123</b>	<b>406,435,402</b>	<b>15</b>

<b>STATEMENT OF FINANCIAL POSITION</b>						
As at	31st Dec 2013 Rs. 000	BANK		31st Dec 2013 Rs. 000	GROUP	
		31st Dec 2012 Restated Rs. 000	% Increase / (Decrease)		31st Dec 2012 Restated Rs. 000	% Increase / (Decrease)
<b>EQUITY</b>						
Stated capital	12,830,268	12,579,479	2	12,830,268	12,579,479	2
Statutory reserves	6,761,205	4,530,562	49	6,761,205	4,530,562	49
Retained earnings	3,465,419	4,225,948	(18)	5,210,483	5,321,846	(2)
Other reserves	28,396,962	25,563,064	11	32,759,680	29,615,888	11
<b>Total equity attributable to equity holders of the Bank</b>	<b>51,453,854</b>	<b>46,899,053</b>	<b>10</b>	<b>57,561,636</b>	<b>52,047,775</b>	<b>11</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,104,093</b>	<b>969,438</b>	<b>14</b>
<b>Total Equity</b>	<b>51,453,854</b>	<b>46,899,053</b>	<b>10</b>	<b>58,665,729</b>	<b>53,017,213</b>	<b>11</b>
<b>Total Liabilities and Equity</b>	<b>510,310,436</b>	<b>446,358,419</b>	<b>14</b>	<b>525,394,852</b>	<b>459,452,615</b>	<b>14</b>
<b>Contingent liabilities and commitments</b>	<b>174,070,970</b>	<b>164,367,012</b>	<b>6</b>	<b>174,070,970</b>	<b>164,367,012</b>	<b>6</b>
Net Assets Value per Share	128.78	118.06	9	144.06	131.02	10
<b>Memorandum Information</b>						
Number of Employees	4,604	4,679				
Number of Branches	250	247				

## 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 2013 and its profit for the year ended 31st December 2013.

(Sgd.)

**Ashok Goonesekere**

Chief Accountant

21st February 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, it's Joint Venture and Subsidiary Companies.

(Sgd.)

**Jonathan Alles**

Managing Director / Chief Executive Officer

21st February 2014

(Sgd.)

**Ranee Jayamaha**

Chairperson

21st February 2014

## STATEMENT OF CHANGES IN EQUITY

BANK	Stated Capital		Statutory Reserves		Other Reserves				Retained Earnings	Total
	Ordinary Voting Shares	Ordinary Non-voting Shares	Statutory Reserve Fund	Investment Fund Account*	Available for Sale Reserve	Capital Reserve	General Reserve	ESOP Reserve		
For the year ended 31st December 2013	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Balance as at 31st December 2011</b>	9,143,326	2,308,125	1,800,000	978,337	3,009,986	2,334,403	15,400,000	-	3,009,553	37,983,730
Prior year adjustment**	-	-	-	-	-	256,025	-	-	-	256,025
<b>Restated balance as at 31st December 2011</b>	9,143,326	2,308,125	1,800,000	978,337	3,009,986	2,590,428	15,400,000	-	3,009,553	38,239,755
<b>Total comprehensive income for the year</b>										
Net profit for the year 2012	-	-	-	-	-	-	-	-	7,534,155	7,534,155
Other comprehensive income, net of tax	-	-	-	-	1,462,621	529,203	-	-	756,710	2,748,534
<b>Total comprehensive income for the year</b>	-	-	-	-	1,462,621	529,203	-	-	8,290,865	10,282,689
<b>Transactions with equity holders, recognised directly in equity</b>										
<b>Contributions by and distributions to equity holders</b>										
Final dividend for 2011 - Cash	-	-	-	-	-	-	-	-	(1,166,032)	(1,166,032)
Final dividend for 2011 - Scrip	840,958	208,471	-	-	-	-	-	-	(1,166,032)	(116,603)
Interim dividend for 2012 - Cash	-	-	-	-	-	-	-	-	(595,870)	(595,870)
ESOP allocation 2012	-	-	-	-	-	-	-	176,515	-	176,515
Shares issued under ESOP	64,975	13,624	-	-	-	-	-	-	-	78,599
<b>Total contributions by and distributions to equity holders</b>	905,933	222,095	-	-	-	-	-	176,515	(2,927,934)	(1,623,391)
Transfer of revaluation reserve for disposal of property, plant and equipment	-	-	-	-	(5,689)	-	-	-	5,689	-
Transfers during the year 2012	-	-	430,000	1,322,225	-	-	2,400,000	-	(4,152,225)	-
<b>Balance as at 31st December 2012</b>	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
<b>Total comprehensive income for the year</b>										
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
<b>Total comprehensive income for the year</b>	-	-	-	-	-	1,294,197	-	-	6,152,260	7,446,457
<b>Transactions with equity holders, recognised directly in equity</b>										
<b>Contributions by and distributions to equity holders</b>										
Final dividend for 2012 - Cash	-	-	-	-	-	-	-	-	(2,782,814)	(2,782,814)
Interim dividend for 2013 - Cash	-	-	-	-	-	-	-	-	(599,332)	(599,332)
ESOP allocation 2013	-	-	-	-	-	-	-	239,701	-	239,701
Shares issued under ESOP	205,685	45,104	-	-	-	-	-	-	-	250,789
<b>Total contributions by and distributions to equity holders</b>	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)	-
<b>Balance as at 31st December 2013</b>	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

\* 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 12 of "explanatory notes".

## STATEMENT OF CHANGES IN EQUITY

GROUP	Stated Capital		Statutory Reserve		Other Reserves									Total
	Ordinary Voting Shares	Ordinary Non-voting Shares	Statutory Reserve Fund	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	
<b>For the year ended 31st December 2013</b>														
<b>Balance as at 31st December 2011</b>	9,143,326	2,308,125	1,800,000	978,337	6,403,549	2,364,801	(310,938)	15,400,000	5,733	(22,526)	-	3,504,132	782,224	42,356,763
Prior year adjustment**	-	-	-	-	-	256,025	-	-	-	-	-	-	-	256,025
<b>Restated balance as at 31st December 2011</b>	9,143,326	2,308,125	1,800,000	978,337	6,403,549	2,620,826	(310,938)	15,400,000	5,733	(22,526)	-	3,504,132	782,224	42,612,788
<b>Total comprehensive income for the year</b>														
Net profit for the year 2012	-	-	-	-	-	-	-	-	-	-	-	7,941,754	160,195	8,101,949
Other comprehensive income, net of tax	-	-	-	-	2,394,797	529,475	-	-	5,142	-	-	756,710	10,427	3,696,551
<b>Total comprehensive income for the year</b>	-	-	-	-	2,394,797	529,475	-	-	5,142	-	-	8,698,464	170,622	11,798,500
<b>Transactions with equity holders, recognised directly in equity</b>														
<b>Contributions by and distributions to equity holders</b>														
Final dividend for 2011 - Cash	-	-	-	-	-	-	-	-	-	-	-	(1,120,823)	(51,046)	(1,171,869)
Final dividend for 2011 - Scrip	840,958	208,471	-	-	-	-	-	-	-	-	-	(1,166,032)	-	(116,603)
Interim dividend for 2012 - Cash	-	-	-	-	-	-	-	-	-	-	-	(572,619)	-	(572,619)
ESOP allocation 2012	-	-	-	-	-	-	-	-	-	-	176,515	-	-	176,515
Shares issued under ESOP	64,975	13,624	-	-	-	-	-	-	-	-	-	-	-	78,599
<b>Total contributions by and distributions to equity holders</b>	905,933	222,095	-	-	-	-	-	-	-	-	176,515	(2,859,474)	(51,046)	(1,605,977)
Transfer to life policy holder reserve fund	-	-	-	-	-	-	-	-	-	21,335	-	-	-	21,335
Write off of subsidiary investment	-	-	-	-	-	-	-	-	3,665	-	-	(3,665)	-	-
Disposal of associate company	-	-	-	-	-	-	-	-	(5,996)	-	-	52,052	-	46,056
Deemed disposal gain through joint venture	-	-	-	-	-	-	-	-	-	-	-	76,873	67,638	144,511
Transfer of revaluation reserve for disposal of property, plant and equipment	-	-	-	-	(5,689)	-	-	-	-	-	-	5,689	-	-
Transfers during the year 2012	-	-	430,000	1,322,225	-	-	-	2,400,000	-	-	-	(4,152,225)	-	-
<b>Balance as at 31st December 2012</b>	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
<b>Total comprehensive income for the year</b>														
Net profit for the year 2013	-	-	-	-	-	-	-	-	-	-	-	7,650,461	161,987	7,812,448
Other comprehensive income, net of tax	-	-	-	-	-	1,304,688	-	-	706	-	-	(856,543)	7,004	455,855
<b>Total comprehensive income for the year</b>	-	-	-	-	-	1,304,688	-	-	706	-	-	6,793,918	168,991	8,268,303
<b>Transactions with equity holders, recognised directly in equity</b>														
<b>Contributions by and distributions to equity holders</b>														
Final dividend for 2012 - Cash	-	-	-	-	-	-	-	-	-	-	-	(2,782,814)	(70,439)	(2,853,253)
Interim dividend for 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
Shares issued under ESOP	205,685	45,104	-	-	-	-	-	-	-	-	-	-	-	250,789
<b>Total contributions by and distributions to equity holders</b>	205,685	45,104	-	-	-	-	310,938	-	-	-	239,701	(3,424,077)	(70,439)	(2,693,088)
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	65,312	105,501
Transfers during the year 2013	-	-	430,000	1,800,643	-	-	-	1,300,000	-	-	-	(3,530,643)	-	-
<b>Balance as at 31st December 2013</b>	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	5,210,483	1,104,093	58,665,729

\* 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 12 of 'explanatory notes'.

## STATEMENT OF CASH FLOW

For the year ended 31st December	BANK		GROUP	
	2013 Rs.000	2012 Rs.000	2013 Rs.000	2012 Rs.000
<b>Cash Flows from Operating Activities</b>				
Interest and commission receipts	55,729,913	47,901,062	56,192,778	47,916,971
Interest payments	(31,938,047)	(24,728,933)	(32,090,888)	(24,856,302)
Receipts from other operating activities	1,848,831	1,638,755	5,283,495	4,598,787
Cash payments to employees	(6,947,716)	(6,385,313)	(7,426,385)	(6,896,173)
Recovery of loans written off in prior years	8,295	11,192	8,295	11,192
Cash payments to other operating activities	(9,659,378)	(9,176,304)	(11,349,125)	(10,327,090)
<b>Operating Profit before Changes in Operating Assets and Liabilities</b>	<b>9,041,898</b>	<b>9,260,459</b>	<b>10,618,170</b>	<b>10,447,385</b>
<b>(Increase) / Decrease in Operating Assets</b>				
Deposits held for regulatory or monetary control purpose	3,567,095	(1,250,058)	3,567,179	(1,249,869)
Loans and receivables to other customers	(56,940,880)	(44,961,367)	(56,782,186)	(45,863,570)
Other short term assets	763,228	(902,569)	637,244	(981,135)
	(52,610,557)	(47,113,994)	(52,577,763)	(48,094,574)
<b>Increase / (Decrease) in Operating Liabilities</b>				
Deposits from customers	42,745,044	48,819,348	42,961,054	48,687,988
Other liabilities	999,210	(568,538)	990,616	(316,089)
	43,744,254	48,250,810	43,951,670	48,371,899
<b>Net Cash Generated from Operating Activities before Income Tax</b>	<b>175,595</b>	<b>10,397,275</b>	<b>1,992,077</b>	<b>10,724,710</b>
Income taxes paid	(2,889,690)	(929,178)	(2,949,187)	(966,030)
<b>Net Cash Generated from / (Used in) Operating Activities</b>	<b>(2,714,095)</b>	<b>9,468,097</b>	<b>(957,110)</b>	<b>9,758,680</b>
<b>Cash Flows from Investing Activities</b>				
Dividend income	362,509	248,990	297,112	223,433
Dividend income received from associates	-	-	53,148	-
Net proceeds from sale, maturity and purchase of financial investments	(15,854,115)	(10,687,368)	(17,171,637)	(10,741,492)
Purchase of property, plant & equipment	(952,411)	(872,396)	(1,021,075)	(925,940)
Purchase of intangible assets	(671,888)	(181,982)	(681,445)	(208,214)
Improvements to investment properties	(2,202)	(5,085)	(993)	(139)
Investment in Associate company	-	-	(121,275)	(20,000)
Net proceeds from sale of Associate company	-	58,815	-	58,815
Net proceeds from sale of Subsidiary company	56,158	-	-	-
Net proceeds from sale of non current assets held for sale	-	-	2,485	-
Proceeds from sale of property, plant and equipment	18,398	36,038	22,421	37,237
Proceeds from deemed disposal of Subsidiary company by Joint Venture	-	-	105,500	144,511
Net cash effect on disposal of Subsidiary	-	-	9,920	-
<b>Net Cash Flows used in Investing Activities</b>	<b>(17,043,551)</b>	<b>(11,402,988)</b>	<b>(18,505,839)</b>	<b>(11,431,789)</b>
<b>Cash Flows from Financing Activities</b>				
Increase in debentures	5,090,472	2,815,526	4,999,692	2,827,525
Increase in borrowings	11,396,199	5,199,665	11,638,468	5,129,078
Dividends paid	(3,177,254)	(1,825,130)	(3,247,693)	(1,807,716)
Proceeds from issue of shares under ESOP	250,789	78,599	250,789	78,599
Share issue expenses	-	(5,649)	-	(8,247)
Debenture issue expenses	(22,342)	-	(22,342)	-
Issue of preference shares	-	-	-	150,000
<b>Net Cash Generated from Financing Activities</b>	<b>13,537,864</b>	<b>6,263,011</b>	<b>13,618,914</b>	<b>6,369,239</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(6,219,782)</b>	<b>4,328,120</b>	<b>(5,844,035)</b>	<b>4,696,130</b>
Cash and Cash Equivalents at the Beginning of the year	19,091,038	14,762,918	20,515,883	15,819,753
<b>Cash and Cash Equivalents at the End of the year</b>	<b>12,871,256</b>	<b>19,091,038</b>	<b>14,671,848</b>	<b>20,515,883</b>



**SEGMENT REPORTING**

For the year ended 31st December	Banking		Leasing		Dealing**		Property		Insurance		Elimination		Consolidated /unallocated	
	2013 Rs. 000	2012 Rs. 000	2013 Rs. 000	2012 Rs. 000	2013 Rs. 000	2012 Rs. 000	2013 Rs. 000	2012 Rs. 000	2013 Rs. 000	2012 Rs. 000	2013 Rs. 000	2012 Rs. 000	2013 Rs. 000	2012 Rs. 000
Revenue from external customers :														
Interest	51,928,969	43,356,014	3,666,692	3,728,480	293,880	251,985	-	-	737,443	612,183	-	(29,275)	56,626,984	47,919,387
Fee and commission	4,349,138	3,739,489	-	-	78,141	93,889	-	-	72,901	71,674	-	-	4,500,180	3,905,052
Net gain/(loss) from trading	(1,815,061)	(1,632,528)	-	-	27,045	5,294	-	-	32,481	3,185	-	-	(1,755,536)	(1,624,049)
Net gain/(loss) from financial investments	246,591	87,446	-	-	17,064	26,099	-	-	45,838	2,918	-	-	309,493	116,463
Other operating income	1,513,223	1,990,465	-	-	10,218	79,885	145,397	163,366	3,259,788	2,648,036	27,757	13,017	4,956,383	4,894,769
Total revenue from														
external customers	56,222,860	47,540,886	3,666,692	3,728,480	426,348	457,152	145,397	163,366	4,148,450	3,337,996	27,757	(16,258)	64,637,504	55,211,622
Inter-segment revenue	184,133	269,413	-	-	6,155	9,711	678,746	660,770	63,806	95,840	(932,840)	(1,035,734)	-	-
Total revenue	56,406,993	47,810,299	3,666,692	3,728,480	432,503	466,863	824,143	824,136	4,212,256	3,433,836	(905,083)	(1,051,992)	64,637,504	55,211,622
Segment result	8,792,420	8,317,346	2,299,498	2,534,844	36,331	76,253	517,848	389,478	477,928	447,194	(49,769)	(99,069)	12,074,256	11,666,046
Unallocated expenses													(1,286,424)	(1,159,298)
Profit from operations													10,787,832	10,506,748
Income from associates													127,815	16,632
Income tax expense													(3,103,199)	(2,421,431)
Profit for the year													7,812,448	8,101,949
Non-controlling interests													(161,987)	(160,195)
Profit attributable to the Equity Holders of the Bank													7,650,461	7,941,754
Profit for the year													7,812,448	8,101,949
Other comprehensive income ,net of tax	436,351	2,748,534	-	-	20,350	(4,210)	-	828,962	(2,610)	6,208	1,764	117,057	455,855	3,696,551
Total Comprehensive income													8,268,303	11,798,500
Non-controlling interests													(168,991)	(170,622)
Profit attributable to the Equity Holders of the Bank													8,099,312	11,627,878
Segment assets	462,198,251	395,952,196	22,606,090	24,977,945	3,815,615	3,974,365	7,626,706	7,917,607	8,059,665	7,034,877	(1,405,285)	(2,820,368)	502,901,042	437,036,622
Investment in associates													582,115	386,172
Unallocated assets													21,911,695	22,029,821
Total Assets													525,394,852	459,452,615
Segment liabilities	422,135,418	359,250,144	22,606,090	24,977,945	2,362,882	2,655,322	1,146,995	1,806,298	5,946,553	5,167,788	(1,583,891)	(2,653,372)	452,614,047	391,204,124
Unallocated liabilities													14,115,076	15,231,278
Total liabilities													466,729,123	406,435,402
Cash flows from														
operating activities	(4,841,351)	10,179,396	2,127,256	(711,299)	30,875	(85,887)	611,961	689,745	271,266	287,670	842,883	(600,945)	(957,110)	9,758,680
Cash flows from														
investing activities	(17,043,551)	(11,402,988)	-	-	(200,571)	81,681	(10,856)	(3,076)	(198,970)	(163,732)	(1,051,891)	56,326	(18,505,839)	(11,431,789)
Cash flows from														
financing activities	13,537,864	6,263,011	-	-	(2,025)	223,024	(505,001)	(356,411)	(137,500)	(105,000)	725,576	344,615	13,618,914	6,369,239
Capital Expenditure	1,528,975	1,059,256	97,526	207	1,346	6,751	10,856	3,076	64,812	63,174	-	1,829	1,703,515	1,134,293
Depreciation	848,141	797,261	2,733	3,125	9,539	12,080	131,335	116,688	40,154	7,927	891	970	1,036,483	970,199
Amortization	223,994	175,258	9,388	56	464	534	68	79	16,027	13,172	-	-	249,941	189,099

\*\*Stock broking, securities dealings, remittances, investment banking, venture capital business and foreign currency related services

## EXPLANATORY NOTES

1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2012, other than as disclosed below.
- (a) The Group adopted Sri Lanka Accounting Standard (LKAS 19) "Employee Benefits" (2013) with effect from 1st January 2013 as part of its mandatory application and changed its basis for determining the income or expense related to defined benefit plans.

As a result of the change, the Bank now determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period.

The net interest on the net defined benefit liability (asset) comprises:

- Interest cost on the defined benefit obligation; and
- Interest income on plan assets

Previously, the Group determined interest income on plan assets based on their long term rate of expected return.

### Impact of change in Accounting Policy

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". It increased the defined benefit expense recognised in profit or loss and correspondingly increased the defined benefit plan's re-measurement gain recognised in Other Comprehensive Income by Rs. 169.22 Mn for the year ended 31st December 2012. The following table summarises the financial effects on the Income Statement and the Statement of Comprehensive Income on implementation of the new accounting policy:

For the year ended 31st December	2012
	Rs 000
Increase in provision charge for employee benefits	169,216
Increase in actuarial gains/(losses) on defined benefit plans	169,216

The change in accounting policy had no impact on net assets as at 31st December 2012 and had an immaterial impact on income taxes for the year ended 31st December 2012.

2. 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 2013. Further this dividend is to be approved at the Annual General Meeting to be held on 28th March 2014. 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 2013.
3. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures other than as disclosed in note 9. All known expenditure items have been provided for.
4. 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.
5. Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
6. Details of Employee Share Option Plan (ESOP)

	Allocation 2008*		Allocation 2010**		Allocation 2012***		Allocation 2013****	
	Voting	Non voting	Voting	Non voting	Voting	Non voting	Voting	Non voting
No of options brought forward	84,222	15,769	2,877,970	675,023	3,792,336	896,018	-	-
No of options granted in 2013	-	-	-	-	-	-	3,970,506	994,902
No of options exercised during the year	-	-	(1,220,048)	(354,588)	(268,156)	(200,585)	(215,523)	(49,852)
No of options expired during the year	(84,222)	(15,769)	(18,877)	(4,952)	(255,988)	(28,656)	(215,518)	(58,156)
No of options remaining	-	-	1,639,045	315,483	3,268,192	666,777	3,539,465	886,894
Allotment price (Rs)	77.33	35.07	111.43	65.67	145.79	81.43	142.17	110.04
Average market price (Rs)	149.40	102.81	149.40	102.81	149.40	102.81	149.40	102.81

\* These options were allocated on 28th March 2008 and expired on 1st October 2013.

\*\* 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.

7. 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.
8. Majan Exchange LLC, a foreign subsidiary of the Bank was disposed to a local investor in Oman during the period at a loss of Rs. 0.161 Mn. Consequent to the disposal of Majan Exchange LLC, the provision of Rs. 56.121 Mn made against the said investment was reversed and included in "Impairment for loans and other losses" while Rs. 13.896 Mn made against the related party receivable from Majan Exchange LLC was reversed and included in "Other operating income".
9. On 13th June 2013 Bank allotted Rs. 4 Bn of unsecured, Subordinated redeemable debentures at an interest rate of 14%. On 30th August 2013 Bank allotted a further 20,000,000 unsecured senior redeemable 10 year debentures to the public at a discount price of Rs. 67.715. Accordingly, the Bank raised further Rs. 1.35 Bn in August at an effective yield of 14.25%.
10. Employee Share Benefit Trust (ESBT) was a trust set up by the Bank for the benefit of the executive employees that entitled those employees to a share option. The Bank liquidated the ESBT after informing CSE and SEC, resulting in the reversal of Rs. 1.5 Bn being the total liability recognised in respect of cash settled share based payments. Accordingly the Bank discontinued its treatment of the ESBT as a special purpose entity in the consolidated financial statements.
11. 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 "notes to the financial statements."
12. **Prior year adjustment**  
Bank holds shares in Visa Inc. and Mastercard Inc. These shares were carried at zero cost. These investments were recognised as Financial Instruments – Available-for-sale and the net change in fair value of these shares as at 31st December 2011 of Rs. 256.02 Mn and at 31st December 2012 of Rs. 169.78 Mn were recognised as prior year adjustments.

## ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS - BANK

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
<b>Assets</b>							
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
Other financial assets held for trading	652,312	-	-	-	-	-	652,312
Derivative financial instruments	174,573	-	-	-	-	-	174,573
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	-	-	-	33,104,536	63,391,086	-	96,495,622
<b>Total financial assets</b>	<b>826,885</b>	<b>-</b>	<b>-</b>	<b>420,586,370</b>	<b>63,391,086</b>	<b>-</b>	<b>484,804,341</b>
	HFT	Designated at fair value	Amortised cost	Hedging	Total		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000		
<b>Liabilities</b>							
Due to banks	-	-	34,934,217	-	34,934,217	-	-
Derivative financial instruments	748,962	-	-	-	748,962	-	-
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	-	-
Subordinated term debts	-	-	11,856,560	-	11,856,560	-	-
<b>Total financial liabilities</b>	<b>748,962</b>	<b>-</b>	<b>442,233,624</b>	<b>-</b>	<b>442,982,586</b>	<b>-</b>	<b>-</b>
	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
<b>Assets</b>							
Cash and cash equivalents	-	-	-	8,769,206	-	-	8,769,206
Balances with central banks	-	-	-	19,933,463	-	-	19,933,463
Placements with banks	-	-	-	10,321,832	-	-	10,321,832
Other financial assets held for trading	474,083	-	-	-	-	-	474,083
Derivative financial instruments	344,552	-	-	-	-	-	344,552
Loans and receivables to other customers	-	-	-	302,760,980	-	-	302,760,980
Financial investments	-	-	-	20,030,669	58,295,356	-	78,326,025
<b>Total financial assets</b>	<b>818,635</b>	<b>-</b>	<b>-</b>	<b>361,816,150</b>	<b>58,295,356</b>	<b>-</b>	<b>420,930,141</b>
	HFT	Designated at fair value	Amortised cost	Hedging	Total		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000		
<b>Liabilities</b>							
Due to banks	-	-	23,852,647	-	23,852,647	-	-
Derivative financial instruments	1,436,443	-	-	-	1,436,443	-	-
Due to other customers	-	-	341,423,986	-	341,423,986	-	-
Other borrowings	-	-	8,332,545	-	8,332,545	-	-
Subordinated term debts	-	-	7,751,890	-	7,751,890	-	-
<b>Total financial liabilities</b>	<b>1,436,443</b>	<b>-</b>	<b>381,361,068</b>	<b>-</b>	<b>382,797,511</b>	<b>-</b>	<b>-</b>
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 31.12.2013	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
<b>Assets</b>							
Cash and cash equivalents	-	-	-	11,588,264	-	-	11,588,264
Balances with central banks	-	-	-	16,366,565	-	-	16,366,565
Placements with banks	-	-	-	3,083,584	-	-	3,083,584
Other financial assets held for trading	2,568,136	-	-	-	-	-	2,568,136
Derivative financial instruments	174,573	-	-	-	-	-	174,573
Loans and receivables to other customers	-	-	-	352,845,678	-	-	352,845,678
Financial investments	-	-	1,004,501	35,103,762	64,270,094	-	100,378,357
<b>Total financial assets</b>	<b>2,742,709</b>	<b>-</b>	<b>1,004,501</b>	<b>418,987,853</b>	<b>64,270,094</b>	<b>-</b>	<b>487,005,157</b>
	HFT	Designated at fair value	Amortised cost	Hedging	Total		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000		
<b>Liabilities</b>							
Due to banks	-	-	35,360,925	-	35,360,925		
Derivative financial instruments	748,962	-	-	-	748,962		
Due to other customers	-	-	385,000,600	-	385,000,600		
Other borrowings	-	-	10,253,539	-	10,253,539		
Debt securities issued	-	-	1,530,295	-	1,530,295		
Subordinated term debts	-	-	11,781,703	-	11,781,703		
<b>Total financial liabilities</b>	<b>748,962</b>	<b>-</b>	<b>443,927,062</b>	<b>-</b>	<b>444,676,024</b>		
<b>As at 31.12.2012</b>							
	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
<b>Assets</b>							
Cash and cash equivalents	-	-	-	8,848,466	-	-	8,848,466
Balances with central banks	-	-	-	19,950,321	-	-	19,950,321
Placements with banks	-	-	-	11,667,417	-	-	11,667,417
Other financial assets held for trading	1,078,124	-	-	-	-	-	1,078,124
Derivative financial instruments	344,552	-	-	-	-	-	344,552
Loans and receivables to other customers	-	-	-	303,270,612	-	-	303,270,612
Financial investments	-	-	1,643,852	20,904,172	59,355,106	-	81,903,130
<b>Total financial assets</b>	<b>1,422,676</b>	<b>-</b>	<b>1,643,852</b>	<b>364,640,988</b>	<b>59,355,106</b>	<b>-</b>	<b>427,062,622</b>
	HFT	Designated at fair value	Amortised cost	Hedging	Total		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000		
<b>Liabilities</b>							
Due to banks	-	-	24,443,058	-	24,443,058		
Derivative financial instruments	1,436,443	-	-	-	1,436,443		
Due to other customers	-	-	340,847,606	-	340,847,606		
Other borrowings	-	-	9,538,743	-	9,538,743		
Debt securities issued	-	-	150,000	-	150,000		
Subordinated term debts	-	-	7,729,333	-	7,729,333		
<b>Total financial liabilities</b>	<b>1,436,443</b>	<b>-</b>	<b>382,708,740</b>	<b>-</b>	<b>384,145,183</b>		
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				

## SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	As at 31.12.2013	As at 31.12.2012	As at 31.12.2013	As at 31.12.2012
	<b>Bank</b>		<b>Group</b>	
<b>Regulatory Capital Adequacy</b>				
Core capital (Tier 1 Capital) Rs.Mn	41,771	37,655	45,159	40,221
Total Capital Base.Rs.Mn	53,274	45,224	57,096	48,300
Core capital adequacy Ratio,as % of Risk Weighted Assets (Minimum Requirement, 5%)	12.95%	13.85%	13.33%	14.10%
Total capital adequacy Ratio,as % of Risk Weighted Assets (Minimum Requirement, 10%)	16.52%	16.63%	16.86%	16.94%

	As at 31.12.2013	As at 31.12.2012
	<b>Bank</b>	
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	3.64%	3.66%
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	1.36%	1.82%
<b>Profitability (Annualised)</b>		
Interest Margin, %	5.09%	5.31%
Return on Assets (before Tax), %	2.09%	2.39%
Return on Equity, %	14.26%	17.75%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking Unit	94,819	80,567
Off-Shore Banking Unit	7,548	7,304
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking Unit	22.89%	21.79%
Off-Shore Banking Unit	22.64%	22.97%

## LISTED DEBENTURE INFORMATION

Quarter Ended 31st December	Market Value				Quarter Ended 31st December	Yield as at Last Trade Done	
	2013		2012			2013	2012
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.			
<b>HNB DEBENTURES 2006</b>					<b>HNB DEBENTURES 2006</b>		
8 year Floating Rate (TB + 2.25% p.a.)	N/T	N/T	N/T	N/T	8 year Floating Rate (TB + 2.25% p.a.)	N/T	N/T
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
<b>HNB DEBENTURES 2007</b>					<b>HNB DEBENTURES 2007</b>		
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
<b>HNB DEBENTURES 2011</b>					<b>HNB DEBENTURES 2011</b>		
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
<b>HNB DEBENTURES 2013</b>					<b>HNB DEBENTURES 2013</b>		
5 year Fixed Rate (14.00% p.a.)	100	100	N/A	N/A	5 year Fixed Rate (14.00% p.a.)	13.99	N/A
10 year Fixed Rate (14.25% p.a.)	N/T	N/T	N/A	N/A	10 year Fixed Rate (14.25% p.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.)	
	2013	2012
<b>HNB DEBENTURES 2006</b>		
8 year Floating Rate (TB + 2.25% p.a.)**	N/A	N/A
15 year Fixed Rate (11.00% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2007</b>		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2011</b>		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T
<b>HNB DEBENTURES 2013</b>		
5 year Fixed Rate (14.00% p.a.)	14	N/A
10 year Fixed Rate (14.25% p.a.)	N/T	N/A

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

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

### RATIOS OF DEBT

	31.12.2013	31.12.2012
Debt Equity Ratio (%)	59.12	39.16
	31.12.2013	31.12.2012
Interest Cover (Times)	6.82	8.97
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 8 year maturity	8.72	12.58
2006 series 15 year maturity	11.39	13.53
2006 series 18 year maturity	11.94	13.75
2007 series 10 year maturity	10.22	13.14
2007 series 15 year maturity	11.64	13.52
2011 series 10 year maturity	11.39	13.52
2013 series 5 year maturity	10.87	N/A
2013 series 10 year maturity	11.84	N/A
N/A - Not Applicable		

## SHARE INFORMATION

As at	31-Dec-2013	31-Dec-2012
<b>Number of Shares</b>		
Voting	<b>319,353,829</b>	317,650,102
Non-voting	<b>80,201,372</b>	79,596,347
<b>Last Traded Price per Share</b>		
Voting (Rs.)	<b>147.00</b>	148.00
Non-voting (Rs.)	<b>119.00</b>	112.50

For the Quarter Ended	31-Dec-2013	31-Dec-2012
<b>Highest Price per Share</b>		
Voting (Rs.)	<b>155.00</b>	166.00
Non-voting (Rs.)	<b>119.20</b>	115.00
<b>Lowest Price per Share</b>		
Voting (Rs.)	<b>140.20</b>	140.00
Non-voting (Rs.)	<b>109.60</b>	107.00

## PUBLIC SHAREHOLDING PERCENTAGE

	As at 31st Dec- 2013
Voting	67% approx.
Non-voting	99% approx.

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-13	31-Dec-12
1 Dr. Raneer Jayamaha	<b>101</b>	101
2 Mr. A.J. Alles*	<b>2,000</b>	-
3 Mr. R. Theagarajah**	-	36,788
4 Ms. P.C. Cooray***	-	78,473
5 Mr. N.G. Wickremeratne****	-	8,451
6 Ms. M.A.R.C. Cooray	<b>5,312</b>	5,312
7 Dr. W.W. Gamage	<b>101</b>	101
8 Dr. L.R. Karunaratne	<b>1,018</b>	1,018
9 Mr. L.U.D. Fernando	<b>2,667</b>	2,667
10 Mr. D.T.S.H. Mudalige	-	-
11 Miss D.S.C. Jayawardena	<b>500</b>	500
12 Mr. R.S. Captain	<b>6,007</b>	6,007

\* Chief Executive Officer.

\*\* Resigned with effect from 30th June 2013, upon reaching the age of retirement.

\*\*\* Resigned with effect from 31st March 2013, having served the board for nine (9) years

\*\*\*\* Resigned with effect from 16th May 2013.

## 20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST DECEMBER 2013

	Name	No. of Shares	% of Voting capital
1.	Sri Lanka Insurance Corporation Ltd.	47,635,487	14.92
2.	Employees Provident Fund	31,836,612	9.97
3.	Milford Exports (Ceylon) Limited	25,828,280	**8.09
4.	Mr.Sohli Edelji Captain	23,705,220	7.42
5.	Stassen Exports Ltd	22,387,096	**7.01
6.	Sonetto Holdings Limited	14,697,921	4.60
7.	HSBC Int'l Nominees Ltd-JPMLU-Franklin Templeton Investment	13,876,398	4.35
8.	Brown & Company PLC	13,647,856	4.27
9.	Distilleries Company of Sri Lanka PLC	10,016,272	**3.14
10.	National Savings Bank	9,371,940	2.93
11.	Citi Group Global Markets Ltd Agency Trading Prop.Sec.	7,582,044	2.37
12.	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,320,188	1.98
13.	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	5,138,289	1.61
14.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return Fund	3,448,972	1.08
15.	Employees Trust Fund Board	3,346,644	1.05
16.	HSBC INTL Nom Ltd-UBS AG Zurich	3,154,940	0.99
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.	HSBC Int'l Nom Ltd-BBH-Pioneer Multi-Asset Real Return Fund	2,409,956	0.75

\*\*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 18.24% 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 2013

	Name	No. of Shares	% of Non-Voting Capital
1.	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment	7,625,980	9.51
2.	Mellon-Frontaura Global Frontier Fund LLC	7,334,507	9.15
3.	HSBC Int'l Nom Ltd-UBS AG Zurich	4,437,534	5.53
4.	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	2,557,103	3.19
5.	Employees Trust Fund Board	2,220,644	2.77
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.	Pershing LLC S/A Averbach Grauson & Co.	1,151,358	1.44
12.	National Savings Bank	1,103,175	1.38
13.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	1,011,115	1.26
14.	Akbar Brothers Pvt Ltd A/c No.1	906,807	1.13
15.	Mr. Jayampathi Divale Bandaranayake	700,997	0.87
16.	DFCC Bank A/c No.01	632,900	0.79
17.	Waldock Mackenzie Ltd/Mr. H M S Abdulhussein	623,487	0.78
18.	Bank of Ceylon A/c Ceybank Century Growth Fund	612,575	0.76
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	
	31st Dec 2013 Rs. 000	31st Dec 2012 Rs. 000	31st Dec 2013 Rs. 000	31st Dec 2012 Rs. 000
<b>1) Loans and Receivables to Other Customers</b>				
Gross loans and receivables	362,590,583	310,364,553	363,459,860	310,874,185
Less : Individual impairment	(2,027,843)	(1,788,262)	(2,027,843)	(1,788,262)
Collective impairment	(8,586,339)	(5,815,311)	(8,586,339)	(5,815,311)
Net loans and receivables	351,976,401	302,760,980	352,845,678	303,270,612
<b>2) Analysis of Loans and Receivables to Other Customers - By product</b>				
<b>Domestic Currency</b>				
Overdrafts	61,038,687	59,334,783	61,009,491	59,196,988
Bills of exchange	610,165	533,995	610,165	533,995
Commercial papers	-	527,779	60,372	681,526
Securities purchased under resale agreements	11,022	51,050	1,038,391	1,594,291
Short term loans	39,604,985	16,735,012	39,604,985	16,735,012
Trust receipts	13,368,274	12,674,783	13,368,274	12,674,783
Packing credit loans	235,120	197,298	235,120	197,298
Staff loans	7,159,143	6,196,877	7,419,200	6,386,355
Term loans	106,243,536	85,658,204	105,794,211	84,419,165
Lease rentals receivable	23,146,967	25,280,078	23,146,967	25,280,078
Housing loans	24,246,600	22,147,054	24,246,599	22,147,054
Pawning advances	46,234,919	49,260,270	46,234,920	49,260,270
<b>Sub total</b>	<b>321,899,418</b>	<b>278,597,183</b>	<b>322,768,695</b>	<b>279,106,815</b>
<b>Foreign Currency</b>				
Overdrafts	1,420,266	1,825,608	1,420,266	1,825,608
Bills of exchange	1,246,832	738,699	1,246,832	738,699
Short term loans	23,940	21,632	23,940	21,632
Trust receipts	452,568	385,148	452,568	385,148
Packing credit loans	5,535,623	3,080,189	5,535,623	3,080,189
Term loans	31,168,183	24,872,895	31,168,183	24,872,895
Lease rentals receivable	5,855	-	5,855	-
Housing loans	837,898	843,199	837,898	843,199
<b>Sub total</b>	<b>40,691,165</b>	<b>31,767,370</b>	<b>40,691,165</b>	<b>31,767,370</b>
<b>Total</b>	<b>362,590,583</b>	<b>310,364,553</b>	<b>363,459,860</b>	<b>310,874,185</b>
<b>3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers</b>				
<b>Individual impairment</b>				
Opening balance at 01st January	1,788,262	2,057,850	1,788,262	2,057,850
Charge/(Write back) to income statement	171,439	(249,467)	171,439	(249,467)
Interest unwinding	68,142	(20,121)	68,142	(20,121)
<b>Closing balance as at 31st December</b>	<b>2,027,843</b>	<b>1,788,262</b>	<b>2,027,843</b>	<b>1,788,262</b>
<b>Collective impairment</b>				
Opening balance at 01st January	5,815,311	4,607,058	5,815,311	4,607,058
Charge/(Write back) to income statement	2,867,781	1,317,503	2,867,781	1,317,503
Write-off during the year	(96,753)	(109,250)	(96,753)	(109,250)
<b>Closing balance as at 31st December</b>	<b>8,586,339</b>	<b>5,815,311</b>	<b>8,586,339</b>	<b>5,815,311</b>
<b>Total impairment</b>	<b>10,614,182</b>	<b>7,603,573</b>	<b>10,614,182</b>	<b>7,603,573</b>
<b>4) Analysis of Due to Other Customers - By product</b>				
<b>Domestic Currency</b>				
Current account deposits	22,676,557	22,282,180	22,449,497	21,965,439
Savings deposits	106,137,491	90,876,402	106,136,448	90,875,355
Time deposits	189,424,506	159,430,994	189,396,055	159,295,594
Certificates of deposit	3,928,076	8,054,895	3,928,076	8,054,895
<b>Sub total</b>	<b>322,166,630</b>	<b>280,644,471</b>	<b>321,910,076</b>	<b>280,191,283</b>
<b>Foreign Currency</b>				
Current account deposits	1,161,375	1,108,510	1,161,375	1,108,510
Savings deposits	18,372,750	18,300,238	18,367,126	18,294,171
Time deposits	43,660,215	41,370,767	43,562,023	41,253,642
<b>Sub total</b>	<b>63,194,340</b>	<b>60,779,515</b>	<b>63,090,524</b>	<b>60,656,323</b>
<b>Total</b>	<b>385,360,970</b>	<b>341,423,986</b>	<b>385,000,600</b>	<b>340,847,606</b>