



# Hatton National Bank PLC

## Interim Financial Statements as at 31st March 2009

### INCOME STATEMENT

For the three months ended 31st March

	BANK			GROUP		
	2009 Rs. 000	2008 Rs. 000	% Increase/ (Decrease)	2009 Rs. 000	2008 Rs. 000	% Increase/ (Decrease)
<b>Income</b>	<b>9,679,074</b>	<b>8,463,457</b>	14	<b>10,083,075</b>	<b>8,938,067</b>	13
<b>Interest Income</b>	<b>8,818,516</b>	<b>7,548,195</b>	17	<b>8,861,381</b>	<b>7,685,815</b>	15
Interest income on Loans and advances	7,597,729	6,784,122	12	7,499,982	6,693,847	12
Interest income on other Interest Earning assets	1,220,787	764,073	60	1,361,399	991,968	37
<b>Less: Interest Expense</b>	<b>5,381,971</b>	<b>4,548,757</b>	18	<b>5,458,968</b>	<b>4,718,363</b>	16
Interest Expenses on Deposits	4,615,131	3,783,627	22	4,612,759	3,780,711	22
Interest Expenses on other Interest Bearing Liabilities	766,840	765,130	-	846,209	937,652	(10)
<b>Net Interest Income</b>	<b>3,436,545</b>	<b>2,999,438</b>	15	<b>3,402,413</b>	<b>2,967,452</b>	15
<b>Non-Interest Income</b>	<b>860,558</b>	<b>915,262</b>	(6)	<b>1,221,694</b>	<b>1,252,252</b>	(2)
Foreign Exchange Income	215,764	284,807	(24)	216,063	284,806	(24)
Other Income	644,794	630,455	2	1,005,631	967,446	4
	4,297,103	3,914,700	10	4,624,707	4,219,704	10
<b>Less: Non - Interest Expenses</b>	<b>2,526,184</b>	<b>2,187,798</b>	15	<b>2,890,722</b>	<b>2,485,773</b>	16
Personnel costs	933,079	822,579	13	1,010,911	872,483	16
Provision for staff retirement benefits	203,763	121,483	68	205,474	122,509	68
Premises, Equipment & Establishment Expenses	643,143	553,541	16	587,262	511,976	15
Loss on Trading/ Investment Securities	-	6,603	-	7	6,603	(100)
Amortization of Intangible Assets	41,328	16,374	152	43,434	18,362	137
Other Operating Expenses	704,871	667,218	6	1,043,634	953,841	9
<b>Less: Provision for Bad &amp; Doubtful Debts &amp; Loans written off</b>	<b>70,780</b>	<b>177,214</b>	(60)	<b>70,780</b>	<b>177,214</b>	(60)
Provisions - General	(47,567)	92,464	(151)	(47,567)	92,464	(151)
Provisions - Specific	191,891	143,069	34	191,891	143,069	34
Recoveries(-)	(73,544)	(58,319)	26	(73,544)	(58,319)	26
Loans Written - Off	-	-	-	-	-	-
<b>Less: Provision for decline in value of Investments (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Profit on Ordinary Activities Before Taxes</b>	<b>1,700,139</b>	<b>1,549,688</b>	<b>10</b>	<b>1,662,605</b>	<b>1,556,717</b>	<b>7</b>
<b>Less: Value Added Tax on Financial Services</b>	<b>525,534</b>	<b>377,250</b>	<b>39</b>	<b>525,534</b>	<b>377,250</b>	<b>39</b>
<b>Operating Profit on Ordinary Activities Before Corporate Tax</b>	<b>1,174,605</b>	<b>1,172,438</b>	<b>-</b>	<b>1,137,071</b>	<b>1,179,467</b>	<b>(4)</b>
Share of Associate Companies Profit	-	-	-	(2,590)	5,224	(150)
<b>Operating Profit Before Corporate Tax</b>	<b>1,174,605</b>	<b>1,172,438</b>	<b>-</b>	<b>1,134,481</b>	<b>1,184,691</b>	<b>(4)</b>
Less: Tax on Profits on Ordinary Activities	411,522	421,117	(2)	419,017	437,697	(4)
<b>Operating Profit After Corporate tax</b>	<b>763,083</b>	<b>751,321</b>	<b>2</b>	<b>715,464</b>	<b>746,994</b>	<b>(4)</b>
Less: Minority interest	-	-	-	3,681	5,645	(35)
Extraordinary Items (net)	-	-	-	-	-	-
<b>Operating Profit for the Period</b>	<b>763,083</b>	<b>751,321</b>	<b>2</b>	<b>711,783</b>	<b>741,349</b>	<b>(4)</b>
<b>Earnings per Ordinary Share</b>	<b>Rs. 3.24</b>	<b>Rs. 3.19</b>	<b>2</b>	<b>Rs. 3.02</b>	<b>Rs. 3.15</b>	<b>(4)</b>

Explanatory Notes:  
1. There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2008.  
2. There are no changes in contingent liabilities of a material nature and composition of assets and liabilities during the period. All known expenditure items have been provided for.  
3. When required, comparative figures have been reclassified to conform to Central Bank of Sri Lanka publication requirements.  
4. The consolidated financial statements of the Bank cover the Bank and its subsidiaries HNB Assurance PLC, Sithma Development (Pvt) Ltd and Majan Exchange LLC, the Group's interest in its associate companies Lanka Ventures PLC and Delma Exchange and its Joint venture Company Acuity Partners (Pvt) Ltd.

### LISTED DEBENTURE INFORMATION

	Market Value 3 months ended 31 March 2008				Yield to Maturity of last trade done (% p.a.) 3 months ended 31 March 2008			
	Highest 2009	Lowest 2009	Highest 2008	Lowest 2008	2009	2008	2009	2008
HNB DEBENTURES 2002	Rs. N/T	Rs. N/T	Rs. N/T	Rs. N/T	7 year Fixed Rate (14.00% p.a.)	N/T	N/T	N/T
7 year Fixed Rate (14.00% p.a.)	N/T	N/T	N/T	N/T	7 year Floating Rate (TB + 1.10% p.a.)**	N/A	N/A	N/A
7 year Floating Rate (TB + 1.10% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (14.20% p.a.)	N/T	N/T	N/T
10 year Fixed Rate (14.20% p.a.)	N/T	N/T	N/T	N/T	10 year Floating Rate (TB + 1.25% p.a.)**	N/A	N/A	N/A
10 year Floating Rate (TB + 1.25% p.a.)	N/T	N/T	N/T	N/T				

\*\*The yield to maturity calculation is not applicable for floating rate debentures.  
N/T - Not Traded as at 31 March

	Yield as at last trade done (% p.a.) 3 months ended 31 March	
	2009	2008
HNB DEBENTURES 2002	N/T	N/T
7 year Fixed Rate (14.00% p.a.)	N/T	N/T
7 year Floating Rate (TB + 1.10% p.a.)	N/T	N/T
10 year Fixed Rate (14.20% p.a.)	N/T	N/T
10 year Floating Rate (TB + 1.25% p.a.)	N/T	N/T

N/T - Not Traded as at 31 March

**HNB Debentures 2006**  
Debentures amounting to Rs.1,120 Mn were listed in CSE in June 2007. There were no transactions of HNB debentures 2006 for the period ended 31st March 2009.

**HNB Debentures 2007**  
Debentures amounting to Rs.1,200 Mn were listed in CSE in November 2007. There were no transactions of HNB debentures 2007 for the period ended 31st March 2009.

### INFORMATION TO INVESTORS

	31.03.2009	31.03.2008
Market Value per share as at 31st March	78.00	119.75
Voting	38.00	51.25
Non-voting	-	-
Highest price per share for the quarter	98.00	135.00
Voting	47.50	57.50
Non-voting	-	-
Lowest price per share for the quarter	68.00	112.00
Voting	32.00	47.00
Non-voting	-	-

### RATIOS OF DEBT

	As at 31.03.2009	As at 31.12.2008
Debt Equity Ratio %	13.40	13.39
Interest Cover (Times)	11.6	7.9
Yield of comparable Govt. Security for the following HNB debentures (% p.a.)	2009	2008
2002 series 7 year maturity	15.66	17.99
2002 series 10 year maturity	17.33	16.87
2006 series 6 year maturity	17.33	16.87
2006 series 7 year maturity	17.36	16.14
2006 series 8 year maturity	N/T	N/T
2006 series 15 year maturity	N/T	N/T
2006 series 18 year maturity	N/T	N/T
2007 series 10 year maturity	N/T	N/T
2007 series 15 year maturity	N/T	N/T

N/T - Not Traded as at 31 March

### STATEMENT OF CHANGES IN EQUITY - Bank

	Stated Capital		Share Premium	Capital Reserve	Repair & Renovation Reserve	Reserves	General Reserve	Income Statement	Total
	Ordinary Voting	Non voting							
Balance as at 01.01.2009	1,893,294	462,000	2,704,096	3,004,250	6,700	982,707	8,482,353	3,045,538	20,580,939
Final dividend 2008	-	-	-	702	-	-	-	(706,588)	(706,588)
Deferred tax liability for Rev.Reserve	-	-	-	-	-	-	-	763,083	763,083
Net profit for the three months	1,893,294	462,000	2,704,096	3,004,952	6,700	982,707	8,482,353	3,102,033	20,638,136
Balance as at 31.03.2009	1,893,294	462,000	2,704,096	3,001,440	6,700	821,707	6,782,353	2,747,440	18,419,030
Final dividend 2007	-	-	-	702	-	-	-	(824,353)	(824,353)
Deferred tax liability for Rev.Reserve	-	-	-	-	-	-	-	751,321	751,321
Net profit for the three months	1,893,294	462,000	2,704,096	3,002,142	6,700	821,707	6,782,353	2,674,408	18,346,701

\*Number of shares as at 31st March 2009, Voting - 189,329,400 and Non-Voting - 46,200,000

### STATEMENT OF CHANGES IN EQUITY - Group

	Stated Capital		Share Premium	Capital Reserve	Repair & Renovation Reserve	Reserves	General Reserve	Exchange Equalisation Reserve	Income Statement	Minority interest	Total
	Ordinary Voting	Non voting									
Balance as at 01.01.2009	1,893,294	462,000	2,704,096	5,771,072	6,700	982,707	8,482,353	2,459	2,616,620	347,816	23,269,117
Net profit for the three months	-	-	-	-	-	-	-	1,226	(706,588)	1,839	3,065
Exchange equalisation arising on investment in Foreign subsidiary	-	-	-	-	-	-	-	-	(18,750)	(725,338)	(744,088)
Final Dividend	-	-	-	702	-	-	-	-	-	-	702
Deferred tax liability for Rev.Reserve	1,893,294	462,000	2,704,096	5,771,774	6,700	982,707	8,482,353	3,685	2,621,815	334,586	23,263,010
Balance as at 31.03.2009	1,893,294	462,000	2,704,096	5,768,262	6,700	821,707	6,782,353	2,861,252	219,659	21,519,323	
Deferred tax liability for Rev.Reserve	-	-	-	702	-	-	-	-	-	-	702
Net profit for the three months	-	-	-	-	-	-	-	741,349	5,645	746,994	746,994
Final Dividend	-	-	-	-	-	-	-	(824,353)	(15,002)	(839,355)	(839,355)
Balance as at 31.03.2008	1,893,294	462,000	2,704,096	5,768,964	6,700	821,707	6,782,353	2,778,248	210,302	21,427,664	

\*Number of shares as at 31st March 2009, Voting - 189,329,400 and Non-Voting - 46,200,000

### BALANCE SHEET

	BANK			GROUP		
	As at 31st March-09 Rs. '000	As at 31st Dec-08 Rs. '000	% Increase/ (Decrease)	As at 31st March-09 Rs. '000	As at 31st Dec-08 Rs. '000	% Increase/ (Decrease)
<b>ASSETS</b>						
Cash in Hand	3,529,628	3,520,057	-	3,541,240	3,528,281	-
Statutory deposit with Central Banks	10,314,028	11,847,323	(13)	10,329,057	11,861,998	(13)
Due from Banks and other Financial Institutions	26,515,492	21,181,895	25	27,279,155	22,570,912	21
<b>Investments - Trading Account</b>	<b>79,260</b>	<b>71,868</b>	<b>10</b>	<b>552,837</b>	<b>402,445</b>	<b>37</b>
Government Securities	48,606	46,929	4	516,345	373,327	38
Other Securities	30,654	24,939	23	36,492	29,118	25
<b>Investments - Held to Maturity</b>	<b>32,781,335</b>	<b>25,930,080</b>	<b>26</b>	<b>34,664,787</b>	<b>27,423,260</b>	<b>26</b>
Government Securities	30,413,864	23,528,437	29	31,934,422	24,812,052	29
Other Securities	2,367,471	2,401,643	(1)	2,730,365	2,611,208	5
Less: Provision for Decline in Value of Investment	(14,363)	(14,363)	-	(14,363)	(14,363)	-
Investments in Associates & Subsidiary Companies	2,370,032	2,311,412	3	2,003,310	143,700	39
Investment in Joint Venture Company	250,000	250,000	-	-	-	-
<b>Total Loans and Advances</b>	<b>162,215,251</b>	<b>170,810,584</b>	<b>(5)</b>	<b>160,344,691</b>	<b>168,980,395</b>	<b>(5)</b>
<b>Total performing Loans and Advances</b>	<b>121,215,113</b>	<b>121,491,145</b>	<b>(1)</b>	<b>121,215,113</b>	<b>121,491,145</b>	<b>(1)</b>
Bills of Exchange	32,721,943	36,212,154	(10)	31,848,364	35,372,080	(10)
Overdrafts	10,431,015	11,324,779	(8)	10,430,220	11,324,779	(8)
Receivable on Leases	116,937,180	121,124,506	(3)	115,940,994	120,134,391	(3)
<b>Total non performing Loans and Advances</b>	<b>15,824,929</b>	<b>13,556,096</b>	<b>17</b>	<b>15,824,929</b>	<b>13,556,096</b>	<b>17</b>
Bills of Exchange	131,951	106,906	23	131,951	106,906	23
Overdrafts	2,419,553	2,118,742	14	2,419,553	2,118,742	14
Receivable on Leases	812,807	656,074	24	812,807	656,074	24
Other Loans and Advances	12,460,618	10,674,374	17	12,460,618	10,674,374	17
Interest Receivable	-	-	-	-	-	-
<b>Total Gross Loans and Advances</b>	<b>178,040,180</b>	<b>184,366,680</b>	<b>(3)</b>	<b>176,169,620</b>	<b>182,536,491</b>	<b>(3)</b>
Less:						
Suspended Interest	1,392,159	1,250,725	11	1,392,159	1,250,725	11
Specific Loan loss Provision	6,989,753	6,801,813	3	6,989,753	6,801,813	3
General Loan loss Provision	1,291,129	1,338,694	(4)	1,291,129	1,338,694	(4)
Net Loans and Advances	168,367,139	174,975,448	(4)	166,496,579	173,145,259	(4)