



Hatton National Bank PLC

**Annual Financial Statements
For the Year ended 31st December 2012**

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		
	2012 Rs. 000	2011 Rs. 000	% Increase/ (Decrease)	2012 Rs. 000	2011 Rs. 000	% Increase/ (Decrease)	2012 Rs. 000	2011 Rs. 000	% Increase/ (Decrease)	2012 Rs. 000	2011 Rs. 000	% Increase/ (Decrease)
Income	52,726,067	37,401,292	41	14,789,570	10,217,738	45	56,403,014	40,581,976	39	15,805,094	11,034,499	43
Interest Income	47,136,952	33,141,598	42	13,315,781	9,123,896	46	47,799,256	33,569,716	42	13,519,730	9,247,246	46
Interest Income on Loans and Advances	39,606,232	28,165,569	41	11,055,333	7,789,651	42	39,412,531	27,966,552	41	11,009,327	7,592,571	45
Interest Income on other Interest Earning Assets	7,530,720	4,976,029	51	2,260,448	1,334,245	69	8,386,725	5,603,164	50	2,510,403	1,654,675	52
Less: Interest Expense	26,597,970	16,745,453	59	7,896,243	4,756,996	66	26,727,269	16,842,036	59	7,940,314	4,779,711	66
Interest Expenses on Deposits	22,308,973	14,130,820	58	6,599,325	4,056,713	63	22,278,266	14,118,840	58	6,591,743	4,050,593	63
Interest Expenses on other Interest Bearing Liabilities	4,288,997	2,614,633	64	1,296,918	700,283	85	4,449,003	2,723,196	63	1,348,571	729,118	85
Net Interest Income	20,538,982	16,396,145	25	5,419,538	4,366,900	24	21,071,987	16,727,680	26	5,579,416	4,467,535	25
Non- Interest Income	5,589,115	4,259,694	31	1,473,789	1,093,842	35	8,603,758	7,012,260	23	2,285,364	1,787,253	28
Foreign Exchange Income	1,540,742	988,231	56	353,969	220,457	61	1,557,555	995,580	56	368,540	224,475	64
Other Income	4,048,373	3,271,463	24	1,119,820	873,385	28	7,046,203	6,016,680	17	1,916,824	1,562,778	23
	26,128,097	20,655,839	26	6,893,327	5,460,742	26	29,675,745	23,739,940	25	7,864,780	6,254,788	26
Less: Non - Interest Expenses	13,384,623	12,232,002	9	3,126,917	3,133,853	-	16,282,445	14,641,284	11	3,871,088	3,667,193	6
Personnel Costs	5,567,002	4,891,183	14	1,390,629	1,271,019	9	6,126,128	5,418,038	13	1,538,842	1,452,242	6
Provision for Staff Retirement Benefits	544,399	893,507	(39)	(200,931)	187,106	(207)	557,637	907,939	(39)	(201,075)	192,168	(205)
Premises, Equipment & Establishment Expenses	3,331,831	3,018,730	10	837,243	768,952	9	3,280,763	2,905,896	13	815,075	723,330	13
Loss on Trading / Investment Securities	110,668	185,069	(40)	16,237	86,797	(81)	134,625	185,069	(27)	35,045	86,797	(60)
Amortization of Intangible Assets	175,314	172,914	1	46,550	43,193	8	189,099	185,624	2	50,458	46,275	9
Other Operating Expenses	3,655,409	3,070,599	19	1,037,189	776,786	34	5,994,193	5,038,718	19	1,632,743	1,166,381	40
Less: Provision for Bad & Doubtful Debts & Loans written off	1,504,887	(695,507)	316	402,451	(289,587)	(239)	1,504,887	(695,507)	316	402,453	(289,587)	(239)
Provisions -General	116,467	(415,463)	128	16,186	(161,594)	(110)	116,467	(415,463)	128	16,187	(161,594)	(110)
Provisions -Specific	1,776,619	250,901	608	431,586	11,158	3,768	1,776,619	250,901	608	431,587	11,158	3,768
Recoveries (-)	(388,718)	(532,950)	(27)	(44,713)	(140,958)	(68)	(388,718)	(532,950)	(27)	(44,713)	(140,958)	(68)
Loans Written -Off	519	2,005	(74)	(608)	1,807	(134)	519	2,005	(74)	(608)	1,807	(134)
Provision Charged / (Reversal) for decline in value of Investments (Net)	16,548	202,031	(92)	(2,242)	120,162	(102)	16,548	145,910	(89)	(2,242)	54,873	(104)
Operating Profit on Ordinary Activities before Taxes	11,222,039	8,917,313	26	3,366,201	2,496,314	35	11,871,865	9,648,253	23	3,593,481	2,822,309	27
Less: Value Added Tax on Financial Services	1,240,152	1,149,711	8	98,130	122,777	(20)	1,240,152	1,149,711	8	98,131	122,777	(20)
Operating Profit on Ordinary Activities before Corporate Tax	9,981,887	7,767,602	29	3,268,071	2,373,537	38	10,631,713	8,498,542	25	3,495,350	2,699,532	29
Share of Associate Companies Profit	-	-	-	-	-	-	16,632	(15,729)	(206)	6,165	1,085	468
Operating Profit before Corporate Tax	9,981,887	7,767,602	29	3,268,071	2,373,537	38	10,648,345	8,482,813	26	3,501,515	2,700,617	30
Less: Tax on Profits on Ordinary Activities	2,340,175	2,197,263	7	237,705	397,673	(40)	2,396,258	2,248,615	7	251,272	395,178	(36)
Operating Profit after Corporate Tax	7,641,712	5,570,339	37	3,030,366	1,975,864	53	8,252,087	6,234,198	32	3,250,243	2,305,439	41
Less: Minority Interest	-	-	-	-	-	-	166,066	85,357	95	81,522	51,281	59
Extraordinary Items (Net)	-	-	-	-	-	-	-	-	-	-	-	-
Operating Profit for the Period	7,641,712	5,570,339	37	3,030,366	1,975,864	53	8,086,021	6,148,841	32	3,168,721	2,254,158	41
Basic Earnings per Ordinary Share (Rs.)	19.26	14.76	30	7.63	4.99	53	20.33	16.30	25	7.93	5.69	39
Diluted Earnings per Ordinary Share (Rs.)	19.23	14.66	31	7.61	4.97	53	20.30	16.18	25	7.91	5.67	40
Dividend per Share (Rs.)	*8.50	7.50	13	-	-	-	*8.50	7.50	13	-	-	-

*Calculated on interim dividend paid and final dividend proposed, which is to be approved at the Annual General Meeting.

BALANCE SHEET						
	BANK			GROUP		
	As at	As at		As at	As at	
	31.12.2012	31.12.2011	% Increase/	31.12.2012	31.12.2011	% Increase/
	Rs. 000	Rs. 000	(Decrease)	Rs. 000	Rs. 000	(Decrease)
		(Audited)			(Audited)	
ASSETS						
Cash in Hand	8,368,255	6,919,918	21	8,463,393	6,953,990	22
Statutory Deposit with Central Bank of Sri Lanka	19,933,463	18,683,405	7	19,933,463	18,683,405	7
Statutory Deposit with Central Bank of Oman	-	-	-	16,577	14,792	12
Due from Banks and other Financial Institutions	11,205,534	9,217,314	22	14,507,471	12,251,489	18
Investments - Trading account	474,039	1,142,064	(58)	879,290	1,867,368	(53)
Government Securities	21,191	418,748	(95)	210,774	888,048	(76)
Other Securities	452,848	723,316	(37)	668,516	979,320	(32)
Investments - Held to Maturity	74,846,516	63,102,771	19	78,452,362	66,115,203	19
Government Securities	70,960,934	58,941,727	20	73,448,601	61,049,603	20
Other Securities	3,885,582	4,161,044	(7)	5,003,761	5,065,600	(1)
Less: Provision for decline in value of investment	(67,393)	(160,270)	(58)	(67,393)	(172,770)	(61)
Investments in Associates and Subsidiaries	2,357,285	2,440,959	(3)	386,172	384,319	-
Investments in Joint Venture Company	655,000	655,000	-	-	-	-
Total Loans and Advances						
Total Performing Loans and Advances	296,607,176	251,710,525	18	295,913,736	250,103,231	18
Bills of Exchange	691,799	347,323	99	691,799	347,323	99
Overdrafts	59,778,942	46,878,540	28	59,778,942	46,355,672	29
Receivable on Leases	24,554,307	24,031,886	2	24,554,307	24,031,886	2
Other Loans	211,582,128	180,452,776	17	210,888,688	179,368,350	18
Total Non-performing Loans and Advances	12,992,176	11,966,700	9	12,992,176	11,966,700	9
Bills of Exchange	98,994	106,026	(7)	98,994	106,026	(7)
Overdrafts	1,507,597	1,242,986	21	1,507,597	1,242,986	21
Receivable on Leases	725,771	536,893	35	725,771	536,893	35
Other Loans and Advances	10,659,814	10,080,795	6	10,659,814	10,080,795	6
Interest Receivable	-	-	-	-	-	-
Total Gross Loans and Advances	309,599,352	263,677,225	17	308,905,912	262,069,931	18
Less:						
Suspended Interest	1,710,015	1,670,016	2	1,710,015	1,670,016	2
Specific Loan loss Provision	4,491,754	3,146,829	43	4,491,754	3,146,829	43
General Loan loss Provision	1,166,071	1,037,448	12	1,166,071	1,037,448	12
Net Loans and advances	302,231,512	257,822,932	17	301,538,072	256,215,638	18
Other Assets	12,925,019	9,592,752	35	13,973,982	10,642,996	31
Intangible Assets	556,171	549,503	1	689,501	670,776	3
Investment Properties	349,708	349,374	-	164,598	169,029	(3)
Property, Plant & Equipment (net)	9,417,915	7,834,866	20	17,086,115	14,789,627	16
Total Assets	443,253,024	378,150,588	17	456,023,603	388,585,862	17

BALANCE SHEET						
	BANK			GROUP		
	As at	As at		As at	As at	
	31.12.2012	31.12.2011	% Increase/	31.12.2012	31.12.2011	% Increase/
	Rs. 000	Rs. 000	(Decrease)	Rs. 000	Rs. 000	(Decrease)
		(Audited)			(Audited)	
LIABILITIES						
Total Deposits	336,063,114	288,029,227	17	335,524,309	287,595,380	17
Demand Deposits	23,390,660	21,771,035	7	23,003,344	21,648,695	6
Savings Deposits	109,165,524	111,117,054	(2)	109,158,410	111,110,306	(2)
Time Deposits	200,398,594	151,247,341	32	200,254,219	150,942,582	33
Margin Deposits	1,219,804	1,377,110	(11)	1,219,804	1,377,110	(11)
Other Deposits	1,888,532	2,516,687	(25)	1,888,532	2,516,687	(25)
Total Borrowings	37,896,374	30,143,821	26	39,816,939	31,972,208	25
Borrowings from CBSL	1,815,135	1,713,317	6	1,815,135	1,713,317	6
Borrowings from Banks and Financial Institutions in Sri Lanka	13,167,900	9,731,549	35	13,416,722	9,841,904	36
Borrowings from Banks and Financial Institutions Abroad	13,530,900	6,947,900	95	13,546,607	6,940,330	95
Securities sold under Repurchase Agreements	4,571,284	6,559,088	(30)	6,241,570	8,311,440	(25)
Subordinate Term Debentures	4,468,522	4,781,098	(7)	4,454,272	4,754,348	(6)
Other Borrowings	342,633	410,869	(17)	342,633	410,869	(17)
Insurance provision -Life	-	-	-	3,541,305	2,990,998	18
Insurance provision -General	-	-	-	855,641	924,262	(7)
Deferred Taxation	1,471,513	1,168,800	26	1,471,759	1,164,032	26
Current Taxation	2,356,263	1,679,787	40	2,442,649	1,750,987	40
Other Liabilities	21,070,974	20,041,090	5	22,307,127	21,022,002	6
Total Liabilities	398,858,238	341,062,725	17	405,959,729	347,419,869	17
EQUITY CAPITAL AND RESERVES						
Stated Capital	12,579,479	11,451,451	10	12,579,479	11,451,451	10
Statutory Reserves	4,530,562	2,778,337	63	4,530,562	2,778,337	63
Total Other Reserves	27,284,745	22,858,075	19	31,971,920	26,143,908	22
	44,394,786	37,087,863	20	49,081,961	40,373,696	22
Minority Interest	-	-	-	981,913	792,297	24
	44,394,786	37,087,863	20	50,063,874	41,165,993	22
Total Liabilities & Shareholder's Funds	443,253,024	378,150,588	17	456,023,603	388,585,862	17
Contingencies	158,566,308	145,448,691	9	158,566,308	145,448,691	9
Commitments & Contra Accounts	5,800,704	7,140,352	(19)	5,800,704	7,140,352	(19)
Net asset value per share (Rs.)	111.76	93.54	19	123.56	101.83	21
No of Employees	4,679	4,584				
No of Customer centers	247	240				

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 2012 and its profit for the year ended 31st December 2012.

(Sgd.)

Ajantha de Vas Gunasekara

Chief Financial Officer

21st February 2013

We the undersigned, being the Managing Director / Chief Executive Officer and the Chairperson of Hatton National Bank PLC certify 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 Associate, Joint Venture and Subsidiary Companies unless indicated as audited.

(Sgd.)

Rajendra Theagarajah

Managing Director / Chief Executive Officer

21st February 2013

(Sgd.)

Ranee Jayamaha

Chairperson

21st February 2013

STATEMENT OF CHANGES IN EQUITY

BANK	Stated Capital		Statutory Reserves		Other Reserves			Total
	Ordinary Voting	Ordinary Non-voting	Statutory Reserve Fund	Investment Fund Account *	Capital Reserve	General Reserve	Retained Earnings	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
For the year ended 31.12.2012								
Balance as at 01.01.2012	9,143,326	2,308,125	1,800,000	978,337	3,009,986	15,400,000	4,448,089	37,087,863
Final Dividend 2011 - Cash	-	-	-	-	-	-	(1,166,032)	(1,166,032)
Final Dividend 2011 - Scrip	840,958	208,471	-	-	-	-	(1,166,032)	(116,603)
Interim Dividend 2012	-	-	-	-	-	-	(595,870)	(595,870)
Shares Issued under ESOP	64,975	13,624	-	-	-	-	-	78,599
Transfer of Revaluation Reserve on disposal of PPE	-	-	-	-	(5,689)	-	5,689	-
Revaluation of PPE	-	-	-	-	1,597,923	-	-	1,597,923
Deferred Tax Liability on Revaluation Reserve	-	-	-	-	(132,806)	-	-	(132,806)
Net Profit for the Year 2012	-	-	-	-	-	-	7,641,712	7,641,712
Transfers during the year	-	-	430,000	1,322,225	-	2,400,000	(4,152,225)	-
Balance as at 31.12.2012	10,049,259	2,530,220	2,230,000	2,300,562	4,469,414	17,800,000	5,015,331	44,394,786
For the year ended 31.12.2011								
Balance as at 01.01.2011	3,854,980	1,463,570	1,510,000	-	3,024,969	13,000,000	4,420,248	27,273,767
Final Dividend 2010	-	-	-	-	-	-	(1,310,975)	(1,310,975)
Interim Dividend 2011	-	-	-	-	-	-	(582,560)	(582,560)
Deferred Tax Liability on Revaluation Reserve	-	-	-	-	4,391	-	-	4,391
Shares Issued under ESOP	59,702	6,400	-	-	-	-	-	66,102
Rights Issue and Private Placement	5,228,644	838,155	-	-	-	-	-	6,066,799
Transfer of Revaluation Reserve on disposal of PPE	-	-	-	-	(19,374)	-	19,374	-
Net Profit for the Year 2011	-	-	-	-	-	-	5,570,339	5,570,339
Transfers during the year	-	-	290,000	978,337	-	2,400,000	(3,668,337)	-
Balance as at 31.12.2011	9,143,326	2,308,125	1,800,000	978,337	3,009,986	15,400,000	4,448,089	37,087,863

GROUP	Stated Capital		Statutory Reserves		Capital Reserve	Other Reserves		Retained Earnings	Minority Interest	Total
	Ordinary Voting	Ordinary Non voting	Statutory Reserve Fund	Investment Fund Account *		General Reserve	Exchange Equalization Reserve			
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
For the year ended 31.12.2012										
Balance as at 01.01.2012	9,143,326	2,308,125	1,800,000	978,337	5,776,808	15,400,000	5,733	4,961,367	792,297	41,165,993
Final Dividend 2011- Cash	-	-	-	-	-	-	-	(1,166,032)	(51,046)	(1,217,078)
Final Dividend 2011- Scrip	840,958	208,471	-	-	-	-	-	(1,166,032)	-	(116,603)
Interim Dividend 2012	-	-	-	-	-	-	-	(595,870)	-	(595,870)
Exchange gain on translation of Financial Statements of foreign operations	-	-	-	-	-	-	5,142	-	6,958	12,100
Shares Issued under ESOP	64,975	13,624	-	-	-	-	-	-	-	78,599
Revaluation of PPE	-	-	-	-	2,426,885	-	-	-	-	2,426,885
Deferred tax liability on Revaluation Reserve	-	-	-	-	(132,806)	-	-	-	-	(132,806)
Transfer of Revaluation Reserve on disposal of PPE	-	-	-	-	(5,689)	-	-	5,689	-	-
Write off of Subsidiary investment	-	-	-	-	-	-	3,665	(3,665)	-	-
Deemed Disposal gain through joint venture	-	-	-	-	-	-	-	76,873	67,638	144,511
Disposal of Associate Company	-	-	-	-	-	-	(5,996)	52,052	-	46,056
Net profit for the Year 2012	-	-	-	-	-	-	-	8,086,021	166,066	8,252,087
Transfers during the Year	-	-	430,000	1,322,225	-	2,400,000	-	(4,152,225)	-	-
Balance as at 31.12.2012	10,049,259	2,530,220	2,230,000	2,300,562	8,065,198	17,800,000	8,544	6,098,178	981,913	50,063,874
For the year ended 31.12.2011										
Balance as at 01.01.2011	3,854,980	1,463,570	1,510,000	-	5,791,791	13,000,000	2,744	4,355,024	588,592	30,566,701
Final dividend 2010	-	-	-	-	-	-	-	(1,310,975)	(39,205)	(1,350,180)
Interim Dividend 2011	-	-	-	-	-	-	-	(582,560)	-	(582,560)
Deferred tax liability on Revaluation Reserve	-	-	-	-	4,391	-	-	-	-	4,391
Exchange gain on translation of Financial Statements of foreign operation	-	-	-	-	-	-	2,989	-	1,303	4,292
Shares Issued under ESOP	59,702	6,400	-	-	-	-	-	-	-	66,102
Rights issue and private placement	5,228,644	838,155	-	-	-	-	-	-	156,250	6,223,049
Transfer of Revaluation Reserve on disposal of PPE	-	-	-	-	(19,374)	-	-	19,374	-	-
Net profit for the Year 2011	-	-	-	-	-	-	-	6,148,841	85,357	6,234,198
Transfers during the year	-	-	290,000	978,337	-	2,400,000	-	(3,668,337)	-	-
Balance as at 31.12.2011	9,143,326	2,308,125	1,800,000	978,337	5,776,808	15,400,000	5,733	4,961,367	792,297	41,165,993

* 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.

CASH FLOW STATEMENT

For the Year ended 31st December	BANK		GROUP	
	2012 Rs'000	2011 Rs'000	2012 Rs'000	2011 Rs'000
Cash Flows from Operating Activities				
Interest & Commission Receipts	43,830,000	32,124,704	44,122,146	32,619,731
Interest Payments	(24,728,933)	(14,224,010)	(24,856,302)	(14,315,333)
Receipts from Other Operating Activities	1,641,013	1,085,283	4,575,925	3,538,563
Cash Payments to Employees	(6,385,313)	(5,755,443)	(6,896,173)	(6,281,654)
Cash Payments to Suppliers	(2,482,706)	(2,308,761)	(2,249,916)	(2,072,901)
Recoveries of Loans Written-off in Previous Years	11,192	4,071	11,192	4,071
Cash Payments to Other Operating Activities	(6,693,598)	(6,835,305)	(8,328,294)	(7,946,368)
Operating Profit before Changes in Operating Assets & Liabilities	5,191,655	4,090,539	6,378,578	5,546,109
Increase in Operating Assets				
Deposits held for Regulatory or Monetary Control Purpose	(1,250,058)	(6,191,761)	(1,250,058)	(6,191,761)
Loans and Advances	(45,924,843)	(54,653,099)	(46,777,851)	(54,914,491)
Other Short Term Assets	(922,981)	(1,296,691)	(1,044,525)	(1,196,192)
	(48,097,882)	(62,141,551)	(49,072,434)	(62,302,444)
Increase in Operating Liabilities				
Deposits from Customers	48,033,887	47,823,533	47,902,527	47,579,171
Other Liabilities	635,034	326,741	887,483	138,191
	48,668,921	48,150,274	48,790,010	47,717,362
Net Cash Generated from / (used in) Operating Activities before Income Tax	5,762,694	(9,900,738)	6,096,154	(9,038,973)
Income Taxes Paid	(929,178)	(2,645,086)	(966,030)	(2,725,563)
Net Cash Generated from / (used in) Operating Activities	4,833,516	(12,545,824)	5,130,124	(11,764,536)
Cash Flows from Investing Activities				
Dividend Income	246,733	399,487	221,175	397,553
Net Proceeds from Sale, Maturity and Purchase of Financial Investments	(6,616,307)	(1,491,319)	(6,670,428)	(1,505,699)
Purchase of Property, Plant & Equipment	(872,396)	(1,210,302)	(925,940)	(1,260,080)
Purchase of Intangible Assets	(181,982)	(145,402)	(208,214)	(155,408)
Improvements to Investment Properties	(5,085)	(395)	(139)	-
Net Proceeds from sale of Associate Company	58,815	-	58,815	-
Proceeds from deemed disposal of Subsidiary Company through Joint Venture	-	-	144,511	-
Investment in Subsidiary Company	-	(234,320)	-	-
Investment in Associate Company	-	-	(20,000)	(199,661)
Proceeds from Sale of Property Plant & Equipment	36,038	84,389	37,237	90,044
Net Cash Flows used in Investing Activities	(7,334,184)	(2,597,862)	(7,362,983)	(2,633,251)
Cash Flows from Financing Activities				
Increase/ (Decrease) in Debentures	(375,724)	2,000,000	(363,725)	2,000,000
Increase of Borrowings	8,065,129	5,209,277	7,994,542	5,500,083
Issue of preference shares	-	-	150,000	-
Dividends Paid	(1,825,130)	(1,775,013)	(1,852,925)	(1,813,985)
Proceeds from Rights Issue and Private placement	-	6,066,799	-	6,066,799
Proceeds from Issue of Shares under ESOP	78,599	66,102	78,599	66,102
Share Issue Expenses	(5,649)	(45,871)	(8,247)	(50,300)
Proceeds from Issue of Shares to Minority share holders	-	-	-	156,250
Net Cash Generated from Financing Activities	5,937,225	11,521,294	5,998,244	11,924,949
Net Increase / (Decrease) in Cash and Cash Equivalents	3,436,557	(3,622,392)	3,765,385	(2,472,838)
Cash and Cash Equivalents at the Beginning of the year	16,137,232	19,759,624	19,205,479	21,678,317
Cash and Cash Equivalents at the End of the year	19,573,789	16,137,232	22,970,864	19,205,479

SEGMENT REPORTING

Year ended 31st December	Banking		Leasing		Dealing**		Property		Insurance		Elimination / unallocated		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Total revenue from														
external customers	48,777,362	35,109,245	3,728,480	2,059,209	452,820	578,424	163,368	142,317	3,267,964	2,745,646	13,020	(52,865)	56,403,014	40,581,976
Inter segment revenue	220,224	232,838	-	-	9,613	17,552	615,310	614,884	95,841	78,006	-	-	940,988	943,280
Total revenue	48,997,586	35,342,083	3,728,480	2,059,209	462,433	595,976	778,678	757,201	3,363,805	2,823,652	13,020	(52,865)	57,344,002	41,525,256
Segment result	8,367,187	6,822,470	2,590,399	1,860,258	75,757	133,904	392,200	384,632	436,086	345,460	(70,618)	31,867	11,791,011	9,578,591
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,159,298)	(1,080,049)
Profit from operations	-	-	-	-	-	-	-	-	-	-	-	-	10,631,713	8,498,542
Income from associates	-	-	-	-	-	-	-	-	-	-	-	-	16,632	(15,729)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	(2,396,258)	(2,248,615)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(166,066)	(85,357)
Net profit for period	-	-	-	-	-	-	-	-	-	-	-	-	8,086,021	6,148,841
Total assets	418,275,079	353,799,193	24,977,945	24,351,395	3,454,533	3,407,137	7,917,608	7,660,289	7,175,367	6,035,904	(5,776,929)	(6,668,056)	456,023,603	388,585,862
Total liabilities	373,880,293	316,711,330	24,977,945	24,351,395	2,177,489	2,374,574	1,809,624	2,656,700	5,332,998	4,426,188	(2,218,620)	(3,100,318)	405,959,729	347,419,869
Cash flow from operating activities	5,544,815	(1,896,361)	(711,299)	(10,649,463)	(85,887)	(114,718)	689,745	400,421	287,646	661,810	(594,869)	(166,225)	5,130,124	(11,764,536)
Cash flow from Investing activities	(7,334,184)	(2,597,862)	-	-	81,681	(99,921)	(3,076)	(10,690)	(163,731)	(871,645)	56,327	946,867	(7,362,983)	(2,633,251)
Cash flow from financing activities	5,937,225	11,521,294	-	-	223,024	60,515	(356,411)	(435,727)	(105,000)	318,746	299,406	460,121	5,998,244	(11,924,949)

** Stock Broking, Securities Dealings, Remittances, Investment Banking, Venture Capital Business and Foreign Currency Related Services

EXPLANATORY NOTES

- There are no changes in accounting policies and methods of computation in preparation of these interim financial statements since the publication of annual accounts for the year 2011.
- The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which have become applicable for financial periods beginning on or after 1st January 2012. However in accordance with the ruling issued by the Institute of Chartered Accountants of Sri Lanka on "Comparative figures in the interim financial statements", the Bank has adopted option 2 as given in such ruling where by these interim financial statements were prepared in accordance with Sri Lanka Accounting Standards (SLAS) existed immediately prior to 1st January 2012, with disclosures on impact to the Statement of Comprehensive Income for the period and Net Assets based on SLFRS/LKAS. The impact is given in note 13.
- 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.
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 2012.
Further this dividend is to be approved at the Annual General Meeting to be held on 28th March 2013. In accordance with Sri Lanka Accounting Standard (SLAS 12) "Events after the Balance Sheet date," this proposed final dividend has not been recognised as a liability as at 31st December 2012.
- 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.
- These interim financial statements are presented in accordance with SLAS 35 – Interim Financial Reporting and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
- Where required, figures on the audited annual financial statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
- Details of Employee Share Option Plan (ESOP)

	Allocation 2008*		Allocation 2010**		Allocation 2012***	
	Voting	Non voting	Voting	Non voting	Voting	Non voting
Number of options brought forward	82,713	15,331	3,427,335	839,696	-	-
Number of options exercised before scrip issue	-	-	(561,638)	(175,201)	-	-
Number of additional options due to the scrip issue	1,509	438	59,462	22,647	-	-
Number of options Allotted	-	-	-	-	3,861,708	957,155
Number of options exercised after scrip issue	-	-	(47,189)	(12,119)	(69,372)	(61,137)
Number of options expired	-	-	-	-	-	-
Number of options remaining	84,222	15,769	2,877,970	675,023	3,792,336	896,018
Option exercise price	Rs. 77.33	Rs. 35.07	Rs. 111.43	Rs. 65.67	Rs. 145.79	Rs. 81.43
Average market price	Rs. 148.30	Rs. 99.76	Rs. 148.30	Rs. 99.76	Rs. 148.30	Rs. 99.76

* These options were allocated on 28th March 2008 and the retention period ended on 27th March 2009.

** 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 will end on 30th March 2013.

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

- 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 Joint Venture Acuity Partners (Pvt) Ltd.
- The Bank disposed its investment in the associate Delma Exchange on 17th December 2012 and the resultant gain was Rs. 38.4 Mn and included in other income.
- Bank's investment of Rs. 10.063 Mn in the subsidiary Commercial Interlink Services Inc which ceased commercial activities on 1st October 2010 was written off against the provision during the period. Further the receivable from the said subsidiary of Rs. 23.552 Mn was also written off against the provision.
- Pursuant to a resolution adopted by the Shareholders of the Bank at the 43rd Annual General Meeting (AGM), a scrip dividend was approved according to which a total of 7,890,528 new ordinary shares (comprising of 5,682,148 voting shares and 2,208,380 non-voting shares) were issued on 30th March 2012. The basic and the diluted earnings per share (EPS) disclosed in the Income Statement have been adjusted for the said scrip dividend. The net asset value per share as at 31st December 2011, is restated based on the said scrip dividend.
- At the 43rd AGM of the Bank which was held on 30th March 2012, Article 74 of the Articles of Association of the Bank was amended to increase the maximum number of Directors from 10 to 12.

13. **Impact to the Comprehensive Income**

	Bank Rs. 000	Group Rs. 000
Net profit for the year ended 31st December 2012	7,641,712	8,252,087
(as per SLAS applicable immediately prior to 01st January 2012)		
Add/(less) : Impact on SLFRS/LKAS adoption		
Impairment of loans and advances	517,290	517,290
Measurement of customer deposits at amortised cost	(76,592)	(76,592)
Measurement of forward exchange contracts & swaps (derivatives) at fair value	(107,333)	(107,333)
Amortisation of front end fees	87,548	87,548
Adjustments for employee benefits and share based payments	(186,543)	(215,816)
Tax impact of SLFRS adjustments	(2,160)	(25,173)
Adjustments for government and other securities at fair value though profit or loss	99	6,375
Impact from other adjustments relating to SLFRS / LKAS	(170,650)	(167,223)
Adjusted net profit for the year ended 31st December 2012 as per SLFRS / LKAS	7,703,371	8,271,163
Impact on Statement of Other Comprehensive Income		
Net change in fair value on available for sale financial assets	359,418	382,751
Changes in revaluation surplus	1,465,117	2,397,293
Actuarial gain on defined benefit plans	587,494	587,494
Gains and losses arising from translating the financial statements of overseas operations	-	13,843
Transfer to life policy holder reserve fund	-	(21,335)
Total comprehensive income for the year ended 31st December 2012 as per SLFRS / LKAS	10,115,400	11,631,209
Impact to the Net Assets		
Net assets as at 31st December 2012	44,394,786	49,081,961
(as per SLAS applicable immediately prior to 1st January 2012)		
Add/(less) : Impact on SLFRS/LKAS adoption		
Measurement of Available For Sale securities at fair value	2,675,424	2,734,812
Measurement of staff loans at fair value	67,264	76,438
Impairment on loans & advances	(367,659)	(367,659)
Measurement of off balance sheet items at fair value	(204,077)	(204,077)
Measurement of customer deposits at amortised cost	308,396	308,396
Measurement of forward exchange contracts & swaps (derivatives) at fair value	(121,096)	(121,096)
Amortisation of front end fee	87,548	87,548
Adjustments for employee benefits and share based payments	(1,498,778)	(1,456,848)
Net revaluation adjustment to group property plant & equipment	-	728,354
Tax impact on implementation of SLFRS/LKAS on transitional balances	1,193,117	1,119,960
Treasury shares under ESBT (Employee share benefit trust)	-	(310,938)
Impact from other adjustments relating to SLFRS / LKAS	(59,186)	(52,390)
Adjusted net assets as at 30st December 2012 as per SLFRS / LKAS	46,475,739	51,624,461

The Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Statement of Changes in Equity based on revised Sri Lanka Accounting Standards (SLFRS / LKAS) are presented separately as Supplementary Information from page 13 to 18 .

SELECTED PERFORMANCE INDICATORS

	As at 31.12.2012	As at 31.12.2011	As at 31.12.2012	As at 31.12.2011
	Bank		Group	
Regulatory Capital Adequacy				
Core capital (Tier 1 Capital) Rs.Mn	37,665	31,833	40,221	33,664
Total Capital Base. Rs.Mn	45,224	36,217	48,300	38,557
Core capital adequacy Ratio,as % of Risk Weighted Assets (Minimum Requirement, 5%)	13.85%	12.76%	14.10%	12.90%
Total capital adequacy Ratio,as % of Risk Weighted Assets (Minimum Requirement, 10%)	16.63%	14.51%	16.94%	14.77%

	As at 31.12.2012	As at 31.12.2011
	Bank	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	3.66%	3.93%
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	1.83%	2.33%
Profitability (Annualised)		
Interest Margin, %	4.93%	4.68%
Return on Assets (before Tax), %	2.39%	2.22%
Return on Equity, %	19.33%	17.84%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking unit	80,576	67,711
Off-Shore Banking Unit	7,304	6,114
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking unit	21.79%	21.45%
Off-Shore Banking Unit	22.97%	21.60%

LISTED DEBENTURE INFORMATION

Quarter Ended 31st December	Market Value				Yield as at Last Trade Done		
	2012		2011		Quarter Ended 31st December	2012	2011
	Highest Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.			
HNB DEBENTURES 2006					HNB DEBENTURES 2006		
7 year Floating Rate (TB + 2.25% p.a.)	N/T	N/T	N/T	N/T	7 year Floating Rate (TB + 2.25% p.a.)	N/T	N/T
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
HNB DEBENTURES 2007					HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	15 year Fixed Rate (16.75% p.a.)	N/T	N/T
HNB DEBENTURES 2011					HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/T	N/T	10 year Fixed Rate (11.50% p.a.)	N/T	N/T
N/T – Not Traded as at 31st December					N/T – Not Traded as at 31st December		

Yield to Maturity of Last Trade Done (% p.a)	RATIOS OF DEBT
---	-----------------------

Quarter Ended 31st December	2012	2011		31.12.2012	31.12.2011
HNB DEBENTURES 2006					
7 year Floating Rate (TB + 2.25% p.a.)**	N/A	N/A	Debt Equity Ratio (%)	10.07	12.89
8 year Floating Rate (TB + 2.25% p.a.)**	N/A	N/A		31.12.2012	31.12.2011
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	Interest Cover (Times)	18.13	18.80
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
HNB DEBENTURES 2007			2006 series 7 year maturity	11.32	8.71
10 year Fixed Rate (16.00% p.a.)	N/T	N/T	2006 series 8 year maturity	11.32	8.71
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	2006 series 15 year maturity	12.18	N/Q
HNB DEBENTURES 2011			2006 series 18 year maturity	12.38	10.04
10 year Fixed Rate (11.50% p.a.)	N/T	N/T			

** The yield to maturity calculation is not applicable for floating rate debentures.	2007 series 10 year maturity	11.83	N/Q
	2007 series 15 year maturity	12.17	N/Q

2007 series 15 year maturity	12.17	N/Q
2011 series 10 year maturity	12.17	N/Q

RATIOS OF DEBT		
	31.12.2012	31.12.2011
Debt Equity Ratio (%)	10.07	12.89
	31.12.2012	31.12.2011
Interest Cover (Times)	18.13	18.80
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 7 year maturity	11.32	8.71
2006 series 8 year maturity	11.32	8.71
2006 series 15 year maturity	12.18	N/Q
2006 series 18 year maturity	12.38	10.04
2007 series 10 year maturity	11.83	N/Q
2007 series 15 year maturity	12.17	N/Q
2011 series 10 year maturity	12.17	N/Q
N/Q - Not Quoted		

SHARE INFORMATION

As at	31-Dec-2012	31-Dec-2011
Number of Shares		
Voting	317,650,102	311,406,247
Non-voting	79,596,347	77,190,596
Market Value per share		
Voting	148.00	151.30
Non-voting	112.50	83.20
For the Quarter Ended	31-Dec-2012	31-Dec-2011
Highest price per share for the quarter		
Voting	166.00	202.00
Non-voting	115.00	94.00
Lowest price per share for the quarter		
Voting	140.00	138.00
Non-voting	107.00	79.00

PUBLIC SHAREHOLDING PERCENTAGE

	As at 31st December 2012
Voting	67% approx.
Non-voting	80% approx.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Dec-2012	31-Dec-2011
1 Dr. Ranee Jayamaha	101	100
2 Mr. R. Theagarajah*	36,788	36,001
3 Mr. D.H.S. Jayawardena**	-	16,516
4 Mr. R.K. Obeyesekere***	-	16,516
5 Mrs. P.C. Cooray	78,473	76,886
6 Mr. N.G. Wickremaratne	8,451	8,300
7 Ms. M.A.R.C. Cooray	5,312	5,165
8 Dr. W.W. Gamage	101	-
9 Dr. L.R. Karunaratne	1,018	1,000
10 Mr. L.U.D. Fernando****	2,667	-
11 Mr. D.T.S.H. Mudalige****	-	-
12 Miss. D.S.C. Jayawardena****	500	-
13 Mr. R.S. Captain****	6,007	-

* Chief Executive Officer

** Ceased to be a Director with effect from 31st December 2011

*** Resigned on 30th December 2011

**** Appointed with effect from 2nd April 2012

20 MAJOR SHAREHOLDERS (VOTING) AS AT 31ST DECEMBER 2012

	Name	No. of Shares	% on Total Voting Capital
1.	Sri Lanka Insurance Corporation Ltd.(General Fund)	47,635,487	15.00
2.	Employees Provident Fund	30,436,612	9.58
3.	Milford Exports (Ceylon) Limited	25,828,280	**8.13
4.	Stassen Exports Ltd	22,387,096	**7.05
5.	Brown & Company PLC	22,186,122	6.98
6.	Mr.Sohli Edelji Captain	18,723,547	5.89
7.	Sonetto Holdings Limited	14,697,921	4.63
8.	HSBC Intl Nom Ltd - SSBT-Janus Overseas Fund	13,154,896	4.14
9.	Distilleries Company of Sri Lanka PLC	10,016,272	**3.15
10.	National Savings Bank	9,371,940	2.95
11.	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,235,188	1.96
12.	HSBC Intl Nom Ltd - SSBT-Janus Aspen Series Overseas Portfol	5,961,060	1.88
13.	SBI VEN Holdings Pte Ltd	5,844,308	1.84
14.	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	5,138,289	1.62
15.	HSBC Intl Nominees Ltd-BBH-GMO Emerging Markets Fund	4,932,716	1.55
16.	FI-CIBLUX S/A Batterymarch Global Emerging Market Fund	4,448,908	1.40
17.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return Fund	3,448,972	1.09
18.	Ms.Leesha Anne Captain	2,870,020	0.90
19.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	2,628,518	0.83
20.	Employees Trust Fund	2,020,976	0.64

** 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 18.33% 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 2012

	Name	No. of Shares	% on Total Non-Voting Capital
1.	Legallnc Trustee Services (Pvt) Ltd	15,500,925	19.47
2.	HSBC Intl nominees Ltd-JPLU-Franklin Templeton Invest	4,525,980	5.69
3.	Employees Trust Fund Board	2,633,690	3.31
4.	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	2,557,103	3.21
5.	HINL-JPMCB-Butterfield Trust (Bermuda) LTD	1,985,885	2.49
6.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return	1,703,364	2.14
7.	Mr.Sohli Edelji Captain	1,442,839	1.81
8.	Pershing LLC S/A Averbach Grauson & Co.	1,190,438	1.50
9.	National Savings Bank	1,103,175	1.39
10.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	1,011,115	1.27
11.	Akbar Brothers Pvt Ltd A/c No.1	791,122	0.99
12.	CITI Bank NY S/A Forward International Dividend Fund	746,894	0.94
13.	DFCC Bank A/c No.01	715,947	0.90
14.	Waldock Mackenzie Ltd/Mr. H M S Abdulhussein	641,487	0.81
15.	Bank of Ceylon A/c Ceybank Century Growth Fund	625,799	0.79
16.	CITI Bank NY S/A Forward Select EM Dividend Fund	619,916	0.78
17.	Hatton National Bank PLC A/c No. 2	574,733	0.72
18.	Mr.Jayampathi Divale Bandaranayake	558,189	0.70
19.	Union Assurance PLC No. 1 A/c	521,346	0.65
20.	Asian Alliance Insurance Plc - Ac 02 (Life fund)	475,471	0.60

Supplementary Information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Prepared Based on SLFRS / LKAS)

For the year ended 31st December	BANK		GROUP	
	2012 Rs 000	2011 Rs 000	2012 Rs 000	2011 Rs 000
Income	51,558,900	37,066,301	55,160,069	40,122,582
Interest income	47,346,498	33,175,928	47,939,508	33,546,871
Less: Interest expenses	25,368,432	16,530,253	25,495,541	16,626,472
Net interest income	21,978,066	16,645,675	22,443,967	16,920,399
Fee and commission income	3,740,497	2,710,552	3,833,378	2,987,433
Less: Fee and commission expenses	53,407	34,521	64,032	56,292
Net fee and commission income	3,687,090	2,676,031	3,769,346	2,931,141
Net interest, fee and commission income	25,665,156	19,321,706	26,213,313	19,851,540
Net loss from trading	(1,632,528)	(347,078)	(1,624,049)	(426,335)
Net gain from financial investments	142,479	398,936	114,412	390,630
Other operating income	1,961,954	1,127,963	4,896,820	3,623,983
Total Operating income	26,137,061	20,501,527	29,600,496	23,439,818
Less: Impairment charge/(reversal) for loans and other losses	1,162,231	(445,373)	1,162,231	(501,494)
Net operating income	24,974,830	20,946,900	28,438,265	23,941,312
Less:				
OPERATING EXPENSES				
Personnel expenses	6,520,648	4,987,287	7,103,764	5,525,978
Premises, equipment and establishment expenses	3,575,606	3,277,004	3,481,168	2,956,320
Other overhead expenses	3,584,997	3,070,598	5,929,498	5,162,678
	13,681,251	11,334,889	16,514,430	13,644,976
Operating profit before value added tax (VAT)	11,293,579	9,612,011	11,923,835	10,296,336
Less: Value added tax (VAT) on financial services	1,247,873	1,224,143	1,247,873	1,224,143
Operating profit after value added tax (VAT)	10,045,706	8,387,868	10,675,962	9,072,193
Share of profit/(loss) of Associates (net of income tax)	-	-	16,632	(15,729)
PROFIT BEFORE INCOME TAX	10,045,706	8,387,868	10,692,594	9,056,464
Less: Income tax expense	2,342,335	2,123,203	2,421,431	2,156,077
PROFIT FOR THE YEAR	7,703,371	6,264,665	8,271,163	6,900,387
Profit attributable to:				
Equity holders of the Bank	7,703,371	6,264,665	8,110,969	6,818,923
Non-controlling interests	-	-	160,194	81,464
PROFIT FOR THE YEAR	7,703,371	6,264,665	8,271,163	6,900,387
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX				
Gains and losses arising from translating the financial statements of foreign operations	-	-	13,843	4,292
Gains and losses on re-measuring available-for-sale financial assets				
Net change in fair value on available-for-sale financial assets	284,016	(3,334,984)	305,986	(3,341,133)
Transfer to life policy holder reserve fund	-	-	(21,335)	6,149
Net amount transferred to profit or loss (available-for-sale financial assets)	75,402	-	76,765	(5,745)
Actuarial gains and losses on defined benefit plans	587,494	34,870	587,494	34,870
Changes in revaluation surplus	1,465,117	4,391	2,397,293	4,391
Other comprehensive income for the year, net of tax	2,412,029	(3,295,723)	3,360,046	(3,297,176)
Total comprehensive income for the year	10,115,400	2,968,942	11,631,209	3,603,211
Total comprehensive income attributable to:				
Equity holders of the Bank	10,115,400	2,968,942	11,460,588	3,521,598
Non-controlling interests	-	-	170,621	81,613
Total comprehensive income for the year	10,115,400	2,968,942	11,631,209	3,603,211
Earnings per share on profit				
Basic earnings per ordinary share (Rs)	19.36	16.60	21.19	18.65
Diluted earnings per ordinary share (Rs)	19.34	16.49	21.16	18.51
DIVIDEND PER SHARE (Rs)	*8.50	7.50	*8.50	7.50

*Calculated on interim dividend paid and final dividend proposed, which is to be approved at the Annual General Meeting.

Supplementary Information

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Prepared Based on SLFRS / LKAS)

As at	31.12.2012 Rs 000	BANK 31.12.2011 Rs 000	01.01.2011 Rs 000	31.12.2012 Rs 000	GROUP 31.12.2011 Rs 000	01.01.2011 Rs 000
ASSETS						
Cash and cash equivalents	8,769,206	7,542,767	6,556,338	8,848,746	7,576,224	6,648,617
Balances with central banks	19,933,463	18,683,405	12,491,644	19,950,040	18,698,197	12,506,052
Placements with banks	10,321,832	7,220,151	11,551,945	11,667,417	8,243,999	12,047,493
Derivative financial instruments	344,552	496,643	231,124	344,552	496,643	231,124
Other financial assets held for trading	474,083	1,160,499	1,457,448	1,078,124	2,407,725	2,998,591
Non-current assets held for sale	-	-	-	2,875	2,875	2,875
Loans and receivables to other customers	302,760,980	257,198,343	202,253,018	303,922,092	257,435,480	201,579,582
Financial investments - Available-for-sale	57,869,546	51,239,058	49,379,877	58,929,296	51,434,979	49,626,920
Financial investments - Held-to-maturity	-	-	-	1,643,852	1,697,640	1,616,424
Financial investments - Loans and receivables	20,030,669	14,665,997	15,370,787	20,904,172	15,362,143	15,739,393
Investments in Associates	-	83,674	83,651	386,172	384,319	196,009
Investment in Joint Venture	655,000	655,000	655,000	-	-	-
Investments in Subsidiaries	2,357,285	2,357,285	2,179,086	-	-	-
Investment properties	349,708	349,374	353,563	164,598	169,029	173,595
Property, plant and equipment	9,417,915	7,834,866	7,427,555	17,815,411	15,415,636	15,115,760
Intangible assets	556,171	549,503	577,015	689,501	670,776	702,931
Deferred tax assets	369,726	313,785	506,348	372,193	318,895	508,534
Other assets	12,092,197	10,133,295	8,633,367	12,679,956	10,982,310	9,905,711
Total Assets	446,302,333	380,483,645	319,707,766	459,398,997	391,296,870	329,599,611
LIABILITIES						
Due to banks	30,400,980	19,885,436	10,421,179	30,400,980	19,885,436	10,421,179
Derivative financial instruments	1,436,443	617,702	166,521	1,436,443	617,702	166,521
Due to other customers	341,423,986	291,356,578	239,033,783	340,847,606	290,911,558	238,838,573
Dividends payable	221,455	168,080	49,558	223,251	169,876	51,120
Other borrowings	4,950,535	7,008,741	12,573,000	6,747,144	8,876,197	14,143,564
Debt securities issued	-	-	-	150,000	-	-
Current tax liabilities	1,755,429	1,021,619	2,587,421	1,839,714	1,093,787	2,718,781
Bills payable	1,430,578	1,404,158	1,305,161	1,430,578	1,404,158	1,305,161
Subordinated debentures	4,585,568	5,023,216	2,849,143	4,563,011	4,989,350	2,816,548
Insurance provision - Life	-	-	-	3,626,239	3,021,331	2,415,214
Insurance provision - General	-	-	-	969,441	944,322	743,049
Deferred tax liabilities	1,478,341	1,174,862	890,602	1,556,312	1,225,349	960,016
Other provisions	4,240,493	5,812,370	8,397,841	4,400,098	5,876,883	8,491,344
Other liabilities	7,902,786	9,027,153	10,658,135	8,614,281	9,924,156	11,986,945
Total Liabilities	399,826,594	342,499,915	288,932,344	406,805,098	348,940,105	295,058,015
EQUITY						
Stated capital	12,579,479	11,451,451	5,318,550	12,579,479	11,451,451	5,318,550
Statutory reserves	4,530,562	2,778,337	1,510,000	4,530,562	2,778,337	1,510,000
Retained earnings	4,225,948	3,009,553	2,252,516	5,321,845	3,504,132	2,120,000
Other reserves	25,139,750	20,744,389	21,694,356	29,192,575	23,840,620	25,009,480
Total equity attributable to equity holders of the Bank	46,475,739	37,983,730	30,775,422	51,624,461	41,574,540	33,958,030
Non-controlling interests	-	-	-	969,438	782,225	583,566
Total Equity	46,475,739	37,983,730	30,775,422	52,593,899	42,356,765	34,541,596
Total Liabilities and Equity	446,302,333	380,483,645	319,707,766	459,398,997	391,296,870	329,599,611
Commitments and contingencies	164,367,012	152,589,043	124,170,550	164,367,012	152,589,043	124,170,550

I certify that these Financial Statements are in compliance with the requirements of Companies Act No 7 of 2007.

(Sgd.)

Ajantha de Vas Gunasekara
Chief Financial Officer

For and on behalf of the Board

(Sgd.)

Rajendra Theagarajah
Managing Director /
Chief Executive Officer

21st February 2013
Colombo

(Sgd.)

Ranee Jayamaha
Chairperson

Supplementary Information

STATEMENT OF CHANGES IN EQUITY (Prepared Based on SLFRS / LKAS)

BANK

For the year ended 31st December 2012

	Stated Capital		Statutory Reserves		Capital Reserve	Other Reserves		ESOP Reserve	Retained earnings	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve	Investment Fund Account	Rs 000	Available for sale reserve	General Reserve	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 31st December 2010	3,854,980	1,463,570	1,510,000	-	3,024,969	-	13,000,000	-	4,420,248	27,273,767
Impact of adopting SLFRSs as at 1st January 2011	-	-	-	-	-	5,669,387	-	-	(2,167,732)	3,501,655
Restated balance as at 1st January 2011	3,854,980	1,463,570	1,510,000	-	3,024,969	5,669,387	13,000,000	-	2,252,516	30,775,422
Total comprehensive income for the year										
Net profit for the year 2011	-	-	-	-	-	-	-	-	6,264,665	6,264,665
Other comprehensive income, net of tax	-	-	-	-	4,391	(3,334,984)	-	-	34,870	(3,295,723)
Total comprehensive income for the year	-	-	-	-	4,391	(3,334,984)	-	-	6,299,535	2,968,942
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
Final dividend for 2010	-	-	-	-	-	-	-	-	(1,310,975)	(1,310,975)
Interim dividend for 2011	-	-	-	-	-	-	-	-	(582,560)	(582,560)
Shares issued under ESOP	59,702	6,400	-	-	-	-	-	-	-	66,102
Rights issue and private placement	5,228,644	838,155	-	-	-	-	-	-	-	6,066,799
Total contributions by and distributions to equity holders	5,288,346	844,555	-	-	-	-	-	-	(1,893,535)	4,239,366
Transfer of revaluation reserve for disposal of property, plant and equipment	-	-	-	-	(19,374)	-	-	-	19,374	-
Transfers during the year 2011	-	-	290,000	978,337	-	-	2,400,000	-	(3,668,337)	-
Balance as at 31st December 2011	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
Total comprehensive income for the year										
Net profit for the year 2012	-	-	-	-	-	-	-	-	7,703,371	7,703,371
Other comprehensive income, net of tax	-	-	-	-	1,465,117	359,418	-	-	587,494	2,412,029
Total comprehensive income for the year	-	-	-	-	1,465,117	359,418	-	-	8,290,865	10,115,400

Supplementary Information

STATEMENT OF CHANGES IN EQUITY (Prepared Based on SLFRS / LKAS)

BANK

For the year ended 31st December 2012

	Stated Capital		Statutory Reserves		Capital Reserve	Other Reserves		ESOP Reserve	Retained earnings	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve	Investment Fund Account	Reserve	Available for sale reserve	General Reserve	Reserve		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Transactions with equity holders, recognised directly in equity										
Contributions by and distributions to equity holders										
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	-	-	-	-	-	-	-	-	(595,870)	(595,870)
ESOP allocation 2012	-	-	-	-	-	-	-	176,515	-	176,515
Shares issued under ESOP	64,975	13,624	-	-	-	-	-	-	-	78,599
Total contributions by and distributions to equity holders	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)	-
Balance as at 31st December 2012	10,049,259	2,530,220	2,230,000	2,300,562	4,469,414	2,693,821	17,800,000	176,515	4,225,948	46,475,739

Supplementary Information

STATEMENT OF CHANGES IN EQUITY (Prepared Based on SLFRS / LKAS)

GROUP

For the year ended 31st December 2012

	Attributable to Equity Holders of the Bank													
	Stated Capital		Statutory Reserves			Available for sale reserve	Other Reserves			Life policy holder reserve Fund	ESOP Reserve	Retained Earnings	Non Controlling Interest	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Investment Fund Account	Capital Reserve		Treasury shares	General Reserve	Exchange Equalisation Reserve					
	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 31st December 2010	3,854,980	1,463,570	1,510,000	-	5,791,791	-	-	13,000,000	2,744	-	-	4,355,024	588,592	30,566,701
Impact of adopting SLFRSs as at 1st January 2011	-	-	-	-	626,741	5,704,378	(147,224)	-	-	31,050	-	(2,235,024)	(5,026)	3,974,895
Restated balance as at 1st January 2011	3,854,980	1,463,570	1,510,000	-	6,418,532	5,704,378	(147,224)	13,000,000	2,744	31,050	-	2,120,000	583,566	34,541,596
Total comprehensive income for the year														
Net profit for the year 2011	-	-	-	-	-	-	-	-	-	-	-	6,818,923	81,464	6,900,387
Other comprehensive income, net of tax	-	-	-	-	4,391	(3,339,576)	-	-	2,989	-	-	34,870	150	(3,297,176)
Total comprehensive income for the year	-	-	-	-	4,391	(3,339,576)	-	-	2,989	-	-	6,853,793	81,614	3,603,211
Transactions with equity holders, recognised directly in equity														
Contributions by and distributions to equity holders														
Final dividend for 2010	-	-	-	-	-	-	-	-	-	-	-	(1,260,743)	(39,205)	(1,299,948)
Interim dividend for 2011	-	-	-	-	-	-	-	-	-	-	-	(559,955)	-	(559,955)
Shares issued under ESOP	59,702	6,400	-	-	-	-	-	-	-	-	-	-	-	66,102
Rights issue and private placement	5,228,644	838,155	-	-	-	-	(163,714)	-	-	-	-	-	156,250	6,059,335
Total contributions by and distributions to equity holders	5,288,346	844,555	-	-	-	-	(163,714)	-	-	-	-	(1,820,698)	117,045	4,265,534
Change in contract liabilities life fund	-	-	-	-	-	-	-	-	-	(47,427)	-	-	-	(47,427)
Transfer to life policy holders' reserve fund	-	-	-	-	-	-	-	-	-	(6,149)	-	-	-	(6,149)
Transfer of revaluation reserve for disposal of property, plant and equipment	-	-	-	-	(19,374)	-	-	-	-	-	-	19,374	-	-
Transfers during the year 2011	-	-	290,000	978,337	-	-	-	2,400,000	-	-	-	(3,668,337)	-	-
Balance as at 31st December 2011	9,143,326	2,308,125	1,800,000	978,337	6,403,549	2,364,802	(310,938)	15,400,000	5,733	(22,526)	-	3,504,132	782,225	42,356,765
Total comprehensive income for the year														
Net profit for the year 2012	-	-	-	-	-	-	-	-	-	-	-	8,110,969	160,194	8,271,163
Other comprehensive income, net of tax	-	-	-	-	2,397,293	359,690	-	-	5,142	-	-	587,494	10,427	3,360,046
Total comprehensive income for the year	-	-	-	-	2,397,293	359,690	-	-	5,142	-	-	8,698,463	170,621	11,631,209

Supplementary Information

STATEMENT OF CHANGES IN EQUITY (Prepared Based on SLFRS / LKAS)

GROUP

For the year ended 31st December 2012

	Attributable to Equity Holders of the Bank													
	Stated Capital		Statutory Reserves		Capital Reserve	Available for sale reserve	Other Reserves			Life policy holder reserve fund	ESOP Reserve	Retained Earnings	Non Controlling Interest	Total
	Voting Shares	Non-Voting Shares	Statutory Reserve Fund	Investment Fund Account			Treasury shares	General Reserve	Exchange Equalisation Reserve					
	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
Transactions with equity holders, recognised directly in equity														
Contributions by and distributions to equity holders														
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	-	-	-	-	-	-	-	-	-	-	-	(572,619)	-	(572,619)
ESOP allocation 2012	-	-	-	-	-	-	-	-	-	-	176,515	-	-	176,515
Shares issued under ESOP	64,975	13,624	-	-	-	-	-	-	-	-	-	-	-	78,599
Total contributions by and distributions to equity holders	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)	-	-
Balance as at 31st December 2012	10,049,259	2,530,220	2,230,000	2,300,562	8,795,153	2,724,492	(310,938)	17,800,000	8,544	(1,191)	176,515	5,321,845	969,438	52,593,899

Statutory Reserve Fund represents the statutory requirement in terms of Section 20 (1) and (2) of the Banking Act No 30 of 1988.

Capital Reserve relates to revaluation of freehold land and buildings carried out in 1989, 1993, 2007 and 2012 and includes the surplus on revaluation of those assets.

General Reserve comprises the amounts appropriated by the Board of Directors as a general banking reserve.

Exchange equalisation reserve consists of foreign exchange differences resulting from translation of foreign Subsidiary and Associate financial statements to functional currency of the Group (Sri Lankan Rupees).

Investment Fund Account consists of 8% of the profits calculated for the payment of Value Added Tax and 5% of the Profit Before Tax calculated for payment of Income Tax purposes during the year.

ESOP reserve consists of the liability recognised on account of the ESOP allocation during 2012