



Hatton National Bank PLC

**Interim Financial Statements
for the Three Months Ended 31st March 2012**

INCOME STATEMENT

		BANK For the Three Months ended 31st March				GROUP For the Three Months ended 31st March		
	2012 Rs. 000	2011 Rs. 000	% Increase/ (Decrease)		2012 Rs. 000	2011 Rs. 000	% Increase/ (Decrease)	
Income	11,365,530	8,530,128	33		12,331,272	9,305,198	33	
Interest Income	9,863,356	7,579,120	30		10,007,679	7,675,356	30	
Interest Income on Loans and Advances	8,519,567	6,301,047	35		8,470,166	6,248,980	36	
Interest Income on other Interest Earning Assets	1,343,789	1,278,073	5		1,537,513	1,426,376	8	
Less: Interest Expense	5,286,576	3,619,334	46		5,314,920	3,644,566	46	
Interest Expenses on Deposits	4,485,153	3,081,813	46		4,479,048	3,079,979	45	
Interest Expenses on other Interest Bearing Liabilities	801,423	537,521	49		835,872	564,587	48	
Net Interest Income	4,576,780	3,959,786	16		4,692,759	4,030,790	16	
Non- Interest Income	1,502,174	951,008	58		2,323,593	1,629,842	43	
Foreign Exchange Income	473,973	276,444	71		475,331	277,771	71	
Other Income	1,028,201	674,564	52		1,848,262	1,352,071	37	
	6,078,954	4,910,794	24		7,016,352	5,660,632	24	
Less: Non - Interest Expenses	3,276,512	2,976,746	10		4,040,068	3,584,593	13	
Personnel Costs	1,264,061	1,199,054	5		1,409,924	1,332,834	6	
Provision for Staff Retirement Benefits	242,459	242,088	-		245,833	245,101	-	
Premises, Equipment & Establishment Expenses	791,700	721,425	10		767,257	683,851	12	
Loss on Trading / Investment Securities	65,546	3,454	1,798		96,837	3,454	2,704	
Amortization of Intangible Assets	42,268	44,656	(5)		45,532	47,857	(5)	
Other Operating Expenses	870,478	766,069	14		1,474,685	1,271,496	16	
Less: Provision for Bad & Doubtful Debts & Loans written off	229,835	(79,298)	(390)		229,835	(79,298)	(390)	
Provisions -General	58,309	(68,747)	(185)		58,309	(68,747)	(185)	
Provisions -Specific	271,588	82,112	231		271,588	82,112	231	
Recoveries(-)	(100,456)	(92,683)	8		(100,456)	(92,683)	8	
Loans Written -Off	394	20	1,870		394	20	1,870	
Provision Charged / (Reversal) for decline in value of Investments (Net)	25,233	-	-		25,233	-	-	
Operating Profit on Ordinary Activities before Taxes	2,547,374	2,013,346	27		2,721,216	2,155,337	26	
Less: Value Added Tax on Financial Services	419,939	315,431	33		419,939	315,431	33	
Operating Profit on Ordinary Activities before Corporate Tax	2,127,435	1,697,915	25		2,301,277	1,839,906	25	
Share of Associate Companies Profit	-	-	-		(12,223)	(10,519)	16	
Operating Profit before Corporate Tax	2,127,435	1,697,915	25		2,289,054	1,829,387	25	
Less: Tax on Profits on Ordinary Activities	691,096	564,657	22		701,297	589,710	19	
Operating Profit after Corporate Tax	1,436,339	1,133,258	27		1,587,757	1,239,677	28	
Less: Minority Interest	-	-	-		54,441	18,363	196	
Extraordinary Items (Net)	-	-	-		-	-	-	
Operating Profit for the Period	1,436,339	1,133,258	27		1,533,316	1,221,314	26	
Basic Earnings per Ordinary Share (Rs.)	3.62	3.10	17		3.87	3.34	16	
Diluted Earnings per Ordinary Share (Rs.)	3.61	3.09	17		3.86	3.33	16	

BALANCE SHEET

	As at 31.03.2012 Rs. 000	BANK As at 31.12.2011 Rs. 000 (Audited)	% Increase/ (Decrease)	As at 31.03.2012 Rs. 000	GROUP As at 31.12.2011 Rs. 000 (Audited)	% Increase/ (Decrease)
ASSETS						
Cash in Hand	6,439,604	6,919,918	(7)	6,503,807	6,953,990	(6)
Statutory Deposit with Central Bank of Sri Lanka	19,606,066	18,683,405	5	19,606,066	18,683,405	5
Statutory Deposit with Central Bank of Oman	-	-	-	16,656	14,792	13
Due from Banks and other Financial Institutions	21,487,533	9,217,314	133	24,393,051	12,251,489	99
Investments - Trading Account	890,375	1,142,064	(22)	1,350,886	1,867,368	(28)
Government Securities	246,895	418,748	(41)	480,903	888,048	(46)
Other Securities	643,480	723,316	(11)	869,983	979,320	(11)
Investments - Held to Maturity	60,270,941	63,102,771	(4)	63,502,051	66,115,203	(4)
Government Securities	56,130,964	58,941,727	(5)	58,359,669	61,049,603	(4)
Other Securities	4,139,977	4,161,044	(1)	5,142,382	5,065,600	2
Less : Provision for decline in value of investment	(185,503)	(160,270)	16	(198,003)	(172,770)	15
Investments in Associates and Subsidiaries	2,440,959	2,440,959	-	383,033	384,319	-
Investments in Joint Venture Company	655,000	655,000	-	-	-	-
Total Loans and Advances						
Total Performing Loans and Advances	269,852,261	251,710,525	7	268,273,029	250,103,231	7
Bills of Exchange	441,488	347,323	27	441,488	347,323	27
Overdrafts	51,161,638	46,878,540	9	50,626,854	46,355,672	9
Receivable on Leases	25,311,283	24,031,886	5	25,311,283	24,031,886	5
Other Loans	192,937,852	180,452,776	7	191,893,404	179,368,350	7
Total Non-performing Loans and Advances	13,946,861	11,966,700	17	13,946,861	11,966,700	17
Bills of Exchange	109,012	106,026	3	109,012	106,026	3
Overdrafts	1,481,713	1,242,986	19	1,481,713	1,242,986	19
Receivable on Leases	1,124,029	536,893	109	1,124,029	536,893	109
Other Loans and Advances	11,232,107	10,080,795	11	11,232,107	10,080,795	11
Interest Receivable	-	-	-	-	-	-
Total Gross Loans and Advances	283,799,122	263,677,225	8	282,219,890	262,069,931	8
Less:						
Suspended Interest	1,762,092	1,670,016	6	1,762,092	1,670,016	6
Specific Loan loss Provision	3,472,145	3,146,829	10	3,472,145	3,146,829	10
General Loan loss Provision	1,108,218	1,037,448	7	1,108,218	1,037,448	7
Net Loans and Advances	277,456,667	257,822,932	8	275,877,435	256,215,638	8
Other Assets	10,945,334	9,592,752	14	12,321,973	10,642,999	16
Intangible Assets	532,223	549,503	(3)	651,385	670,774	(3)
Investment Properties	348,227	349,374	-	167,887	169,028	(1)
Property, Plant & Equipment (net)	7,836,558	7,834,866	-	14,754,146	14,789,627	-
Total Assets	408,723,984	378,150,588	8	419,330,373	388,585,862	8

BALANCE SHEET						
	As at 31.03.2012 Rs. 000	BANK As at 31.12.2011 Rs. 000 (Audited)	% Increase/ (Decrease)	As at 31.03.2012 Rs. 000	GROUP As at 31.12.2011 Rs. 000 (Audited)	% Increase/ (Decrease)
LIABILITIES						
Total Deposits	309,475,777	288,029,227	7	308,997,930	287,595,380	7
Demand Deposits	22,065,778	21,771,035	1	21,967,003	21,648,695	1
Savings Deposits	110,242,857	111,117,054	(1)	110,240,510	111,110,306	(1)
Time Deposits	174,302,554	151,257,873	15	173,925,829	150,953,114	15
Margin Deposits	1,400,472	1,377,110	2	1,400,472	1,377,110	2
Other Deposits	1,464,116	2,506,155	(42)	1,464,116	2,506,155	(42)
Total Borrowings	37,095,833	30,143,821	23	38,610,174	31,972,208	21
Borrowings from CBSL	1,643,007	1,713,317	(4)	1,643,007	1,713,317	(4)
Borrowings from Banks and Financial Institutions in Sri Lanka	9,716,749	9,731,549	-	9,816,749	9,841,904	-
Borrowings from Banks and Financial Institutions Abroad	16,287,750	6,947,900	134	16,281,979	6,940,330	135
Securities sold under Repurchase Agreements	4,277,698	6,559,088	(35)	5,724,560	8,311,440	(31)
Subordinate Term Debentures	4,795,666	4,781,098	-	4,768,916	4,754,348	-
Other Borrowings	374,963	410,869	(9)	374,963	410,869	(9)
Insurance provision -Life	-	-	-	3,141,263	2,990,998	5
Insurance provision -General	-	-	-	986,984	924,262	7
Deferred Taxation	1,145,769	1,168,800	(2)	1,141,001	1,164,032	(2)
Current Taxation	1,846,707	1,679,787	10	1,928,228	1,750,987	10
Other Liabilities	21,909,776	20,041,090	9	23,033,331	21,022,002	10
Total Liabilities	371,473,862	341,062,725	9	377,838,911	347,419,869	9
EQUITY CAPITAL AND RESERVES						
Stated Capital	12,508,894	11,451,451	9	12,508,894	11,451,451	9
Statutory Reserves	3,121,883	2,778,337	12	3,121,883	2,778,337	12
Total Other Reserves	21,619,345	22,858,075	(5)	25,015,508	26,143,908	(4)
	37,250,122	37,087,863	-	40,646,285	40,373,696	1
Minority Interest	-	-	-	845,177	792,297	7
	37,250,122	37,087,863	-	41,491,462	41,165,993	1
Total Liabilities & Shareholder's Funds	408,723,984	378,150,588	8	419,330,373	388,585,862	8
Contingencies	162,323,402	145,448,691	12	162,323,402	145,448,691	12
Commitments & Contra Accounts	9,209,851	7,140,352	29	9,209,851	7,140,532	29
Net asset value per share	Rs. 93.93	Rs. 93.54	-	Rs. 102.50	Rs. 101.83	1
Number of Employees	4,697	4,584				
Number of Customer Centers	241	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 March 2012 and its profit for the 3 months ended 31st March 2012.

(Sgd.)
Ajantha de Vas Gunasekara
 Chief Financial Officer
 11th May 2012

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
 11th May 2012

(Sgd.)
Ranee Jayamaha
 Chairperson
 11th May 2012

STATEMENT OF CHANGES IN EQUITY

BANK	Stated Capital		Statutory Reserves		Other Reserves			Total
	Ordinary	Ordinary	Statutory	Investment	Capital	General	Retained	
	Voting	Non-voting	Reserve Fund	Fund	Reserve	Reserve	Earnings	
				Account *				
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
For the 3 months ended 31.03.2012								
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)
Deferred Tax Liability for Revaluation Reserve	-	-	-	-	541	-	-	541
Shares Issued under ESOP	6,643	1,371	-	-	-	-	-	8,014
Transferred to Investment Fund	-	-	-	343,546	-	-	(343,546)	-
Net Profit for the Three Months	-	-	-	-	-	-	1,436,339	1,436,339
Balance as at 31.03.2012	9,990,927	2,517,967	1,800,000	1,321,883	3,010,527	15,400,000	3,208,818	37,250,122
For the 3 months ended 31.03.2011								
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	-	-	-	-	-	-	(1,310,978)	(1,310,978)
Deferred Tax Liability for Revaluation Reserve	-	-	-	-	562	-	-	562
Shares Issued under ESOP	39,611	3,930	-	-	-	-	-	43,541
Transferred to Investment Fund	-	-	-	210,287	-	-	(210,287)	-
Net Profit for the Three Months	-	-	-	-	-	-	1,133,258	1,133,258
Balance as at 31.03.2011	3,894,591	1,467,500	1,510,000	210,287	3,025,531	13,000,000	4,032,241	27,140,150

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 3 months ended 31.03.2012										
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)	(42,000)	(1,208,032)
Final Dividend 2011- Scrip	840,958	208,471	-	-	-	-	-	(1,166,032)	-	(116,603)
Deferred tax liability for Revaluation Reserve	-	-	-	-	541	-	-	-	-	541
Exchange gain on translation of Financial Statements of foreign operations	-	-	-	-	-	-	13,353	-	8,871	22,224
Shares Issued under ESOP	6,643	1,371	-	-	-	-	-	-	-	8,014
Transferred to investment fund	-	-	-	343,546	-	-	-	(343,546)	-	-
Increase in Minority Interest due to additional investment	-	-	-	-	-	-	-	-	31,568	31,568
Net profit for the Three Months	-	-	-	-	-	-	-	1,533,316	54,441	1,587,757
Balance as at 31.03.2012	9,990,927	2,517,967	1,800,000	1,321,883	5,777,349	15,400,000	19,086	3,819,073	845,177	41,491,462
For the 3 months ended 31.03.2011										
Balance as at 01.01.2011	3,113,130	2,205,420	1,510,000	-	5,791,791	13,000,000	2,744	4,355,024	588,592	30,566,701
Final Dividend 2010	-	-	-	-	-	-	-	(1,310,978)	(31,548)	(1,342,526)
Deferred tax liability for Revaluation Reserve	-	-	-	-	562	-	-	-	-	562
Exchange loss on translation of Financial Statements of foreign operation	-	-	-	-	-	-	(1,148)	-	(282)	(1,430)
Shares Issued under ESOP	39,611	3,930	-	-	-	-	-	-	-	43,541
Transferred to investment fund	-	-	-	210,287	-	-	-	(210,287)	-	-
Net profit for the Three Months	-	-	-	-	-	-	-	1,221,314	18,363	1,239,677
Balance as at 31.03.2011	3,152,741	2,209,350	1,510,000	210,287	5,792,353	13,000,000	1,596	4,055,073	575,125	30,506,525

* 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

	BANK		GROUP	
Cash Flow Statement for the 3 months ended 31st March	2012 Rs'000	2011 Rs'000	2012 Rs'000	2011 Rs'000
Cash Flows from Operating Activities				
Interest & Commission Receipts	10,620,304	7,457,354	10,751,678	7,627,580
Interest Payments	(5,121,361)	(3,381,782)	(5,149,705)	(3,407,014)
Receipts from Other Operating Activities	511,680	288,896	1,226,406	793,270
Cash Payments to Employees	(1,626,749)	(1,299,872)	(1,775,369)	(1,401,918)
Cash Payments to Suppliers	(545,775)	(556,574)	(489,466)	(458,728)
Recoveries of Loans Written-off in Previous Years	1,562	1,612	1,562	1,612
Cash Payments to Other Operating Activities	(1,099,575)	(1,781,969)	(1,490,609)	(2,016,418)
Operating Profit before Changes in Operating Assets & Liabilities	2,740,086	727,665	3,074,497	1,138,384
Increase in Operating Assets				
Deposits held for Regulatory or Monetary Control Purpose	(922,661)	243,658	(922,661)	243,658
Loans and Advances	(19,863,175)	(12,784,751)	(19,891,237)	(12,769,713)
Other Short Term Assets	(1,007,179)	75,707	(1,347,658)	59,171
	(21,793,015)	(12,465,386)	(22,161,556)	(12,466,884)
Increase in Operating Liabilities				
Deposits from Customers	21,122,918	8,612,266	21,078,918	8,575,527
Negotiable Certificate of Deposit	323,632	48,571	323,632	48,571
Other Liabilities	90,211	328,105	321,323	253,359
	21,536,761	8,988,942	21,723,873	8,877,457
Net Cash Generated from / (used in) Operating Activities before Income Tax	2,483,832	(2,748,779)	2,636,814	(2,451,043)
Income Taxes Paid	(458,139)	(479,404)	(462,722)	(484,178)
Net Cash Generated from / (used in) Operating Activities	2,025,693	(3,228,183)	2,174,092	(2,935,221)
Cash Flows from Investing Activities				
Dividend Income	33,210	2,708	43,965	32,145
Net Sale / (purchase) of Dealing Securities	201,627	(230,516)	423,638	(315,759)
Net Sale / (purchase) of Investment Securities	2,811,964	(2,563,843)	2,619,404	(2,612,094)
Purchase of Property, Plant & Equipment	(205,755)	(316,651)	(210,698)	(322,113)
Purchase of Intangible Assets	(24,949)	(45,945)	(24,949)	(45,945)
Improvements to Investment Properties	-	(393)	-	(393)
Net effect on investment in subsidiary company by Acuity Group	-	-	-	17,864
Proceeds from Sale of Property Plant & Equipment	16,643	27,708	16,933	28,540
Net Cash Flows used in Investing Activities	2,832,740	(3,126,932)	2,868,293	(3,217,755)
Cash Flows from Financing Activities				
Increase / (Decrease) of Borrowings	6,937,444	5,975,351	6,623,398	6,313,924
Dividends Paid	(13,882)	(3,086)	(13,882)	(7,589)
Proceeds from Issue of Shares under ESOP	8,014	43,541	8,014	43,541
Share Issue Expenses	(104)	(697)	(104)	(697)
Proceeds from Issue of Shares to Minority shareholders	-	-	31,568	-
Net Cash Generated from Financing Activities	6,931,472	6,015,109	6,648,994	6,349,179
Net Increase / (Decrease) in Cash and Cash Equivalents	11,789,905	(340,006)	11,691,379	196,203
Cash and Cash Equivalents at the Beginning of the period	16,137,232	19,759,625	19,205,479	21,678,319
Cash and Cash Equivalents at the End of the period	27,927,137	19,419,619	30,896,858	21,874,522

SEGMENT REPORTING

	Banking		Leasing		Dealing **		Property		Insurance		Elimination / unallocated		Consolidated	
3 months ended 31st March	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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
Total revenue from														
external customers	10,425,966	7,869,466	883,288	598,981	212,037	188,792	81,324	40,865	778,466	647,594	(49,809)	(40,500)	12,331,272	9,305,198
Inter segment revenue	56,275	61,681	-	-	868	933	153,721	153,842	18,993	10,296	-	-	229,857	226,752
Total revenue	10,482,241	7,931,147	883,288	598,981	212,905	189,725	235,045	194,707	797,459	657,890	(49,809)	(40,500)	12,561,129	9,531,950
Segment result	1,798,105	1,561,421	569,872	359,921	122,945	82,687	102,996	100,255	53,550	40,684	(54,562)	(39,038)	2,592,906	2,105,930
Unallocated expenses													(291,629)	(266,024)
Profit from operations													2,301,277	1,839,906
Income from associates													(12,223)	(10,519)
Taxes													(701,297)	(589,710)
Minority interests													(54,441)	(18,363)
Net profit for period													1,533,316	1,221,314
Total assets	382,288,672	313,228,599	26,435,312	16,594,896	3,051,653	3,572,328	7,600,043	8,270,459	6,332,850	4,858,003	(6,378,157)	(6,698,782)	419,330,373	339,825,503
Total liabilities	345,038,550	286,088,449	26,435,312	16,594,896	1,864,412	2,515,509	2,521,215	3,447,421	4,799,186	3,884,425	(2,819,764)	(3,211,722)	377,838,911	309,318,978
Cash flow from operating activities	3,209,634	(553,156)	(1,183,941)	(2,675,027)	(81,227)	64,730	118,966	(72,811)	196,018	225,176	(85,358)	75,867	2,174,092	(2,935,221)
Cash flow from Investing activities	2,832,740	(3,126,932)	-	-	11,534	24,456	(2,213)	(8,805)	(202,389)	(228,695)	228,621	122,221	2,868,293	(3,217,755)
Cash flow from financing activities	6,931,472	6,015,109	-	-	66,462	(4,548)	(162,520)	(31,260)	-	-	(180,420)	369,878	6,648,994	6,349,179

**Stock Broking, Security Dealings, Remittances and Foreign Currency Related Services.

EXPLANATORY NOTES

- There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year 2011.
- 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.
- 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 whereby these interim financial statements were prepared in accordance with the 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 below.
- 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**	
	Voting	Non voting	Voting	Non voting
Number of options brought forward	82,713	15,331	3,427,335	839,696
Number of options exercised	-	-	(59,622)	(20,885)
Number of options expired	-	-	-	-
Number of options remaining	82,713	15,331	3,367,713	818,811
Option exercise price	Rs. 77.33	Rs. 35.07	Rs. 111.43	Rs. 65.67
Average market price	Rs. 150.00	Rs. 93.17	Rs. 150.00	Rs. 93.17

*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.

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 its associate company Delma Exchange & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
- Pursuant to a resolution adopted by the Shareholders of the Bank at the said 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 number of shares as at 31st March 2012 is stated after taking this into account. 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. However the new shares were uploaded to the respective CDS accounts/suspense accounts of the shareholders on 11th April 2012. Therefore, the figures given for the 20 major shareholders for voting and non-voting shares and the Directors' and CEO's holding in shares reflect the position immediately before the uploading of the new shares as above said under the scrip dividend issue.
- Bank entered into an agreement with the German Development Finance Institution DEG on 23rd April 2012 to raise US\$ 25 Mn through an 8 year subordinated loan to further strengthen the Bank's TIER II capital.
- 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.
- At a Board Meeting held on 30th March 2012, it was decided that four new Directors namely Mr L U D Fernando, Mr D T S H Mudalige, Ms D S C Jayawardena and Mr R S Captain be appointed to the Board of Directors of the Bank with effect from 2nd April 2012, to fill 4 casual vacancies.
- There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements other than as disclosed in note 9, 10 & 11.

13. Impact on SLFRS/LKAS adoption - Bank

Impact to the Statement of Comprehensive Income	Rs. 000
Net profit for the 3 months ended 31st March 2012	1,436,339
(as per SLAS applicable immediately prior to 01st January 2012)	
Add/(less) : Impact on SLFRS/LKAS adoption	
Impairment of loans and advances	48,430
Measurement of customer deposits at effective interest rate	(41,755)
Measurement of forward exchange contracts & swaps (derivatives) at fair value	90,236
Impact from other adjustments relating to LKAS 32 & 39	18,734
Adjusted net profit for the 3 months ended 31st March 2012	1,551,984

Impact on Other Comprehensive Income	
Measurement of Available For Sale securities at fair value	(232,150)
Total comprehensive income for the 3 months ended 31st March 2012	1,319,834

Impact to the Net Assets	Rs. 000
Net assets as at 31st March 2012	37,250,122
(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	2,272,698
Measurement of staff loans at fair value	72,567
Impairment on loans & advances	(868,514)
Measurement of off balance sheet items at fair value	(159,477)
Measurement of customer deposits at effective interest rate	343,233
Measurement of forward exchange contracts & swaps (derivatives) at fair value	76,474
Impact from other adjustments relating to LKAS 32 & 39	(5,290)
Adjusted net assets as at 31st March 2012	38,981,813

The impact from the application of LKAS 32 – Financial Instruments – Presentation and LKAS 39 – Financial Instruments – Recognition & Measurement has been incorporated in the above analysis. The Bank is in the process of assessing the impact from the other standards.

The above figures are provisional and subject to the review by auditors.

The tax impact on the above adjustments relating to the adoption of SLFRS/LKAS has not been considered in computing the adjusted comprehensive income for the 3 months ended 31st March 2012 and the adjusted net assets as at 31st March 2012.

SELECTED PERFORMANCE INDICATORS

	As at 31.03.2012	As at 31.12.2011	As at 31.03.2012	As at 31.12.2011
	Bank		Group	
Regulatory Capital Adequacy				
Core capital (Tier 1 Capital) Rs.Mn	30,533	31,833	32,375	33,664
Total Capital Base. Rs.Mn	34,837	36,217	37,199	38,557
Core capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	11.70%	12.76%	11.82%	12.90%
Total capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	13.35%	14.51%	13.58%	14.77%

	As at 31.03.2012	As at 31.12.2011
	Bank	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	4.32%	3.93%
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	2.70%	2.33%
Profitability (Annualised)		
Interest Margin, %	4.65%	4.68%
Return on Assets (before Tax), %	2.16%	2.22%
Return on Equity, %	15.29%	17.84%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking Unit	69,289	67,711
Off-Shore Banking Unit	6,128	6,114
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking Unit	21.73%	21.45%
Off-Shore Banking Unit	21.42%	21.60%

LISTED DEBENTURE INFORMATION

Quarter Ended 31st March	Market Value				Yield as at Last Trade Done	2012	2011
	2012		2011				
	Highest	Lowest	Highest	Lowest	Quarter Ended 31st March		
	Rs.	Rs.	Rs.	Rs.	HNB DEBENTURES 2002		
HNB DEBENTURES 2002					10 year Fixed Rate (14.20% p.a.)	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/T	N/T
10 year Floating Rate (TB + 1.25% p.a.)	N/T	N/T	N/T	N/T	HNB DEBENTURES 2006		
HNB DEBENTURES 2006					6 year Floating Rate (TB + 2.25% p.a.)	N/T	N/T
6 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
7 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
8 year Floating Rate (TB + 2.25% p.a.)	N/T	N/T	N/T	N/T	15 year Fixed Rate (11.00% p.a.)	N/T	N/T
15 year Fixed Rate (11.00% p.a.)	N/T	N/T	N/T	N/T	18 year Fixed Rate (11.25% p.a.)	N/T	N/T
18 year Fixed Rate (11.25% p.a.)	N/T	N/T	N/T	N/T	HNB DEBENTURES 2007		
HNB DEBENTURES 2007					10 year Fixed Rate (16.00% p.a.)	N/T	N/T
10 year Fixed Rate (16.00% p.a.)	N/T	N/T	N/T	N/T	15 year Fixed Rate (16.75% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/T	N/T	N/T	N/T	HNB DEBENTURES 2011		
HNB DEBENTURES 2011					10 year Fixed Rate (11.50% p.a.)	N/T	N/A
10 year Fixed Rate (11.50% p.a.)	N/T	N/T	N/A	N/A			

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

	Yield to Maturity of Last Trade Done (% p.a)	
Quarter Ended 31st March	2012	2011
HNB DEBENTURES 2002		
10 year Fixed Rate (14.20% p.a.)	N/T	N/T
10 year Floating Rate (TB + 1.25% p.a.)**	N/A	N/A
HNB DEBENTURES 2006		
6 year Floating Rate (TB + 2.25% p.a.)**	N/A	N/A
7 year Floating Rate (TB + 2.25% p.a.)**	N/A	N/A
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
HNB DEBENTURES 2007		
10 year Fixed Rate (16.00% p.a.)	N/T	N/T
15 year Fixed Rate (16.75% p.a.)	N/A	N/A
HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/A

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

RATIOS OF DEBT		
	31.03.2012	31.03.2012
Debt Equity Ratio (%)	12.87	12.89
	31.03.2011	31.12.2011
Interest Cover (Times)	22.96	20.02
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2002 series 10 year maturity	11.06	7.48
2006 series 6 year maturity	11.06	7.35
2006 series 7 year maturity	11.06	7.59
2006 series 8 year maturity	11.06	8.20
2006 series 15 year maturity	N/Q	N/Q
2006 series 18 year maturity	11.83	9.37
2007 series 10 year maturity	11.74	9.10
2007 series 15 year maturity	N/Q	N/Q
2011 series 10 year maturity	N/Q	N/A
N/Q - Not Quoted, N/A - Not Applicable		

SHARE INFORMATION

As at	31-Mar-2012	31-Dec-2011
Number of Shares		
Voting	317,148,017	311,406,247
Non-voting	79,419,861	77,190,596
Last Traded Price per Share		
Voting	153.00	151.30
Non-voting	94.50	83.20

For the Quarter Ended	31-Mar-2012	31-Mar-2011
Highest Price per Share		
Voting	159.00	410.00
Non-voting	96.80	228.00
Lowest Price per Share		
Voting	135.00	365.00
Non-voting	77.50	202.00

PUBLIC SHAREHOLDING PERCENTAGE

	As at 31st March 2012
Voting	68% approx.
Non-voting	96% approx.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	31-Mar-2012	31-Dec-2011
1 Dr. Rane Jayamaha	100	100
2 Mr. R. Theagarajah*	36,001	36,001
3 Mr. D.H.S. Jayawardena**	-	16,516
4 Mr. R.K. Obeyesekere***	-	16,516
5 Mrs. P.C. Cooray	76,886	76,886
6 Mr. N.G. Wickremaratne	8,300	8,300
7 Ms. M.A.R.C. Cooray	5,165	5,165
8 Dr. W.W. Gamage	100	-
9 Dr. L.R. Karunaratne	1,000	1,000

* Chief Executive Officer

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

*** Resigned on 30th December 2011

Refer Note 8 in explanatory notes.

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

	Name	No. of Shares	Total capital %
1.	Sri Lanka Insurance Corporation Ltd.(General fund)	46,940,572	15.07
2.	Employees Provident Fund	29,891,300	9.60
3.	Milford Exports (Ceylon) Limited	25,365,532	8.14
4.	Stassen Exports Ltd	21,986,002	7.06
5.	Brown & Company Ltd A/c No.01	21,788,629	7.00
6.	Mr.Sohli Edelji Captain	18,388,090	5.90
7.	Sonetto Holdings Limited	14,434,589	4.63
8.	HSBC Intl Nom Ltd - SSBT-Janus Overseas Fund	14,210,400	4.56
9.	Distilleries Company of Sri Lanka Limited	9,836,818	3.16
10.	National Savings Bank	9,204,030	2.96
11.	HSBC Intl Nom Ltd - SSBT-Janus Aspen Series Overseas Portfol	6,438,600	2.07
12.	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,104,640	1.96
13.	SBI VEN Holdings Pte Ltd	5,739,600	1.84
14.	HSBC Intl Nominees Ltd-BBH-GMO Emerging Markets Fund	5,719,254	1.84
15.	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	5,046,230	1.62
16.	FI-CIBLUX S/A Batterymarch Global Emerging Market Fund	4,369,200	1.40
17.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return Fund	3,387,180	1.09
18.	Ms.Leesha Anne Captain	2,818,600	0.90
19.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	2,581,425	0.83
20.	Employees Trust Fund	1,702,469	0.55

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 31ST MARCH 2012

	Name	No. of Shares	Total capital %
1.	Legallnc Trustee Services (Pvt) Ltd	15,069,901	19.52
2.	Employees Trust Fund Board	2,555,688	3.31
3.	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	2,486,000	3.22
4.	HINL-JPMCB-Butterfield Trust (Bermuda) LTD	1,930,665	2.50
5.	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return	1,656,000	2.14
6.	Pershing LLC S/A Averbach Grauson & Co.	1,484,600	1.92
7.	Mr. Sohli Edelji Captain	1,402,719	1.82
8.	Bank of Ceylon No.1 Account	1,187,550	1.54
9.	Mr. Yonmerenne Simon Hewage Indrakumara Silva	1,159,029	1.50
10.	National Savings Bank	1,072,500	1.39
11.	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	983,000	1.27
12.	Bank of Ceylon A/c Ceybank Century Growth Fund	713,800	0.92
13.	DFCC Bank A/c No. 01	696,040	0.90
14.	Deutsche Bank AG- National Equity Fund	630,000	0.82
15.	Waldock Mackenzie Ltd/Mr. H M S Abdulhussein	623,650	0.81
16.	Hatton National Bank PLC A/c No. 2	558,752	0.72
17.	Union Assurance PLC No. 1 A/c	506,850	0.66
18.	Akbar Brothers Pvt Ltd A/c No.1	504,850	0.65
19.	Asian Alliance Insurance Plc - Ac 02 (Life fund)	462,250	0.60
20.	Deutsche Bank AG as Trustee for Namal Acuity Value Fund	450,000	0.58

Refer Note 8 in explanatory notes.