



Hatton National Bank PLC

**Interim Financial Statements
for the Nine Months Ended 30th September 2012**

INCOME STATEMENT

	BANK						GROUP					
	For the Nine Months ended 30th September			For the Quarter ended 30th September			For the Nine Months ended 30th September			For the Quarter ended 30th September		
	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	37,936,496	27,183,554	40	13,687,487	9,564,362	43	40,597,920	29,547,477	37	14,604,261	10,398,568	40
Interest Income	33,821,171	24,017,702	41	12,401,529	8,556,821	45	34,279,526	24,322,470	41	12,556,210	8,668,502	45
Interest Income on Loans and Advances	28,550,899	20,375,918	40	10,284,167	7,366,108	40	28,403,204	20,373,981	39	10,231,411	7,470,336	37
Interest Income on other Interest Earning Assets	5,270,272	3,641,784	45	2,117,362	1,190,713	78	5,876,322	3,948,489	49	2,324,799	1,198,166	94
Less: Interest Expense	18,701,727	11,988,457	56	7,125,897	4,360,349	63	18,786,955	12,062,325	56	7,158,693	4,385,914	63
Interest Expenses on Deposits	15,709,648	10,074,107	56	5,921,390	3,582,724	65	15,686,523	10,068,247	56	5,913,982	3,580,690	65
Interest Expenses on other Interest Bearing Liabilities	2,992,079	1,914,350	56	1,204,507	777,625	55	3,100,432	1,994,078	55	1,244,711	805,224	55
Net Interest Income	15,119,444	12,029,245	26	5,275,632	4,196,472	26	15,492,571	12,260,145	26	5,397,517	4,282,588	26
Non- Interest Income	4,115,325	3,165,852	30	1,285,958	1,007,541	28	6,318,394	5,225,007	21	2,048,051	1,730,066	18
Foreign Exchange Income	1,186,773	767,774	55	346,111	241,125	44	1,189,015	771,105	54	344,968	241,909	43
Other Income	2,928,552	2,398,078	22	939,847	766,416	23	5,129,379	4,453,902	15	1,703,083	1,488,157	14
	19,234,769	15,195,097	27	6,561,590	5,204,013	26	21,810,965	17,485,152	25	7,445,568	6,012,654	24
Less: Non - Interest Expenses	10,257,705	9,098,149	13	3,436,881	3,084,761	11	12,411,358	10,974,091	13	4,177,624	3,760,555	11
Personnel Costs	4,176,373	3,620,164	15	1,476,925	1,204,010	23	4,587,286	3,965,796	16	1,606,891	1,300,191	24
Provision for Staff Retirement Benefits	745,330	706,401	6	249,001	244,669	2	758,712	715,771	6	253,777	247,743	2
Premises, Equipment & Establishment Expenses	2,494,588	2,249,778	11	846,926	778,164	9	2,465,688	2,182,566	13	842,370	788,619	7
Loss on Trading / Investment Securities	94,430	98,272	(4)	(60,355)	56,835	-	99,580	98,272	1	(113,741)	56,835	(300)
Amortization of Intangible Assets	128,764	129,721	(1)	43,938	43,777	-	138,641	139,349	(1)	47,363	46,844	1
Other Operating Expenses	2,618,220	2,293,813	14	880,446	757,306	16	4,361,451	3,872,337	13	1,540,964	1,320,323	17
Less: Provision for Bad & Doubtful Debts & Loans written off	1,102,434	(405,920)	372	490,712	(253,364)	294	1,102,434	(405,920)	372	490,712	(253,366)	294
Provisions -General	100,280	(253,869)	140	23,003	(162,993)	114	100,280	(253,869)	140	23,003	(162,993)	114
Provisions -Specific	1,345,032	239,743	461	560,433	63,165	787	1,345,032	239,743	461	560,433	63,164	787
Recoveries(-)	(344,005)	(391,992)	(12)	(93,851)	(153,536)	(39)	(344,005)	(391,992)	(12)	(93,851)	(153,537)	(39)
Loans Written -Off	1,127	198	469	1,127	-	-	1,127	198	469	1,127	-	-
Provision Charged / (Reversal) for decline in value of Investments (Net)	18,790	81,869	(77)	(511)	81,869	(101)	18,790	91,037	(79)	(512)	86,365	(101)
Operating Profit on Ordinary Activities before Taxes	7,855,840	6,420,999	22	2,634,508	2,290,747	15	8,278,383	6,825,944	21	2,777,744	2,419,100	15
Less: Value Added Tax on Financial Services	1,142,021	1,026,934	11	407,584	339,532	20	1,142,021	1,026,934	11	407,584	339,532	20
Operating Profit on Ordinary Activities before Corporate Tax	6,713,819	5,394,065	24	2,226,924	1,951,215	14	7,136,362	5,799,010	23	2,370,160	2,079,568	14
Share of Associate Companies Profit / (Loss)	-	-	-	-	-	-	10,467	(16,814)	162	13,114	(4,568)	387
Operating Profit before Corporate Tax	6,713,819	5,394,065	24	2,226,924	1,951,215	14	7,146,829	5,782,196	24	2,383,274	2,075,000	15
Less: Tax on Profits on Ordinary Activities	2,102,470	1,799,590	17	688,915	672,697	2	2,144,986	1,853,437	16	701,991	688,025	2
Operating Profit after Corporate Tax	4,611,349	3,594,475	28	1,538,009	1,278,518	20	5,001,843	3,928,759	27	1,681,283	1,386,975	21
Less: Minority Interest	-	-	-	-	-	-	84,544	34,076	148	4,904	6,132	(20)
Extraordinary Items (Net)	-	-	-	-	-	-	-	-	-	-	-	-
Operating Profit for the Period	4,611,349	3,594,475	28	1,538,009	1,278,518	20	4,917,299	3,894,683	26	1,676,379	1,380,843	21
Basic Earnings per Ordinary Share (Rs.)	11.63	9.69	20	3.88	3.10	25	12.40	10.50	18	4.23	3.35	26
Diluted Earnings per Ordinary Share (Rs.)	11.59	9.62	20	3.87	3.08	26	12.36	10.42	19	4.21	3.33	26

BALANCE SHEET						
	BANK			GROUP		
	As at	As at		As at	As at	
	30.09.2012	31.12.2011	% Increase/	30.09.2012	31.12.2011	% Increase/
	Rs. 000	Rs. 000	(Decrease)	Rs. 000	Rs. 000	(Decrease)
		(Audited)			(Audited)	
ASSETS						
Cash in Hand	6,383,317	6,919,918	(8)	6,406,514	6,953,990	(8)
Statutory Deposit with Central Bank of Sri Lanka	19,492,732	18,683,405	4	19,492,732	18,683,405	4
Statutory Deposit with Central Bank of Oman	-	-	-	16,815	14,792	14
Due from Banks and other Financial Institutions	6,549,335	9,217,314	(29)	9,747,853	12,251,489	(20)
Investments - Trading account	477,235	1,142,064	(58)	896,448	1,867,368	(52)
Government Securities	73,204	418,748	(83)	258,954	888,048	(71)
Other Securities	404,031	723,316	(44)	637,494	979,320	(35)
Investments - Held to Maturity	76,937,662	63,102,771	22	80,470,692	66,115,203	22
Government Securities	73,161,931	58,941,727	24	75,705,917	61,049,603	24
Other Securities	3,775,731	4,161,044	(9)	4,764,775	5,065,600	(6)
Less: Provision for decline in value of investment	(119,907)	(160,270)	(25)	(132,407)	(172,770)	(23)
Investments in Associates and Subsidiaries	2,440,959	2,440,959	-	417,624	384,319	9
Investments in Joint Venture Company	655,000	655,000	-	-	-	-
Total Loans and Advances						
Total Performing Loans and Advances	287,116,043	251,710,525	14	286,186,451	250,103,231	14
Bills of Exchange	809,616	347,323	133	809,616	347,323	133
Overdrafts	55,089,975	46,878,540	18	54,847,716	46,355,672	18
Receivable on Leases	25,032,407	24,031,886	4	25,032,407	24,031,886	4
Other Loans and Advances	206,184,045	180,452,776	14	205,496,712	179,368,350	15
Total Non-performing Loans and Advances	13,782,106	11,966,700	15	13,782,106	11,966,700	15
Bills of Exchange	99,371	106,026	(6)	99,371	106,026	(6)
Overdrafts	1,494,294	1,242,986	20	1,494,294	1,242,986	20
Receivable on Leases	966,133	536,893	80	966,133	536,893	80
Other Loans and Advances	11,222,308	10,080,795	11	11,222,308	10,080,795	11
Interest Receivable	-	-	-	-	-	-
Total Gross Loans and Advances	300,898,149	263,677,225	14	299,968,557	262,069,931	14
Less:						
Suspended Interest	1,678,307	1,670,016	-	1,678,307	1,670,016	-
Specific Loan loss Provision	4,216,628	3,146,829	34	4,216,628	3,146,829	34
General Loan loss Provision	1,151,743	1,037,448	11	1,151,743	1,037,448	11
Net Loans and Advances	293,851,471	257,822,932	14	292,921,879	256,215,638	14
Other Assets	10,812,708	9,592,752	13	11,873,115	10,642,999	12
Intangible Assets	525,455	549,503	(4)	638,388	670,774	(5)
Investment Properties	350,946	349,374	-	165,602	169,028	(2)
Property, Plant & Equipment (net)	7,802,090	7,834,866	-	14,658,944	14,789,627	(1)
Total Assets	426,159,003	378,150,588	13	437,574,199	388,585,862	13

BALANCE SHEET						
	BANK			GROUP		
	As at	As at		As at	As at	
	30.09.2012	31.12.2011	% Increase/	30.09.2012	31.12.2011	% Increase/
	Rs. 000	Rs. 000	(Decrease)	Rs. 000	Rs. 000	(Decrease)
		(Audited)			(Audited)	
LIABILITIES						
Total Deposits	323,754,048	288,029,227	12	323,373,999	287,595,380	12
Demand Deposits	22,056,791	21,771,035	1	21,957,880	21,648,695	1
Savings Deposits	107,204,303	111,117,054	(4)	107,189,243	111,110,306	(4)
Time Deposits	191,388,904	151,257,873	27	191,129,186	150,953,114	27
Margin Deposits	1,024,954	1,377,110	(26)	1,024,954	1,377,110	(26)
Other Deposits	2,079,096	2,506,155	(17)	2,072,736	2,506,155	(17)
Total Borrowings	37,063,040	30,143,821	23	38,782,237	31,972,208	21
Borrowings from CBSL	1,741,343	1,713,317	2	1,741,343	1,713,317	2
Borrowings from Banks and Financial Institutions in Sri Lanka	11,320,775	9,731,549	16	11,439,214	9,841,904	16
Borrowings from Banks and Financial Institutions Abroad	13,271,188	6,947,900	91	13,271,188	6,940,330	91
Securities sold under Repurchase Agreements	5,932,303	6,559,088	(10)	7,547,311	8,311,440	(9)
Subordinate Term Debentures	4,452,329	4,781,098	(7)	4,438,079	4,754,348	(7)
Other Borrowings	345,102	410,869	(16)	345,102	410,869	(16)
Insurance provision -Life	-	-	-	3,542,148	2,990,998	18
Insurance provision -General	-	-	-	906,524	924,262	(2)
Deferred Taxation	1,266,355	1,168,800	8	1,261,587	1,164,032	8
Current Taxation	2,512,768	1,679,787	50	2,618,431	1,750,987	50
Other Liabilities	21,088,109	20,041,090	5	22,057,458	21,022,002	5
Total Liabilities	385,684,320	341,062,725	13	392,542,384	347,419,869	13
EQUITY CAPITAL AND RESERVES						
Stated Capital	12,557,363	11,451,451	10	12,557,363	11,451,451	10
Statutory Reserves	3,784,754	2,778,337	36	3,784,754	2,778,337	36
Total Other Reserves	24,132,566	22,858,075	6	27,798,399	26,143,908	6
	40,474,683	37,087,863	9	44,140,516	40,373,696	9
Minority Interest	-	-	-	891,299	792,297	12
	40,474,683	37,087,863	9	45,031,815	41,165,993	9
Total Liabilities & Shareholder's Funds	426,159,003	378,150,588	13	437,574,199	388,585,862	13
Contingencies	142,634,948	145,448,691	(2)	142,634,948	145,448,691	(2)
Commitments & Contra Accounts	8,233,198	7,140,352	15	8,233,198	7,140,352	15
Net asset value per share	Rs. 101.95	Rs. 93.54	9	Rs. 111.18	Rs. 101.83	9
No of Employees	4,670	4,584				
No of Customer centers	244	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 30th September 2012 and its profit for the 9 months ended 30th September 2012.

(Sgd.)

Ajantha de Vas Gunasekara

Chief Financial Officer

07th November 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

07th November 2012

(Sgd.)

Dr. Ranee Jayamaha

Chairperson

07th November 2012

STATEMENT OF CHANGES IN EQUITY

BANK	Stated Capital		Statutory Reserves		Capital Reserve	Other Reserves	Retained Earnings	Total
	Ordinary Voting	Ordinary Non-voting	Statutory Reserve Fund	Investment Fund Account *				
	Rs.000	Rs.000	Rs.000	Rs.000				
For the 9 months ended 30.09.2012								
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	-	-	-	-	1,624	-	-	1,624
Shares Issued under ESOP	47,569	8,914	-	-	-	-	-	56,483
Transferred to Investment Fund	-	-	-	1,006,417	-	-	(1,006,417)	-
Transfer of Revaluation Reserve for disposal of PPE	-	-	-	-	(5,689)	-	5,689	-
Net Profit for the Nine Months	-	-	-	-	-	-	4,611,348	4,611,348
Balance as at 30.09.2012	10,031,853	2,525,510	1,800,000	1,984,754	3,005,921	15,400,000	5,726,645	40,474,683
For the 9 months ended 30.09.2011								
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	-	-	-	-	-	-	(1,243,693)	(1,243,693)
Deferred Tax Liability for Revaluation Reserve	-	-	-	-	3,850	-	-	3,850
Shares Issued under ESOP	39,612	3,930	-	-	-	-	-	43,542
Rights Issue	5,228,644	838,155	-	-	-	-	-	6,066,799
Transferred to Investment Fund	-	-	-	699,068	-	-	(699,068)	-
Transfer of Revaluation Reserve for disposal of PPE	-	-	-	-	(19,374)	-	19,374	-
Net Profit for the Nine Months	-	-	-	-	-	-	3,594,474	3,594,474
Balance as at 30.09.2011	9,123,236	2,305,655	1,510,000	699,068	3,009,445	13,000,000	6,091,335	35,738,739

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 Nine months ended 30.09.2012										
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)
Deferred tax liability for Revaluation Reserve	-	-	-	-	1,624	-	-	-	-	1,624
Exchange gain on translation of Financial Statements of foreign operations	-	-	-	-	-	-	5,800	-	8,736	14,536
Shares Issued under ESOP	47,569	8,914	-	-	-	-	-	-	-	56,483
Transferred to Investment Fund	-	-	-	1,006,417	-	-	-	(1,006,417)	-	-
Transfer of Revaluation Reserve for disposal of PPE	-	-	-	-	(5,689)	-	-	5,689	-	-
Subsidiary write off	-	-	-	-	-	-	3,665	(3,665)	-	-
Effect on deemed disposal of Subsidiary	-	-	-	-	-	-	-	68,249	56,768	125,017
Net profit for the Nine Months	-	-	-	-	-	-	-	4,917,299	84,544	5,001,843
Balance as at 30.09.2012	10,031,853	2,525,510	1,800,000	1,984,754	5,772,743	15,400,000	15,198	6,610,458	891,299	45,031,815
For the Nine months ended 30.09.2011										
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 for 2010	-	-	-	-	-	-	-	(1,243,693)	(39,205)	(1,282,898)
Deferred tax liability for Revaluation Reserve	-	-	-	-	3,850	-	-	-	-	3,850
Exchange loss on translation of Financial Statements of foreign operation	-	-	-	-	-	-	321	-	(400)	(79)
Shares Issued under ESOP	39,611	3,930	-	-	-	-	-	-	-	43,541
Rights issue	5,228,644	838,155	-	-	-	-	-	-	-	6,066,799
Transferred to investment fund	-	-	-	699,068	-	-	-	(699,068)	-	-
Transfer of Revaluation Reserve for disposal of PPE	-	-	-	-	(19,374)	-	-	19,374	-	-
Investment made by Minority Share holders in Rights issue	-	-	-	-	-	-	-	-	156,250	156,250
Net profit for the Nine Months	-	-	-	-	-	-	-	3,894,683	34,076	3,928,759
Balance as at 30.09.2011	9,123,235	2,305,655	1,510,000	699,068	5,776,267	13,000,000	3,065	6,326,320	739,313	39,482,923

* 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 9 months ended 30th September	BANK		GROUP	
	2012 Rs'000	2011 Rs'000	2012 Rs'000	2011 Rs'000
Cash Flows from Operating Activities				
Interest & Commission Receipts	31,643,564	23,281,029	32,088,493	23,670,659
Interest Payments	(17,876,830)	(10,929,751)	(17,962,058)	(10,996,360)
Receipts from Other Operating Activities	1,352,984	834,513	3,405,864	2,656,803
Cash Payments to Employees	(4,392,386)	(4,182,004)	(4,819,626)	(4,501,967)
Cash Payments to Suppliers	(1,838,920)	(1,698,834)	(1,694,266)	(1,527,399)
Recoveries of Loans Written-off in Previous Years	4,696	3,423	4,696	3,423
Cash Payments to Other Operating Activities	(4,225,415)	(4,812,250)	(5,453,358)	(5,638,332)
Operating Profit before Changes in Operating Assets & Liabilities	4,667,693	2,496,126	5,569,745	3,666,827
(Increase) / Decrease in Operating Assets				
Deposits held for Regulatory or Monetary Control Purpose	(809,327)	(3,928,693)	(809,327)	(3,928,693)
Loans and Advances	(37,130,888)	(49,675,111)	(37,808,590)	(49,817,195)
Other Short Term Assets	299,025	(907,336)	72,340	(1,067,063)
	(37,641,190)	(54,511,140)	(38,545,577)	(54,812,951)
Increase / (Decrease) in Operating Liabilities				
Deposits from Customers	34,870,881	31,365,647	34,924,679	31,359,397
Negotiable Certificate of Deposit	853,940	469,765	853,940	469,765
Other Liabilities	(214,038)	759,847	159,294	597,753
	35,510,783	32,595,259	35,937,913	32,426,915
Net Cash Generated from / (used in) Operating Activities before Income Tax	2,537,286	(19,419,755)	2,962,081	(18,719,209)
Income Taxes Paid	(781,640)	(1,744,572)	(789,693)	(1,820,408)
Net Cash Generated from / (used in) Operating Activities	1,755,646	(21,164,327)	2,172,388	(20,539,617)
Cash Flows from Investing Activities				
Dividend Income	242,064	365,490	209,130	378,017
Net Sales / (Purchase) of Dealing Securities	672,354	(760,123)	984,255	(1,429,660)
Net (Purchase) / Sales of Investment Securities	(10,847,060)	(3,502,633)	(11,312,172)	(4,152,029)
Purchase of Property, Plant & Equipment	(571,117)	(813,616)	(590,119)	(845,516)
Purchase of Intangible Assets	(104,716)	(131,508)	(105,583)	(133,913)
Improvements to Investment Properties	(5,085)	(393)	(5,085)	(393)
Investment in Subsidiary Company	-	(234,320)	-	-
Investment in Associates by Subsidiary & Joint Venture company	-	-	(20,000)	(109,421)
Proceeds from Sale of Property Plant & Equipment	30,691	78,545	31,150	81,932
Net Cash Flows Generated from / (used in) Investing Activities	(10,582,869)	(4,998,558)	(10,808,424)	(6,210,983)
Cash Flows from Financing Activities				
Increase/ (Decrease) in Debentures	(375,723)	2,000,000	(363,223)	2,000,000
Increase / (Decrease) of Borrowings	7,247,988	12,443,778	7,126,298	12,752,189
Dividends Paid	(1,300,456)	(1,231,868)	(1,351,502)	(1,271,073)
Proceeds from Rights Issue	-	6,066,799	-	6,223,049
Proceeds from Issue of Shares under ESOP	56,483	43,542	56,483	43,542
Share Issue Expenses	(5,649)	(45,714)	(8,149)	(50,048)
Proceeds from deemed disposal of shares in subsidiary company	-	-	125,017	-
Net Cash Generated from Financing Activities	5,622,643	19,276,537	5,584,924	19,697,659
Net Decrease in Cash and Cash Equivalents	(3,204,580)	(6,886,348)	(3,051,112)	(7,052,941)
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	12,932,652	12,873,277	16,154,367	14,625,378

SEGMENT REPORTING

	Banking		Leasing		Dealing**		Property		Insurance		Elimination / unallocated		Consolidated	
9 Months ended 30th September	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Total revenue from external customers	35,012,519	24,943,151	2,757,087	2,059,209	326,601	499,876	126,005	110,903	2,383,744	2,003,019	(8,036)	(68,681)	40,597,920	29,547,477
Inter segment revenue	166,890	181,194	-	-	6,500	12,092	461,438	461,224	60,586	51,945	-	-	695,414	706,455
Total revenue	35,179,409	25,124,345	2,757,087	2,059,209	333,101	511,968	587,443	572,127	2,444,330	2,054,964	(8,036)	(68,681)	41,293,334	30,253,932
Segment result	5,563,882	4,773,684	1,877,908	1,300,075	71,326	198,160	299,749	288,220	208,457	101,024	(13,391)	(64,599)	8,007,931	6,596,564
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(871,569)	(797,554)
Profit from operations	-	-	-	-	-	-	-	-	-	-	-	-	7,136,362	5,799,010
Income from Associates	-	-	-	-	-	-	-	-	-	-	-	-	10,467	(16,814)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	(2,144,986)	(1,853,437)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(84,544)	(34,076)
Net profit for period	-	-	-	-	-	-	-	-	-	-	-	-	4,917,299	3,894,683
Total assets	400,160,463	346,585,650	25,998,540	22,489,192	3,309,406	3,449,978	7,272,519	7,796,571	6,677,694	5,716,827	(5,844,423)	(6,605,074)	437,574,199	379,433,144
Total liabilities	359,685,780	310,846,911	25,998,540	22,489,192	2,091,988	2,335,305	2,053,270	2,861,610	5,037,759	4,317,373	(2,324,953)	(2,900,271)	392,542,384	339,950,120
Cash flow from operating activities	3,185,915	(12,594,455)	(1,430,269)	(8,569,872)	(106,034)	(50,361)	503,815	180,506	577,133	721,149	(558,172)	(226,584)	2,172,388	(20,539,617)
Cash flow from Investing activities	(10,582,869)	(4,998,558)	-	-	45,118	(24,824)	(2,878)	8,443	(683,460)	(1,131,080)	415,667	(64,964)	(10,808,424)	(6,210,983)
Cash flow from financing activities	5,622,643	19,276,537	-	-	46,121	(37,673)	(287,560)	(293,780)	-	386,246	203,720	366,329	5,584,924	19,697,659

** 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 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 12 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**		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 Allotted	-	-	-	-	3,861,708	957,155
Number of options exercised	-	-	(336,140)	(102,586)	(69,372)	(26,747)
Number of options expired	-	-	-	-	-	-
Number of options remaining	82,713	15,331	3,091,195	737,110	3,792,336	930,408
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. 148.96	Rs. 95.93	Rs. 148.96	Rs. 95.93	Rs. 148.96	Rs. 95.93

* 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 its Associate Company Delma Exchange & the Group's interest in Joint Venture Acuity Partners (Pvt) Ltd.
- 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.
- 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 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.
- 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.
- There are no material events that took place after the balance sheet date which require adjustment or disclosure in the financial statements.
- Impact on SLFRS/LKAS adoption - Bank**

Impact to the Statement of Comprehensive Income	Rs. 000
Net profit for the 9 months ended 30th September 2012	4,611,349
(as per SLAS applicable immediately prior to 01st January 2012)	
Add/(less) : Impact on SLFRS/LKAS adoption	
Impairment of loans and advances	531,200
Measurement of customer deposits at effective interest rate	(83,084)
Measurement of forward exchange contracts & swaps (derivatives) at fair value	89,376
Amortisation of front end fees	91,942
Impact from other adjustments relating to LKAS 32 & 39	9,804
Adjusted net profit for the 9 months ended 30th September 2012	5,250,587
Impact on Statement of Other Comprehensive Income	
Measurement of Available For Sale securities at fair value	324,681
Total comprehensive income for the 9 months ended 30th September 2012	5,575,268
Impact to the Net Assets	
Net assets as at 30th September 2012	40,474,683
(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	2,750,612
Measurement of staff loans at fair value	69,016
Impairment on loans & advances	(364,550)
Measurement of off balance sheet items at fair value	(137,879)
Measurement of customer deposits at effective interest rate	301,904
Measurement of forward exchange contracts & swaps (derivatives) at fair value	75,612
Amortisation of front end fee	91,942
Impact from other adjustments relating to LKAS 32 & 39	(4,315)
Adjusted net assets as at 30th September 2012	43,257,025

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 review by the 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 9 months ended 30th September 2012 and the adjusted net assets as at 30th September 2012.

SELECTED PERFORMANCE INDICATORS

	As at 30.09.2012	As at 31.12.2011	As at 30.09.2012	As at 31.12.2011
	Bank		Group	
Regulatory Capital Adequacy				
Core capital (Tier 1 Capital) Rs.Mn	33,675	31,833	35,679	33,664
Total Capital Base.Rs.Mn	41,151	36,217	43,674	38,557
Core capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	12.72%	12.76%	12.92%	12.90%
Total capital adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	15.54%	14.51%	15.82%	14.77%

	As at 30.09.2012	As at 31.12.2011
	Bank	
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio,% (net of Interest in Suspense)	4.05%	3.93%
Net Non-Performing Advances Ratio,% (net of Interest in Suspense and provisions)	2.25%	2.33%
Profitability (Annualised)		
Interest Margin, %	4.91%	4.68%
Return on Assets (before Tax), %	2.18%	2.22%
Return on Equity, %	15.93%	17.84%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. Mn		
Domestic Banking Unit	79,177	67,711
Off-Shore Banking Unit	7,220	6,114
Statutory Liquid Assets Ratio % (Minimum requirement 20%)		
Domestic Banking Unit	22.06%	21.45%
Off-Shore Banking Unit	21.81%	21.60%

LISTED DEBENTURE INFORMATION

Quarter Ended 30th September	Market Value				Yield as at Last Trade Done		
	2012		2011		Quarter Ended 30th September	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
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 30th September, N/A – Not Applicable							

Yield to Maturity of Last Trade Done (% p.a)

Quarter Ended 30th September	2012	2011
HNB DEBENTURES 2006		
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/T	N/T
HNB DEBENTURES 2011		
10 year Fixed Rate (11.50% p.a.)	N/T	N/A

** The yield to maturity calculation is not applicable for floating rate debentures.
N/T – Not Traded as at 30th September, N/A – Not Applicable

RATIOS OF DEBT		
	30.09.2012	31.12.2011
Debt Equity Ratio (%)	11.00	12.89
	30.09.2012	30.09.2011
Interest Cover (Times)	15.72	19.63
Yield of Comparable Govt. Security for the following HNB Debentures (% p.a.)		
2006 series 7 year maturity	12.57	7.69
2006 series 8 year maturity	12.57	8.10
2006 series 15 year maturity	14.09	N/Q
2006 series 18 year maturity	14.18	9.12
2007 series 10 year maturity	13.43	8.76
2007 series 15 year maturity	14.15	N/Q
2011 series 10 year maturity	14.15	N/A
N/Q - Not Quoted, N/A – Not Applicable		

SHARE INFORMATION

As at	30-Sep-2012	31-Dec-2011
Number of Shares		
Voting	317,529,031	311,406,247
Non-voting	79,540,753	77,190,596
Market Value per share		
Voting (Rs.)	166.00	151.30
Non-voting (Rs.)	113.90	83.20
For the Quarter Ended	30-Sep-2012	30-Sep-2011
Highest price per share for the quarter		
Voting (Rs.)	170.00	220.40
Non-voting (Rs.)	121.70	120.50
Lowest price per share for the quarter		
Voting (Rs.)	130.00	195.00
Non-voting (Rs.)	89.00	90.00

PUBLIC SHAREHOLDING PERCENTAGE

	As at 30th September 2012
Voting	67% approx.
Non-voting	80% approx.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

	Number of shares	
	30-Sept-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****	-	-
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 30TH SEPTEMBER 2012

	Name	No. of Shares	% on Total Voting Capital
1.	Sri Lanka Insurance Corporation Ltd.(General Fund)	47,796,917	15.05
2.	Employees Provident Fund	30,436,612	9.59
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	6.99
6.	Mr.Sohli Edelji Captain	18,723,547	5.90
7.	Sonetto Holdings Limited	14,697,921	4.63
8.	HSBC Intl Nom Ltd - SSBT-Janus Overseas Fund	14,469,642	4.56
9.	Distilleries Company of Sri Lanka PLC	10,016,272	**3.15
10.	National Savings Bank	9,371,940	2.95
11.	HSBC Intl Nom Ltd - SSBT-Janus Aspen Series Overseas Portfolio	6,556,060	2.06
12.	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,235,188	1.96
13.	SBI VEN Holdings Pte Ltd	5,844,308	1.84
14.	HSBC Intl Nominees Ltd-BBH-GMO Emerging Markets Fund	5,649,188	1.78
15.	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	5,138,289	1.62
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.

The information contained in the interim financial statements of the Bank for the quarters ended 31st March 2012 and 30th June 2012 will stand modified by and to the extent of the information contained in the above paragraphs

20 MAJOR SHAREHOLDERS (NON-VOTING) AS AT 30TH SEPTEMBER 2012

	Name	No. of Shares	% on Total Non-Voting Capital
1.	Legallnc Trustee Services (Pvt) Ltd	15,500,925	19.49
2.	HSBC Intl nominees Ltd-JPMLU-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	2.50
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.	DFCC Bank A/c No.01	715,947	0.90
12.	Bank of Ceylon A/c Ceybank Century Growth Fund	697,530	0.88
13.	Waldock Mackenzie Ltd/Mr. H M S Abdulhussein	641,487	0.81
14.	Hatton National Bank PLC A/c No. 2	574,733	0.72
15.	Mr. Jayampathi Divale Bandaranayake	558,189	0.70
16.	Akbar Brothers Pvt Ltd A/c No.1	551,993	0.69
17.	Union Assurance PLC No. 1 A/c	521,346	0.66
18.	Asian Alliance Insurance Plc - Ac 02 (Life fund)	475,471	0.60
19.	MAS Capital (Pvt) LTD	450,215	0.57
20.	Rubber Investment Trust Ltd A/c 01	438,877	0.55