

Ernst & Young Chartered Accountants 201 De Saram Place P.O. Box 101 Colombo 10 Sri Lanka Tel :+94 11 2463500 Fax Gen :+94 11 2697369 Tax :+94 11 5578180

eysl@lk.ey.com ey.com

HMAJ/SPF/BV/TW

The Board of Directors Hatton National Bank PLC No. 479, T B Jaya Mawatha Colombo 10 25 August 2016

# Accountants' Report Hatton National Bank PLC

Dear Sirs/Madams

#### Introduction

This report has been prepared for the purpose of prospectus issued in connection with the issuance of Subordinate, Unsecured, Listed, Redeemable, Rated Debentures of LKR 5,000,000,000/- (5Bn) with an option to increase by LKR 1,000,000,000/- (1Bn) in the event of an oversubscription of the initial issue in order to raise LKR 6,000,000,000/- (6Bn) in total debentures at a Par value of LKR 100/-.

We have examined the financial statements of Hatton National Bank PLC (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (the "Group") for the years ended 31 December 2011 to 31 December 2015, and report as follows.

# 1. Incorporation

The Bank is a public quoted company incorporated on 05 March 1970 and domiciled in Sri Lanka. It is a Licensed Commercial Bank regulated under the Banking Act No.30 of 1988 and amendments thereto. The Bank was re-registered under the Companies Act No.07 of 2007 under the registration number PQ 82. The shares of the Bank have a primary listing on the Colombo Stock Exchange. The registered office of the Bank is situated at No. 479, TB Jaya Mawatha, Colombo 10. The principal activities of the Bank continues to be banking and related activities such as accepting deposits, corporate and retail banking, personnel financial services, off shore banking, foreign currency operations, trade services, investment banking, development banking, rural finance, project finance, dealing in government securities, leasing and Islamic banking.

## 2. Financial Information

### 2.1 Five Year Summary of Audited Financial Statements

A summary of Statements of Financial Position, Statements of Profit or Loss, Statements of Changes in Equity and Statements of Cash Flows of the Bank and a summary of Consolidated Statements of Financial Position, Statements of Profit or Loss, Statements of Changes in Equity and Statements of Cash Flows of the Group for the financial years ended 31 December 2011 to 31 December 2015, based on the audited financial statements are set out on Annexure 01 of the Accountants' Report.

Financial Statements for the years ended 31 December 2011 to 31 December 2013 have been audited by another auditor ("Messrs. KPMG").

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# 2.2 Audited Financial Statements for the year ended 31 December 2015

Our audit report on the Financial Statements for the year ended 31 December 2015 together with such Financial Statements comprising Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereon is available on the websites of the Bank and CSE, www.cse.lk, where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

# 2.3 Unaudited Financial Statements for the year ended 30 June 2016

The Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the six months ended June 30, 2016 is available on the websites of the Bank and CSE, www.cse.lk.

## 2.4 Audit Reports

The Separate and Consolidated Financial Statements of the Bank for the years ended 31 December 2011 to 31 December 2013, have been audited by Messrs. KPMG. We have audited the Separate and Consolidated Financial Statements of the Bank for the year ended 31 December 2014 and 31December 2015. Unmodified audit opinions have been issued for the said financial years by such auditors' reports dated, 21 February 2012, 21 February 2013, 21 February 2014, 20 February 2015 and 19 February 2016 respectively.

#### 2.5 Accounting Policies

The Separate and Consolidated Financial Statements of the Bank for the years ended 31 December 2011 to 31 December 2015, indicate that such Financial Statements comply with Sri Lanka Accounting Standards. Financial Statements for the years ended 31 December 2011 to 31 December 2013 have been audited by another auditor ("Messrs. KPMG"). The accounting policies of the Bank are stated in detail in the audited Financial Statements of Hatton National Bank PLC for the year ended 31 December 2015 and changes in the accounting policies of Bank from 31 December 2011 to 31 December 2014 are given below.

Changes in Accounting Policies as a Result of First-time adoption of Sri Lanka Accounting Standards ("SLFRS/LKAS")

For all periods up to and including the year ended 31 December 2011, the Bank has prepared its financial statements in accordance with previous Sri Lanka Accounting Standards (SLASs). The Financial statements, for the year ended 31 December 2012 are the first Bank has prepared in accordance with revised Sri Lanka Accounting Standards ("SLFRS/LKAS") effective for the period beginning on or after 1 January 2012. There were no material changes in the accounting policies of the bank, except for the adoption of revised Sri Lanka Accounting Standards.



### Change in Accounting Polices as a Result of adoption of LKAS 19-Employee benefits

The Bank adopted Sri Lanka Accounting Standard LKAS 19-Employee benefits with effect from 1st January 2013. As a result of the change, the Bank determined the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. Previously the Bank determined interest income on plan assets based on the long term rate of expected return.

# Change in Accounting Polices as a Result of adoption of SLFRS 11-Joint Arrangements

The Bank adopted Sri Lanka Accounting Standard SLFRS 11-Joint Arrangements with effect from 1st January 2014. Upon adoption of SLFRS 11, the Group has determined its interest in Acuity Partners (Pvt) Ltd to be classified as a joint venture under SLFRS 11 and it is required to be accounted for using the equity method. Prior to the transition to SLFRS 11, Acuity Partners (Pvt) Ltd was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the consolidated financial statements. The transition was applied retrospectively as required by SLFRS 11.

#### 2.6 Dividends

The Bank has declared and paid dividends in respect of Ordinary Shares for the years ended 31 December 2011 to 31 December 2015 in the following manner.

Year	Dividend Paid (Rs. Bn)	Dividend per Share (Rs.)
2011*	2.914	7.50
2012	3.378	8.50
2013	3.400	8.50
2014	3.431	8.50
2015**	3,449	8.50

<sup>\*</sup> Final dividend of Rs 6.00 per share consists of Rs 3.00 per share in cash and Rs 3.00 in the form of a scrip dividend.

# 2.7 Events after Reporting Date

No material events have taken place since 31 December 2015 that require disclosure or/and adjustments in the financial statements.

<sup>\*\*</sup> Final dividend of Rs 7.00 per share consists of Rs 3.50 per share in cash and Rs 3.50 in the form of a scrip dividend.



#### 2.8 Restriction on Use

This report is made solely for the purpose of the Board of Directors of Hatton National Bank Plc in usage in the application for the purpose of issuance of Subordinate, Unsecured, Listed, Redeemable, Rated Debentures of LKR 5,000,000,000/- (5Bn) with an option to increase by LKR 1,000,000,000/- (1Bn) in the event of an oversubscription of the initial issue in order to raise LKR 6,000,000,000/- (6Bn) debentures at a Par value of Rs.100/-. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for the report, or for the opinion we have formed. This report should not be used, circulated, quoted or otherwise referred to any other purpose.

Yours faithfully

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Statement of Financial Position			AS /SLFRS BANK					LKAS /SLFRS GROUP	(100)	713
As at 31st December	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000
ASSETS										
Cash and cash equivalents	* 14,909,598	13,141,295	11,624,645	8,769,206	7,542,767	15,419,654	13,421,850	11,621,193	8,848,466	7,576,224
Balances with central banks	20,096,090	16,907,538	16,366,368	19,933,463	18,683,405	20,096,090	16,907,538	16,366,368	19,950,321	18,698,197
Placements with banks	26,827	3,789,538	1,246,612	10,321,832	7,220,151	1,174,326	5,096,455	2,990,100	11,667,417	8,243,999
Derivative financial instruments	1,302,872	178,370	174,573	344,552	496,643	1,302,872	178,370	174,573	344,552	496,643
Other financial assets held for trading	593,390	551,371	652,312	474,083	1,160,499	1,948,772	1,052,727	986,391	1,078,124	2,407,725
Non-current assets held for sale	20,151	30,238	276	750		20,151	30,238		2,875	2,875
Reverse repurchase agreements	4,869,219	16,930,572	6,278,832	51,050	781,478	7,782,374	19,575,253	6,980,280	651,480	
Loans and receivables to other customers	498,341,628	396,277,166	351,965,376	302,709,930	256,416,865	507,244,329	401,859,754	351,776,782	303,270,612	257,435,480
Financial investments - Available-for-sale	78,046,505	67,842,229	63,391,086	58,295,356	51,239,058	79,718,231	69,443,057	64,035,975	59,355,106	51,434,979
Financial investments - Held-to-maturity			30.01 VI 1923	125 (C) 45 (C)	45 700500	1,257,433	955,421	931,681	1,643,852	1,697,640
Financial investments - Loans and receivables	84,206,702	35,369,035	33,104,536	20,030,669	14,665,997	87,087,205	38,049,100	35,103,762	20,904,172	15,362,143
Investments in Associates	9 3%	18 Th	10 10		83,674			28,864	386,172	384,319
Investment in Joint Venture	655,000	655,000	655,000	655,000	655,000	1,253,370	1,196,544	1,046,274	500 200 to 100 to 1	80000000000000000000000000000000000000
Investments in Subsidiaries	3,017,285	3,017,285	2,357,285	2,357,285	2,357,285	198		(#	-	*
Investment properties	386,643	392,088	346,478	349,708	349,374	1,041,797	1,042,386	160,864	164,598	169,029
Property, plant and equipment	11,473,569	9,304,665	9,521,496	9,417,915	7,834,866	23,908,688	18,290,365	17,769,878	17,815,411	15,415,636
Intangible assets	659,309	802,728	994,677	556,171	549,503	1,001,230	1,089,759	1,048,866	689,501	670,776
Deferred tax assets	-	287,384	767,826		313,785	-	199,315	655,769	,	318,895
Other assets	6,602,922	7,374,846	10,863,335	12,092,199	10,133,295	7,328,053	8,102,644	11,202,120	12,679,956	10,982,310
Total Assets	725,207,710	572,851,348	510,310,437	446,358,419	380,483,645	757,584,575	596,490,776	522,879,740	459,452,615	391,296,870
LIABILITIES										
Due to banks	58,232,034	43,428,762	34,934,218	22,956,431	19,885,436	58,283,838	43,504,729	34,934,218	24,443,058	19,885,436
Derivative financial instruments	304,485	630,598	748,962	1,436,443	617,702	304,485	630,598	748,962	1,436,443	617,702
Securities sold under repurchase agreements	16,630,201	16,983,545	4,132,602	4,601,484	6,589,667	16,630,201	16,983,545	4,132,602		**************************************
Due to other customers	527,126,181	419,327,123	387,158,390	341,423,986	291,356,578	536,132,789	425,620,382	386,864,044	340,847,606	290,911,558
Dividends payable	764,771	587,078	426,347	221,455	168,080	764,771	587,078	426,347	223,251	169,876
Other borrowings	26,833,109	4,345,285	4,530,499	4,627,277	419,074	26,833,109	4,345,285	4,530,499	9,538,743	8,876,197
Debt securities issued	4,490,742	4,451,407	1,418,775	366 AN		4,913,751	4,842,627	1,399,184	150,000	
Current tax liabilities	4,542,977	3,297,530	3,040,108	1,755,428	1,021,619	4,762,707	3,394,992	3,075,251	1,839,714	1,093,787
Bills payable	#6		0.00	(*)	1,404,158	1046			*	1,404,158
Insurance provision - Life	20	12	1721	729		7,007,081	5,562,649	4,348,491	3,626,239	3,021,331
Insurance provision - General	7	\$ <del>#</del>		(37)		1,546,266	1,279,139	1,011,101	969,441	944,322
Deferred tax liabilities	378,820	19		1,111,111	1,174,862	579,102	22 32 140	-	1,186,615	1,225,349
Other provisions	2,538,111	1,810,893	2,934,131	4,240,497	5,812,370	2,746,294	2,123,089	3,020,306	4,400,091	5,876,883
Other liabilities	6,250,856	5,436,705	7,675,990	9,333,364	9,027,153	7,250,893	6,300,920	8,236,151	10,044,868	9,924,156
Subordinated term debts	12,064,370	11,653,759	11,856,561	7,751,890	5,023,216	12,085,598	11,677,046	11,781,703	7,729,333	4,989,350
Total Liabilities	660,156,657	511,952,685	458,856,583	399,459,366	342,499,915	679,840,885	526,852,079	464,508,859	406,435,402	348,940,105
EQUITY										
Stated capital	13,826,873	13,289,992	12,830,268	12,579,479	11,451,451	13,826,873	13,289,992	12,830,268	12,579,479	11,451,451
Statutory reserves	3,760,000	3,160,000	6,761,205	4,530,562	2,778,337	3,760,000	3,160,000	6,761,205	4,530,562	2,778,337
Retained earnings	5,270,848	7,808,059	3,465,419	4,225,948	3,009,553	7,949,848	10,396,517	5,210,488	5,321,846	3,504,132
Other reserves	42,193,332	36,640,612	28,396,962	25,563,064	20,744,389	50,027,681	41,058,056	32,759,680	29,615,888	23,840,620
Total equity attributable to equity holders of the Bank	65,051,053	60,898,663	51,453,854	46,899,053	37,983,730	75,564,402	67,904,565	57,561,641	52,047,775	41,574,540
Non-controlling interests						2,179,288.00	1,734,132	809,240	969,438	782,225
Total Equity	65,051,053	60,898,663	51,453,854	46,899,053	37,983,730	77,743,690	69,638,697	58,370,881	53,017,213	42,356,765
Total Liabilities and Equity	725,207,710	572,851,348	510,310,437	446,358,419	380,483,645	757,584,575	596,490,776	522,879,740	459,452,615	391,296,870
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#### **Income Statement**

			AS /SLFRS BANK				a sp	LKAS /SLFRS GROUP		15
For the year ended 31st December	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000	2015 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000	2011 Rs 000
Gross Income	61,153,466	59,500,495	61,006,414	51,538,779	37,066,301	70,026,698	65,023,846	65,183,483	55,211,622	40,122,582
Interest income	52,615,463	51,868,333	56,770,713	47,326,377	33,175,928	56,893,956	53,062,579	57,364,012	47,919,387	33,546,871
Less: Interest expenses	26,279,934	26,966,826	31,423,945	25,368,432	16,530,253	27,200,236	27,077,830	31,403,749	25,495,541	16,626,472
Net interest income	26,335,529	24,901,507	25,346,768	21,957,945	16,645,675	29,693,720	25,984,749	25,960,263	22,423,846	16,920,399
Fee and commission income	5,874,928	4,976,212	4,263,200	3,740,497	2,710,552	6,426,080	5,196,099	4,348,213	3,905,052	2,987,433
Less: Fee and commission expenses	98,622	98,329	82,081	53,407	34,521	182,093	123,290	465,083	411,943	56,292
Net fee and commission income	. 5,776,306	4,877,883	4,181,119	3,687,090	2,676,031	6,243,987	5,072,809	3,883,130	3,493,109	2,931,141
Net interest, fee and commission income	32,111,835	29,779,390	29,527,887	25,645,035	19,321,706	35,937,707	31,057,558	29,843,393	25,916,955	19,851,540
Net gain/(loss) from trading	346,577	(570,720)	(1,815,061)	(1,632,528)	(347,078)	361,948	(441,618)	(1,782,580)	(1,624,049)	(426,335)
Net gain/(loss) from financial investments	253,858	1,398,025	246,591	87,446	398,936	297,978	1,493,975	292,429	116,463	390,630
Other operating income	2,062,640	1,828,645	1,540,971	2,016,987	1,127,963	6,046,736	5,712,811	4,961,409	4,894,769	3,623,983
Total Operating income	34,774,910	32,435,340	29,500,388	26,116,940	20,501,527	42,644,369	37,822,726	33,314,651	29,304,138	23,439,818
Less: Impairment charge/(reversal) for loans and other losses	931,925	2,491,520	4,270,686	1,142,110	(445,373)	1,022,111	2,532,808	4,326,864	1,142,110	(501,494)
Net operating income	33,842,985	29,943,820	25,229,702	24,974,830	20,946,900	41,622,258	35,289,918	28,987,787	28,162,028	23,941,312
Personnel expenses	7,927,695	7,407,015	5,453,778	6,689,864	4,987,287	9,155,160	8,108,200	5,962,095	7,272,980	5,525,978
Other expenses	8,050,939	7,971,000	8,108,508	7,160,603	6,347,602	13,305,132	11,625,995	10,616,021	9,134,427	8,118,998
\$ <del>.</del>	15,978,634	15,378,015	13,562,286	13,850,467	11,334,889	22,460,292	19,734,195	16,578,116	16,407,407	13,644,976
Operating profit before value added tax (VAT)	17,864,351	14,565,805	11,667,416	11,124,363	9,612,011	19,161,966	15,555,723	12,409,671	11,754,621	10,296,336
Less: Value added tax (VAT) on financial services	2,814,334	2,501,876	1,659,755	1,247,873	1,224,143	3,061,783	2,550,247	1,659,755	1,247,873	1,224,143
Operating profit after value added tax (VAT)	15,050,017	12,063,929	10,007,661	9,876,490	8,387,868	16,100,183	13,005,476	10,749,916	10,506,748	9,072,193
Share of profit/(loss) of Associates (net of income tax)		-	•	75/7 (F		60,085	142,977	98,198	16,632	(15,729)
PROFIT BEFORE INCOME TAX	15,050,017	12,063,929	10,007,661	9,876,490	8,387,868	16,160,268	13,148,453	10,848,114	10,523,380	9,056,464
Less: Income tax expense	4,601,231	3,058,655	2,997,555	2,342,335	2,123,203	5,064,424	3,080,360	3,070,326	2,421,431	2,156,077
PROFIT FOR THE YEAR	10,448,786	9,005,274	7,010,106	7,534,155	6,264,665	11,095,844	10,068,093	7,777,788	8,101,949	6,900,387
Profit attributable to:										
Equity holders of the Bank	10,448,786	9,005,274	7,010,106	7,534,155	6,264,665	10,553,568	9,819,595	7,650,466	7,941,754	6,818,923
Non-controlling interests				*****		542,276	248,498	127,322	160,195	81,464
PROFIT FOR THE YEAR	10,448,786	9,005,274	7,010,106	7,534,155	6,264,665	11,095,844	10,068,093	7,777,788	8,101,949	6,900,387
Earnings per share on profit										
Basic earnings per ordinary share (Rs)	25.83	22.47	17.59	18.94	16.60	26.09	24.50	19.20	20.75	18.65
Diluted earnings per ordinary share (Rs)	25.72	22.37	17.55	18.91	16.49	25.98	24.39	19.15	20.72	18.51





#### Statement of Changes in Equity

BANK
For the year ended 31st December

Part	For the year ended 31st December										
Part		Stated Capital								Retained	earnoner
Part										earnings	Total
Patent   13-11 December 2014										D= 000	D= 000
Process playstemen	Ralance as at 31st December 2011										
Part		7,1-3,525	1,500,115	1,000,000	370,337	3,003,300		15,400,000		3,007,333	
Part		9,143,326	2,308,125	1,800,000	978,337	3,009,986		15,400,000		3,265,578	
Property of the year 301											
Control process process and state   1,400,201   1,20		92		-	59		-	(2)	100	7,534,155	7,534,155
Tree completed fine planty in equity holders ' ecopy in equity ' i	Other comprehensive income, net of tax					1,462,621	529,203	*			
Recombination by Recombination   Recombinati						1,462,621	529,203			8,290,865	10,282,689
Part											
Person all Confess   Constitution											
Marie disconting facility (fines 41)   1968   196											
Manuface for 2011—5000 (tree4 s)   1,046 0	. 공기요시계를 위한 점점시작 전쟁을 가는 경기 그 회사에 보고 있다.	38									
March 1987   1987		940.050	200 424	*8	0.0		(**);		1.00		
Separate S		640,936	200,471	- 7		- 6			- 5		
Section (SSI)   Section (SSI			526	20	14		1991		176 515	(393,870)	
Part		64 975	13 624					-	170,313		
Transfer drowyshation reserve for drospoal of property, plant and equip Transfer Growyshation reserve for drospoal of property, plant and equip Transfer Growyshation reserve for drospoal of property plant and equip Transfer Growyshation reserve for the year 10,040,259 2,510,270 2,210,000 2,100,542 4,660,910 1,116,611 1,76,000 1,06,515 4,275,926 4,05,055 1,000 1,00							- :		176 515	(2.927.934)	
Pantage and previous of the						(5.689)					12,023,371)
Salan December 2012   19.049/2019   19.019			587	430,000	1,322,225	0.00	*	2,400,000	18		*
Charles with equiry hidders	Balance as at 31st December 2012	10,049,259	2,530,220	2,230,000		4,466,918	3,119,631		176,515		46,899,053
Transactions with cupity holders   1,246,175   1,246	Net profit for the year 2013	100	12.5			34	2.42	-		7,010,106	7,010,106
Transcrions with equity holders, recognised infective in equity holders											436,351
Contributions by and distributions to equity holders							1,294,197			6,152,260	7,446,457
Contributions by and distributions to equity holders											
Part											
Final dividend for 7017 - Cash (fider 41)											
Part										(2 202 014)	(2 202 014)
Production 2013			50 <b>-</b> 50	***		10*	50-01				
Part		- 5	157		8.53	92	250		239 701	(399,332)	
Part		205 685	45 104					2	239,701		
Transfer directalustion reserve for disposal of property, plant and edition for the year 2013  Balances as at 11st December 2011  Balances 2011  B				-	-				239.701	(3.382.146)	
Palance sat 311st   December 2013   10,254,944   2,575,124   2,660,000   4,101,005   4,466,918   4,413,828   19,100,000   416,126   3,465,419   51,453,1854   5,451,1854   5					-		1181			12,200,100	12/07/102//
Palances as at 01st January 2014   10,254,944   2,575,324   2,660,000   4,101,205   4,466,918   4,413,828   10,100,000   416,216   3,465,149   5,145,185   1,745				430,000	1,800,643			1,300,000		(3,530,643)	
Part	Balance as at 31st December 2013	10,254,944	2,575,324	2,660,000	4,101,205	4,466,918	4,413,828	19,100,000	416,216	3,465,419	51,453,854
Figure   Part		10,254,944	2,575,324	2,660,000	4,101,205	4,466,918	4,413,828	19,100,000	416,216	3,465,419	51,453,854
Characterins which equity holders, recognised directly in equity holders											
Trainsaction with equity holders, recognised directly in equity Contributions by and distributions to equity holders right divides by and distributions to equity holders recognised directly in equity Contributions by and distributions to equity holders recognised directly in equity Contributions by and distributions to equity holders recognised directly in equity Contributions by and distributions to equity holders recognised recognised at a size of section of the contributions by and distributions to equity holders recognised at a size of section of the contributions of the contribu		38	•	-	(*)	89	100000000000000000000000000000000000000	38			
Para English with equity holders   Para English with equity   Para English with equity   Para English with equity holders   Para English equity holders   Para English with equity holders						*					
Contributions by and distribution to equity holders							2,341,527			10,145,286	12,486,813
Contributions by and distributions to equify holders											
Paral divided 2013 - Cash (Note 45)											
Final dividend 2013 - Cash (Riote 45)   Cash (Riote 44)   Cash (Riote 45)   Cash (											
Sisse of shares under ESOP   307,076   54,771   50,000   306,821   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8771   50,400,000   50,8781   50,400,000   50,4			0.00	**	590	50	1940			(2.800.912)	(2.800.912)
State of Shares under ESOP   307,076   54,771			100	2					- 1		
Transfer during the year 2014 78,371 19,506 500,000 306,821 - 6,000,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (6,806,821) - 1,700,000 (97,877) (9,806,950 (97,877) (97,877	Issue of shares under ESOP	307,076	54,771		-			2		***************************************	
Pransfer of investment funds account balance   (4,408,026)	Total contributions by and distributions to equity holders	307,076	54,771		*					(3,403,851)	(3,042,004)
Balance at 31st December 2014 10,640,391 2,649,601 3,160,000 - 4,466,918 6,755,355 25,100,000 318,339 7,808,059 60,898,663 60,898,698 60,898,693 60,898,69	Transfer during the year 2014	78,371	19,506	500,000		3	100	6,000,000	(97,877)	(6,806,821)	
Balances as at 01st January 2015  Super gains tax paid (Note 56 (an))  Total comprehensive income for the year  Net profit for the year 2015  Other comprehensive income net of tax  Transactions with equity holders, recognised directly in equity  Contributions by and distributions to equity holders  Final dividend 2014 - Cash (Note 44)  Interim dividend 2015 - Cash (Note 44)  Issue of shares under ESOP  Total contributions by and distributions to equity holders  368,785  52,113  3,160,000  4,466,918  8,755,355  25,100,000  318,339  7,808,059  60,898,663  2,074,248)  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,448,786  10,487,786  10,487,786  10,487,786  10,487,786  10,487,786  10,513  14,470  600,000  12,544)  5,500,000  1318,339  7,808,059  104,878,059  104,487,886  104,487,				-							
Super gains tax paid (Note 56 (a))											
Total comprehensive income for the year 2015   10,448,786   10,448,7		10,640,391	2,649,601	3,160,000	*	4,466,918	8,755,355	25,100,000	318,339		
Net profit for the year 2015 Other comprehensive income net of tax										(2,074,248)	(2,074,248)
Contributions by and distributions to equity holders   1,991,036   (2,299,789)   (897,969)   (1,206,722)										N 100200	S 50,000
Total comprehensive income for the year  Total comprehensive income for the year  Transactions with equity holders, recognised directly in equity  Contributions by and distributions to equity holders  Final dividend 2014 - Cash (Note 44)  Issue of shares under ESOP  Total contributions by and distributions to equity holders  \$ 2,297,789				- 5	3.5			-	9		
Transactions with equity holders, recognised directly in equity  Contributions by and distributions to equity holders  Final dividend 2014 - Cash (Note 44)  Interim dividend 2015 - Cash (Note 44)  Issue of shares under ESOP  Total contributions by and distributions to equity holders  368,785  52,113  52,113  6,000,000  1015,983  101,513  14,470  100,000  115,983  105,77,456											
recognised directly in equity  Contributions by and distributions to equity holders  Final dividend 2014 - Cash (Note 44)  Interim dividend 2015 - Cash (Note 44)  Issue of shares under ESOP  Total contributions by and distributions to equity holders  368,785 52,113  Transfer during the year 2015  101,513 14,470 600,000 - (22,544) 6,000,000 (115,983) (6,577,456)						1,991,036	(2,299,789)			9,550,817	9,242,064
Contributions by and distributions to equity holders Final dividend 2014 - Cash (Note 44) Interim dividend 2015 - Cash (Note 44) Issue of shares under ESOP  Total contributions by and distributions to equity holders 368,785 52,113 52,113 52,113 52,113 53,775 52,113 54,470 600,000 600,0											
Requity holders											
Final dividend 2014 - Cash (Note 44)											
Interim dividend 2015 - Cash (Note 44)  Issue of shares under ESOP  368,785  52,113		. 0	7(4)	-	200-0	10.40	20		54	(2.827.776)	(2 827 776)
Size of shares under ESOP   368,785   52,113   420,898   Total contributions by and distributions to equity holders   368,785   52,113   (3,436,324)   (3,015,426)   (3,015,426)   (4,470   600,000   - (22,544)   6,000,000   (115,983)   (6,577,456)							3	100	- 1		
Total contributions by and distributions to equity holders         368,785         52,113         (3,436,324)         (3,015,426)           Transfer during the year 2015         101,513         14,470         600,000         - (22,544)         - 6,000,000         (115,983)         (6,577,456)		368,785	52,113	9	-						
Transfer during the year 2015 101,513 14,470 600,000 - (22,544) - 6,000,000 (115,983) (6,577,456) -										(3,436,324)	
Balance at 31st December 2015 11,110,689 2,716,184 3,760,000 - 6,435,410 4,455,566 31,100,000 202,356 5,270,848 65,051,053	Transfer during the year 2015							6,000,000	(115,983)		
	Balance at 31st December 2015	11,110,689	2,716,184	3,760,000		6,435,410	4,455,566	31,100,000	202,356	5,270,848	65,051,053





	Stated Ca	Attri	outable to Equity Ho	Iders of the Bank	her Reserves		Retained							
	Voting	Non-Voting	Statutory R	Investment	Capital	Available for sale	Treasury	General	Exchange	Life policy holder		Earnings		
	Shares	Shares	Reserve	fund	Reserve	reserve	shares	Reserve	Equalisation	reserve	Reserve		Non Controlling	Total
	Rs 000	Rs 000	Fund Rs 000	Account Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Reserve Rs 000	Fund Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 31st December 2011	9,143,326	2,308,125	1,800,000	978,337	6,403,549	2,364,801	(310,938)	15,400,000	5,733	(22,526)		3,504,132	782,224	42,356,763
Prior year adjustment Restated balance as at 31st December 2011	9,143,326	2,308,125	1,800,000	978,337	1,009,986	256,025	(310,938)	15,400,000	5,733	(22,526)	:-	3,504,132	782,224	256,025 42,612,788
Total comprehensive income for the year Net profit for the year 2012				CONTRACTION W								A99323564		
Other comprehensive income, net of tax					2,394,797	529,475			5,142			7,941,754 756,710	160,195 10,427	8,101,949 3,696,551
Total comprehensive income for the year Transactions with equity holders,					2,394,797	529,475			5,142			8,698,464	170,622	11,798,500
recognised directly in equity Contributions by and distributions to														
equity holders Final dividend for 2011 - Cash (Note 41)	•													
Final dividend for 2011 - Scrib (Note 41)	840,958	208,471	- 8	- 8	į.	-		- 3	1	5		(1,120,823) (1,166,032)	(51,046)	(1,171,869) (116,603)
Interim dividend for 2012 (Note 41) ESOP allocation 2012		1000				6		1	- 8	12	176,515	(572,619)	100	(572,619) 176,515
Shares issued under ESOP Total contributions by and distributions	905,933	13,624												78,599
to equity holders	905,933	222,045			-		<u>-</u> -				176,515	(2,859,474)	(51,046)	(1,605,977)
Transfer to life policy holder reserve fund Write off of subsidiary investment	8	•		i i	8			<u> </u>	3 665	21,335	0.00	(3,665)	8	21,335
Disposal of associate company		100		8	**			19	(5,996)			52,052		46,056
Deemed disposal gain through joint venture Transfer of revaluation reserve		300	100	20	F1	608		33	08	15		76,873	67,638	144,511
for disposal of property, plant and equipment Transfers during the year 2012		-924	430,000	1,322,225	(5,689)	785	540	2,400,000	501	265	(42-4	5,689 (4,152,225)		-
Balance as at 31st December 2012	10,049,259	2,539,220	2,230,000	2,300,562	8,792,657	3,150,301	(310,938)	17,800,000	8,544	(1,191)	176,515	5,321,846	969,438	53,017,213
Balance as at 1st January 2013 as reported previously Prior year adjustment on changes in accounting policy (Note 36©)	10,049,259	2,530,220	2,230,000	2,300,562	8,792,657	3,150,301	(310,938)	17,800,000	8,544	(1,191)	176,515	5,321,846	969,438 (203,325)	53,017,213 (203,325)
Balance as at January 2013 (restated)	10,049,259	2,530,220	2,230,000	2,300,562	8,792,657	3,150,301	(310,938)	17,800,000	8,544	(1,191)	176,515	5,321,846	766,113	52,813,888
Total comprehensive income for the year Net profit for the year 2013	*	S#3		*	46		181	89	39	19	40)	7,650,466	127,322	7,777,788
Other comprehensive income, net of tax  Total comprehensive income for the year						1,304,688			706 706			(856,543) 6,793,923	127,336	8,226,653
Transactions with equity holders,						1,203,000			709			6,793,943	127,336	8,226,653
recognised directly in equity Contributions by and distributions to														
equity holders Final dividend for 2012 - Cash (Note 41)														752/022/0746
Interim dividend for 2013 (Note 41)	8				- 5			115	105	10	10	(2,782,814) (599,332)	(55,000)	(2,837,814) (599,332)
ESOP allocation 2013 Effect of winding up of Special Purpose Entity	0		- 3				310,938				239,701	(41,931)	1	239,701 269,007
Shares issued under ESOP	205,685	45,104												250,789
Total contributions by and distributions to equity holders	205,685	45,104	-				310,938	•		-	239,701	(3,424,077)	(55,000)	(2,677,649)
Transfer to life policy holder reserve fund Disposal of subsidiary company	**	240		8		15		70	(9,250)	(2,991)		9,250	(29,209)	(2,991)
Deemed disposal gain through joint venture			244.444						(2,220)			40,189	(40,400)	40,189
Transfers during the year 2013  Balance as at 31st December 2013	10,254,944	2,575,324	430,000 2,660,000	1,800,643 4,101,205	8,792,657	4,454,989	-	1,300,000		(4,182)	416,216	(3,530,643) 5,210,488	809,240	58,370,681
Balance as at 1st January 2014 Total comprehensive income for the year	10,254,944	2,575,324	2,660,000	4,101,205	8,792,657	4,454,989	0	19,100,000	0	-4,182	416,216	5,210,488	809,240	58,370,881
Net profit for the year 2014	Q7	127	12	80	27	1000	8	-	8			9,819,595	245,498	10,068,093
Other comprehensive income, net of tax Total comprehensive income for the year						2,351,202	-			-		1,142,303	4,427	3,497,932
Transactions with equity holders, recognised directly in equity														
Contributions by and distributions to														
equity holders Final dividend -Cash (Note 45)				100		100		59	118		6.0	(2,800,912)	(65,000)	(2,865,912)
Interim dividend -Cash (Note 45.) Issue of shares under ESOP	307,076	54,771				3		1			- 4	(602,939)		(602,939)
Total contributions by and distributions to equity holders	307,076	54,771									- :	(3,403,851)	(65,000)	361,847
Transfer to life policy holder reserve fund Deemed disposal gain through joint venture										44,930	-	26,777		44,930 26,777
Deferred tax on revaluation of property ,plant & equipment			8		121	2		- 68	125			******	167	288
Share of non-controlling interest on investment in subsidiary Transfers during the year 2014	78,371	19,506	500,000	306,821		1	2	6,000,000	100		(97,877)	(6,806,821)	736,800	736,800
Transfer of investment fund account balance Balance as at 31st December 2014	10,640,391	2,649,601	3,160,000	(4,408,026)	8,792,778	6,806,191		25,100,000		40,748	318,339	4,408,026	1,734,132	69.638.697
Balance as at 1st January 2015	10,640,391	2,649,601	3,160,000		8,792,778	6,806,191		25,100,000		40,748	318,339	10,396,517	1,734,132	69,638,697
Super gains tax paid (Note 56 (a)) Total comprehensive income for the year				150	-		2		- 12		name of the same	(2,093,074)	(12,551)	(2,105,625)
Net profit for the year 2015	3	*	92	€	2000000		8		12	17	20	10,553,568	542,276	11,095,844
Other comprehensive income, net of tax Total comprehensive income for the year					5,493,000 5,493,000	(2,287,750) (2,287,750)				- :		(903,213) 9,650,355	(9,569) 532,707	2,292,468
Transactions with equity holders, recognised directly in equity														
Contributions by and distributions to														
equity holders Final dividend 2014 -Cash (Note 44)	-		8	2		- 5	9			-	\$9	(2.827.776)	(75,000)	(2,902,776)
Interim dividend 2015 -Cash (Note 44 )	***									-	8	(608,548)	(1,3,500)	(608,548)
Issue of shares under ESOP Total contributions by and distributions to equity holders	368,785 368,785	52,113 52,113								- 0		(3,436,324)	(75,000)	420,898 (3,090,426)
Transfer to life policy holder reserve fund Deemed disposal gain through joint venture		33000								(97,098)		9.830	A CASSAS	(97,098)
Transfers during the year 2015	101,513	14,470	600,000	¥	(22,544)			6,000,000	72		(115,983)	(6,577,456)		9,830
Balance as at 31st December 2015	11,110,689	2,716,184	3,760,000		14,263,234	4,518,441		31,100,000		(56,350)	202,356	7,949,848	2.179.288	77,743,690



LKAS /SLFRS LKAS /SLFRS Bank Group 2015 2014 2013 2012 2011 2015 2014 2013 2012 2011 For the year ended 31st December Rs 000 Rs 000 **Rs** 000 Rs 000 Cash Flows from Operating Activities 57.870.224 58,459,603 56,662,642 47,901,062 32,124,704 62,541,611 59,237,182 56,886,504 47,916,971 Interest and Commission Receipts 32,619,731 (26, 162, 039)(31,065,772)(31,927,052)(24,728,933)(14,224,010)(26,960,267) (31,163,966) (31,917,851)(24,856,302)Interest Payments (14,315,333) Receipts from other Operating Activities 2,486,728 1,742,375 1,848,832 1,638,755 1,085,283 7,422,487 5,736,461 5,246,493 4,598,787 3.538.563 (7,787,955)(7,085,900)(6,947,716)Cash Payments to Employees (6,385,313)(5,755,443)(9,016,129)(7,747,437)(7,332,296)(6,896,173)(6,281,654) Cash Payments to Suppliers (2,308,761)(2,072,901)19,989 8,913 8,295 11,192 4,071 33,267 8,913 8,295 Recovery of loans written off in prior years 11,192 4,071 (11,149,917)Cash Payments to Other Operating Activities (9,658,598)(10,234,794)(9,570,581)(9,176,304)(6,835,305)(13,221,249) (11.813.945)(10,327,090)(7,946,368)Operating Profit before Changes in Operating Assets and Liabilities 16,768,349 11,824,425 10,074,420 9,260,459 4,090,539 20,799,720 14,257,208 11,741,228 10,447,385 5,546,109 Increase in Operating assets Reverse repurchase agreements 11,922,595 (10,513,871)(6,226,870)11,731,355 (10,945,922)(6,479,509)(3,188,552)(541,170)3,567,095 Deposits held for Regulatory or Monetary Control Purpose (1,250,058)(6,191,761)(3,188,552)(541,170)3,567,095 (1,249,869)(6,191,761)Loans and receivables to other customers (102,633,950)(46,508,086) (51,735,528)(44,961,367) (54, 199, 207) (106,052,373) (47,720,799)(52,368,957) (45,863,570) (55,050,244) (1,385,665)76,151 763,225 (902, 569)(1,382,675)(1,356,430)(73,750)722,460 Other Short Term assets (981, 135)(1,281,723)(95,285,572)(57,486,976) (53,632,078) (47,113,994)(98,866,000) (59,281,641) (54,558,911) (48,094,574)(61,773,643) (62,523,728)Increase/(Decrease) in Operating Liabilities (342.332)12,822,441 (461,595)12,822,441 Securities sold under repurchase agreements (342, 332)(461,595)34,850,988 106,591,985 43,322,311 48,819,348 50,073,031 Deposits from Customers 109,212,989 35,416,711 43,316,675 48,687,988 49,829,714 686,371 540,741 421,940 (568,538) (599,694)696,755 387,268 654,477 (316,089)Other Liabilities (789, 290)106,936,024 48,214,170 43,282,656 48,250,810 49,473,337 109,567,412 48,893,629 43,242,348 48,371,899 49,040,424 Net Cash Generated from/(used in) Operating Activities before Income Ta 28,418,801 2,551,618 (275,002)10,397,275 (8,209,767)31,501,132 3,869,196 424,665 10,724,710 (7,937,195)(2,142,303)(1,222,240)(2,889,691)(929, 178)(2,645,086)(2,340,344)Income Taxes Paid (1,281,374)(2,927,327)(966,030) (2,725,563)(2,074,248)(2,105,625)Super Gains tax paid Net Cash Generated from/(used in) Operating Activities 24,202,250 1,329,378 (3,164,693)9,468,097 (10.854,853) 27,055,163 2,587,822 (2,502,662)9,758,680 (10,662,758) Cash Flows from Investing Activities Dividend Income 1,236,084 368,830 362,509 248,990 399,487 298,749 269,037 280,047 223,433 397,553 Dividend Income received from associates 30,130 26,637 147 Net proceeds from Sale, Maturity and Purchase of Financial Investments (61,270,202) (4,375,970)(15,854,115)(10,687,368)(1,491,319)(62,764,719)(5,813,664)(15,775,760) (10,741,492)(1,505,697)(2,202)(51,010)(5,085)(395)Improvements to Investment Properties (4,221)(993)(139)Purchase of Property, Plant and Equipment (882,806)(645, 368)(952,411)(872,396)(1,210,302)(1,091,320)(752, 255)(1,020,117)(925,940)(1,260,080)(104,687)(671,888)(181,982)(145,402)Purchase of Intangible Assets (77, 194)(156,306)(120,477)(681,059)(208, 214)(155,408)Investment in Associate Company (20,000)(199,661)31,000 31,000 Net proceeds from sale of non current assets held for sale 58,815 30,519 58,815 Net proceeds from sale of Associate company 56,158 Net proceeds from sale of Subsidiary company (234, 320)Investment in Subsidiary Company Proceeds from Sale of Property Plant and Equipment 23,522 49,942 18,397 36,038 84,389 23,593 50.876 22,398 37,237 90,044 Proceeds from deemed disposal of subsidiary company through Joint Venture 9,830 26,777 40,189 144,511 (660,000) Net cash effect on disposal of Subsidiary (342, 294)9,920 Net Cash Flows used in Investing Activities (60,939,596) (5.418.263)(17.043.552) (11,402,988)(2,597,862)(63,623,264) (6,624,844) (17,125,228) (11,431,789)(2,633,249)Cash Flows from Financing Activities (318,581)3,725,177 2,815,526 2,000,000 Increase/(Decrease) in Debentures (318, 581)3,665,513 2,827,525 2,000,000 3,000,000 1,354,300 2,949,854 1,334,709 Increase debt securities issued 37,580,671 8,358,214 11,857,794 5,199,665 3,795,333 37,556,509 8,268,933 11,863,799 5,129,078 4,086,130 Increase of long term borrowings 150,000 Issue of preference shares (3,258,631)(3,243,120)(3,177,254)(1,825,130)(1,775,013)(3,333,631)(3,308,120)(3,232,254)(1,807,716)(1,741,148)Dividends Paid Proceeds from right issue and private placement 6,066,799 5,903,086 Proceeds from issue of shares to minority share holders 156,250 420,898 361,847 250,789 78,599 66,102 420,898 Proceeds from issue of shares under ESOP 361,847 250,789 78,599 66,102 Share issue Expenses Debenque Lasue Expenses Net Cash Generated from Mancing Activities (5,649)(45,871)(8,247)(50,300)(9,898)(22,342)(9,898)(22,342)34,742,938 8,148,462 13,988,464 6,263,011 10,107,350 34,643,776 7,944,035 13,860,214 6.369,239 10,420,120 Net Increase Dertagon Cash and Cash Equivalents (1,994,408)4,059,576 (6,219,781)4,328,120 (3,345,365)(1,924,325)3,907,012 (5.767,676)4,696,130 (2,875,887)

16,930,833

14,936,425

12,871,257

16,930,833

19,091,038

12,871,257

14,762,918

19,091,038

18,108,283

14,762,918

18,518,305

16,593,980

14,611,293

18.518.305

20,378,969

14,611,293

15,819,753

20,515,883

18,696,110

15,820,223

Cast and Cast Stantamts at the Beginning of the year

Cash and Cash Equivalents at the End of the year

COLOMBO

