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HMAJ/SPF/BV/MNM

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

17 November 2014

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 30,000,000 Senior, Listed, Unsecured, Redeemable, Type A - 3 Years (2014/2017), Type B - 5 Years (2014/2019), Type C - 10 Years (2014/2024), Rated Debentures with the option to increase by a further 10,000,000 debentures totaling up to a maximum of 40,000,000 debentures at a Par value of Rs.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 ("Group") for the years ended 31 December 2009 to 31 December 2013, 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, T B 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 Income Statements, Statements of Financial Position of Hatton National Bank PLC and a summary of consolidated Statements of Financial Position, Income Statements, Statements of Changes in Equity and Statements of Cash Flows of the Bank and its subsidiaries for the financial years ended 31 December 2009 to 31 December

2013, based on the audited financial statements, which have been audited by another auditor (“Messrs. KPMG”), are set out on Annexure 01 of the Accountants’ Report.

2.2 Audited Financial Statements for the year ended 31 December 2013

Auditors’ report, issued by Messrs. KPMG, on the Financial Statements for the year ended 31 December 2013 together with such Financial Statements comprising Statement of Financial Position, Income Statement, 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 CSE, www.cse.lk.

2.3 Unaudited Financial Statements for the year ended 30 September 2014

The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the six months ended June 30, 2014 is available on the websites of CSE, www.cse.lk.

2.4 Audit Reports

The Financial Statements of the Bank and the Consolidated Financial statements of the Bank and its subsidiaries for the years ended 31 December 2009 to 31 December 2013, have been audited by Messrs. KPMG. Unmodified audit opinions have been issued for the said financial years by such auditors’ reports dated 15 February 2010, 18 February 2011, 21 February 2012, 21 February 2013 and 21 February 2014 respectively.

2.5 Accounting Policies

The Financial Statements of the Bank, which have been audited by Messrs. KPMG, for the years ended 31 December 2009 to 31 December 2013, indicate that such Financial Statements comply with Sri Lanka Accounting Standards. 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 2013, which have been audited by Messrs. KPMG.

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.

2.6 Dividends

The Bank has declared and paid dividends in respect of Ordinary Shares for the years ended 31 December 2009 to 31 December 2013 in the following manner.

| Year | Dividend Paid (Rs. Bn) | Dividend per Share (Rs.) |
|-------|---------------------------|-----------------------------|
| 2009 | 1.533 | 6.50 |
| 2010 | 1,650 | 7.00 |
| 2011* | 2.914 | 7.50 |
| 2012 | 3.378 | 8.50 |
| 2013 | 3.400 | 8.50 |

**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 2013 that require disclosure or/and adjustments in the financial statements, other than the following.

The Bank acquired a stake of 51% of voting rights in Prime Grameen Micro Finance Limited on 7th November 2014. Further, Sithma Development (Pvt) Ltd, Bank's fully owned subsidiary disposed its stake of 49.99% in Splendor Media (Pvt) Ltd on the same day.

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 30,000,000 Senior, Listed, Unsecured, Redeemable, Type A - 3 Years (2014/2017), Type B - 5 Years (2014/2019), Type C - 10 Years (2014/2024), Rated Debentures with the option to increase by a further 10,000,000 debentures totaling up to a maximum of 40,000,000 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,



Income Statement

For the year ended 31st December

| | LKAS /SLFRS | | | LKAS /SLFRS | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | BANK | | | GROUP | | |
| | 2013 Rs 000 | 2012 Rs 000 | 2011 Rs 000 | 2013 Rs 000 | 2012 Rs 000 | 2011 Rs 000 |
| Income | 60,073,685 | 51,538,779 | 37,066,301 | 64,637,504 | 55,211,622 | 40,122,582 |
| Interest income | 55,749,193 | 47,326,377 | 33,175,928 | 56,626,984 | 47,919,387 | 33,546,871 |
| Less: Interest expenses | 31,423,945 | 25,368,432 | 16,530,253 | 31,576,786 | 25,495,541 | 16,626,472 |
| Net interest income | 24,325,248 | 21,957,945 | 16,645,675 | 25,050,198 | 22,423,846 | 16,920,399 |
| Fee and commission income | 4,351,992 | 3,740,497 | 2,710,552 | 4,500,180 | 3,905,052 | 2,987,433 |
| Less: Fee and commission expenses | 82,082 | 53,407 | 34,521 | 470,456 | 411,943 | 56,292 |
| Net fee and commission income | 4,269,910 | 3,687,090 | 2,676,031 | 4,029,724 | 3,493,109 | 2,931,141 |
| Net interest, fee and commission income | 28,595,158 | 25,645,035 | 19,321,706 | 29,079,922 | 25,916,955 | 19,851,540 |
| Net gain/(loss) from trading | (1,815,061) | (1,632,528) | (347,078) | (1,755,536) | (1,624,049) | (426,335) |
| Net gain/(loss) from financial investments | 246,591 | 87,446 | 398,936 | 309,493 | 116,463 | 390,630 |
| Other operating income | 1,540,970 | 2,016,987 | 1,127,963 | 4,956,383 | 4,894,769 | 3,623,983 |
| Total Operating income | 28,567,658 | 26,116,940 | 20,501,527 | 32,590,262 | 29,304,138 | 23,439,818 |
| Less: Impairment charge/(reversal) for loans and other losses | 3,249,166 | 1,142,110 | (445,373) | 3,305,287 | 1,142,110 | (501,494) |
| Net operating income | 25,318,492 | 24,974,830 | 20,946,900 | 29,284,975 | 28,162,028 | 23,941,312 |
| Personnel expenses | 5,453,778 | 6,689,864 | 4,987,287 | 6,061,024 | 7,272,980 | 5,525,978 |
| Other expenses | 8,197,298 | 7,160,603 | 6,347,602 | 10,776,364 | 9,134,427 | 8,118,998 |
| | 13,651,076 | 13,850,467 | 11,334,889 | 16,837,388 | 16,407,407 | 13,644,976 |
| Operating profit before value added tax (VAT) | 11,667,416 | 11,124,363 | 9,612,011 | 12,447,587 | 11,754,621 | 10,296,336 |
| Less: Value added tax (VAT) on financial services | 1,659,755 | 1,247,873 | 1,224,143 | 1,659,755 | 1,247,873 | 1,224,143 |
| Operating profit after value added tax (VAT) | 10,007,661 | 9,876,490 | 8,387,868 | 10,787,832 | 10,506,748 | 9,072,193 |
| Share of profit/(loss) of Associates (net of income tax) | - | - | - | 127,815 | 16,632 | (15,729) |
| PROFIT BEFORE INCOME TAX | 10,007,661 | 9,876,490 | 8,387,868 | 10,915,647 | 10,523,380 | 9,056,464 |
| Less: Income tax expense | 2,997,555 | 2,342,335 | 2,123,203 | 3,103,199 | 2,421,431 | 2,156,077 |
| PROFIT FOR THE YEAR | 7,010,106 | 7,534,155 | 6,264,665 | 7,812,448 | 8,101,949 | 6,900,387 |
| Profit attributable to: | | | | | | |
| Equity holders of the Bank | 7,010,106 | 7,534,155 | 6,264,665 | 7,650,461 | 7,941,754 | 6,818,923 |
| Non-controlling interests | - | - | - | 161,987 | 160,195 | 81,464 |
| PROFIT FOR THE YEAR | 7,010,106 | 7,534,155 | 6,264,665 | 7,812,448 | 8,101,949 | 6,900,387 |
| Earnings per share on profit | | | | | | |
| Basic earnings per ordinary share (Rs) | 17.59 | 18.94 | 16.60 | 19.20 * | 20.75 | 18.65 |
| Diluted earnings per ordinary share (Rs) | 17.55 | 18.91 | 16.49 | 19.15 | 20.72 | 18.51 |



Income Statement

SLAS

For the year ended 31st December

INCOME

Interest income

Less: Interest expenses

Net interest income

Foreign exchange profit

Fee and commission income

Dividend income

Other income

Operating Income

Less:

OPERATING EXPENSES

Personnel expenses

Premises, equipment and establishment expenses

Fee and commission expenses

Provision for employee retirement benefits

Provision for loan losses

Provision for fall in value of investments

Impairment of goodwill

Loans written off

Other expenses

PROFIT FROM OPERATIONS

Share of profit / (loss) of associates (net of income tax)

PROFIT BEFORE INCOME TAX

Less: Income tax expense

PROFIT FOR THE YEAR

Attributable to:

Equity holders of the Bank

Minority interest

PROFIT FOR THE YEAR

BASIC EARNINGS PER SHARE (Rs)

DILUTED EARNINGS PER SHARE (Rs)

| | BANK | | GROUP | |
|--|----------------|----------------|----------------|----------------|
| | 2010 Rs 000 | 2009 Rs 000 | 2010 Rs 000 | 2009 Rs 000 |
| INCOME | 34,870,418 | 39,357,863 | 37,393,462 | 41,300,773 |
| Interest income | 30,249,230 | 34,620,276 | 30,563,795 | 34,836,422 |
| Less: Interest expenses | 14,703,256 | 20,039,646 | 14,777,155 | 20,280,948 |
| Net interest income | 15,545,974 | 14,580,630 | 15,786,640 | 14,555,474 |
| Foreign exchange profit | 1,015,987 | 903,210 | 1,014,208 | 903,381 |
| Fee and commission income | 2,098,127 | 2,331,278 | 2,404,240 | 2,377,510 |
| Dividend income | 209,762 | 217,353 | 199,012 | 195,879 |
| Other income | 1,297,312 | 1,285,746 | 3,212,207 | 2,987,581 |
| Operating Income | 20,167,162 | 19,318,217 | 22,616,307 | 21,019,825 |
| Less: | | | | |
| OPERATING EXPENSES | | | | |
| Personnel expenses | 4,624,286 | 4,093,737 | 5,090,220 | 4,446,059 |
| Premises, equipment and establishment expenses | 2,978,363 | 2,840,613 | 2,821,552 | 2,641,070 |
| Fee and commission expenses | 30,211 | 137,736 | 30,955 | 346,960 |
| Provision for employee retirement benefits | 882,815 | 815,682 | 894,118 | 823,365 |
| Provision for loan losses | 481,309 | 708,227 | 481,309 | 708,227 |
| Provision for fall in value of investments | 8,025 | 2,038 | 1,088 | 2,038 |
| Impairment of goodwill | - | - | - | 5,199 |
| Loans written off | 274 | 285 | 274 | 285 |
| Other expenses | 4,430,428 | 4,802,380 | 6,042,695 | 5,887,478 |
| | 13,435,711 | 13,400,698 | 15,362,211 | 14,860,681 |
| PROFIT FROM OPERATIONS | 6,731,451 | 5,917,519 | 7,254,096 | 6,159,144 |
| Share of profit / (loss) of associates (net of income tax) | - | - | (2,429) | 7,680 |
| PROFIT BEFORE INCOME TAX | 6,731,451 | 5,917,519 | 7,251,667 | 6,166,824 |
| Less: Income tax expense | 2,267,484 | 1,565,867 | 2,364,839 | 1,613,464 |
| PROFIT FOR THE YEAR | 4,463,967 | 4,351,652 | 4,886,828 | 4,553,360 |
| Attributable to: | | | | |
| Equity holders of the Bank | 4,463,967 | 4,351,652 | 4,786,770 | 4,483,277 |
| Minority interest | - | - | 100,058 | 70,083 |
| PROFIT FOR THE YEAR | 4,463,967 | 4,351,652 | 4,886,828 | 4,553,360 |
| BASIC EARNINGS PER SHARE (Rs) | 12.56 | 18.47 | 13.47 | 19.03 |
| DILUTED EARNINGS PER SHARE (Rs) | 12.50 | 18.46 | 13.41 | 19.02 |



Statement of Financial Position
As at 31st December
ASSETS

| | LKAS /SIFRS BANK | | | LKAS /SIFRS GROUP | | |
|---|---------------------|--------------------|--------------------|----------------------|--------------------|--------------------|
| | 2013 Rs 000 | 2012 Rs 000 | 2011 Rs 000 | 2013 Rs 000 | 2012 Rs 000 | 2011 Rs 000 |
| Cash and cash equivalents | 11,624,645 | 8,769,206 | 7,542,767 | 11,588,264 | 8,848,466 | 7,576,224 |
| Balances with central banks | 16,366,368 | 19,933,463 | 18,683,405 | 16,366,565 | 19,950,321 | 18,698,197 |
| Placements with banks | 1,246,611 | 10,321,832 | 7,220,151 | 3,083,584 | 11,667,417 | 8,243,999 |
| Derivative financial instruments | 174,573 | 344,552 | 496,643 | 174,573 | 344,552 | 496,643 |
| Other financial assets held for trading | 652,312 | 474,083 | 1,160,499 | 2,568,136 | 1,078,124 | 2,407,725 |
| Non-current assets held for sale | - | - | - | - | 2,875 | 2,875 |
| Loans and receivables to banks | 6,267,809 | - | - | 6,680,288 | 651,480 | - |
| Loans and receivables to other customers | 351,976,401 | 302,760,980 | 257,198,343 | 352,845,678 | 303,270,612 | 257,435,480 |
| Financial investments - Available-for-sale | 63,391,086 | 58,295,356 | 51,239,058 | 64,270,094 | 59,355,106 | 51,434,979 |
| Financial investments - Held-to-maturity | - | - | - | 1,004,501 | 1,643,852 | 1,697,640 |
| Financial investments - Loans and receivables | 33,104,536 | 20,030,669 | 14,665,997 | 35,103,762 | 20,904,172 | 15,362,143 |
| Investments in Associates | - | - | 83,674 | 582,115 | 386,172 | 384,319 |
| Investment in Joint Venture | 655,000 | 655,000 | 655,000 | - | - | - |
| Investments in Subsidiaries | 2,357,285 | 2,357,285 | 2,357,285 | - | - | - |
| Investment properties | 346,478 | 349,708 | 349,374 | 160,864 | 164,598 | 169,029 |
| Property, plant and equipment | 9,521,496 | 9,417,915 | 7,834,866 | 17,791,159 | 17,815,411 | 15,415,636 |
| Intangible assets | 994,677 | 556,171 | 549,503 | 1,121,005 | 689,501 | 670,776 |
| Deferred tax assets | 767,826 | - | 313,785 | 656,191 | - | 318,895 |
| Other assets | 10,863,333 | 12,092,199 | 10,133,295 | 11,398,073 | 12,679,956 | 10,982,310 |
| Total Assets | 510,310,436 | 446,358,419 | 380,483,645 | 525,394,852 | 459,452,615 | 391,296,870 |

LIABILITIES

| | | | | | | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Due to banks | 34,934,217 | 23,852,647 | 19,885,436 | 35,360,925 | 24,443,058 | 19,885,436 |
| Derivative financial instruments | 748,962 | 1,436,443 | 617,702 | 748,962 | 1,436,443 | 617,702 |
| Due to other customers | 385,360,970 | 341,423,986 | 291,356,578 | 385,000,600 | 340,847,606 | 290,911,558 |
| Dividends payable | 426,347 | 221,455 | 168,080 | 428,143 | 223,251 | 169,876 |
| Other borrowings | 8,663,102 | 8,332,545 | 7,008,741 | 10,253,539 | 9,538,743 | 8,876,197 |
| Debt securities issued | 1,418,775 | - | - | 1,530,295 | 150,000 | - |
| Current tax liabilities | 3,040,107 | 1,755,428 | 1,021,619 | 3,134,407 | 1,839,714 | 1,093,787 |
| Bills payable | - | - | 1,404,158 | - | - | 1,404,158 |
| Insurance provision - Life | - | - | - | 4,348,491 | 3,626,239 | 3,021,331 |
| Insurance provision - General | - | - | - | 1,011,101 | 969,441 | 944,322 |
| Deferred tax liabilities | - | 1,111,111 | 1,174,862 | - | 1,186,615 | 1,225,349 |
| Other provisions | 2,919,320 | 4,240,497 | 5,812,370 | 2,966,730 | 4,400,091 | 5,876,883 |
| Other liabilities | 9,488,222 | 9,333,364 | 9,027,153 | 10,164,227 | 10,044,868 | 9,924,156 |
| Subordinated term debts | 11,856,560 | 7,751,890 | 5,023,216 | 11,781,703 | 7,729,333 | 4,989,350 |
| Total Liabilities | 458,856,582 | 399,459,366 | 342,499,915 | 466,729,123 | 406,435,402 | 348,940,105 |

EQUITY

| | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Stated capital | 12,830,268 | 12,579,479 | 11,451,451 | 12,830,268 | 12,579,479 | 11,451,451 |
| Statutory reserves | 6,761,205 | 4,530,562 | 2,778,337 | 6,761,205 | 4,530,562 | 2,778,337 |
| Retained earnings | 3,465,419 | 4,225,948 | 3,009,553 | 5,210,483 | 5,321,846 | 3,504,132 |
| Other reserves | 28,396,962 | 25,563,064 | 20,744,389 | 32,759,680 | 29,615,888 | 23,840,620 |
| Total equity attributable to equity holders of the Bank | 51,453,854 | 46,899,053 | 37,983,730 | 57,561,636 | 52,047,775 | 41,574,540 |
| Non-controlling interests | - | - | - | 1,104,093 | 969,438 | 782,225 |
| Total Equity | 51,453,854 | 46,899,053 | 37,983,730 | 58,665,729 | 53,017,213 | 42,356,765 |
| Total Liabilities and Equity | 510,310,436 | 446,358,419 | 380,483,645 | 525,394,852 | 459,452,615 | 391,296,870 |

Commitments and contingencies

| | | | | | |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 174,070,970 | 164,367,012 | 152,589,043 | 174,070,970 | 164,367,012 | 152,589,043 |
|-------------|-------------|-------------|-------------|-------------|-------------|



Statement of Financial Position

SLAS

| As at 31st December | BANK | | GROUP | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2010 Rs 000 | 2009 Rs 000 | 2010 Rs 000 | 2009 Rs 000 |
| ASSETS | | | | |
| Cash and cash equivalents | 18,005,640 | 27,152,248 | 18,506,511 | 27,598,197 |
| Statutory deposit with Central Banks | 12,491,644 | 11,063,948 | 12,506,052 | 11,078,805 |
| Government treasury bills | - | - | 976,447 | 305,810 |
| Dealing securities | 1,457,502 | 39,485 | 2,504,283 | 687,731 |
| Securities purchased under re-sale agreements | 1,185,831 | 500,000 | 2,713,591 | 950,703 |
| Non-current assets held for sale | 0 | - | 2,875 | 2,875 |
| Bills of exchange | 1,401,130 | 1,447,490 | 1,401,130 | 1,447,490 |
| Commercial papers | 158,963 | 209,099 | 212,045 | 282,936 |
| Lease receivable within one year | 4,630,492 | 3,931,110 | 4,630,492 | 3,931,110 |
| Lease receivable after one year | 8,816,761 | 5,013,132 | 8,816,761 | 5,013,132 |
| Loans and advances | 188,033,851 | 159,247,361 | 185,982,734 | 156,560,522 |
| Investment securities | 58,704,102 | 53,959,680 | 60,250,684 | 55,847,724 |
| Investments in Associates | 83,651 | 203,806 | 196,009 | 226,129 |
| Investment in Joint Venture | 655,000 | 250,000 | 0 | - |
| Investments in Subsidiaries | 2,179,086 | 2,179,326 | 0 | - |
| Investment properties | 353,563 | 350,760 | 173,595 | 172,555 |
| Property, plant and equipment | 7,473,947 | 7,179,502 | 14,535,778 | 14,332,929 |
| Intangible assets | 577,015 | 675,272 | 702,930 | 710,009 |
| Other assets | 7,786,083 | 6,886,678 | 9,226,858 | 8,059,113 |
| Total Assets | 313,994,261 | 280,288,897 | 323,338,775 | 287,207,770 |
| LIABILITIES | | | | |
| Deposits from customers | 234,073,977 | 210,506,805 | 233,883,446 | 210,363,145 |
| Dividends payable | 49,558 | 215,607 | 51,121 | 215,607 |
| Securities sold under re-purchase agreements | 11,951,727 | 8,685,000 | 13,523,113 | 9,413,416 |
| Borrowings | 10,810,554 | 8,310,128 | 10,803,498 | 8,313,440 |
| Current tax liabilities | 3,127,622 | 2,921,234 | 3,258,984 | 2,977,237 |
| Bills payable | 1,305,161 | 1,161,151 | 1,305,161 | 1,161,151 |
| Subordinated debentures | 2,724,293 | 2,673,192 | 2,697,543 | 2,653,192 |
| Insurance provision - Life | - | - | 2,385,246 | 1,853,513 |
| Insurance provision - Non life | - | - | 730,658 | 599,364 |
| Deferred tax liabilities | 735,884 | 939,253 | 734,376 | 938,366 |
| Other liabilities | 21,941,718 | 20,976,437 | 23,398,928 | 21,945,731 |
| Total Liabilities | 286,720,494 | 256,388,807 | 292,772,074 | 260,434,162 |
| EQUITY | | | | |
| Stated capital | 5,318,550 | 5,084,084 | 5,318,550 | 5,084,084 |
| Statutory reserve fund | 1,510,000 | 1,260,000 | 1,510,000 | 1,260,000 |
| Retained earnings | 4,420,248 | 3,848,946 | 4,355,024 | 3,550,268 |
| Other reserves | 16,024,969 | 13,707,060 | 18,794,535 | 16,479,387 |
| Total Equity attributable to equity holders of the Bank | 27,273,767 | 23,900,090 | 29,978,109 | 26,373,739 |
| Minority interest | - | - | 588,592 | 399,869 |
| Total Equity | 27,273,767 | 23,900,090 | 30,566,701 | 26,773,608 |
| Total Liabilities and Equity | 313,994,261 | 280,288,897 | 323,338,775 | 287,207,770 |
| Commitments and contingencies | 124,170,550 | 63,027,220 | 124,170,550 | 63,039,700 |



Statement of Changes in Equity
For the year ended 31st December
BANK

LKAS / IFRS

| | Stated Capital | | Statutory Reserves | | | Investment Fund Account | | Capital Reserve | | Other Reserves | | Retained earnings | | Total |
|---|-------------------------|-----------------------------|--------------------|------------------------|-------------------|--------------------------------------|---------------------------|------------------------|-------------|----------------|-----------|-------------------|---------|-----------|
| | Voting Shares Rs 000 | Non-Voting Shares Rs 000 | Reserve Rs 000 | Fund Account Rs 000 | Reserve Rs 000 | Available for sale reserve Rs 000 | General Reserve Rs 000 | ESOP Reserve Rs 000 | | | | | | |
| Balance as at 31st December 2011 | 9,143,326 | 2,308,125 | 1,800,000 | 978,337 | 3,009,986 | 2,590,428 | 15,400,000 | - | 3,265,578 | 38,239,755 | 256,025 | | | |
| Prior year adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Restated balance as at 31st December 2011 | 9,143,326 | 2,308,125 | 1,800,000 | 978,337 | 3,009,986 | 2,590,428 | 15,400,000 | - | 3,265,578 | 38,239,755 | 256,025 | | | |
| Total comprehensive income for the year | - | - | - | - | - | 1,462,621 | 529,203 | - | 7,534,155 | 756,710 | 2,748,534 | - | - | - |
| Net profit for the year 2012 | - | - | - | - | - | 1,462,621 | 529,203 | - | 7,534,155 | 756,710 | 2,748,534 | - | - | - |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | 1,462,621 | 529,203 | - | 7,534,155 | 756,710 | 2,748,534 | - | - | - |
| Transactions with equity holders, recognised directly in equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Contributions by and distributions to equity holders | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Final dividend for 2011 - Cash | - | - | - | - | - | - | - | - | (1,166,032) | (1,166,032) | - | - | - | - |
| Final dividend for 2011 - Scrip | 840,958 | 208,471 | - | - | - | - | - | - | (1,166,032) | (1,166,032) | - | - | - | - |
| Interim dividend for 2012 | - | - | - | - | - | - | - | - | (595,870) | (595,870) | - | - | - | - |
| ESOP allocation 2012 | - | - | - | - | - | - | - | - | 176,515 | 176,515 | - | - | - | - |
| Shares issued under ESOP | 64,975 | 13,624 | - | - | - | - | - | - | 176,515 | 176,515 | - | - | - | - |
| Total contributions by and distributions to equity holders | 905,933 | 222,095 | - | - | - | - | - | - | (2,927,934) | (1,623,391) | - | - | - | - |
| Transfer of revaluation reserve for disposal of property, plant and equipment | - | - | 430,000 | 1,322,225 | (5,689) | - | 2,400,000 | - | 5,689 | - | - | - | - | - |
| Transfers during the year 2012 | - | - | 430,000 | 1,322,225 | (5,689) | - | 2,400,000 | - | 5,689 | - | - | - | - | - |
| Balance as at 31st December 2012 | 10,049,259 | 2,530,220 | 2,230,000 | 2,300,562 | 4,466,918 | 3,119,631 | 17,800,000 | 176,515 | 4,225,948 | 46,899,053 | 7,010,106 | 7,010,106 | 435,351 | 7,446,457 |
| Net profit for the year 2013 | - | - | - | - | - | 1,294,197 | - | - | (857,846) | 435,351 | - | - | - | - |
| Other comprehensive income, net of tax | - | - | - | - | - | 1,294,197 | - | - | 6,152,260 | 7,446,457 | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | 1,294,197 | - | - | 6,152,260 | 7,446,457 | - | - | - | - |
| Transactions with equity holders, recognised directly in equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Contributions by and distributions to equity holders | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Final dividend for 2012 - Cash | - | - | - | - | - | - | - | - | (2,782,814) | (2,782,814) | - | - | - | - |
| Interim dividend for 2013 | - | - | - | - | - | - | - | - | (599,332) | (599,332) | - | - | - | - |
| ESOP allocation 2013 | - | - | - | - | - | - | - | - | 239,701 | 239,701 | - | - | - | - |
| Shares issued under ESOP | 205,685 | 45,104 | - | - | - | - | - | - | 239,701 | 239,701 | - | - | - | - |
| Total contributions by and distributions to equity holders | 205,685 | 45,104 | - | - | - | - | - | - | (3,382,146) | (2,891,654) | - | - | - | - |
| Transfer of revaluation reserve for disposal of property, plant and equipment | - | - | 430,000 | 1,800,643 | - | - | 1,300,000 | - | (3,530,643) | - | - | - | - | - |
| Transfers during the year 2013 | - | - | 430,000 | 1,800,643 | - | - | 1,300,000 | - | (3,530,643) | - | - | - | - | - |
| 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 | 7,010,106 | 7,010,106 | 435,351 | 7,446,457 |



SLAS

For the year ended 31st December
BANK

Attributable to Equity Holders of the Bank

| | Stated Capital | | Statutory Reserves | | | Other Reserves | | | Minority Interest | Total |
|---|----------------|-------------------|------------------------|-------------------------|-----------------|-----------------|-------------------------------|-------------------|-------------------|-------------|
| | Voting Shares | Non-Voting Shares | Statutory Reserve Fund | Investment Fund Account | Capital Reserve | General Reserve | Exchange Equalisation Reserve | Retained Earnings | | |
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Balance as at 31st December 2009 | 3,645,330 | 1,438,754 | 1,260,000 | 0 | 3,007,060 | 10,700,000 | - | 3,848,946 | - | 23,900,090 |
| Final dividend for 2009 | | | | 0 | | | | (1,179,807) | | (1,179,807) |
| Deferred tax liability for revaluation reserve | | | | | 2,248 | 0 | 0 | 0 | 0 | 2,248 |
| Impact on rate change | | | | | 15,661 | | | | | 15,661 |
| Profit for the year 2010 | | | | | | | | 4,463,967 | | 4,463,967 |
| Interim dividend for 2010 | | | | | | | | (338,570) | | (338,570) |
| Shares issued under ESOP | 209,650 | 24,816 | | | | | | 175,712 | | 234,466 |
| Dividend reversal | | | | | | | | (2,550,000) | | 175,712 |
| Transfers during the year 2010 | | | 250,000 | | | 2,300,000 | | | | 0 |
| Balance as at 31st December 2010 | 3,854,980 | 1,463,570 | 1,510,000 | 0 | 3,024,969 | 13,000,000 | | 4,420,248 | | 27,273,767 |
| Final dividend for 2010 | | | | | | | | (1,310,975) | | (1,310,975) |
| Deferred tax liability for revaluation reserve | | | | | 4,391 | | | | | 4,391 |
| Impact on rate change | | | | | | | | | | 0 |
| Profit for the year 2011 | | | | | | | | 5,570,339 | | 5,570,339 |
| Interim dividend for 2011 | | | | | | | | (582,560) | | (582,560) |
| Shares issued under ESOP | 59,702 | 6,400 | | | | | | | | 66,102 |
| Rights issue and private placement | 5,228,644 | 838,155 | | | | | | | | 6,066,799 |
| Transfer of revaluation reserve for disposal of PPE | | | | | (19,374) | | | 19,374 | | 0 |
| Transfers during the year 2011 | | | 290,000 | 978,337 | | 2,400,000 | | (3,668,337) | | 0 |
| Balance as at 31st December 2011 | 9,143,326 | 2,308,125 | 1,800,000 | 978,337 | 3,009,986 | 15,400,000 | 0 | 4,448,089 | 0 | 37,087,863 |



Statement of Changes in Equity
For the year ended 31st December
GROUP

LWS/SIFRS

| | Attributable to Equity Holders of the Bank | | | | | | | | | | | | | |
|---|--|-------------------|------------------------|--------------------|-----------------|----------------------------|-----------------|-----------------|-------------------------------|---------------------------------|--------------|-----------|----------------------|------------|
| | Stated Capital | | Statutory Reserves | | | Other Reserves | | | | Retained Earnings | | Total | | |
| | Voting Shares | Non-Voting Shares | Statutory Reserve Fund | Investment Account | Capital Reserve | Available for sale reserve | Treasury shares | General Reserve | Exchange Equalisation Reserve | Life policy holder reserve Fund | ESOP Reserve | | Controlling Interest | |
| Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | | |
| Balance as at 31st December 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 | - | - | - | - | - | 256,025 | - | - | - | - | - | - | - | 256,025 |
| Restated balance as at 31st December 2011 | 9,143,326 | 2,308,125 | 1,800,000 | 978,337 | 3,009,986 | 2,620,826 | (310,938) | 15,400,000 | 5,733 | (22,526) | - | 3,504,132 | 782,224 | 42,612,788 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net profit for the year 2012 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transactions with equity holders, recognised directly in equity | 840,958 | 208,471 | - | - | - | 529,475 | - | - | 5,142 | - | - | 7,941,754 | 160,195 | 8,101,949 |
| Contributions by and distributions to equity holders | - | - | - | - | - | 529,475 | - | - | 5,142 | - | - | 7,941,754 | 160,195 | 8,101,949 |
| Final dividend for 2011 - Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Final dividend for 2011 - Scrip | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interim dividend for 2012 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| ESOP allocation 2012 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Shares issued under ESOP | 64,975 | 13,624 | - | - | - | - | - | - | - | - | 176,515 | - | - | 176,515 |
| Total contributions by and distributions to equity holders | 905,933 | 222,095 | - | - | - | - | - | - | - | - | 176,515 | - | - | 78,599 |
| Transfers during the year 2012 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer to life policy holder reserve fund | - | - | 430,000 | 1,322,225 | - | - | - | 2,400,000 | - | 21,335 | - | - | - | 21,335 |
| Write off of subsidiary investment | - | - | - | - | - | - | - | - | 3,665 | - | - | - | - | (3,665) |
| Disposal of associate company | - | - | - | - | - | - | - | - | (5,996) | - | - | - | - | 52,052 |
| Deemed disposal gain through joint venture | - | - | - | - | - | - | - | - | - | - | - | - | - | 76,873 |
| Transfer of revaluation reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | 67,638 |
| for disposal of property, plant and equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers during the year 2012 | - | - | 430,000 | 1,322,225 | - | (5,689) | - | 2,400,000 | - | 21,335 | - | - | - | 21,335 |
| Balance as at 31st December 2012 | 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 | 53,017,213 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net profit for the year 2013 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transactions with equity holders, recognised directly in equity | 205,685 | 45,104 | - | - | - | 1,304,688 | - | - | 706 | - | - | 7,650,461 | 161,987 | 7,812,448 |
| Contributions by and distributions to equity holders | - | - | - | - | - | 1,304,688 | - | - | 706 | - | - | 7,650,461 | 161,987 | 7,812,448 |
| Final dividend for 2012 - Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Final dividend for 2013 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| ESOP allocation 2013 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Effect of winding up of Special Purpose Entity | - | - | - | - | - | - | - | - | - | - | 239,701 | - | - | (599,332) |
| Shares issued under ESOP | - | - | - | - | - | - | 310,938 | - | - | - | - | - | - | 239,701 |
| Total contributions by and distributions to equity holders | 205,685 | 45,104 | - | - | - | 1,304,688 | - | - | 706 | - | 239,701 | - | - | 269,007 |
| Transfers during the year 2013 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer to life policy holder reserve fund | - | - | 430,000 | 1,800,643 | - | - | - | 1,300,000 | - | (2,991) | - | - | - | 9,250 |
| Disposal of subsidiary company | - | - | - | - | - | - | - | - | (9,250) | - | - | - | - | 40,189 |
| Deemed disposal gain through joint venture | - | - | - | - | - | - | - | - | - | - | - | - | - | 65,312 |
| Transfers during the year 2013 | - | - | 430,000 | 1,800,643 | - | - | - | 1,300,000 | - | (2,991) | - | - | - | 9,250 |
| Balance as at 31st December 2013 | 10,254,944 | 2,575,324 | 2,660,000 | 4,101,205 | 8,792,657 | 4,454,989 | - | 19,100,000 | - | (4,182) | 416,216 | 5,210,483 | 1,104,093 | 58,665,729 |



GROUP

Attributable to Equity Holders of the Bank

| | Stated Capital | | Statutory Reserves | | Other Reserves | | | Minority Interest | Total |
|--|----------------|-------------------|------------------------|-------------------------|-----------------|-----------------|-------------------------------|-------------------|-------|
| | Voting Shares | Non-Voting Shares | Statutory Reserve Fund | Investment Fund Account | Capital Reserve | General Reserve | Exchange Equalisation Reserve | | |
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | |
| Balance as at 31st December 2009 | 3,645,330 | 1,438,754 | 1,260,000 | | 5,773,882 | 10,700,000 | 3,550,268 | 26,773,608 | |
| Final dividend for 2009 | | | | | | | (1,179,807) | (1,209,965) | |
| Deferred tax liability for revaluation reserve | | | | | | | | 2,248 | |
| Impact on rate change | | | | | | | | 15,661 | |
| Exchange loss on translation of Financial Statements of foreign operations | | | | | | | (2,761) | 0 | |
| Minority interest on additional investment in Subsidiaries through Joint Venture | | | | | | | | (1,905) | |
| Reduction in reserves from disposal of Associate company and long term investment to Joint Venture | | | | | | | | 22,974 | |
| Acquisition of minority interest in Subsidiary by Bank | | | | | | | | (88,637) | |
| Minority interest as at the date of acquisition of Subsidiary through Joint Venture | | | | | | | | 712 | |
| Profit for the year 2010 | | | | | | | | 97,042 | |
| Interim dividend for 2010 | | | | | | | | 100,058 | |
| Shares issued under ESOP | 209,650 | 24,816 | | | | | | 0 | |
| Dividend reversal | | | | | | | | 234,466 | |
| Transfers during the year 2010 | | | 250,000 | | | 2,300,000 | (2,550,000) | 175,712 | |
| Balance as at 31st December 2010 | 3,854,980 | 1,463,570 | 1,510,000 | 0 | 5,791,791 | 13,000,000 | 4,355,024 | 30,566,701 | |
| Final dividend for 2010 | | | | | | | (1,310,975) | (39,205) | |
| Deferred tax liability for revaluation reserve | | | | | | | | 4,391 | |
| Exchange gain on translation of Financial Statements of foreign operations | | | | | | | | 0 | |
| Profit for the year 2011 | | | | | | | | 1,303 | |
| Interim dividend for 2011 | | | | | | | | 85,357 | |
| Shares issued under ESOP | 59,702 | 6,400 | | | | | | 0 | |
| Rights issue and private placement | 5,228,644 | 838,155 | | | | | | (582,560) | |
| Transfer of revaluation reserve for disposal of PPE | | | | | | | | 66,102 | |
| Transfers during the year 2011 | | | 290,000 | 978,337 | (19,374) | 2,400,000 | (3,668,337) | 0 | |
| Balance as at 31st December 2011 | 9,143,326 | 2,308,125 | 1,800,000 | 978,337 | 5,776,808 | 15,400,000 | 5,733 | 41,165,993 | |



| Cash Flow Statement For the year ended 31st December | LKAS / SLFRS | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Bank | | | Group | | |
| | 2013 Rs 000 | 2012 Rs 000 | 2011 Rs 000 | 2013 Rs 000 | 2012 Rs 000 | 2011 Rs 000 |
| Cash Flows from Operating Activities | | | | | | |
| Interest and Commission Receipts | 55,729,913 | 47,901,062 | 32,124,704 | 56,192,778 | 47,916,971 | 32,619,731 |
| Interest Payments | (31,938,047) | (24,728,933) | (14,224,010) | (32,090,888) | (24,856,302) | (14,315,333) |
| Receipts from other Operating Activities | 1,848,831 | 1,638,755 | 1,085,283 | 5,283,495 | 4,598,787 | 3,538,563 |
| Cash Payments to Employees | (6,947,716) | (6,385,313) | (5,755,443) | (7,426,385) | (6,896,173) | (6,281,654) |
| Cash Payments to Suppliers | - | - | (2,308,761) | - | - | (2,072,901) |
| Recovery of loans written off in prior years | 8,295 | 11,192 | 4,071 | 8,295 | 11,192 | 4,071 |
| Cash Payments to Other Operating Activities | (9,659,378) | (9,176,304) | (6,835,305) | (11,349,125) | (10,327,090) | (7,946,368) |
| Operating Profit before Changes in Operating Assets and Liabilities | 9,041,898 | 9,260,459 | 4,090,539 | 10,618,170 | 10,447,385 | 5,546,109 |
| Increase in Operating assets | | | | | | |
| Deposits held for Regulatory or Monetary Control Purpose | 3,567,095 | (1,250,058) | (6,191,761) | 3,567,179 | (1,249,869) | (6,191,761) |
| Loans and receivables to other customers | (56,940,880) | (44,961,367) | (54,199,207) | (56,782,186) | (45,863,570) | (55,050,244) |
| Other Short Term assets | 763,228 | (902,569) | (1,382,675) | 637,244 | (981,135) | (1,281,723) |
| | (52,610,557) | (47,113,994) | (61,773,643) | (52,577,763) | (48,094,574) | (62,523,728) |
| Increase/(Decrease) in Operating Liabilities | | | | | | |
| Deposits from Customers | 42,745,044 | 48,819,348 | 50,073,031 | 42,961,054 | 48,687,988 | 49,829,714 |
| Other Liabilities | 999,210 | (568,538) | (599,694) | 990,616 | (316,089) | (789,290) |
| | 43,744,254 | 48,250,810 | 49,473,337 | 43,951,670 | 48,371,899 | 49,040,424 |
| Net Cash Generated from/(used in) Operating Activities before Income Tax | 175,595 | 10,397,275 | (8,209,767) | 1,992,077 | 10,724,710 | (7,937,195) |
| Income Taxes Paid | (2,889,690) | (929,178) | (2,645,086) | (2,949,187) | (966,030) | (2,725,563) |
| Net Cash Generated from/(used in) Operating Activities | (2,714,095) | 9,468,097 | (10,854,853) | (957,110) | 9,758,680 | (10,662,758) |
| Cash Flows from Investing Activities | | | | | | |
| Dividend Income | 362,509 | 248,990 | 399,487 | 297,112 | 223,433 | 397,553 |
| Dividend Income received from associates | - | - | - | 53,148 | - | - |
| Net proceeds from Sale, Maturity and Purchase of Financial Investments | (15,854,115) | (10,687,368) | (1,491,319) | (17,171,637) | (10,741,492) | (1,505,697) |
| Improvements to Investment Properties | (2,202) | (5,085) | (395) | (993) | (139) | - |
| Purchase of Property, Plant and Equipment | (952,411) | (872,396) | (1,210,302) | (1,021,075) | (925,940) | (1,260,080) |
| Purchase of Intangible Assets | (671,888) | (181,982) | (145,402) | (681,445) | (208,214) | (155,408) |
| Investment in Associate Company | - | - | - | (121,275) | (20,000) | (199,661) |
| Net proceeds from sale of non current assets held for sale | - | - | - | 2,485 | - | - |
| Net proceeds from sale of Associate company | - | 58,815 | - | - | 58,815 | - |
| Net proceeds from sale of Subsidiary company | 56,158 | - | - | - | - | - |
| Investment in Subsidiary Company | - | - | (234,320) | - | - | - |
| Proceeds from Sale of Property Plant and Equipment | 18,398 | 36,038 | 84,389 | 22,421 | 37,237 | 90,044 |
| Proceeds from deemed disposal of subsidiary company through Joint Venture | - | - | - | 105,500 | 144,511 | - |
| Net cash effect on disposal of Subsidiary | - | - | - | 9,920 | - | - |
| Net Cash Flows used in Investing Activities | (17,043,551) | (11,402,988) | (2,597,862) | (18,505,839) | (11,431,789) | (2,633,249) |
| Cash Flows from Financing Activities | | | | | | |
| Increase/(Decrease) in Debentures | 5,090,472 | 2,815,526 | 2,000,000 | 4,999,692 | 2,827,525 | 2,000,000 |
| Increase in borrowings | 11,396,199 | 5,199,665 | 3,795,333 | 11,638,468 | 5,129,078 | 4,086,130 |
| Issue of preference shares | - | - | - | - | 150,000 | 0 |
| Dividends Paid | (3,177,254) | (1,825,130) | (1,775,013) | (3,247,693) | (1,807,716) | (1,741,148) |
| Proceeds from right issue and private placement | - | - | 6,066,799 | - | - | 5,903,086 |
| Proceeds from issue of shares to minority share holders | - | - | - | - | - | 156,250 |
| Proceeds from issue of shares under ESOP | 250,789 | 78,599 | 66,102 | 250,789 | 78,599 | 66,102 |
| Share issue expenses | - | (5,649) | (45,871) | - | (8,247) | (50,300) |
| Debenture Issue Expenses | (22,342) | - | - | (22,342) | - | - |
| Net Cash Generated from Financing Activities | 13,537,864 | 6,263,011 | 10,107,350 | 13,618,914 | 6,369,239 | 10,420,120 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (6,219,782) | 4,328,120 | (3,345,365) | (5,844,035) | 4,696,130 | (2,875,887) |
| Cash and Cash Equivalents at the Beginning of the year | 19,091,038 | 14,762,918 | 18,108,283 | 20,515,883 | 15,819,753 | 18,696,110 |
| Cash and Cash Equivalents at the End of the year | 12,871,256 | 19,091,038 | 14,762,918 | 14,671,848 | 20,515,883 | 15,820,223 |



| Cash Flow Statement For the year ended 31st December | SLAS | | | |
|--|------------------------|---------------------|-------------------------|---------------------|
| | BANK 2010 Rs 000 | 2009 Rs 000 | GROUP 2010 Rs 000 | 2009 Rs 000 |
| Cash Flows from Operating Activities | | | | |
| Interest and commission receipts | 28,640,224 | 31,735,949 | 29,102,540 | 31,770,910 |
| Interest payments | (15,894,274) | (16,131,045) | (15,967,635) | (16,372,345) |
| Receipts from other operating activities | 1,080,673 | 1,003,539 | 3,000,822 | 2,607,287 |
| Cash payments to employees | (5,569,257) | (5,257,678) | (5,999,849) | (5,609,996) |
| Cash payments to suppliers | (2,155,209) | (2,089,604) | (1,840,568) | (1,738,014) |
| Recoveries from loans written off in previous years | 6,549 | 7,283 | 6,549 | 7,283 |
| Cash payments to other operating activities | (3,166,029) | (2,686,220) | (4,130,923) | (3,350,666) |
| Operating Profit before Changes in Operating Assets and Liabilities [Note (a)] | 2,942,677 | 6,582,224 | 4,170,936 | 7,314,459 |
| (Increase) / Decrease in Operating Assets | | | | |
| Commercial papers and reverse repos | (635,696) | 916,809 | (1,354,410) | 1,599,037 |
| Deposits held for regulatory or monetary control purpose | (1,427,696) | 783,375 | (1,427,696) | 783,193 |
| Loans and advances | (33,303,019) | 5,192,190 | (33,936,494) | 6,038,957 |
| Other short term assets | (1,257,812) | 4,092,063 | (1,397,764) | 3,644,154 |
| | (36,624,223) | 10,984,437 | (38,116,364) | 12,065,341 |
| Increase / (Decrease) in Operating Liabilities | | | | |
| Deposits from customers | 23,430,674 | 22,567,119 | 23,383,803 | 22,578,778 |
| Negotiable certificates of deposits | 136,498 | 1,169,824 | 136,498 | 1,169,824 |
| Other liabilities | 1,332,947 | (2,620,327) | 1,700,720 | (2,128,230) |
| | 24,900,119 | 21,116,616 | 25,221,021 | 21,620,372 |
| Net Cash Generated from Operating Activities before Income Tax | (8,781,427) | 38,683,277 | (8,724,407) | 41,000,172 |
| Income taxes paid | (1,807,700) | (623,535) | (1,814,307) | (613,246) |
| Net Cash Generated from Operating Activities | (10,589,127) | 38,059,742 | (10,538,714) | 40,386,926 |
| Cash Flows from Investing Activities | | | | |
| Dividend receipts | 216,556 | 202,365 | 205,806 | 180,891 |
| Net proceeds from sale of dealing securities | (640,338) | 275,701 | (216,052) | 24,882 |
| Net purchase of investment securities | (1,352,171) | (25,230,973) | (1,431,652) | (25,902,385) |
| Purchase of property, plant and equipment | (977,446) | (1,071,026) | (1,033,680) | (1,163,844) |
| Purchase of intangible assets | (68,183) | (110,432) | (100,105) | (126,378) |
| Improvements to investment properties | (7,247) | (663) | (5,496) | (663) |
| Investment in Associate company | - | (12,860) | (48,500) | (12,860) |
| Net proceeds from sale of Associate company | 179,907 | - | 89,954 | - |
| Investment in Joint Venture company | (405,000) | - | - | - |
| Net cash effect on investment in Subsidiary company [Note (b)] | - | (240) | - | 471 |
| Net cash effect on investment / increase percentage held in Subsidiary company by Joint Venture | - | - | (416,086) | - |
| Net cash effect on disposal of DNH Financial (Pvt) Ltd (former HNB Stockbrokers (Pvt) Ltd) [Note (c)] | - | - | - | 43,474 |
| Net cash effect on disposal of Subsidiary companies [Note (d)] | - | - | - | - |
| Net cash effect on investment in Joint Venture [Note (e)] | - | - | - | - |
| Proceeds from sale of property, plant and equipment | 6,077 | 19,663 | 7,835 | 24,724 |
| Net Cash used in Investing Activities | (3,047,845) | (25,928,465) | (2,947,976) | (26,931,688) |
| Cash Flows from Financing Activities | | | | |
| Decrease in debentures | - | (127,627) | 0 | (1,127,627) |
| (Increase) / decrease of other borrowings | 5,767,154 | (7,206,116) | 5,677,415 | (7,323,573) |
| Dividends paid | (1,508,714) | (971,699) | (1,537,309) | (990,451) |
| Proceeds from issue of shares under ESOP | 234,466 | 24,694 | 234,466 | 24,694 |
| Share issue expenses | (2,542) | (233) | (2,542) | (233) |
| Proceeds from issue of shares to minority share holders | 0 | 0 | 22,974 | 0 |
| Net Cash Generated from / (used in) Financing Activities | 4,490,364 | (8,280,981) | 4,395,004 | (9,417,190) |
| Net increase in cash and cash equivalents | (9,146,608) | 3,850,296 | (9,091,686) | 4,038,048 |
| Cash and cash equivalents at the beginning of the year | 27,152,248 | 23,301,952 | 27,598,197 | 23,560,149 |
| Cash and Cash Equivalents at the End of the Year | 18,005,640 | 27,152,248 | 18,506,511 | 27,598,197 |

