

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and are guided by recommended best accounting practices.

GENERAL

The Directors have pleasure in presenting to the members their Report together with the audited Financial Statements of Nations Trust Bank PLC, a public limited liability Company incorporated in Sri Lanka on 21st January 1999 under the Companies Act No. 17 of 1982, quoted in the Colombo Stock Exchange in May 1999 and a licensed commercial bank under the Banking Act No. 30 of 1988, for the year ended 31st December 2009.

The Company was re-registered on 14th February 2008 as required under the provisions of the Companies Act No. 7 of 2007.

The Annual Report of the Board of Directors and the Audited Financial Statements were approved by the Directors on 18th February 2010.

STATEMENT OF COMPLIANCE ON THE CONTENT OF THE ANNUAL REPORT

The Audited Financial Statements included in this Annual Report have been prepared and presented with the disclosures in accordance with the Sri Lanka Accounting Standards and other applicable regulatory requirements.

PRINCIPAL ACTIVITIES

Nations Trust Bank PLC is a Banking Company licensed as a commercial bank. There are four fully owned subsidiaries of Nations Trust Bank PLC which together constitute the Group. The principal activities of the Bank are commercial, personal and private banking, trade services, leasing, factoring, treasury and capital market services and fee-based activities. The principal activities of the Bank's subsidiaries viz. Waldock Mackenzie Limited, Allied Properties Limited, Mercantile Leasing (Financial Services) Limited and Nations Insurance Brokers Limited are carrying out money market operations and fund and fee-based activities, property rental, managing an operating leases portfolio and insurance broking respectively. There has been no material change to the activities of the Company or any of the subsidiaries during the period under review.

FINANCIAL STATEMENTS

Financial Statements of the Company and the Group are given on pages 88 to 119 of this Annual Report.

AUDITORS' REPORT

Auditors' Report on the Financial Statements is given on Page 87.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given from pages 92 to 99. There has been no change in the accounting policies adopted by the Company during the period under review.

INTERESTS REGISTER

All Directors have made general declarations as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from these, details of contracts in which they have an interest are given on pages 78 and 80 to 83 of this Report. Entries relating to the following were made in the Interests Register during the year under review:

1. Transfer of one share (being a subscriber's share) by Mr. A.D. Gunewardene with the approval of the Securities and Exchange Commission on 9th March 2009.
2. Approval of remuneration to Executive Directors by the Board - 30th March 2009.
3. Disposal of shares by Mr. A.D. Gunewardene through the Colombo Stock Exchange on 18th, 19th and 25th May 2009.

DIRECTORS' SHAREHOLDINGS

Directors' shareholding as at 31st December 2009 and 2008 are given below:

Name of the Director	No. of Shares	
	2009	2008
Mr. A.D. Gunewardene	2,583,366	3,253,667
Mr. E.H. Wijenaikie	15,414	15,414
Mr. J.R.F. Peiris	–	–
Mr. A.K. Gunaratne	14,133	14,133
Mr. A.R. Rasiah	16,304	16,304
Dr. D. Weerakoon	–	–
Mr. M.E. Wickremesinghe	–	–
Mr. K.N.J. Balendra	–	–
Mr. S.G. Rajakaruna	–	–
Mr. C.H.S.K. Piyaratna	67,066	67,066

Includes the shares held by the spouses and dependant children of the Directors.

DIRECTORS' REMUNERATION

Details of Directors' fees and emoluments paid during the year are as follows:

	Bank Rs. mn	Group Rs. mn
Directors' Fees and Emoluments	44,987	44,987

CORPORATE DONATIONS

Donations by the Company during the year amounted to Rs. 16,000/-. This comprised of a donation to Messrs Venura Aabadhitha Kapakaru Maapiya Sangamaya for the purchase of material for school uniforms to be given to children of destitute families.

DIRECTORATE

Directors of the Bank as at the end of the accounting period and their attendance at the Board meetings during the year were as follows:

Non-Executive Directors

Mr. A.D. Gunewardene - Chairman	15/15
Mr. E.H. Wijenaikie - Deputy Chairman	15/15
Mr. J.R.F. Peiris	15/15
Mr. A.K. Gunaratne	15/15
Mr. K.N.J. Balendra	01/01

Independent Non-Executive Directors

Mr. A.R. Rasiah - Senior Director	13/15
Ms. D. Weerakoon	14/15
Mr. M.E. Wickremesinghe	15/15

Executive Directors

Mr. S.G. Rajakaruna - CEO	04/04
Mr. C.H.S.K. Pityaratna	15/15

Mr. A.R. Rasiah has been designated as the Senior Director in terms of Direction No. 3 (5) (ii) of Banking Act, Direction No. 11 of 2007 (Directions on Corporate Governance for Licensed Commercial Banks).

Dr. Dushni Weerakoon, Mr. A.R. Rasiah and Mr. M.E. Wickremesinghe retire by rotation as provided for in the Articles of Association of the Company and are recommended for re-election by the shareholders.

Mr. S.G. Rajakaruna and Mr. K.N.J. Balendra were appointed by the Board subsequent to the last Annual General Meeting and as such are recommended for election by the shareholders pursuant to Article No. 91 of the Articles of Association of the Company.

Having given due consideration to the criterion set out in the Banking Act No. 30 of 1988 and Banking Act Direction No. 11 of 2007, Board is of the view that all Directors of the Bank including those who are recommended for re-election and election are fit and proper persons to hold office as Directors of the Bank.

Mr. S.C. Ratnayake who would have completed 9 years as a Director of the Bank on 8th December 2009, resigned from the Board of Directors of the Bank with effect from 1st December 2009, in order to comply with the Banking Act Direction No. 11 of 2007 (Directions on Corporate Governance for Licensed Commercial Banks).

Mr. Z.H. Zavahir retired from the Bank with effect from 20th August 2009, and accordingly ceased to be a Director of the Bank with effect from the same date.

AUDITORS

Company's Auditors during the period under review were Messrs Ernst & Young, Chartered Accountants. Fees charged against the income is as follows:

	Bank Rs. mn	Group Rs. mn
Audit Fees and Expenses	4.026	6.198
Fees for Other Services	0.491	0.573

Other services consisted of tax related work.

As far as the Directors are aware the Auditors do not have any relationship with or interest in the Company or any of its subsidiaries other than those disclosed above.

RESULTS AND DIVIDENDS

Consolidated Income Statement along with the Company's Income Statement for the year is given on page 89. Group and Bank Balance Sheets are given on page 88.

Having satisfied the solvency test requirement under the Companies Act No. 07 of 2007 the Directors recommend a first and final dividend of Rs. 1.50 per share to the holders of ordinary shares of the Company registered on the books of the Company as at end of 30th March 2010.

INFORMATION ON SHARES, WARRANTS AND DEBENTURES

Information relating to holdings of shares, warrants and debentures is given from pages 120 to 125 of this Report.

POST-BALANCE SHEET EVENTS

No circumstances have arisen since the Balance Sheet date that would require adjustment or disclosure other than those disclosed in Note 33 to the Financial Statements contained on page 119.

CAPITAL ADEQUACY

The Group's capital adequacy ratios as at 31st December 2009 were 11.79% for Tier I and 16.11% for Tier I & II and are above the minimum requirements of the Central Bank of Sri Lanka of 5% and 10% respectively.

REPORT ON COMPLIANCE WITH PRUDENTIAL REQUIREMENTS, REGULATIONS, LAWS AND INTERNAL CONTROLS

The Bank has complied with all the regulatory and prudential requirements arising from the provisions in the statutes applicable to the Bank such as the Banking Act No. 30 of 1988, directions and determinations issued by the Central Bank of Sri Lanka under the Banking Act, Monetary Law Act Chapter 422, Exchange Control Act No. 24 of 1953, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Prevention of Money Laundering Act No. 5 of 2006, Financial Transactions Reporting Act No. 6 of 2006, Convention on the Suppression of Terrorist Financing Act No. 25 of 2005, Inland Revenue Act No. 10 of 2006, Value Added Tax No. 14 of 2002, Finance Act No. 5 of 2005, Economic Service Charge Act No. 13 of 2006, Listing Rules of the Colombo Stock Exchange including the rules relating to Corporate Governance, Securities and Exchange Commission Act No. 36 of 1987, Financial Leasing Act No. 56 of 2000, Payment of Gratuity Act No. 12 of 1983, Employees' Provident Fund Act No. 15 of 1958, Employees' Trust Fund Act No. 46 of 1980, etc. and amendments to such statutes.

The Bank has established and maintained an effective system of internal controls which is improved on a continuous basis based on the recommendations of Internal Audit Department and the observations of the Central Bank of Sri Lanka and the External Auditors during their inspections and audits.

RELATED PARTY DISCLOSURES

Details of significant related party transactions are given in the table below:

Transactions with Related Parties

Category of Related Party	Subsidiary Companies*		Directors of the Bank		Key Management Personnel (KMP) of the Bank		Close Relations of Directors and KMP		Shareholders Owning a Material Interest in the Bank**		Concerns in which Directors, Close Relations of Directors or Material Shareholders have a Substantial Interest	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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 Sheet Items												
Assets												
Accommodation												
Loans and Advances	914,373	373,360	1,962	2,447	37,327	52,601	111	1,048	24,547	50,014	-	3,698
Credit Cards	-	-	1,180	2,025	1,686	2,045	-	-	753	135	-	-
Reverse Repurchase												
Agreements	2,619,129	8,780,484	-	-	-	507	-	-	-	-	-	-
Other Assets	34,105	229,958	-	-	-	-	-	-	-	-	-	-
Total Accommodation	3,567,607	9,383,802	3,142	4,472	39,013	55,153	111	1,048	25,300	50,149	-	3,698
Cash Collaterals Against Loans and Advances	-	-	7,893	8,946	25,871	13,869	-	2,000	408,560	300,000	-	16,403
Liabilities												
Deposits	4,252	5,759	26,600	17,239	30,111	38,093	667	6,731	4,157,170	2,924,572	4,708	21,144
Borrowings	-	2,314,063	6,247	10,076	12,646	13,553	-	-	899,682	3,346,006	-	-
Other Liabilities	189,344	135,479	-	-	-	-	-	-	-	-	-	-
Equity												
Dividends Paid	-	-	4,583	3,232	463	84	125	63	116,331	75,607	-	-
Off-Balance Sheet Items												
Undrawn Facilities	-	-	5,720	2,680	14,359	10,402	-	340	299,726	202,905	-	8,602
Guarantees	450	-	-	-	-	-	-	-	15,787	27,727	-	3,473
Income Statement Items												
Interest Income Earned	839,300	907,487	3,374	397	3,736	3,983	133	328	6,334	27,751	169	545
Interest Expenses Paid	17,350	251,555	10,846	2,691	4,896	3,411	816	943	489,179	537,247	2,208	2,946
Other Income Earned	2,821	6,146	5	8	24	28	4	3	326	302	212	377
Dividends Received (Gross)	37,320	37,800	-	-	-	-	-	-	-	-	-	-
Expenses Paid	17,830	13,060	-	-	-	-	-	-	16,107	14,642	2,905	2,518
Provision for Investments	723	12,421	-	-	-	-	-	-	-	-	-	-
Compensation Paid:												
Emoluments/Fees	-	-	44,987	36,698	113,499	99,083	-	-	-	-	-	-
Post-Employment Benefits	-	-	1,195	1,160	3,284	3,813	-	-	-	-	-	-
No. of shares of the Bank Bought	-	-	-	2,185,513	-	19,833	-	17,397	-	-	-	-
No. of shares of the Bank Sold	-	-	670,301	26,000	-	-	-	-	-	-	-	-

* Subsidiaries of the Group include Waldock Mackenzie Limited, Allied Properties Limited, Nations Insurance Brokers Limited and Mercantile Leasing (Financial Services) Limited.

** Since John Keells Holdings PLC together with Mackinnon & Keells Financial Services Limited and Central Finance Company PLC together with CF Growth Fund Limited and CF Insurance Brokers Limited hold material interest in the Bank transactions with these companies have been disclosed.

The Group does not have Associate companies.

DIRECTORS OF SUBSIDIARY COMPANIES

Waldock Mackenzie Limited

Mr. A.D. Gunewardene
Mr. E.H. Wijenaïke
Mr. C.H.S.K. Piyaratna
Mr. S.G. Rajakaruna
Mr. A.D.S. Yapa

Resignations during the accounting period

Mr. Z.H. Zavahir
Mr. T.M.I. Ahamed

Nations Insurance Brokers Limited

Ms. R.K. Jayawardena
Mr. C.H.S.K. Piyaratna
Mr. S.G. Rajakaruna

Resignations during the accounting period

Mr. Z.H. Zavahir
Mr. T.M.I. Ahamed

Allied Properties Limited

Mr. A.D. Gunewardene
Mr. E.H. Wijenaïke

Resignations during the accounting period

Mr. Z.H. Zavahir

Mercantile Leasing (Financial Services) Limited

Mr. A.D. Gunewardene
Mr. E.H. Wijenaïke

Resignations during the accounting period

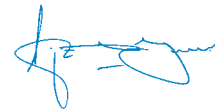
Mr. Z.H. Zavahir

GOING CONCERN

Directors after making necessary inquiries have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

ANNUAL GENERAL MEETING

Annual General Meeting of the Company will be held at the Auditorium of The Institute of Chartered Accountants of Sri Lanka at No. 30A, Malalasekara Mawatha, Colombo 7 on 30th March 2010 at 10.00 a.m.



Ajit Gunewardene
Chairman



Saliya Rajakaruna
Director/Chief Executive Officer



Theja Silva
Company Secretary

Colombo
18th February 2010