

NATIONS TRUST BANK LIMITED AND ITS FULLY OWNED SUBSIDIARIES

Nations Trust Bank Limited
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We understand you

INCOME STATEMENT

For the three months ended March 31,	Bank			Group		
	2007 Rs.	2006 Rs.	Change (%)	2007 Rs.	2006 Rs.	Change (%)
Gross Income	1,624,565,580	959,924,464	69	2,000,478,915	1,125,849,101	78
Interest Income						
Interest Income on Loans and Advances	1,014,380,790	409,709,661		1,014,380,790	409,709,661	
Interest Income on Other Interest Earning Assets	336,446,596	376,155,417		689,766,274	504,484,890	
	1,350,827,386	785,865,078	72	1,704,147,064	914,194,551	86
Interest Expense						
Interest Expense on Deposits	(457,557,955)	(226,826,842)		(457,557,955)	(226,826,842)	
Interest Expense on Other Interest Bearing Liabilities	(467,168,017)	(204,911,418)		(770,977,908)	(309,903,633)	
	(924,725,972)	(431,738,260)	114	(1,228,535,863)	(536,730,475)	129
Net Interest Income	426,101,414	354,126,818	20	475,611,201	377,464,076	26
Non-Interest Income						
Foreign Exchange Income	75,051,744	40,711,289	84	75,051,744	40,711,289	84
Other Operating Income	198,686,450	133,348,097	49	221,280,107	170,943,261	29
	273,738,194	174,059,386		296,331,851	211,654,550	
Net Income	699,839,608	528,186,204	32	771,943,052	589,118,626	31
Less: Non-Interest Expenses						
Personnel Costs	191,056,077	121,990,496	57	194,232,704	124,694,112	56
Provision for Staff Retirement Benefits	6,729,333	3,611,924	86	6,906,431	3,683,056	88
Premises, Equipment and Establishment Expenses	109,475,325	93,812,736	17	121,443,816	110,129,650	10
Other Operating Expenses	192,638,955	152,846,366	26	193,253,221	157,618,350	23
	499,899,690	372,261,522	34	515,836,172	396,125,168	30
Less : Provision for Bad & Doubtful Debts and Loans Written Off						
Provision - General	18,618,404	36,045,728	(48)	18,618,404	36,045,728	(48)
Provision - Specific	39,276,643	43,795,480	(10)	39,276,643	43,795,480	(10)
	57,895,047	79,841,208	(27)	57,895,047	79,841,208	(27)
Operating Profit on Ordinary Activities before Taxes	142,044,871	76,083,474	87	198,211,833	113,152,250	75
Less: Value Added Tax on Financial Services	(15,994,391)	(7,738,761)	107	(24,132,365)	(13,392,796)	80
Operating Profit before Corporate Tax	126,050,480	68,344,713	84	174,079,468	99,759,454	74
Less: Tax on Profits on Ordinary Activities	(53,076,667)	(28,799,006)	84	(72,048,247)	(41,635,474)	73
Operating Profit for the period	72,973,813	39,545,707	85	102,031,221	58,123,980	76
Earnings Per Share - Basic	0.58	0.31		0.81	0.46	

Explanatory Notes:

- 1) The Group figures include those of the fully owned subsidiaries, Waldock Mackenzie Limited, Allied Properties Limited, Mercantile Leasing (Financial Services) Limited and MLL Insurance Brokers Limited.
- 2) These Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards and provide the information as required in terms of Rule 8.3 of the Colombo Stock Exchange and the Directions issued by the Central Bank of Sri Lanka.
- 3) No material events have taken place since 31st March 2007 that require disclosure or/and adjustments in these accounts.
- 4) There were no changes in the accounting policies and methods of computation as disclosed in the Annual Report for the year ended 31st December 2006 and these interim financials are presented in accordance with SLAS 35 - Interim Financial Reporting.

The above figures are provisional and subject to audit.

CASH FLOW STATEMENT

	Bank		Group	
	2007	2006	2007	2006
	Rs.	Rs.	Rs.	Rs.
<i>For the three months ended March 31,</i>				
Cash Flows from Operating Activities				
Interest Received	1,350,827,386	785,865,078	1,704,147,064	914,194,551
Interest Paid	(924,725,972)	(431,738,260)	(1,228,535,863)	(536,730,475)
Foreign Exchange Income Received	75,051,744	40,711,289	75,051,744	40,711,289
Receipts from Other Operating Activities	198,686,450	133,348,097	221,280,107	170,943,261
Gratuity Payments Made	(378,450)	(523,700)	(1,807,750)	(523,700)
Payments to Employees and Suppliers	(453,777,578)	(328,266,108)	(456,528,457)	(342,630,007)
Operating Profit before Changes in Operating Assets and Liabilities	245,683,580	199,396,396	313,606,845	245,964,919
(Increase)/Decrease in Operating Assets				
Treasury Bills and Bond Investments	2,185,231,644	(1,315,313,040)	2,564,513,786	(863,664,559)
Bills of Exchange	(93,068,363)	(22,307,191)	(93,068,363)	(22,307,191)
Loans and Advances	(2,036,606,934)	(7,844,277,846)	(2,327,644,831)	(7,299,932,218)
Other Assets	75,781,481	(11,050,150)	(14,468,379)	(584,139,169)
	131,337,828	(9,192,948,227)	129,332,213	(8,770,043,137)
Increase/(Decrease) in Operating Liabilities				
Customer Deposits	3,036,179,582	1,711,514,319	3,049,003,223	1,712,471,128
Securities sold under Repurchase Agreements	(473,036,285)	2,295,523,933	838,650,656	1,509,207,397
Other Liabilities	(98,705,956)	4,428,582,452	142,904,142	4,760,931,079
	2,464,437,341	8,435,620,704	4,030,558,021	7,982,609,605
Net Cash Flow from Operating Activities	2,841,458,749	(557,931,127)	4,473,497,079	(541,468,614)
Cash Flows from Investing Activities				
Proceeds from sale of Fixed Assets	7,616,667	-	13,477,743	-
Purchase of Property, Plant and Equipment	(58,034,871)	(115,628,144)	(58,034,871)	(126,319,961)
	(50,418,204)	(115,628,144)	(44,557,128)	(126,319,961)
Cash Flows from Financing Activities				
Increase/(Decrease) in Refinance Activities	(790,217,183)	812,663,930	(2,410,779,238)	812,663,932
Increase/(Decrease) in Call and Other Borrowings	(2,978,071,181)	-	(2,978,071,181)	-
	(3,768,288,364)	812,663,930	(5,388,850,419)	812,663,932
Net Increase in Cash and Cash Equivalents	(977,247,819)	139,104,659	(959,910,468)	144,875,360
Cash and Cash Equivalents at the beginning of the year	5,017,496,699	2,588,424,876	5,018,288,183	2,588,436,011
Cash and Cash Equivalents at the end of the year	4,040,248,880	2,727,529,535	4,058,377,715	2,733,311,371
Reconciliation of Cash and Cash Equivalents				
Cash in Hand and Balances with Banks	384,703,513	275,297,810	384,736,513	275,461,400
Balances with the Central Bank of Sri Lanka	1,681,833,651	1,780,117,243	1,681,833,651	1,780,117,243
Money at Call and Short Notice	1,973,711,716	672,114,482	1,991,807,551	677,732,728
	4,040,248,880	2,727,529,535	4,058,377,715	2,733,311,371
A. Reconciliation of Operating Profit				
Profit before taxation				
Profit before taxation	142,044,871	76,083,474	198,211,833	113,152,250
Depreciation	39,392,779	39,859,789	52,401,284	49,288,405
Provision for Doubtful Debts	57,895,047	80,364,908	57,895,047	80,364,908
Provision for Gratuity	6,729,333	3,611,924	6,906,431	3,683,056
Gratuity Payments Made	(378,450)	(523,700)	(1,807,750)	(523,700)
	245,683,580	199,396,396	313,606,845	245,964,919

BALANCE SHEET

As at	Bank			Group		
	31.03.2007 Rs.	31.12.2006 Rs. (Audited)	Change (%)	31.03.2007 Rs.	31.12.2006 Rs. (Audited)	Change (%)
On-Balance Sheet Assets						
Cash in Hand	384,703,513	305,570,337	26	384,736,513	305,603,337	26
Balances with the Central Bank of Sri Lanka	1,681,833,651	1,314,915,247	28	1,681,833,651	1,314,915,247	28
Due from Banks and other Financial Institutions	3,050,143,632	4,473,443,031	(32)	3,068,239,467	4,474,201,515	(31)
Investments - Trading Account						
Government Securities	1,496,108	243,360,486	(99)	1,496,108	1,440,894,670	(99)
Investments - Held-to-Maturity						
Government Securities	5,086,189,492	7,029,556,758	(28)	9,384,659,996	10,509,775,220	(11)
Other Securities	4,590,000	1,590,000	189	4,590,000	1,590,000	189
Investments in Subsidiaries	682,205,961	682,205,961	-	-	-	-
Total Loans and Advances						
Total Performing Loans and Advances						
Bills of Exchange	384,417,917	291,349,554	32	384,417,917	291,349,554	32
Overdrafts	4,178,571,294	4,310,777,608	(3)	4,178,571,294	4,310,777,608	(3)
Lease Rentals Receivable within one year	2,188,540,980	1,833,410,443	19	2,191,774,645	1,837,441,065	19
Lease Rentals Receivable after one year	3,359,274,053	3,132,941,447	7	3,359,274,053	3,132,941,447	7
Other Loans	16,664,284,162	15,059,311,315	11	18,964,103,344	17,052,977,881	11
	26,775,088,406	24,627,790,367	9	29,078,141,253	26,625,487,555	9
Total Non-performing Loans and Advances						
Overdrafts	187,728,714	341,445,965	(45)	187,728,714	341,445,965	(45)
Lease Rentals Receivable	249,062,725	377,450,586	(34)	249,062,725	377,450,586	(34)
Other Loans	818,929,594	572,850,741	43	818,929,594	587,168,502	39
Interest Receivable	160,243,830	124,526,327	29	160,243,830	124,526,328	29
Total Gross Loans and Advances	28,191,053,269	26,044,063,986	8	30,494,106,116	28,056,078,936	9
Less: Interest In Suspense	(356,034,860)	(300,927,916)	18	(356,034,860)	(300,927,916)	18
Specific Loan Loss Provisions	(485,294,227)	(539,920,113)	(10)	(485,294,227)	(539,920,113)	(10)
General Loan Loss Provisions	(238,932,804)	(222,099,876)	8	(238,932,804)	(222,099,876)	8
Net Loans and Advances	27,110,791,378	24,981,116,081	9	29,413,844,225	26,993,131,031	9
Other Assets	955,956,748	1,089,773,102	(12)	954,410,841	997,977,333	(4)
Intangible Assets	372,052,672	372,052,672	-	451,313,883	451,313,886	-
Property, Plant and Equipment	502,730,567	504,993,674	(1)	1,118,523,245	1,132,657,513	(1)
Total On-Balance Sheet Assets	39,832,693,722	40,998,577,349	(3)	46,463,647,929	47,622,059,752	(2)
On-Balance Sheet Liabilities						
Total Deposits						
Demand Deposits	3,414,777,188	2,999,631,739	14	3,414,777,188	2,997,527,068	14
Savings Deposits	3,538,516,550	3,409,494,894	4	3,538,516,550	3,409,494,894	4
Time Deposits	16,847,321,636	14,263,332,915	18	16,847,321,636	14,263,332,915	18
Margin Deposits	174,438,531	266,414,775	(35)	185,157,501	266,414,775	(31)
	23,975,053,905	20,938,874,323	15	23,985,772,875	20,936,769,652	15
Total Borrowings						
Borrowings from the Central Bank of Sri Lanka	23,330,531	25,072,469	(7)	23,330,531	25,072,469	(7)
Borrowings from Banks and Financial Institutions						
in Sri Lanka	1,846,663,139	5,086,198,636	(64)	1,846,663,139	5,086,198,636	(64)
Borrowings from Banks and Financial						
Institutions Abroad	801,956,253	538,750,000	49	801,956,253	538,750,000	49
Securities sold under Repurchase Agreements	4,994,350,677	5,467,386,962	(9)	11,114,055,372	10,275,404,717	8
Subordinated Term Debt	673,250,000	673,250,000	-	673,250,000	673,250,000	-
Other Borrowings	1,598,544,802	2,388,761,986	(33)	1,598,544,802	4,009,324,040	(60)
	9,938,095,402	14,179,420,053	(30)	16,057,800,097	20,607,999,862	(22)
Deferred Taxation	113,908,485	120,223,629	(5)	132,265,796	138,580,940	(5)
Current Taxation	92,611,714	104,557,426	(11)	54,188,989	130,417,155	(58)
Other Liabilities	3,242,828,288	3,132,493,799	4	3,395,663,205	2,946,580,393	15
Total On-Balance Sheet Liabilities	37,362,497,794	38,475,569,230	(3)	43,625,690,962	44,760,348,002	(3)
Equity Capital and Reserves						
Share Capital	1,257,860,040	1,257,860,040	-	1,257,860,040	1,257,860,040	-
Statutory Reserve Fund	28,995,199	28,995,199	-	28,995,199	28,995,199	-
Total Other Reserves	1,183,340,689	1,236,152,880	(4)	1,551,101,728	1,574,856,511	(2)
	2,470,195,928	2,523,008,119	(2)	2,837,956,967	2,861,711,750	(1)
Total On-Balance Sheet Liabilities and Equity Capital and Reserves	39,832,693,722	40,998,577,349	(3)	46,463,647,929	47,622,059,752	(2)
Off-Balance Sheet Items and Contra Accounts						
Contingencies	4,983,972,854	5,385,747,067	(7)	4,983,972,854	5,385,747,067	(7)
Commitments and Contra Accounts	48,071,118	66,601,552	(28)	48,071,118	66,601,552	(28)
	5,032,043,972	5,452,348,619	(8)	5,032,043,972	5,452,348,619	(8)
Memorandum Information						
Number of Employees	1,043	802		1,063	820	
Number of Branches	31	30		31	30	
Number of Leasing Centres	7	5		7	5	

CERTIFICATION

We, the undersigned being the Chairman, Director and Director/Chief Executive Officer of Nations Trust Bank Limited, certify jointly that,

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(b) the information contained in these statements has been extracted from the unaudited financial statements of the Bank unless indicated as audited.

(Sgd.) **A. D. Gunewardene**
Chairman

(Sgd.) **E. H. Wijeniike**
Director

(Sgd.) **Z. H. Zavahir**
Director/Chief Executive Officer

SELECTED PERFORMANCE INDICATORS

	Bank		Group	
	As at 31.03.2007	As at 31.12.2006 (Audited)	As at 31.03.2007	As at 31.12.2006 (Audited)
Regulatory Capital Adequacy				
Core Capital (Tier 1 Capital), Rs. Mn.	2,025	2,151	2,285	2,410
Total Capital Base, Rs. Mn.	3,272	3,379	3,532	3,639
Core Capital Adequacy Ratio, as a % of Risk Weighted Assets (Minimum Requirement, 5%)	6.83%	7.57%	7.08%	7.86%
Total Capital Adequacy Ratio, as a % of Risk Weighted Assets (Minimum Requirement, 10%)	11.03%	11.89%	10.95%	11.86%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-performing Advances Ratio (Net of Interest in Suspense)	3.81%	4.33%	3.52%	4.07%
Net Non-performing Advances Ratio (Net of Interest in Suspense and Provisions)	1.21%	1.37%	1.11%	1.32%
Profitability				
Interest Margin	4.08%	4.75%	3.91%	4.55%
Return on Assets	0.70%	0.77%	0.84%	0.86%
Return on Equity	11.99%	10.51%	15.41%	12.02%
Regulatory Liquidity				
Statutory Liquid Assets, Rs. Mn.	8,554	7,316	N/A	N/A
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)				
Domestic Banking Unit (DBU)	20.76%	20.64%	N/A	N/A
Foreign Currency Banking Unit (FCBU)	70.55%	65.36%	N/A	N/A
Net Asset Value Per Share (Rs.)	19.64	20.06	22.56	22.75
	31.03.2007	31.03.2006		
Market Price Per Share (Rs.)	(Quarter ended)	(Quarter ended)		
Highest	36.25	27.00		
Lowest	28.50	24.00		
Last Traded Price	34.00	24.50		

STATEMENT OF CHANGES IN EQUITY

	Share Capital Rs.	Reserve Fund Rs.	Share Premium Rs.	Revenue Reserve Rs.	Total Rs.
Bank					
Balance as at 01.01.2006	850,000,000	16,520,928	144,999,986	175,121,830	1,186,642,744
Net Profit for the period	-	-	-	39,545,707	39,545,707
Shares Issued during the period	407,860,040	-	658,693,965	-	1,066,554,005
Balance as at 31.03.2006	1,257,860,040	16,520,928	803,693,951	214,667,537	2,292,742,456
Balance as at 01.01.2007	1,257,860,040	28,995,199	803,693,951	432,458,929	2,523,008,119
Net Profit for the period	-	-	-	72,973,813	72,973,813
Dividend for 2006	-	-	-	(125,786,004)	(125,786,004)
Balance as at 31.03.2007	1,257,860,040	28,995,199	803,693,951	379,646,738	2,470,195,928
Group					
Balance as at 01.01.2006	850,000,000	16,520,928	144,999,986	451,809,163	1,463,330,077
Net Profit for the period	-	-	-	58,123,980	58,123,980
Shares Issued during the period	407,860,040	-	658,693,965	-	1,066,554,005
Balance as at 31.03.2006	1,257,860,040	16,520,928	803,693,951	509,933,143	2,588,008,062
Balance as at 01.01.2007	1,257,860,040	28,995,199	803,693,951	771,162,560	2,861,711,750
Net Profit for the period	-	-	-	102,031,221	102,031,221
Dividend for 2006	-	-	-	(125,786,004)	(125,786,004)
Balance as at 31.03.2007	1,257,860,040	28,995,199	803,693,951	747,407,777	2,837,956,967

SEGMENTAL INFORMATION

	Banking		Investment Banking		Others		Elimination/Allocated		Group	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006	31.03.2007	31.03.2006	31.03.2007	31.03.2006	31.03.2007	31.03.2006
In Rs. ' 000	31,03,2007	31.03.2006	31,03.2007	31.03.2006	31,03.2007	31.03.2006	31,03.2007	31.03.2006	31,03.2007	31.03.2006
Total Revenue	1,787,419	959,924	352,159	139,526	26,676	3,111	(165,775)	23,288	2,000,479	1,125,849
Segment Results										
Profit before Taxation	126,050	68,345	38,372	27,492	9,657	1,229	-	2,694	174,079	99,759
Taxation	-	-	-	-	-	-	-	-	(72,048)	(41,635)
Net Profit for the Period									102,031	58,124
Segment Assets										
Goodwill	39,832,694	30,050,275	10,824,431	7,607,695	751,969	731,050	(5,396,760)	(4,462,614)	46,012,334	33,926,406
Total Assets	39,832,694	30,050,275	10,824,431	7,607,695	751,969	731,050	(4,945,446)	(4,059,010)	46,463,648	34,330,010
Segment Liabilities										
Deferred Tax Liabilities	37,248,589	27,594,236	10,681,577	7,374,041	91,403	663,724	(4,528,144)	(4,053,295)	43,483,425	31,578,706
Total Liabilities	113,908	163,296	-	-	-	-	18,358	-	132,266	163,296
	37,362,498	27,757,532	10,681,577	7,374,041	91,403	663,724	(4,509,786)	(4,053,295)	43,625,691	31,742,002