

# NATIONS TRUST BANK PLC AND ITS FULLY OWNED SUBSIDIARIES

## INCOME STATEMENT

	BANK						GROUP					
	2008		2007		Change		2008		2007		Change	
	Rs. '000	Rs. '000	(%)	Rs. '000	Rs. '000	(%)	Rs. '000	Rs. '000	(%)	Rs. '000	Rs. '000	(%)
<b>GROSS INCOME</b>	<b>11,965,448</b>	8,378,535	43	<b>3,355,965</b>	2,121,258	58	<b>13,877,449</b>	9,341,912	49	<b>3,983,551</b>	1,910,795	108
<b>Interest Income</b>	<b>7,311,055</b>	5,000,212	46	<b>2,048,842</b>	1,301,260	57	<b>7,311,055</b>	5,000,212	46	<b>2,048,842</b>	1,301,260	57
Interest Income on Loans and Advances	2,993,471	1,950,737	53	908,620	545,648	67	4,783,116	3,010,517	59	1,482,532	315,132	370
Interest Income on Other Interest Earning Assets	10,304,526	6,950,949	48	2,957,462	1,846,908	60	12,084,171	8,010,729	51	3,531,374	1,616,592	118
<b>Interest Expense</b>	<b>(3,379,004)</b>	(2,448,552)	38	<b>(900,674)</b>	(688,651)	31	<b>(3,379,004)</b>	(2,448,552)	38	<b>(900,674)</b>	(688,651)	31
Interest Expense on Deposits	(4,191,427)	(2,616,156)	60	(1,236,977)	(656,317)	88	(5,905,918)	(3,451,727)	68	(1,797,350)	(370,964)	385
Interest Expense on Other Interest Bearing Liabilities	(7,570,431)	(5,064,708)	49	(2,137,651)	(1,344,968)	59	(9,184,922)	(5,900,279)	56	(2,988,024)	(1,059,615)	185
<b>NET INTEREST INCOME</b>	<b>2,734,055</b>	1,886,241	45	<b>819,810</b>	501,940	63	<b>2,909,249</b>	2,110,450	38	<b>833,350</b>	556,777	50
<b>Non-Interest Income</b>	<b>495,546</b>	329,245	51	<b>137,881</b>	64,276	115	<b>495,546</b>	329,245	51	<b>137,881</b>	64,276	115
Foreign Exchange Income	1,185,376	1,098,341	6	260,622	210,074	24	1,287,732	1,001,938	29	314,296	230,127	37
Other Operating Income	1,660,922	1,427,586	16	398,033	274,350	45	1,783,278	1,331,182	34	452,177	294,403	54
<b>NET INCOME</b>	<b>4,395,017</b>	3,313,827	33	<b>1,218,314</b>	776,290	57	<b>4,692,527</b>	3,441,633	36	<b>1,285,527</b>	851,180	51
<b>Less: Non-Interest Expenses</b>	<b>1,135,762</b>	815,356	39	<b>341,377</b>	194,295	75	<b>1,159,683</b>	831,276	40	<b>351,737</b>	198,914	77
Personnel Costs	36,949	33,001	12	5,908	5,257	12	37,770	34,134	11	6,271	5,553	13
Provision for Staff Retirement Benefits	598,227	472,765	27	188,268	125,178	50	620,894	509,134	22	191,664	137,262	39
Premises, Equipment and Establishment Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Trading/Investment Securities	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	1,249,742	875,673	43	347,591	209,353	66	1,251,572	875,915	43	333,118	207,171	61
Less: Provision for Bad & Doubtful Debts and Loans Written Off	34,582	88,527	(61)	(6,629)	14,754	(145)	34,582	88,527	(61)	(6,629)	14,754	(145)
Provision - General	436,316	128,519	239	109,482	19,750	454	436,316	128,519	239	109,482	19,750	454
Provision - Specific	470,898	217,046	117	102,823	34,504	198	470,898	217,046	117	102,823	34,504	198
<b>OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXES</b>	<b>903,439</b>	899,986	0	<b>232,347</b>	207,074	12	<b>1,151,710</b>	974,128	18	<b>300,114</b>	267,776	12
Less: Value Added Tax on Financial Services	(76,118)	(95,178)	(20)	(21,266)	(9,175)	132	(123,203)	(126,734)	(3)	(29,853)	(18,453)	62
<b>OPERATING PROFIT BEFORE CORPORATE TAX</b>	<b>827,321</b>	804,808	3	<b>211,081</b>	197,899	7	<b>1,028,507</b>	847,394	21	<b>270,261</b>	249,323	8
Less: Tax on Profits on Ordinary Activities	(950,713)	(251,129)	40	(87,065)	(66,385)	31	(935,388)	(342,576)	27	(86,140)	(89,275)	10
<b>OPERATING PROFIT FOR THE PERIOD</b>	<b>476,608</b>	553,679	(14)	<b>124,016</b>	131,514	(6)	<b>93,119</b>	504,818	17	<b>172,121</b>	160,048	8
Earnings Per Share - Basic	2.95	4.28	(31)	0.74	1.02	(27)	3.67	3.91	(6)	1.03	1.24	(17)

**Explanatory Notes:**

- Other Operating Income of the Bank for the year 2007 includes dividend income of Rs. 186 Mn. received from Waldoack Mackenzie Ltd., and Allied Properties Ltd. The corresponding figure for 2008 is Rs. 37.88 Mn received from Waldoack Mackenzie Ltd., Allied Properties Ltd., and Nations Insurance Brokers Ltd. These have been eliminated as intercompany transactions in the Group accounts.
- The Group figures include those of the fully owned subsidiaries, Waldoack Mackenzie Limited, Allied Properties Limited, Mercantile Leasing (Financial Services) Limited and Nations Insurance Brokers Limited (formerly M.L.L. Insurance Brokers Limited).
- 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. Comparative figures have been restated where necessary to comply with the Central Bank guidelines.
- Subject to approval of the Shareholders at the forthcoming Annual General Meeting, the Directors recommended the payment of a first and final dividend of Rs. 1.50 per share for the year ended 31st December, 2008.
- No material events have taken place since December 31, 2008 except for Note No. (4) above, that require disclosure or adjustments in these accounts.
- During the quarter ended March 31, 2008, the Bank purchased the Head Office building at No. 242, Union Place, Colombo 02, and concluded the rights issue of shares on the basis of 1 for 3 at a price of Rs. 25/- per share.
- A full provision was made in the books in April 2007 against equity for the goodwill of Rs. 372,052,672, that arose from the merger of Mercantile Leasing Ltd., with the Bank in order to be in line with the provisions contained in Section 22 of the Banking Act, before the payment of the dividend for the year ended December 31, 2006.
- Specific provisions for the period include certain prudential provisions made on account of several customer exposures over and above the provisioning policy of the Bank which is more stringent than the guidelines of the Central Bank of Sri Lanka.
- The Bank issued by way of a private placement, 10,000,000 Unsecured Subordinated Redeemable Debentures of Rs.100/- each. The Central Bank of Sri Lanka has permitted funds raised through this issue of Rs.1,000,000,000/- to be included in the Tier II capital of the Bank. These debentures are listed on the Colombo Stock Exchange.

## SELECTED PERFORMANCE INDICATORS

	BANK		GROUP	
	As at 31.12.2008 (Audited)	As at 31.12.2007 (Audited)	As at 31.12.2008 (Audited)	As at 31.12.2007 (Audited)
<b>Regulatory Capital Adequacy</b>				
Core Capital (Tier I Capital), Rs. Mn.	3,934	2,579	4,254	2,789
Total Capital Base, Rs. Mn.	6,155	3,830	6,476	4,044
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	9.73%	7.08%	10.31%	7.20%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	15.22%	10.52%	15.70%	10.44%
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non-performing Advances Ratio, % (Net of Interest in Suspense)	5.76%	4.07%	5.81%	3.96%
Net Non-performing Advances Ratio, % (Net of Interest in Suspense and Provisions)	2.82%	1.60%	2.91%	1.64%
<b>Profitability</b>				
Interest Margin, %	4.33%	4.24%	-	-
Return on Assets, % (before Tax)	1.31%	1.81%	1.49%	1.69%
Return on Equity, %	12.73%	22.42%	14.43%	18.39%
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets, Rs. Mn.	14,928	11,220	-	-
Statutory Liquid Assets Ratio, (%) (Minimum Requirement, 20%)	37.85%	119.43%	-	-
Domestic Banking Unit (DBU)	24.39%	20.60%	-	-
Foreign Currency Banking Unit (FCBU)	37.85%	119.43%	-	-
Net Assets Value Per Share (Rs.)	23.47	20.50	25.89	22.81
<b>Market Price Per Share (Rs.)</b>				
Highest	30.00	37.25	-	-
Lowest	21.00	29.00	-	-
Last Traded Price	22.25	29.75	-	-

## DEBENTURE INFORMATION

Debenture Category	Interest rate of comparable Govt. security % (31.12.2008)
2006/10	20.28
2006/11	19.94
2006/12	19.99
2008/13	18.62

  

Ratios	31.12.2008	31.12.2007
Debt/Equity Ratio (%)	38.11	19.39
Interest Cover (Times)	6.58	11.49

As at 31.12.2008, the Bank had debentures amounting to Rs. 1.50 Bn in issue (Rs. 0.50 Bn as at 31.12.2007) which are listed in the Colombo Stock Exchange. There were no transactions on the debentures for the year ended 31.12.2008 & 2007.

## BALANCE SHEET

	BANK			GROUP								
	2008		2007		Change		2008		2007		Change	
	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	Rs. '000 (Audited)	
<b>On-Balance Sheet Assets</b>												
Cash in Hand	613,391	346,128	77	613,424	346,161	77	613,424	346,161	77	613,424	346,161	77
Balances with Central Bank of Sri Lanka	1,716,713	1,964,032	(13)	1,716,713	1,964,032	(13)	1,716,713	1,964,032	(13)	1,716,713	1,964,032	(13)
Due from Banks and Other Financial Institutions	5,722,796	2,799,519	104	5,722,920	2,800,351	104	5,722,796	2,800,351	104	5,722,920	2,800,351	104
Investments - Trading Account	1,160,103	2,449,724	(53)	8,054,497	8,332,383	(3)	1,160,103	2,449,724	(53)	8,054,497	8,332,383	(3)
Investments - Held-to-Maturity	11,202,758	6,836,613	64	7,367,782	4,916,144	50	11,202,758	6,836,613	64	7,367,782	4,916,144	50
Government Securities	425,715	474,590	(10)	425,715	474,590	(10)	425,715	474,590	(10)	425,715	474,590	(10)
Other Securities	678,710	678,710	-	678,710	-	-	678,710	-	-	678,710	-	-
Investments in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans and Advances</b>												
<b>Total Performing Loans and Advances</b>												
Bills of Exchange	421,831	560,956	(25)	421,831	560,956	(25)	421,831	560,956	(25)	421,831	560,956	(25)
Overdrafts	5,280,436	4,209,080	25	5,280,436	4,209,078	25	5,280,436	4,209,078	25	5,280,436	4,209,078	25
Lease Rentals Receivable within One Year	3,361,714	2,613,430	29	3,361,978	2,616,252	29	3,361,714	2,616,252	29	3,361,978	2,616,252	29
Lease Rentals Receivable after One Year	5,378,734	4,365,744	23	5,378,734	4,365,744	23	5,378,734	4,365,744	23	5,378,734	4,365,744	23
Other Loans	23,743,720	20,178,411	18	24,301,189	22,168,489	10	23,743,720	20,178,411	18	24,301,189	22,168,489	10
<b>Total Non-Performing Loans and Advances</b>	<b>38,186,435</b>	31,927,621	20	<b>38,744,168</b>	33,920,519	14	<b>38,186,435</b>	31,927,621	20	<b>38,744,168</b>	33,920,519	14
Overdrafts	233,124	168,771	38	233,124	168,771	38	233,124	168,771	38	233,124	168,771	38
Lease Rentals Receivable	660,794	437,255	51	660,794	437,255	51	660,794	437,255	51	660,794	437,255	51
Other Loans	1,544,456	860,479	79	1,544,456	860,479	79	1,544,456	860,479	79	1,544,456	860,479	79
Interest Receivable	386,838	253,327	53	386,838	253,327	53	386,838	253,327	53	386,838	253,327	53
<b>Total Gross Loans and Advances</b>	<b>41,011,647</b>	33,647,453	22	<b>41,624,167</b>	33,685,782	17	<b>41,011,647</b>	33,647,453	22	<b>41,624,167</b>	33,685,782	17
Less:												
Interest in Suspense	(489,556)	(366,872)	33	(489,556)	(366,872)	33	(489,556)	(366,872)	33	(489,556)	(366,872)	33
Specific Loan Loss Provisions	(879,818)	(540,009)	63	(879,818)	(540,009)	63	(879,818)	(540,009)	63	(879,818)	(540,009)	63
General Loan Loss Provisions	(314,408)	(279,003)	13	(314,408)	(279,003)	13	(314,408)	(279,003)	13	(314,408)	(279,003)	13
<b>Net Loans and Advances</b>	<b>39,327,865</b>	32,461,570	21	<b>39,940,385</b>	32,499,899	16	<b>39,327,865</b>	32,461,570	21	<b>39,940,385</b>	32,499,899	16
Other Assets	2,318,601	1,301,343	78	2,318,601	1,301,343	78	2,318,601	1,301,343	78	2,318,601	1,301,343	78
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Property, Plant and Equipment	1,475,399	482,677	206	2,034,621	1,065,426	91	1,475,399	482,677	206	2,034,621	1,065,426	91