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The Board of Directors
Nations Trust Bank PLC
No. 242, Union Place
Colombo 02.

08 March 2018

Accountants' report for inclusion in the prospectus in connection with the debenture issue of Nations Trust Bank PLC

Dear Sirs/Madams

Introduction

This report has been prepared for the inclusion in the Prospectus issued in connection with the issuance of 35,000,000 Basel III Compliant, Tier 2, Listed, Rated Unsecured, Subordinated, Redeemable Debentures with non-viability conversion as directed by the Central Bank of Sri Lanka the at an issue price (par value) of Rs. 100/- each.

We have examined the financial statements of Nations Trust Bank PLC (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries ("Group") for the years ended 31 December 2013 to 31 December 2017, and report as follows.

1. Incorporation

The Bank is a public quoted company incorporated on 21 January 1999 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 118. The shares of the Bank have a primary listing on the Colombo Stock Exchange (CSE).

The Registered Office of the Bank is located at No. 242, Union Place, Colombo 02. The principal activities of the Bank involve providing financial services encompassing personal, commercial, investment and private banking, trade services, leasing, factoring, pawning, treasury and capital market services.

2. Financial Statements

2.1 Five-Year Summary of Audited Financial Statements

A summary of Statements of Comprehensive Income, Statements of Financial Position of Nations Trust Bank PLC and its subsidiaries for the financial years ended 31 December 2013 to 31 December 2017, based on the audited financial statements are set out in Annexure A of the Prospectus.

(Contd...2/-)

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G S Manatunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA



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2.2 Audited Financial Statements for the year ended 31 December 2017

Our audit report on the Financial Statements for the year ended 31 December 2017 together with such financial statements comprising Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement along with the accounting policies and notes thereon is available on the website of CSE, www.cse.lk.

2.3 Audit Reports

We have audited the financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiaries for the years ended 31 December 2013 to 31 December 2017. Unqualified audit opinions have been issued for the said financial years by our reports dated 24 February 2014, 26 February 2015, 26 February 2016, 27 February 2017 and 27 February 2018 respectively.

2.4 Accounting Policies

The financial statements of the Bank for the years ended 31 December 2013 to 31 December 2017 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 Nations Trust Bank PLC for the year ended 31 December 2017.

For all periods up to and including the year ended 31 December 2017, the Bank has prepared its financial statements in accordance with Sri Lanka Accounting Standards. There were no material changes in accounting policies of the Bank.

2.5 Dividends

The Bank has declared and paid dividends in respect of Ordinary Shares for the years ended 31 December 2013 to 31 December 2017 in the following manner.

Year	Dividend Paid (declared and paid) Rs.	Dividend per Share Rs.
2013	484,275,000	2.10
2014	484,275,000	2.10
2015	484,275,000	2.10
2016	484,275,000	2.10
2017	484,275,000	2.10

(Contd...3/-)

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2.6 Events after Reporting Date

No material events have taken place since 31 December 2017 that require disclosure or/and adjustments in these financial statements for the year ended 31 December 2017 except for,

a) Dividends Declared

A Dividend of Rs. 2.10 per share in respect of year 2017 is declared by the Board of Directors to be paid in the form of a scrip dividend in the proportion of 1 share for every 38.4644498 shares for both Ordinary Voting Shares and Convertible Non- Voting Shares (Convertible to Ordinary Voting Shares). Fractions in shares will be paid in cash.

b) Rights Issue

The Board of Directors at their meeting held on 31 October 2017 resolved to issue up to 40,105,614 convertible non - voting shares (Convertible to Ordinary Voting Shares) at a price of Rs. 80 per share in order to raise a sum of up to Rs. 3,208,449,120/-

The shares were issued on 14th February 2018 in the proportion of 4 convertible Non-voting shares for every 23 ordinary voting shares held by the shareholders in the Register of shareholders, as at 12 January 2018.

Such issued convertible non - voting shares shall have the option of convertibility in to ordinary voting shares at every calender quarter at a conversion ratio of 1 Ordinary Voting Share for every 1 Convertible Non-Voting share.

c) Debenture Issue

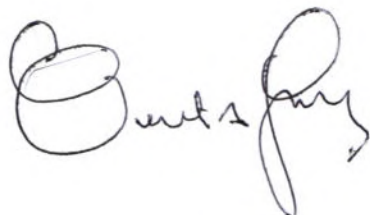
The Bank intends to raise Rs. 3.5 Bn Basel III compliant, Tier 2, Listed Rated Unsecured Subordinated Redeemable Debentures with non-viability conversion to ordinary shares. The bank has obtained shareholder approval for the proposed Debenture issue which has been rated A-(Ika) (EXP) by Fitch Ratings Lanka Limited. The Debentures are expected to be listed on the Colombo Stock Exchange by way of an Offer for Subscription.

2.8 Restriction on Use

This report is made solely for the purpose of the Board of Directors of Nations Trust Bank PLC in the application for the purpose of issuance of Basel III compliant, Tier 2, Listed, Rated, Unsecured Subordinated, Redeemable Debentures with non-viability conversion to ordinary shares as directed by the Central Bank of Sri Lanka at an issue price (par value) of Rs. 100/- each.

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



STATEMENT OF FINANCIAL POSITION

Nations Trust Bank PLC Five Year Summary As at December 31	Bank					Group				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
ASSETS										
Cash and Cash Equivalents	3,019,735	6,898,881	6,392,393	4,187,605	6,867,222	3,019,774	6,899,905	6,392,437	4,187,649	6,869,695
Balances with Central Bank of Sri Lanka	4,031,763	3,992,118	5,283,866	8,511,509	11,193,266	4,031,763	3,992,118	5,283,866	8,511,509	11,193,266
Reverse Repurchase Agreements	1,459,506	11,013,507	302,249	14,930	10,798	552,236	11,013,507	302,249	14,930	10,798
Derivative Financial Instruments	121,491	128,053	554,030	65,356	230,217	121,491	128,053	554,030	65,356	230,217
Financial Assets - Held for Trading	23,365,388	15,648,717	2,044,144	1,574,952	521,389	24,460,493	15,700,388	2,044,144	1,574,952	521,389
Financial Assets-Available for Sale	-	4,329,449	16,532,917	22,148,963	38,852,046	-	4,329,449	16,532,917	22,148,963	38,852,046
Financial Assets - Held to Maturity	19,734,821	9,586,218	12,675,717	12,929,523	9,879,390	19,794,014	9,653,000	12,743,763	12,998,988	9,950,433
Other Financial Assets	2,198,582	3,820,746	6,511,361	6,860,950	6,797,607	2,198,582	3,820,746	6,511,361	6,860,950	6,797,607
Loans and Advances to Customers	81,128,760	97,068,259	120,314,568	148,924,734	186,536,712	82,327,255	98,347,049	121,143,065	149,817,941	186,745,711
Other Assets	2,813,219	2,437,904	1,339,553	1,776,550	1,893,474	2,893,700	2,506,351	1,386,357	1,813,688	1,940,988
Investments in Subsidiaries	678,710	678,710	678,710	678,710	678,710	-	-	-	-	-
Property, Plant and Equipment	1,545,426	1,717,856	1,672,448	1,536,664	2,584,301	2,048,442	2,194,425	2,143,187	1,996,208	3,363,792
Intangible Assets	665,130	1,271,137	1,214,095	1,180,699	1,148,646	680,007	1,283,223	1,224,159	1,188,841	1,153,552
TOTAL ASSETS	140,762,531	158,591,455	175,516,051	210,391,145	267,193,778	142,127,757	159,868,214	176,261,535	211,179,975	267,629,494
LIABILITIES										
Due to Banks	1,401,473	2,922,784	2,275,840	11,850,888	10,713,864	1,401,473	2,922,784	2,275,840	11,850,888	10,713,864
Repurchase Agreements	18,101,824	15,444,206	13,684,942	9,850,773	12,319,188	18,067,817	15,046,562	13,216,700	9,261,110	11,940,783
Derivative Financial Instruments	633,625	166,370	53,327	130,017	495,517	633,625	166,370	53,327	130,017	495,517
Due to Customers	96,036,198	111,046,446	129,240,876	151,559,668	194,296,718	95,729,533	111,009,668	129,158,190	151,502,236	194,268,995
Debt Issued and Other Borrowed Funds	8,199,428	9,685,257	10,162,010	14,145,105	19,737,574	8,806,086	10,189,448	10,162,934	14,145,105	19,737,574
Current Tax Liabilities	332,732	639,359	396,396	439,215	803,249	383,318	666,345	428,466	478,011	847,501
Other Liabilities	4,924,811	5,483,425	4,978,921	5,463,970	6,282,421	5,027,146	5,559,037	5,064,059	5,522,850	6,327,290
Deferred Tax Liabilities	341,763	415,053	733,553	970,413	1,737,512	340,596	413,475	732,579	969,154	1,827,929
TOTAL LIABILITIES	129,971,854	145,802,900	161,525,865	194,410,049	246,386,043	130,389,594	145,973,689	161,090,095	193,859,371	246,159,453
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Stated Capital	5,101,369	5,101,369	5,101,369	5,101,369	5,101,369	5,101,369	5,101,369	5,101,369	5,101,369	5,101,369
Statutory Reserve Fund	419,305	538,205	660,840	796,400	1,010,732	419,305	538,205	660,840	796,400	1,010,732
Retained Earnings	4,183,983	7,037,084	8,154,695	10,261,404	13,813,403	5,067,107	8,143,054	9,335,949	11,600,912	14,237,649
Available for Sale Reserve	-	111,897	73,282	(178,077)	207,600	1,150,382	111,897	73,282	(178,077)	207,600
Revaluation Reserve	-	-	-	-	674,631	-	-	-	-	912,691
Other Reserves	1,086,020	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	10,790,677	12,788,555	13,990,186	15,981,096	20,807,735	11,738,163	13,894,525	15,171,440	17,320,604	21,470,041
TOTAL LIABILITIES AND EQUITY	140,762,531	158,591,455	175,516,051	210,391,145	267,193,778	142,127,757	159,868,214	176,261,535	211,179,975	267,629,494
CONTINGENT LIABILITIES AND COMMITMENTS										
	90,180,741	98,688,631	96,818,431	124,017,916	173,130,996	90,266,632	98,799,150	96,791,786	123,584,888	171,587,167

Ajith Akmeemana
Chief Financial Officer

Renuka Fernando
Director / Chief Executive Officer

Suran Wijesinghe
Director

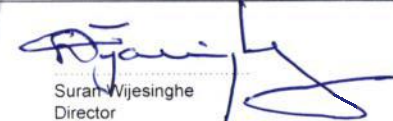


INCOME STATEMENT

Nations Trust Bank PLC										
Five Year Summary										
For the period ended 31 December										
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Gross Income	20,149,487	20,546,712	20,045,087	25,300,051	36,097,195	20,361,814	20,853,812	20,278,528	25,547,459	35,332,973
Interest Income	17,662,946	17,267,659	16,511,774	21,269,532	30,262,250	17,911,206	17,452,461	16,628,050	21,383,877	30,384,940
Interest Expense	(10,222,619)	(8,521,173)	(7,543,595)	(11,646,713)	(18,152,375)	(10,236,602)	(8,512,713)	(7,522,866)	(11,598,266)	(18,096,662)
Net Interest Income	7,440,327	8,746,486	8,968,179	9,622,819	12,109,875	7,674,604	8,939,748	9,105,184	9,785,611	12,288,278
Fees and Commission Income	2,576,568	2,862,268	3,301,302	3,680,228	4,753,996	2,719,371	3,008,084	3,437,530	3,836,765	4,979,084
Fees and Commission Expense	(215,174)	(224,576)	(229,843)	(245,474)	(322,737)	(215,189)	(224,576)	(236,255)	(238,456)	(322,743)
Net Fees and Commission Income	2,361,394	2,637,692	3,071,459	3,434,754	4,431,259	2,504,182	2,783,508	3,201,275	3,598,309	4,656,341
Net Trading Income / (Loss)	(494,383)	123,639	(92,347)	(241,381)	(558,453)	(478,418)	111,370	(93,933)	(241,381)	(558,453)
Other Operating Income	404,356	293,146	324,358	591,672	1,639,402	209,655	281,897	306,881	568,198	527,402
Total Operating Income	9,711,694	11,800,963	12,271,649	13,407,864	17,622,063	9,910,023	12,116,523	12,519,407	13,710,737	16,913,568
Impairment Charge for Loans and Advances and Available for Sale	449,419	1,156,730	985,757	674,810	(1,088,404)	450,610	1,157,409	985,478	690,272	(1,088,625)
Individual Impairment	-	-	278,926	3,402	(354,314)	-	-	278,926	3,402	(354,314)
Collective Impairment	-	-	636,546	661,066	(729,554)	-	-	636,267	676,528	(729,975)
Others - Charges Receivable Impairment	-	-	70,285	10,342	(4,536)	-	-	70,285	10,342	(4,536)
Net Operating Income	9,262,275	10,644,233	11,285,892	12,733,054	16,533,679	9,459,413	10,959,114	11,533,929	13,020,465	15,824,743
Personnel Expenses	2,455,508	2,665,130	2,856,534	3,301,854	(3,825,570)	2,494,662	2,700,398	2,863,133	3,330,970	(3,856,988)
Depreciation of Property, Plant and Equipment	246,265	295,244	363,065	347,977	(352,319)	257,814	323,753	377,043	362,221	(366,855)
Amortization of Intangible Assets	153,682	168,557	236,155	260,292	(272,581)	156,515	171,348	240,021	263,495	(275,817)
Other Operating Expenses	2,876,924	3,190,988	3,396,816	3,669,804	(4,276,602)	2,869,527	3,192,188	3,361,620	3,663,299	(4,273,394)
Total Operating Expenses	5,732,379	6,319,919	6,852,570	7,579,927	(8,727,072)	5,778,518	6,387,687	6,861,817	7,619,985	(8,773,054)
Operating Profit before Value Added Tax (VAT) and Nations Building Tax (NBT) on Financial Services	3,529,896	4,324,314	4,433,322	5,153,127	7,806,607	3,680,895	4,571,427	4,672,112	5,400,480	7,051,689
Value Added Tax (VAT) and Nations Building Tax (NBT) on Financial Services	508,291	726,576	755,030	1,046,211	(1,636,093)	529,705	744,474	766,712	1,060,284	(1,658,207)
Profit before Income Tax	3,021,605	3,597,738	3,678,292	4,106,916	6,170,514	3,151,190	3,826,953	3,905,400	4,340,196	5,393,482
Income Tax Expense	899,622	1,219,745	1,225,602	1,395,707	(1,883,873)	1,014,789	1,290,373	1,291,409	1,471,110	(2,021,993)
Profit For The Year	2,121,983	2,377,993	2,452,690	2,711,209	4,286,641	2,136,401	2,536,580	2,613,991	2,869,086	3,371,489


Ajith Akmeemana
Chief Financial Officer


Renuka Fernando
Director / Chief Executive Officer


Suran Wijesinghe
Director



DIVIDENDS

Year	Dividend Paid	Dividend per Share	
	(Rs.)	(Rs.)	
2013	484,275,000.00	2.10	Cash dividend
2014	484,275,000.00	2.10	Cash dividend
2015	484,275,000.00	2.10	Cash dividend
2016	484,275,000.00	2.10	Cash dividend
2017	568,497,083.70	2.10	Scrip dividend*

*Scrip dividend of 1 new share for each 38.4644498 shares

