



NATIONS TRUST BANK PLC AND ITS SUBSIDIARIES

Company Number PQ 118

INCOME STATEMENT

	BANK						GROUP					
	Twelve months ended 31st December			Quarter ended 31st December			Twelve months ended 31st December			Quarter ended 31st December		
	2013 Rs. '000	2012 Rs. '000	2012 Change (%)	2013 Rs. '000	2012 Rs. '000	2012 Change (%)	2013 Rs. '000	2012 Rs. '000	2012 Change (%)	2013 Rs. '000	2012 Rs. '000	2012 Change (%)
Gross Income	20,149,487	17,570,498	15	7,723,780	4,830,933	60	20,361,814	17,848,893	14	5,176,330	4,906,513	5
Interest Income	17,662,946	14,917,427	18	7,014,974	4,236,559	66	17,911,206	15,113,117	19	4,595,715	4,280,181	7
Less: Interest Expense	(10,222,619)	(9,381,686)	9	(2,431,428)	(2,672,761)	(9)	(10,236,602)	(9,358,378)	9	(2,436,783)	(2,667,337)	(9)
Net Interest Income	7,440,327	5,535,741	34	2,097,005	1,563,799	34	7,674,604	5,754,739	33	2,158,931	1,612,844	34
Fees and Commission Income	2,576,568	2,110,849	22	710,799	542,350	31	2,719,371	2,220,299	22	744,932	570,590	31
Less: Fees and Commission Expense	(215,174)	(175,665)	22	(74,302)	(56,719)	31	(215,189)	(175,756)	22	(74,310)	(57,648)	29
Net Fees and Commission Income	2,361,394	1,935,184	22	636,497	485,631	31	2,504,182	2,044,543	22	670,621	512,941	31
Net Trading Income/(Expense)	(494,383)	295,944	(267)	(186,163)	(33,113)	(462)	(478,418)	287,668	(266)	(168,441)	(29,417)	(473)
Other Operating Income	404,356	246,278	64	184,171	85,136	116	209,655	227,809	(8)	4,125	85,159	(95)
Total Operating Income	9,711,694	8,013,147	21	2,731,510	2,101,453	30	9,910,023	8,314,759	19	2,665,236	2,181,527	22
Impairment Charges/(Reversal) for Loans and Advances	449,419	430,965	4	(40,897)	156,831	(126)	450,610	431,834	4	(41,375)	158,525	(126)
Individual Impairment	(499,525)	213,380	(334)	(529,424)	56,629	(1,035)	(499,524)	213,380	(334)	(529,423)	56,629	(1,035)
Collective Impairment	948,944	217,585	336	488,527	100,203	388	950,134	218,454	335	488,048	101,897	379
Net Operating Income	9,262,275	7,582,182	22	2,772,406	1,944,622	43	9,459,413	7,882,925	20	2,706,611	2,023,002	34
Less: Expenses												
Personnel Expenses	2,455,508	2,073,202	18	734,485	616,935	19	2,494,662	2,112,744	18	747,254	629,111	19
Depreciation of Property, Plant and Equipment	246,265	254,984	(3)	68,559	60,551	13	257,814	266,535	(3)	71,459	63,421	13
Amortization of Intangible Assets	153,682	110,962	39	59,420	29,866	99	156,515	112,816	39	60,118	30,503	97
Other Operating Expenses	2,876,924	2,206,597	30	815,478	658,481	24	2,869,527	2,205,321	30	812,502	654,715	24
Total Operating Expenses	5,732,379	4,645,745	23	1,677,943	1,365,832	23	5,778,518	4,697,416	23	1,691,333	1,377,750	23
Operating Profit before Value Added Tax (VAT)	3,529,896	2,936,437	20	1,094,463	578,790	89	3,680,895	3,185,509	16	1,015,277	645,252	57
Less: Value Added Tax (VAT) on Financial Services	508,291	416,961	22	161,240	93,631	72	529,705	435,396	22	168,466	98,085	72
Profit before Income Tax	3,021,605	2,519,476	20	933,223	485,158	92	3,151,190	2,750,113	15	846,812	547,166	55
Less: Income Tax Expense	899,622	745,138	21	256,541	104,297	146	1,014,789	815,041	25	306,857	122,156	151
Profit for the Period	2,121,983	1,774,338	20	676,682	380,861	78	2,136,401	1,935,072	10	539,954	425,009	27
Earnings Per Share												
Basic Earnings Per Share (Rs.)	9	8	18	3	2	69	9	8	9	2	2	20

STATEMENT OF COMPREHENSIVE INCOME

	BANK						GROUP					
	Twelve months ended 31st December			Quarter ended 31st December			Twelve months ended 31st December			Quarter ended 31st December		
	2013 Rs. '000	2012 Rs. '000	Change (%)	2013 Rs. '000	2012 Rs. '000	Change (%)	2013 Rs. '000	2012 Rs. '000	Change (%)	2013 Rs. '000	2012 Rs. '000	Change (%)
Profit for the period	2,121,983	1,774,338	20	676,682	380,861	78	2,136,401	1,935,072	10	539,954	425,009	27
Other Comprehensive Income												
Actuarial Gain/(Loss)	(9,151)	14,080	(165)	(9,151)	14,080	(165)	(9,223)	16,044	(157)	(9,223)	16,044	(157)
Total Other Comprehensive Income	(9,151)	14,080	(165)	(9,151)	14,080	(165)	(9,223)	16,044	(157)	(9,223)	16,044	(157)
Total Comprehensive Income for the Period, Net of Tax	2,112,832	1,788,418	18	667,531	394,941	69	2,127,178	1,951,116	9	530,731	441,054	20
Attributable to:												
Equity holders of the parent	2,112,832	1,788,418	18	667,531	394,941	69	2,127,178	1,951,116	9	530,731	441,054	20

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

	BANK		GROUP	
	As at 31.12.2013	As at 31.12.2012	As at 31.12.2013	As at 31.12.2012
Regulatory Capital Adequacy				
Core Capital (Tier 1 Capital), Rs. '000	10,790,677	9,162,120	11,728,663	10,085,760
Total Capital Base, Rs. '000	14,931,939	12,340,942	15,869,926	13,264,583
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	13.91%	12.81%	14.78%	13.82%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	19.25%	17.25%	20.00%	18.18%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio, % (net of interest in suspense)	3.52%	2.83%	3.51%	2.79%
Net-Non-Performing Advances, % (net of interest in suspense and provision)	2.14%	1.32%	2.13%	1.31%
Profitability				
Interest Margin, %	5.77%	4.97%	-	-
Return on Assets (before Tax), %	2.34%	2.28%	2.42%	2.46%
Return on Equity, %	21.66%	21.02%	19.79%	20.84%
Regulatory Liquidity				
Statutory Liquid Assets, Rs. '000	33,620,716	25,481,081	-	-
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	25.26%	25.91%	-	-
Off-Shore Banking Unit	41.92%	25.42%	-	-
Net Assets Value Per Share (Rs.)	46.79	39.73	50.90	43.78
Market Price Per Share (Rs.)				
	31.12.2013	31.12.2012		
	(Quarter ended)	(Quarter ended)		
Highest	68.90	64.60		
Lowest	56.00	43.50		
Last Traded Price	62.20	56.00		

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Retained Earnings	Statutory Reserve Fund	Investment Fund Account*	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
BANK					
As at 01 January 2012	5,101,369	2,284,243	224,242	248,123	7,857,977
Profit For the year	-	1,774,338	-	-	1,774,338
Other Comprehensive Income	-	14,080	-	-	14,080
Total Comprehensive Income	-	1,788,418	-	-	1,788,418
Dividend paid for 2011	-	(484,275)	-	-	(484,275)
Transfers to the Investment Fund Account*	-	(345,113)	-	345,113	-
Transfers to the Reserve Fund	-	(89,421)	89,421	-	-
As at 31 December 2012	5,101,369	3,153,852	313,663	593,236	9,162,120
Profit For the year	-	2,121,983	-	-	2,121,983
Other Comprehensive Income	-	(9,151)	-	-	(9,151)
Total Comprehensive Income	-	2,112,832	-	-	2,112,832
Dividend paid for 2012	-	(484,275)	-	-	(484,275)
Transfers to the Investment Fund Account*	-	(492,784)	-	492,784	-
Transfers to the Reserve Fund	-	(105,642)	105,642	-	-
As at 31 December 2013	5,101,369	4,183,983	419,305	1,086,020	10,790,677
GROUP					
As at 01 January 2012	5,101,369	3,034,047	224,242	268,761	8,628,419
Profit For the year	-	1,935,072	-	-	1,935,072
Other Comprehensive Income	-	16,044	-	-	16,044
Total Comprehensive Income	-	1,951,116	-	-	1,951,116
Dividend paid for 2011	-	(484,275)	-	-	(484,275)
Transfers to the Investment Fund Account*	-	(367,164)	-	367,164	-
Transfers to the Reserve Fund	-	(89,421)	89,421	-	-
As at 31 December 2012	5,101,369	4,044,303	313,663	635,925	10,095,260
Profit For the year	-	2,136,401	-	-	2,136,401
Other Comprehensive Income	-	(9,223)	-	-	(9,223)
Total Comprehensive Income	-	2,127,178	-	-	2,127,178
Dividend paid for 2012	-	(484,275)	-	-	(484,275)
Transfers to the Investment Fund Account*	-	(514,457)	-	514,457	-
Transfers to the Reserve Fund	-	(105,642)	105,642	-	-
As at 31 December 2013	5,101,369	5,067,107	419,305	1,150,382	11,738,163

* Investment Fund Account is established and operated based on the Guidelines on the Operations of the Investment Fund Account issued by the Central Bank of Sri Lanka on April 29, 2011 with the concurrence of the Commissioner-General of Inland Revenue.

* Tax saving on the reduction of tax rates transferred to the Investment Fund as per the guidelines issued by the Department of Inland Revenue and Central Bank of Sri Lanka. Loans amounting to Rs. 821 Mn. were granted under this scheme.

STATEMENT OF FINANCIAL POSITION

As at	BANK			GROUP		
	31.12.2013	31.12.2012	Change	31.12.2013	31.12.2012	Change
	Rs. '000	Rs. '000	(%)	Rs. '000	Rs. '000	(%)
On Balance sheet Assets						
Cash and Cash Equivalents	3,019,735	2,534,056	19	3,019,774	2,534,155	19
Balances with Central Bank of Sri Lanka	4,031,763	5,089,342	(21)	4,031,763	5,089,342	(21)
Placements with Banks	-	-	-	-	-	-
Derivative Financial Instruments	121,491	327,843	(63)	121,491	327,843	(63)
Reverse Repurchase Agreements	1,459,506	3,287,274	(56)	552,236	2,711,927	(80)
Other Financial Assets Held-for-Trading	23,365,388	20,253,158	15	24,460,493	21,087,926	16
Other Financial Assets	2,198,582	1,892,922	16	2,198,582	1,892,922	16
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-
Loans & Receivables to Banks	-	-	-	-	-	-
Loans & Receivables to Other Customers	81,128,760	72,458,357	12	82,327,255	73,423,951	12
Financial Investments - Available-for-sale	-	-	-	-	-	-
Financial Investments - Held-to-Maturity	19,734,821	10,237,904	93	19,794,014	10,237,904	93
Investments in Subsidiaries	678,710	678,710	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-	-
Property, Plant and Equipment	1,545,426	1,395,882	11	2,048,442	1,907,999	7
Investment Properties	-	-	-	-	-	-
Intangible Assets	665,130	625,186	6	680,007	642,457	6
Deferred Tax Assets	156,376	158,931	(2)	157,541	159,807	(1)
Other Assets	2,813,219	2,570,616	9	2,893,700	2,590,590	12
Total Assets	140,918,907	121,510,181	16	142,285,298	122,606,823	16
On Balance sheet Liabilities						
Due to Banks	1,401,473	2,712,187	(48)	1,401,473	2,712,187	(48)
Derivative Financial Instruments	633,625	528,472	20	633,625	528,472	20
Other Financial liabilities Held-for-Trading	-	-	-	-	-	-
Financial Liabilities Designated at Fair Value through Profit or Loss	-	-	-	-	-	-
Repurchase Agreements	18,101,824	11,832,692	53	18,067,817	11,832,692	53
Due to Other Customers	96,036,198	86,681,677	11	95,729,533	86,274,159	11
Other Borrowings	1,358,291	309,382	339	1,961,325	812,038	142
Debt Securities Issued	1,200,000	500,281	140	1,200,000	500,281	140
Current Tax Liabilities	332,732	510,155	(35)	383,318	544,253	(30)
Deferred Tax Liabilities	498,138	439,812	13	498,138	439,962	13
Other Liabilities	4,924,811	3,811,943	29	5,027,145	3,846,059	31
Due to Subsidiaries	-	-	-	-	-	-
Subordinated Term Debts	5,641,137	5,021,460	12	5,644,761	5,021,460	12
Total Liabilities	130,128,230	112,348,061	16	130,547,135	112,511,563	16
Equity						
Stated Capital/Assigned Capital (230,607,283 Ordinary Shares)	5,101,369	5,101,369	-	5,101,369	5,101,369	-
Statutory Reserve Fund	419,305	313,663	-	419,305	313,663	-
Retained Earnings	4,183,983	3,153,852	33	5,067,107	4,044,303	25
Other Reserves	1,086,020	593,236	83	1,150,382	635,925	81
Total Shareholders' Equity	10,790,677	9,162,120	18	11,738,163	10,095,260	16
Total Equity and Liabilities	140,918,907	121,510,181	16	142,285,298	122,606,823	16
Contingent Liabilities and Commitments	90,180,741	84,914,559	6	90,266,632	86,238,642	5
Memorandum Information						
Number of Employees	2228	2002		2262	2037	
Number of Branches	72	57		72	57	
Number of off-site ATMs	28	13		28	13	

CERTIFICATION :

I certify that these Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)

Ajith Akmeemana

Chief Financial Officer

We, the undersigned being the Chairman, Director and Director/Chief Executive Officer of Nations Trust Bank PLC., 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 audited financial statements of the Bank and its Subsidiaries.

(Sgd.)

A.K. Gunaratne

Chairman

24th February 2014, Colombo

(Sgd.)

M.E. Wickremesinghe

Director

(Sgd.)

Renuka Fernando

Director/Chief Executive Officer

STATEMENT OF CASH FLOW

For the Year Ended 31 December	BANK		GROUP	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Cash Flows from Operating Activities				
Receipts of Interest Income	16,723,427	15,234,777	16,960,713	15,430,937
Receipts of Fees and Commission Income	2,570,102	2,093,897	2,736,421	2,195,074
Payments of Interest Expense	(9,741,807)	(7,982,231)	(9,748,116)	(7,957,757)
Payments of Fees and Commission Expense	(215,173)	(175,665)	(209,673)	(173,553)
Net Trading Income	(631,759)	187,421	(631,759)	187,421
Receipts from Other Operating Income	400,935	247,656	222,200	229,161
Gratuity Payments Made	(26,565)	(15,911)	(27,992)	(16,780)
Payments for Operating Expenses	(5,586,131)	(4,637,136)	(5,642,284)	(4,695,761)
Net Cash Flow from Operating Activities before Income Tax (A)	3,493,029	4,952,808	3,659,510	5,198,742
Income Tax paid	(668,147)	(211,215)	(738,696)	(247,364)
Operating Profit before Changes in Operating Assets and Liabilities	2,824,882	4,741,593	2,920,814	4,951,378
(Increase)/Decrease in Operating Assets				
Reverse Repurchase Agreements	1,820,332	3,951,384	2,152,222	4,158,536
Derivative Financial Instruments	206,351	(73,148)	206,351	(73,148)
Financial Investments Held for Trading	(2,984,245)	(14,053,822)	(3,244,583)	(14,610,988)
Financial Investments-Held to Maturity	(9,493,298)	514,886	(9,552,491)	1,136,229
Other Financial Assets	(285,833)	1,005,536	(319,781)	1,005,081
Loans and Advances to Customers	(8,755,328)	(12,682,952)	(9,006,277)	(12,699,644)
Other Assets	(250,758)	(346,923)	(246,004)	(345,789)
(Increase)/Decrease in Operating Assets	(19,742,779)	(21,685,039)	(20,010,563)	(21,429,723)
Increase/(Decrease) in Operating Liabilities				
Repurchase Agreements	6,412,144	(2,733,376)	6,080,254	(2,660,127)
Due to Other Customers	9,303,949	18,059,496	9,404,235	17,711,228
Derivative Financial Instruments	105,153	212,752	105,153	212,752
Other Liabilities	980,866	(9,432)	957,104	(6,138)
Increase/(Decrease) in Operating Liabilities	16,802,112	15,529,440	16,546,746	15,257,715
Net Cash Flows from Operating Activities	(115,785)	(1,414,006)	(543,003)	(1,220,630)
Cash Flows from Investing Activities				
Purchase of Property, Plant and Equipment	(385,544)	(283,456)	(387,993)	(283,596)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	2,173	914	2,173	914
Purchase of Intangible Assets	(204,782)	(138,542)	(205,221)	(157,630)
	(588,153)	(421,084)	(591,041)	(440,312)
Cash Flows from Financing Activities				
Net change in Debt issued and other Borrowed Funds	(670,705)	3,070,399	(240,599)	2,896,308
Proceeds from the issue of Debentures	3,000,000	-	3,000,000	-
Repayment of Subordinated Debt	(1,134,650)	(304,650)	(1,134,650)	(304,650)
Interest paid on Subordinated Debt	(556,461)	(549,342)	(556,461)	(549,342)
Dividends paid to Equity Holders of the Parent	(484,275)	(484,275)	(484,275)	(484,275)
	153,909	1,732,132	584,015	1,558,041
Net Increase in Cash and Cash Equivalents	(550,029)	(102,958)	(550,029)	(102,901)
Cash and Cash Equivalents at the beginning of the year	7,510,041	7,612,999	7,510,080	7,613,041
Cash and Cash Equivalents at the end of the year	6,960,012	7,510,041	6,960,051	7,510,140
Reconciliation of Cash and Cash Equivalents				
Cash on Hand	2,526,673	1,836,568	2,526,681	1,836,576
Statutory Deposit with the Central Bank of Sri Lanka	4,031,763	5,089,342	4,031,763	5,089,342
Balances with Banks	493,062	395,146	493,093	395,237
Money at Call and Short Notice	-	302,342	-	302,342
Deposits from other Banks	(91,486)	(113,357)	(91,486)	(113,357)
	6,960,012	7,510,041	6,960,051	7,510,140
A. Reconciliation of Operating Profit				
Profit before Taxation	3,021,605	2,519,476	3,151,190	2,750,113
(Profit)/Loss on disposal of Property, Plant and Equipment and Intangible Assets	(1,760)	1,378	(1,760)	1,378
Impairment charge / (Reversal) for Loans and Advances	449,419	430,965	450,610	431,834
Provision for Gratuity	70,132	59,625	71,741	61,239
(Increase)/Decrease in Interest Receivable	(457,253)	317,350	(456,426)	317,626
(Increase)/Decrease in Interest Payable	480,812	1,399,453	481,014	1,399,455
(Increase)/Decrease in Financial Guarantee Liabilities	(6,464)	(16,951)	(6,464)	(16,951)
Other Receivables	8,158	-	8,158	-
Other Payables	59,682	-	59,682	-
Other Non cash items	(104,737)	257,423	(70,243)	270,828
Gratuity Payments Made	(26,565)	(15,911)	(27,992)	(16,780)
	3,493,029	4,952,808	3,659,510	5,198,742

EXPLANATORY NOTES

- (1) The Group figures include those of the Subsidiaries, Waldock Mackenzie Limited, Allied Properties Limited, Nations Insurance Brokers Limited (formerly MLL Insurance Brokers Limited). Further a Liquidator has been appointed on 03 June 2013 to wind up Mercantile Leasing (Financial Services) Limited, Subsidiary of the Bank.
- (2) These Financial Statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKASs) and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange and the Directions issued by the Central Bank of Sri Lanka. Comparative figures have been remeasured / reclassified where necessary to comply with the Central Bank guidelines and SLFRS / LKASs.
- (3) These Interim financial statements are presented in accordance with LKAS 34 - Interim Financial Reporting and there are no changes to the accounting policies and methods of computation as against those disclosed in the Annual Report for the year ended 31st December 2013.
- (4) There are no material changes to contingent assets and liabilities since 31.12.2013 and the balances reflected are due to transactions carried out in the normal course of Banking Business.
- (5) No material events have taken place since 31.12.2013 that require disclosure or/and adjustments in these accounts and all known expenditure have been provided in these financial statements.

ADDITIONAL QUARTERLY DISCLOSURE

	Bank		Group	
	31.12.2013 Rs. '000	31.12.2012 Rs. '000	31.12.2013 Rs. '000	31.12.2012 Rs. '000
1) Loans and Advances To Customers				
Gross Loans and Advances	81,533,347	73,288,486	82,730,891	74,251,938
(Less): Individual Impairment	(620,978)	(1,120,502)	(620,978)	(1,120,502)
Collective Impairment	(1,154,216)	(704,788)	(1,153,265)	(702,646)
Net Loans and Advances including those designated at Fair Value through Profit or Loss	79,758,153	71,463,196	80,956,648	72,428,790
(Less): Loans and Advances designated at Fair Value through Profit or Loss	-	-	-	-
Net Loans and Advances	79,758,153	71,463,196	80,956,648	72,428,790
Staff Loans	2,181,943	1,861,546	2,181,943	1,861,546
Less: Allowance for Day one Difference	(811,336)	(866,385)	(811,336)	(866,385)
	1,370,606	995,161	1,370,607	995,161
	81,128,760	72,458,357	82,327,255	73,423,951
2) Gross Loans and Advances to Customers-By Product	31.12.2013 Rs. '000	31.12.2012 Rs. '000	31.12.2013 Rs. '000	31.12.2012 Rs. '000
By Product - Domestic Currency				
Bills of Exchange	66,229	35,841	66,229	35,841
Overdrafts	17,739,197	16,276,668	17,739,197	16,276,668
Term Loans	21,591,338	18,519,006	21,591,338	18,519,006
Staff Loans	2,181,943	1,861,546	2,181,943	1,861,546
Leases	21,738,216	19,361,556	21,738,216	19,361,555
Credit Cards	9,997,774	7,455,077	9,997,774	7,455,077
Pawning Advance	2,422,265	1,768,814	2,422,265	1,768,814
Corporate Debt Securities	1,578,457	798,834	1,578,457	798,834
Other Advances	2,171,617	2,870,581	3,369,161	3,834,034
Sub Total	79,487,036	68,947,923	80,684,580	69,911,375
By Product - Foreign Currency				
Bills of Exchange	368,743	279,759	368,743	279,759
Overdrafts	70,329	2,095,727	70,329	2,095,727
Term Loans	2,190,703	1,709,325	2,190,703	1,709,325
Other Advances	1,598,479	2,117,298	1,598,479	2,117,298
Sub Total	4,228,254	6,202,109	4,228,254	6,202,109
Total	83,715,290	75,150,032	84,912,834	76,113,484

3) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers

	Bank		Group	
	31.12.2013 Rs. '000	31.12.2012 Rs. '000	31.12.2013 Rs. '000	31.12.2012 Rs. '000
Individual Impairment				
As at 01 January	1,120,502	907,122	1,120,502	907,122
Charge/(Reversal) to Income Statement	(499,524)	213,380	(499,524)	213,380
As at 31 December	620,978	1,120,502	620,978	1,120,502
Collective Impairment				
As at 01 January	704,788	582,893	702,646	579,883
Charge/(Reversal) to Income Statement	937,638	217,585	938,829	218,454
Amounts written off during the Period	(488,210)	(95,691)	(488,210)	(95,691)
As at 31 December	1,154,216	704,788	1,153,265	702,646
Total Impairment	1,775,194	1,825,290	1,774,243	1,823,148
4) Due to Other Customers - By Product	31.12.2013 Rs. '000	31.12.2012 Rs. '000	31.12.2013 Rs. '000	31.12.2012 Rs. '000
By Product - Domestic Currency				
Demand Deposits	8,715,316	7,261,156	8,664,707	7,238,205
Savings Deposits	11,687,808	8,836,395	11,687,808	8,836,395
Call Deposits	492,697	220,489	492,697	220,489
Fixed Deposits	56,437,718	49,719,931	56,181,662	49,335,364
Certificate of Deposits	2,867,362	5,029,652	2,867,362	5,029,652
Sub Total	80,200,902	71,067,623	79,894,237	70,660,105
By Product - Foreign Currency				
Demand Deposits	770,891	563,867	770,891	563,867
Savings Deposits	3,190,449	2,298,364	3,190,449	2,298,364
Call Deposits	239,381	27,657	239,381	27,657
Fixed Deposits	11,634,575	12,724,166	11,634,575	12,724,166
Sub Total	15,835,296	15,614,054	15,835,296	15,614,054
Total	96,036,198	86,681,676	95,729,533	86,274,159

SHAREHOLDERS INFORMATION

Twenty Largest Shareholders as at 31st December 2013

Name of the Shareholder	No. of Shares	%
John Keells Holdings PLC.	46,121,536	20.00
DFCC Bank A/C No. 01	22,865,356	9.92
Mackinnons & Keells Financial Services Limited	22,830,159	9.90
Central Finance Company PLC A/C No. 03	20,715,400	8.98
HWIC Asia Fund	19,048,765	8.26
CF Growth Fund Limited A/C No. 01	14,813,273	6.42
CF Insurance Brokers (Pvt) Limited.	10,592,857	4.59
HSBC Intl. Nom. Limited - SSBT - National Westminster Bank PLC as Depository of First State Indian Subcontinent	3,497,452	1.52
Employees Trust Fund Board	3,153,850	1.37
HSBC Intl. Nom. Limited - JPMCB-Pacific Assets Trust PLC	3,101,851	1.35
Mr. M.F. Hashim	2,600,000	1.13
The Ceylon Investment PLC A/C #02	2,542,368	1.10
The Ceylon Guardian Investment Trust PLC A/C #02	2,463,350	1.07
Renuka City Hotels PLC	1,858,775	0.81
Bank of Ceylon - A/C No. 02	1,546,100	0.67
Mr. N.R. Somaia	1,320,624	0.57
Timex (Garments) Limited	1,238,465	0.54
Deutsche Bank AG as Trustee for Namal Acuity Value Fund	1,200,000	0.52
HSBC International Nominees Limited - SSBT - Deutsche Bank AG Singapore A/C No. 01	1,089,000	0.47
Malship Ceylon Limited	1,063,857	0.46
	183,663,038	79.64
Others	46,944,245	20.36
Total	230,607,283	100.00

Percentage of public shareholding as at 31st December 2013 was 79.85%

Directors' holding in shares as at 31st December 2013

Name of Director	No. of Shares
Mr. K.N.J. Balendra	107,700
Mr. A.K. Gunaratne	19,432
Mr. A.R. Rasiah	16,304
Mr. C.H.S.K. Piyaratna	100,400
Mrs. R.N. K. Fernando (Director/CEO)	68,700
Mr. K.O.V.S.M.S. Wijesinghe	39,650
Dr. (Ms.) D. Weerakoon	-
Mr. M.E. Wickremesinghe	-
Mr. M Jafferjee	-
Dr. (Mr.) Kemal De Soysa	-
Mr. D.P. De Silva	-
Ms. N. S. Panditaratne	-

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

	HFT at Fair Value		Financial Derivatives at Fair Value		HTM at Amortised Cost		L & R at Amortised Cost		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
BANK										
Rs. '000	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets										
Cash and Cash Equivalents	-	-	-	-	-	-	3,019,735	2,534,056	3,019,735	2,534,056
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	4,031,763	5,089,342	4,031,763	5,089,342
Derivative Financial Instruments	-	-	121,491	327,843	-	-	-	-	121,491	327,843
Reverse Repurchase Agreements	-	-	-	-	-	-	1,459,506	3,287,274	1,459,506	3,287,274
Financial Assets - Held for Trading	23,365,388	20,253,158	-	-	-	-	-	-	23,365,388	20,253,158
Other Financial Assets	-	-	-	-	-	-	2,198,582	1,892,922	2,198,582	1,892,922
Loans and Advances to Customers	-	-	-	-	-	-	81,128,760	72,458,357	81,128,760	72,458,357
Financial Assets - Held to Maturity	-	-	-	-	19,734,821	10,237,904	-	-	19,734,821	10,237,904
Total Financial Assets	23,365,388	20,253,158	121,491	327,843	19,734,821	10,237,904	91,838,347	85,261,951	135,060,046	116,080,856

	HFT at Fair Value		Financial Derivatives at Fair Value		HTM at Amortised Cost		L & R at Amortised Cost		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
GROUP										
Rs. '000	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets										
Cash and Cash Equivalents	-	-	-	-	-	-	3,019,774	2,534,155	3,019,774	2,534,155
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	4,031,763	5,089,342	4,031,763	5,089,342
Derivative Financial Instruments	-	-	121,491	327,843	-	-	-	-	121,491	327,843
Reverse Repurchase Agreements	-	-	-	-	-	-	552,236	2,711,927	552,236	2,711,927
Financial Assets - Held for Trading	24,460,493	21,087,926	-	-	-	-	-	-	24,460,493	21,087,926
Other Financial Assets	-	-	-	-	-	-	2,198,582	1,892,922	2,198,582	1,892,922
Loans and Advances to Customers	-	-	-	-	-	-	82,327,255	73,423,951	82,327,255	73,423,951
Financial Assets - Held to Maturity	-	-	-	-	19,794,014	10,237,904	-	-	19,794,014	10,237,904
Total Financial Assets	24,460,493	21,087,926	121,491	327,843	19,794,014	10,237,904	92,129,610	85,652,297	136,505,608	117,305,970

	Financial Derivatives at Fair Value		Other Financial Liabilities at Amortised Cost		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Rs. '000	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Liabilities						
Due to Banks	-	-	1,401,473	2,712,187	1,401,473	2,712,187
Derivative Financial Instruments	633,625	528,472	-	-	633,625	528,472
Repurchase Agreements	-	-	18,101,824	11,832,692	18,101,824	11,832,692
Due to Other Customers	-	-	96,036,198	86,681,677	96,036,198	86,681,677
Debt Issued and Other Borrowed Funds	-	-	8,199,429	5,831,123	8,199,429	5,831,123
Total Financial Liabilities	633,625	528,472	123,738,923	107,057,680	124,372,548	107,586,152

	Financial Derivatives at Fair Value		Other Financial Liabilities at Amortised Cost		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Rs. '000	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Due to Banks	-	-	1,401,473	2,712,187	1,401,473	2,712,187
Derivative Financial Instruments	633,625	528,472	-	-	633,625	528,472
Repurchase Agreements	-	-	18,067,817	11,832,692	18,067,817	11,832,692
Due to Other Customers	-	-	95,729,533	86,274,159	95,729,533	86,274,159
Debt Issued and Other Borrowed Funds	-	-	8,606,086	6,333,779	8,606,086	6,333,779
Total Financial Liabilities	633,625	528,472	124,004,909	107,152,817	124,438,535	107,681,289

HFT - Held for Trading
HTM - Held-to-Maturity
L&R - Loans and Receivables

DEBENTURE INFORMATION

The rated unsecured subordinated redeemable debentures 2011/16 and 2013/18 of the Bank are listed in the Colombo Stock Exchange. However, these debentures have not been traded from the date of listing up to 31 December 2013.

Debenture Categories	CSE Listing	Interest Payable Frequency	Balance as at 31-12-2013 Rs. '000	Balance as at 31-12-2012 Rs. '000	Market Values			Interest Rates		Interest Rate of Comparable Government Security		Other Ratios as at date of last trade	
					Highest Rs.	Lowest Rs.	Year End Rs.	Coupon Rate %	Effective Annual Yield %	31-12-2013 %	31-12-2012 %	Interest Yield %	Yield to Maturity %
Fixed Rate													
Fixed Rate	NTBD0145	Semi-Annually	-	500,000		Not traded		20.53	21.58	14.54	12.55		Not traded
Fixed Rate	NTBD0131	Annually	-	1,000,000		Not traded		21.00	21.00	9.61	12.77		Not traded
Fixed Rate	NTBD0163	Semi-Annually	1,525,000	1,525,000		Not traded		11.50	11.83	9.00	6.40		Not traded
Fixed Rate	NTBD0164	Semi-Annually	200,000	200,000		Not traded		11.00	11.30	9.00	6.40		Not traded
Fixed Rate	NTBD0165	Semi-Annually	275,000	275,000		Not traded		11.50	11.83	9.00	6.40		Not traded
Fixed Rate	NTBD0266	Semi-Annually	3,000,000	-		Not traded		13.00	13.42	9.78	-		Not traded
Total Debentures			5,000,000	3,500,000									
Ratios of Debt	31.12.2013	31.12.2012											
* Debt/Equity Ratio % Interest Cover (Times)	62.72% 6.77	58.54% 5.12	* All Subordinated debt and listed Senior debt are considered as Debt (numerator)										

SEGMENT INFORMATION

Operating Segments Rs. '000	BANK		TREASURY FUNCTIONS		OTHERS		UNALLOCATED/ELIMINATIONS		TOTAL GROUP	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Operating income	8,530,706	7,210,412	944,947	802,735	435,164	356,862	(794)	(55,250)	9,910,023	8,314,759
Impairment Charge/(Reversal) for Loans and Advances	449,411	430,965	-	-	-	-	1,199	869	450,610	431,834
Net Operating income	8,081,295	6,779,447	944,947	802,735	435,164	356,862	(1,993)	(56,119)	9,459,413	7,882,925
Extracts of results										
Interest Income	13,301,717	11,083,632	4,372,676	3,651,255	455,024	416,004	(218,211)	(37,774)	17,911,206	15,113,117
Inter Segment	453,951	573,805	(453,951)	(573,805)	-	-	-	-	-	-
Interest Expense	(8,001,612)	(6,627,164)	(2,232,091)	(2,571,982)	(219,038)	(196,535)	216,140	37,304	(10,236,602)	(9,358,378)
Net Interest Income	5,754,056	5,030,273	1,686,635	505,468	235,985	219,468	(2,072)	(470)	7,674,604	5,754,739
Fees and Commission Income	2,635,020	2,032,957	-	77,893	189,044	147,847	(104,693)	(38,398)	2,719,371	2,220,299
Fees and Commission Expense	(248,681)	(129,109)	(43,191)	(46,556)	(5,830)	(2,180)	82,512	2,089	(215,189)	(175,756)
Net Fees and Commission Income	2,386,339	1,903,848	(43,191)	31,337	183,214	145,667	(22,180)	(36,309)	2,504,182	2,044,543
Net Trading Income	231,063	-	(705,840)	295,944	15,965	(8,276)	(19,606)	-	(478,418)	287,668
Other Operating Income	159,248	276,291	7,343	(30,013)	-	4	43,064	(18,471)	209,655	227,809
Depreciation of Property, Plant and Equipment	141,502	120,184	815	134,800	11,549	11,551	103,948	-	257,814	266,535
Amortization of Intangible Assets	61,471	45,156	11,867	65,806	2,833	1,854	80,345	-	156,515	112,816
Segment Profit/(Loss) before Value Added Tax	2,696,154	2,383,862	704,113	545,692	311,995	250,515	(31,367)	5,439	3,680,895	3,185,509
Value Added Tax and Income Tax Expense					(119,809)	(69,903)	(1,424,684)	(1,180,534)	(1,544,493)	(1,250,437)
Profit for the year	2,696,154	2,383,862	704,113	545,692	192,187	180,612	(1,456,052)	(1,175,095)	2,136,402	1,935,072
Capital Expenditures										
Property and Equipment	251,985	239,503	1,595	43,951	2,447	141	131,966	-	387,993	283,596
Intangible Assets	45,501	40,539	3,506	98,002	440	19,090	155,774	-	205,221	157,630
Total Assets	82,002,263	72,848,049	56,291,035	48,503,201	3,707,142	3,498,738	127,316	(2,402,973)	142,127,757	122,447,016
Total Liabilities	99,035,522	86,869,491	30,525,352	25,319,639	2,095,591	1,903,408	(1,266,871)	(1,740,782)	130,389,593	112,351,756

1 FINANCIAL RISK MANAGEMENT

1.1 Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement, and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability. The Bank is primarily exposed to credit risk, liquidity risk, market risk and operational risks.

The Board of Directors is responsible for establishing the overall risk management framework within the Bank. This consists of approval of a risk governance structure and approval of detailed risk management policies and procedures with risk appetite and tolerance limits. The Board delegates specific oversight of all risk management activities in the Bank to the Board Integrated Risk Management Committee (BIRMC). It reviews risk goals, department risk grids and material risk issues highlighted by different executive risk committees. It also monitors compliance with Bank policies and regulations. The Board has appointed the Executive Risk Management Committee (ERMC) which has the overall responsibility for overseeing the establishment and implementation of frameworks, policies and limits for various risk exposures. The ERMC is assisted by the Assets and Liability Management Committee (ALCO) which specifically focus on market risk management and liquidity risk management whilst Head Office Credit Committee focuses on the credit risk management.

The Integrated Risk Management Department (IRMD), headed by the Chief Risk Officer (CRO), is responsible for developing and implementing the Bank's risk management framework.

Risk Measurement and Reporting Systems

The Bank's risks are measured using methods that reflect incurred loss model for financial reporting and the expected loss likely to arise in normal circumstances which are supported by statistical models for financial reporting and regulatory purposes. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. Managing of risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept with additional emphasis on selected industries. Information compiled from all the relevant departments is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the members of Board Supervisory Committee, BIRMC and the heads of each business division. The report includes aggregate credit exposure, liquidity ratios and risk profile changes. The BIRMC receives a risk assessment report once a quarter, which is designed to provide a wide range of information to assess and conclude on the risks of the Bank.

The Head of Treasury Middle Office provides the details on the utilization of market limits, liquidity and any other market risk developments to the Chief Executive Officer and other relevant members of the Bank on a daily basis.

1.2 Credit Risk

Credit risk is the risk that the Bank would incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits and by taking appropriate collateral.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. An appropriate risk rating mechanism covering various types of customer segments of the bank excluding consumer products is being implemented. Such risk ratings are subject to regular revision.

The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Impairment Assessment

For financial reporting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed.

Individually Assessed Allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis above a predetermined threshold limit. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout if bankruptcy happens, the availability of other financial support, the realizable value and timing of collateral and expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. The Bank has currently set Individually Significant Threshold at Rupees Ten Million and every customer having an aggregate exposure above that limit is individually assessed for objective evidence of incurred loss (OEIL). If the Bank finds such customers having OEIL, those customers are individually impaired taking in to account the estimated value of future cash flows.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether allowance should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio such as historical losses on the portfolio, levels of arrears, and expected receipts and recoveries once impaired. The Bank generally bases its analyzes on historical experience. However, when there are significant market developments, the Bank also include macro- economic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, levels of bad debts and delinquency trends, Inflation, movements in Gross Domestic Product (GDP), macro environment stability in financial industry, revisions in the interest rates, changes in regulatory environment and other available consumer data. The Bank uses the aforementioned factors as appropriate to adjust the impairment allowances.

Commitments and Guarantees

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. Undrawn commitments mainly consist of unutilized credit card limits and facilities granted to corporate customers where the Bank reserves the right to unconditionally cancel or recall the facility at its discretion.

Forward / Swap Foreign exchange contracts are recorded on a gross basis even though the net exposure, which is the settlement risk, is very much lower than the recorded gross amounts.

1.3 Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter a difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is measured through the stock and flow approaches.

Bank maintains a minimum 20% ratio of liquid assets to total liabilities under stock approach based on the regulations of the Central Bank of Sri Lanka. Liquid assets mainly consist of cash, short-term Bank deposits and government securities. In addition, the Bank maintains a statutory deposit with the Central Bank of Sri Lanka equal to 6% of Sri Lankan Rupee customer deposits. The bank also manages the liquidity risk through managing the gaps between assets and liabilities in various maturity buckets. Management considers both contractual cash flows as well as behavioral aspects of these assets and liabilities when analyzing the gaps. Due consideration is given to stress factors relating to both the market in general and specifically to the Bank. Additionally, the Bank has developed a contingency plan to address these stress situations.

1.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

Interest Rate Risk (IRR) arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Any mismatches in the cash flows (fixed rate assets or liabilities) or re-pricing dates (floating rate assets or liabilities) expose Banks' Net Interest Income to variations. IRR exposure is primarily managed with Maturity Gap analysis that distributes interest rate sensitive assets, liabilities and off-balance sheet positions at carrying amount into a number of pre-defined time-bands according to their residual term to maturity (fixed rate) or residual term to their next re-pricing (floating rate). The sensitivity of the Income Statement is measured by calculating the change in the present value of above interest rate sensitive gaps, based on assumed changes in interest rates along the yield curve.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposure to each currency is arrived at by calculating the Net Asset or Liability position including the spot and forward contracts of the relevant currency. Treasury Middle Office (TMO) monitors the above positions on a daily basis to ensure positions are maintained within established limits.

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

1.5 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Over the period Operational Risk Management tools have evolved within the Bank and now the usage of techniques such as Risk and control self assessment (RCSA) and key risk indicators (KRI) have become part and parcel of normal course of business. The Bank has a robust process to capture operational loss events which are centrally fed in to an operational loss data base to be used for modeling when the Bank moves towards the Advanced Approach under BASEL Guidelines. In addition to above Operational Risk Management Unit oversee the appropriateness and implementation of Business Continuity Plan (BCP) across the Bank.

Operational Risk Management Unit oversees the internal control systems of the Bank which include assessment of operating procedures to mitigate Operational Risks. The Operational Risk Management Unit works closely with other business/support units in confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with relevant accounting principles and Regulatory requirements.

The Bank uses Insurance as a risk mitigating technique to contain the severity of Operational Risk.

2.CAPITAL MANAGEMENT

The Bank has established a capital maintenance strategy which forms an integral part of its strategic planning exercise with following key objectives in mind.

- To maintain the capital resources commensurate with the business strategy, capital commitments and overall risk appetite
- To maintain an adequate capital buffer for unexpected and stressed economic conditions
- To allocate capital to businesses and products in order to optimize risk adjusted returns and economic value additions
- To comply with regulatory requirements and international best practice relating to capital maintenance

In regulatory capital perspective, the bank applies the Basel 2 framework, as adopted by CBSL in order to calculate the Risk Weighted Assets (RWA) and the capital requirement. For the measurement of RWA, the bank currently adopts the standardized approach for credit risk and market risk while the Basic Indicator Approach is applied for Operational Risk. The minimum Tier 1 capital is set at 5% of RWA while minimum Total Capital (Tier 1 plus Tier 2) is set at 10% RWA.

A detailed analysis and explanation of risk management policies and procedures are given in the Annual Report 2013 of the Bank.