NATIONS TRUST BANK PLC AND ITS FULLY OWNED SUBSIDIARIES

Company Number PQ 118

INCOME STATEMENT

	BANK						GROUP					
	Nine months ended 30th September			Quarter ended 30th September			Nine months ended 30th September			Quarter ended 30th September		
	2011 Rs. '000	2010 Rs. '000	Change (%)	2011 Rs. '000	2010 Rs. '000	Change (%)	2011 Rs. '000	2010 Rs. '000	Change (%)	2011 Rs. '000	2010 Rs. '000	Change (%)
GROSS INCOME	**8,695,642**	**9,027,186**	**(4)**	**3,014,715**	**3,236,088**	**(7)**	**8,994,645**	**9,256,922**	**(3)**	**3,135,493**	**3,345,440**	**(6)**
Interest Income												
Interest Income on Loans and Advances	4,822,591	4,866,029	(1)	1,755,919	1,661,152	6	5,048,644	5,032,178	0	1,829,708	1,723,726	6
Interest Income on Other Interest Earning Assets	2,239,000	2,531,545	(12)	694,408	877,972	(21)	2,239,637	2,592,632	(14)	694,628	900,655	(23)
	7,061,591	7,397,574	(5)	2,450,327	2,539,124	(3)	7,288,281	7,624,810	(4)	2,524,336	2,624,381	(4)
Interest Expense												
Interest Expense on Deposits	(2,347,053)	(2,211,715)	6	(860,489)	(707,202)	22	(2,347,053)	(2,211,715)	6	(860,489)	(707,202)	22
Interest Expense on Other Interest Bearing Liabilities	(1,678,413)	(1,958,270)	(14)	(563,805)	(684,894)	(18)	(1,692,988)	(1,974,123)	(14)	(567,087)	(693,396)	(18)
	(4,025,466)	(4,169,985)	(3)	(1,424,294)	(1,392,096)	2	(4,040,041)	(4,185,838)	(3)	(1,427,576)	(1,400,598)	2
NET INTEREST INCOME	**3,036,125**	**3,227,589**	**(6)**	**1,026,033**	**1,147,028**	**(11)**	**3,248,240**	**3,438,972**	**(6)**	**1,096,760**	**1,223,783**	**(10)**
Non-Interest Income												
Foreign Exchange Gain	263,462	193,069	36	89,708	72,079	24	263,462	193,069	36	89,708	72,079	24
Other Operating Income	1,370,589	1,436,543	(5)	474,680	624,885	(24)	1,442,902	1,439,043	0	521,449	648,980	(20)
	1,634,051	1,629,612	0	564,388	696,964	(19)	1,706,364	1,632,112	5	611,157	721,059	(15)
NET INCOME	**4,670,176**	**4,857,201**	**(4)**	**1,590,421**	**1,843,992**	**(14)**	**4,954,604**	**5,071,084**	**(2)**	**1,707,917**	**1,944,842**	**(12)**
Less : Non-Interest Expenses												
Personnel Costs	1,217,707	1,176,398	4	406,295	437,092	(7)	1,240,102	1,195,819	4	413,785	443,739	(7)
Provision for Staff Retirement Benefits	40,538	33,631	21	12,992	11,166	16	41,399	34,466	20	13,232	11,417	16
Premises, Equipment and Establishment Expenses	509,021	450,816	13	178,028	129,622	37	516,881	462,190	12	181,270	133,150	36
Loss on Trading / Investment Securities	13,071	-	100	13,071	-	100	35,168	2,035	1,628	35,168	2,035	1,628
Amortisation of Intangible Assets	80,419	118,166	(32)	26,935	62,538	(57)	80,419	118,166	(32)	26,935	62,538	(57)
Other Operating Expenses	1,045,486	999,796	5	316,431	419,331	(25)	1,050,625	1,008,569	4	317,996	423,908	(25)
	2,906,242	2,778,807	5	953,752	1,059,749	(10)	2,964,594	2,821,245	5	988,386	1,076,787	(8)
Less : Provision for Bad & Doubtful Debts and Loans Written Off												
Provision/(Write back)-General	(32,227)	67,070	(148)	1,017	30,911	(97)	(25,890)	58,596	(144)	3,121	29,175	(89)
Provision/ (Write back) -Specific	(111,076)	170,844	(165)	(71,922)	(4,963)	1,349	(111,076)	170,844	(165)	(71,922)	(4,963)	1,349
	(143,303)	237,914	(160)	(70,905)	25,948	(373)	(136,966)	229,440	(160)	(68,801)	24,212	(384)
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXES	**1,907,237**	**1,840,480**	**4**	**707,574**	**758,295**	**(7)**	**2,126,976**	**2,020,399**	**5**	**788,332**	**843,843**	**(7)**
Less:Value Added Tax on Financial Services	(305,158)	(362,825)	(16)	(113,212)	(149,526)	(24)	(340,273)	(400,092)	(15)	(126,090)	(167,134)	(25)
OPERATING PROFIT BEFORE CORPORATE TAX	**1,602,079**	**1,477,655**	**8**	**594,362**	**608,769**	**(2)**	**1,786,703**	**1,620,307**	**10**	**662,242**	**676,709**	**(2)**
Less:Tax on Profits on Ordinary Activities	(553,099)	(723,256)	(24)	(205,196)	(298,065)	(31)	(616,745)	(771,896)	(20)	(228,539)	(322,451)	(29)
OPERATING PROFIT FOR THE PERIOD	**1,048,980**	**754,399**	**39**	**389,166**	**310,704**	**25**	**1,169,958**	**848,411**	**38**	**433,703**	**354,258**	**22**
Earnings Per Share -Basic (Rs.)	4.68	3.81	23	1.73	1.57	10	5.22	4.29	22	1.93	1.79	8
Earnings Per Share - Diluted (Rs.)	4.61	3.71	24	1.71	1.53	12	5.14	4.17	23	1.91	1.74	9

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 Nations Insurance Brokers Limited (formerly MLL Insurance Brokers Limited).
(2) These Financial Statements are prepared in accordance with Sri Lanka Accounting Standards 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 restated where necessary to comply with the Central Bank guidelines.
(3) These interim financial statements are presented in accordance with SLAS 35 - 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 2010.
(4) Specific provisions for the period include certain prudential provisions made over and above the provisioning policy of the Bank which is more stringent than the guidelines of the Central Bank of Sri Lanka.
(5) The balances reflected under contingencies and commitments are in respect of transactions carried out in the normal course of Banking Business and there are no material changes to these accounts since 31.12.2010.
(6) During the 1st quarter 2011 through warrant conversion, 20,963,943 ordinary shares were issued and added to the Stated capital.
(7) During the 3rd quarter, the bank issued Two million, rated, unsecured, subordinated redeemable debentures for an aggregate value of Rs.2 billion by way of a Private Placement. The debentures will be listed in the Colombo Stock exchange in due course.
(8) No material events have taken place since 30.09.2011 that require disclosure or/and adjustments in these accounts and all known expenditures have been provided in these financial statements.

The above figures are provisional and subject to audit.

Debenture Information

The unsecured, Subordinated, Redeemable Debentures 2006/11, 2006/12, 2008/13 and 2009/13 of the Bank are listed in the Colombo Stock Exchange. However, these debentures have not been traded from the date of listing up to 30th September 2011.

Debenture categories	CSE Listing	Interest Payable Freuqency	Balance as at 30.09.2011 Rs. '000	Market Values: Highest Rs.	Market Values: Lowest Rs.	Market Values: Year End Rs.	Interest Rates: Coupon Rate %	Interest Rates: Effective Annual Yield %	Interest rate of Comparable Government Security 30.09.2011 %	Interest rate of Comparable Government Security 30.09.2010 %	Other Ratios as at date of last trade: Interest Yield %	Other Ratios as at date of last trade: Yield to Maturity %
Fixed Rate												
Fixed Rate	NTBD0145	Semi - Annualy	500,000	Not Traded during the current period			20.53	21.58	7.69	8.03	Not Traded during the current period	
Fixed Rate	NTBD0131	Annualy	1,000,000	Not Traded during the current period			21.00	21.00	7.76	8.10	Not Traded during the current period	
Fixed Rate	Not Listed	Semi - Annualy	200,000	-			11.00	11.30	8.74	-	-	
Fixed Rate	Not Listed	Semi - Annualy	1,800,000	-			11.50	11.83	8.74	-	-	
Floating Rate												
Floating Rate	NTBD0104	Quarterly	170,000	Not Traded during the current period			9.39	9.73	7.28	7.77	Not Traded during the current period	
Total Debentures			**3,670,000**									

SELECTED PERFORMANCE INDICATORS

	BANK As at 30.09.2011	BANK As at 31.12.2010 (Audited)	GROUP As at 30.09.2011	GROUP As at 31.12.2010 (Audited)
Regulatory Capital Adequacy				
Core Capital (Tier 1 Capital), Rs.Mn.	**6,404**	6,132	**6,988**	6,716
Total Capital Base, Rs.Mn.	**8,678**	7,302	**9,253**	7,869
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	**10.34%**	12.52%	**11.10%**	13.43%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	**14.01%**	14.91%	**14.70%**	15.74%
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio, % (Net of Interest In Suspense)	**3.48%**	4.88%	**3.45%**	4.82%
Net Non-Performing Advances Ratio, % (Net of Interest In Suspense and Provisions)	**1.70%**	2.36%	**1.70%**	2.36%
Profitability				
Interest Margin, %	**4.45%**	5.42%	**-**	-
Return on Assets, % (before Tax)	**2.35%**	2.33%	**2.59%**	2.53%
Return on Equity, %	**20.28%**	18.30%	**20.42%**	17.70%
Regulatory Liquidity				
Statutory Liquid Assets, Rs. Mn.	**14,936**	14,386		
Statutory Liquid Assets Ratio, (%) (Minimum Requirement, 20%)				
Domestic Banking Unit (DBU)	**20.76%**	22.13%		
Foreign Currency Banking Unit (FCBU)	**37.18%**	42.97%		
Net Assets Value Per Share (Rs.)	**32.32**	29.25	**35.76**	32.46
	30.09.2011 (Quarter ended)	30.09.2010 (Quarter ended)		
Market Price Per Share (Rs.)				
Highest	**70.00**	114.70		
Lowest	**57.00**	50.50		
Last Traded Price	**61.10**	94.90		

Ratios of Debt	30.09.2011	30.09.2010
* Debt / Equity Ratio %	53.76%	39.20%
Interest Cover (Times)	6.01	5.51

* All Surbordinated debt and listed Senior debt are considered as Debt (numerator)

STATEMENT OF CHANGES IN EQUITY

Bank	Stated Capital Rs. '000	Capital Reserve Rs. '000	Reserve Fund Rs. '000	Investment Fund* Rs. '000	Revenue Reserve Rs. '000	Total Rs. '000
Balance as at 01.01.2010	**3,109,771**	-	**105,599**	-	**970,817**	**4,186,187**
Dividend Paid for 2009	-	-	-	-	(314,465)	(314,465)
Shares issued on '2010 Warrants' exercised	1,257,860	-	-	-	-	1,257,860
Net Profit for the Period	-	-	-		754,399	754,399
Balance as at 30.09.2010	**4,367,631**	-	**105,599**	-	**1,410,751**	**5,883,981**
Balance as at 01.01.2011	**4,367,631**	-	**155,696**		**1,608,192**	**6,131,519**
Dividend Paid for 2010	-	-	-		(461,215)	(461,215)
Shares issued on '2011 Warrants' exercised	733,738	-	-	-	-	733,738
Transfers to Investment Fund*	-	-	-	178,533	(178,533)	-
Net Profit for the Period	-	-	-	-	1,048,980	1,048,980
Balance as at 30.09.2011	**5,101,369**	-	**155,696**	**178,533**	**2,017,424**	**7,453,022**
Group						
Balance as at 01.01.2010	**3,109,771**	**9,500**	**105,599**	-	**1,551,941**	**4,776,811**
Dividend Paid for 2009	-	-	-	-	(314,465)	(314,465)
Shares issued on '2010 Warrants' exercised	1,257,860	-	-	-	-	1,257,860
Net Profit for the Period	-	-	-	-	848,411	848,411
Balance as at 30.09.2010	**4,367,631**	**9,500**	**105,599**	-	**2,085,887**	**6,568,617**
Balance as at 01.01.2011	**4,367,631**	**9,500**	**155,696**	-	**2,271,604**	**6,804,431**
Dividend Paid for 2010	-	-	-	-	(461,215)	(461,215)
Shares issued on '2011 Warrants' exercised	733,738	-	-	-	-	733,738
Transfers to Investment Fund *	-	-	-	193,266	(193,266)	-
Net Profit for the Period	-	-	-	-	1,169,958	1,169,958
Balance as at 30.09.2011	**5,101,369**	**9,500**	**155,696**	**193,266**	**2,787,081**	**8,246,912**

* 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 80mn were granted under this scheme.

SHAREHOLDERS INFORMATION

Twenty largest Shareholders as at 30th September 2011

Name of the Shareholder	No. of Shares	%
John Keells Holdings PLC.	46,121,536	20.00
Mackinnons & Keells Financial Services Limited	22,830,159	9.90
Mr.Y.S.H.I K Silva.	22,291,456	9.67
Central Finance Company Limited	20,715,400	8.98
HSBC International Nominees Limited - Credit Suisse AG Zurich - Uma Kumar Sharma	18,156,100	7.87
CF Growth Fund Limited	14,813,273	6.42
CF Insurance Brokers (Pvt) Ltd.	10,592,857	4.59
Mr. A.D. Gunewardene	5,671,164	2.46
Mr. S.K. Sharma	2,991,300	1.30
Mr.M.F. Hashim.	2,416,137	1.05
HSBC International Nominees Limited - SSBT - Deutsche Bank AG Singapore A/C 01	2,058,500	0.89
Renuka City Hotels Limited	1,858,775	0.81
Bank of Ceylon - No2 A/C	1,546,100	0.67
Mr. M.M Udeshi	1,392,034	0.60
Employees Trust Fund Board	1,366,900	0.59
Mr. N.R. Somaiya	1,320,624	0.57
Timex (Garments) Ltd	1,238,465	0.54
Sri Lanka Insurance Corporation Ltd-Life Fund	1,122,100	0.49
Malship Ceylon Ltd	1,033,857	0.45
Mr. Blackler	937,615	0.41
	180,474,352	78.26
Others	50,132,931	21.74
Total	230,607,283	100.00

Percentage of public shareholding as at 30th September 2011 was 77.39%

Director's holding in shares as at 30th September 2011

Name of Director	No of Shares
Mr. A.D. Gunewardene	5,671,164
Mr. E.H. Wijenaike	10,598
Mr. K.N.J.Balendra	107,700
Mr. J.R.F. Peiris	-
Mr. A.K. Gunaratne	19,432
Mr. S.G. Rajakaruna (Director / CEO)	-
Mr. C.H.S.K. Piyaratna	100,400
Mr. A.R. Rasiah	16,304
Dr. (Ms.) D. Weerakoon	-
Mr. M.E. Wickremesinghe	-
Mr. M Jafferjee	-
Dr. (Mr.) Kemal De. Soysa	-

SEGMENTAL INFORMATION

In Rs. '000	BANKING 30.09.2011	BANKING 30.09.2010	INVESTMENT BANKING 30.09.2011	INVESTMENT BANKING 30.09.2010	OTHERS 30.09.2011	OTHERS 30.09.2010	ELIMINATION/ALLOCATED 30.09.2011	ELIMINATION/ALLOCATED 30.09.2010	GROUP 30.09.2011	GROUP 30.09.2010
Total Revenue	**8,695,642**	9,027,186	**410,568**	492,831	**102,159**	67,438	**(213,724)**	(330,533)	**8,994,645**	9,256,922
Segment Results										
Profit before Taxation	**1,602,079**	1,477,655	**170,068**	150,943	**51,881**	35,683	**(37,325)**	(43,974)	**1,786,703**	1,620,307
Taxation	**(553,099)**	(723,256)	**(53,275)**	(67,434)	**(11,962)**	(10,369)	**1,591**	29,163	**(616,745)**	(771,896)
Net Profit for the Year	**1,048,980**	**754,399**	**116,793**	**83,509**	**39,919**	**25,314**	**(35,734)**	**(14,811)**	**1,169,958**	**848,411**
Segment Assets	**95,660,614**	83,557,110	**3,426,732**	4,560,117	**837,205**	790,532	**(3,572,881)**	(4,888,914)	**96,351,670**	84,018,844
Intangible Assets	**608,690**	327,177	**-**	-	**-**	-	**79,262**	79,262	**687,952**	406,439
Total Assets	**96,269,304**	**83,884,287**	**3,426,732**	**4,560,117**	**837,205**	**790,532**	**(3,493,619)**	**(4,809,652)**	**97,039,622**	**84,425,283**
Segment Liabilities	**88,316,774**	77,553,697	**2,829,402**	4,082,271	**61,181**	61,276	**(2,922,057)**	(4,293,321)	**88,285,300**	77,403,923
Deferred Liabilities	**499,508**	446,609	**2,800**	2,138	**5,102**	3,996	**-**	-	**507,410**	452,743
Total Liabilities	**88,816,282**	**78,000,306**	**2,832,202**	**4,084,409**	**66,283**	**65,272**	**(2,922,057)**	**(4,293,321)**	**88,792,710**	**77,856,666**

BALANCE SHEET

As at	BANK 30.09.2011 Rs. '000	BANK 31.12.2010 Rs. '000 (Audited)	Change (%)	GROUP 30.09.2011 Rs. '000	GROUP 31.12.2010 Rs. '000 (Audited)	Change (%)
On-Balance Sheet Assets						
Cash in Hand	**1,148,295**	873,295	31	**1,148,303**	873,303	31
Balances with Central Bank of Sri Lanka	**3,442,879**	2,416,235	42	**3,442,879**	2,416,235	42
Due from Banks and Other Financial Institutions	**2,949,302**	4,226,626	(30)	**1,860,076**	3,033,697	(39)
Investments-Trading Account						
Government Securities	**16,437,269**	15,195,791	8	**17,162,463**	16,033,313	7
Investments-Held-to-Maturity						
Government Securities	**8,630,639**	8,891,704	(3)	**9,252,528**	9,460,776	(2)
Other Securities	**1,749,528**	1,905,796	(8)	**1,749,528**	1,905,796	(8)
Investments in Subsidiaries	**678,710**	678,710	-	**-**	-	-
Total Loans and Advances						
Total Performing Loans and Advances						
Bills of Exchange	**328,043**	479,155	(32)	**328,043**	479,155	(32)
Overdrafts	**12,211,300**	10,321,231	18	**12,211,300**	10,321,231	18
Lease Rentals Receivable within One Year	**4,053,144**	3,092,713	31	**4,053,144**	3,092,713	31
Lease Rentals Receivable after One Year	**7,893,650**	5,153,565	53	**7,893,650**	5,153,565	53
Other Loans	**32,081,999**	24,871,205	29	**32,595,652**	25,562,000	28
	56,568,136	**43,917,869**	**29**	**57,081,789**	**44,608,664**	**28**
Total Non-performing Loans and Advances						
Overdrafts	**612,348**	668,416	(8)	**612,348**	668,416	(8)
Lease Rentals Receivable	**746,725**	1,020,872	(27)	**746,725**	1,020,872	(27)
Other Loans	**1,172,468**	1,038,106	13	**1,172,468**	1,038,106	13
Interest Receivable	**353,010**	310,513	14	**353,010**	310,513	14
	2,884,551	3,037,907	(5)	**2,884,551**	3,037,907	(5)
Total Gross Loans and Advances	**59,452,687**	**46,955,776**	**27**	**59,966,340**	**47,646,571**	**26**
Less:						
Interest In Suspense	**(842,737)**	(783,368)	8	**(842,737)**	(783,368)	8
Specific Loan Loss Provisions	**(766,292)**	(853,420)	(10)	**(766,292)**	(853,420)	(10)
General Loan Loss Provisions	**(278,482)**	(310,802)	(10)	**(269,488)**	(295,470)	(9)
Net Loans and Advances	**57,565,176**	45,008,186	28	**58,087,823**	45,714,313	27
Other Assets	**1,738,325**	1,174,442	48	**1,800,806**	1,230,143	46
Deferred Assets	**74,775**	113,544	(34)	**74,775**	113,544	(34)
Intangible Assets	**608,690**	679,057	(10)	**687,952**	758,318	(9)
Property, Plant and Equipment	**1,245,716**	1,254,019	(1)	**1,772,489**	1,788,444	(1)
Total On Balance Sheet Assets	**96,269,304**	**82,417,405**	**17**	**97,039,622**	**83,327,882**	**16**
On-Balance Sheet Liabilities						
Total Deposits						
Demand Deposits	**7,488,624**	6,675,693	12	**7,454,323**	6,636,493	12
Savings Deposits	**8,998,632**	7,061,789	27	**8,998,632**	7,061,789	27
Time Deposits	**43,818,979**	34,616,274	27	**43,818,979**	34,616,274	27
Margin Deposits	**416,845**	342,183	22	**416,845**	342,183	22
	60,723,080	**48,695,939**	**25**	**60,688,779**	**48,656,739**	**25**
Total Borrowings						
Borrowings from the Central Bank of Sri Lanka	**-**	421	(100)	**-**	421	(100)
Borrowings from Banks and Financial Institutions in Sri Lanka	**153,499**	611,500	(75)	**153,499**	611,500	(75)
Borrowings from Banks and Financial Institutions Abroad	**1,608,200**	499,902	222	**1,608,200**	499,902	222
Securities Sold Under Repurchase Agreements	**15,670,350**	16,967,745	(8)	**15,400,350**	16,967,745	(9)
Subordinated Term Debt	**3,506,625**	1,806,275	94	**3,506,625**	1,806,275	94
Other Borrowings	**1,279,567**	1,708,203	(25)	**1,479,567**	2,089,113	(29)
	22,218,241	21,594,046	3	**22,148,241**	21,974,956	1
Deferred Taxation	**290,067**	273,530	6	**290,067**	273,530	6
Current Taxation	**437,665**	549,739	(20)	**445,889**	555,696	(20)
Other Liabilities	**5,147,229**	5,172,632	(0)	**5,219,734**	5,062,530	3
Total On -Balance Sheet Liabilities	**88,816,282**	**76,285,886**	**16**	**88,792,710**	**76,523,451**	**16**
Equity Capital and Reserves						
Stated Capital (230,607,283 Ordinary Shares as at 30.09.2011 & 209,643,340 as at 31.12.2010)	**5,101,369**	4,367,631	17	**5,101,369**	4,367,631	17
Statutory Reserve Fund	**155,696**	155,696	(0)	**155,696**	155,696	(0)
Total Other Reserves	**2,195,957**	1,608,192	37	**2,989,847**	2,281,104	31
	7,453,022	6,131,519	22	**8,246,912**	6,804,431	21
Total On Balance Sheet Liabilities and Equity Capital and Reserves	**96,269,304**	**82,417,405**	**17**	**97,039,622**	**83,327,882**	**16**
Off-Balance Sheet Items and Contra Accounts						
Contingencies	**35,264,784**	29,491,636	20	**35,264,784**	29,491,636	20
Commitments and Contra Accounts	**35,144,625**	34,046,351	3	**35,144,625**	34,046,351	3
	70,409,409	63,537,987	11	**70,409,409**	63,537,987	11
Memorandum Information						
Number of Employees	**1753**	1577		**1790**	1608	
Number of Branches	**45**	40		**45**	40	
Number of Leasing Centers	**1**	1		**1**	1	
Number of Personal Banking Centers	**6**	6		**6**	6	

CERTIFICATION:

I certify that the above Financial Statements comply with the requirments of the Companies Act No: 7 of 2007.

(Sgd.) **Ajith Akmeemana**
Chief Financial Officer

We, the undersigned being the Chairman , Deputy Chairman 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 unaudited financial statements of the Bank and its Subsidiaries unless indicated as audited.

(Sgd.) A.D. Gunewardene, Chairman
(Sgd.) E.H. Wijenaike, Deputy Chairman
(Sgd.) Saliya Rajakaruna, Director/Chief Executive Officer

November, 08, 2011 - Colombo

CASH FLOW STATEMENT

For the Nine months ended 30th September	BANK 2011 Rs. '000	BANK 2010 Rs. '000	GROUP 2011 Rs. '000	GROUP 2010 Rs. '000
Cash Flows from Operating Activities				
Interest Received	**7,167,617**	7,096,324	**7,512,518**	7,398,866
Interest Paid	**(4,034,083)**	(4,462,574)	**(4,053,722)**	(4,479,338)
Foreign Exchange Income Received	**201,071**	107,747	**201,071**	107,747
Receipts from Other Operating Activities	**1,365,320**	1,156,385	**1,359,369**	1,103,506
Gratuity Payments Made	**(6,711)**	(9,188)	**(7,632)**	(9,188)
Payments to Employees and Suppliers	**(2,941,061)**	(2,847,558)	**(3,009,542)**	(2,918,992)
Net Cashflow from Operating Activities before Income Tax (A)	**1,752,153**	**1,041,136**	**2,002,062**	**1,202,601**
Income Tax paid	**(422,441)**	(283,937)	**(460,931)**	(353,752)
Operating Profit before Changes in Operating Assets and Liabilities	**1,329,712**	**757,199**	**1,541,131**	**848,849**
(Increase)/Decrease in Operating Assets				
Investments in Treasury Bills ,Bonds & Reverse Repurchases	**1,312,677**	(4,241,928)	**2,200,006**	(1,610,858)
Investments and Other Placements	**8,812**	121,577	**8,812**	121,577
Bills of Exchange	**151,111**	(134,600)	**151,111**	(134,600)
Loans and Advances	**(12,578,242)**	(8,629,450)	**(10,739,018)**	(7,860,654)
Other Assets	**(486,423)**	(353,123)	**(293,036)**	(382,203)
	(11,592,065)	**(13,237,524)**	**(8,672,125)**	**(9,866,737)**
Increase/(Decrease) in Operating Liabilities				
Customer Deposits	**11,908,708**	3,933,654	**11,908,708**	3,933,654
Securities Sold under Repurchase Agreements	**(1,297,395)**	8,032,433	**(4,632,862)**	5,423,109
Other Liabilities	**(203,449)**	892,731	**1,497,775**	1,812,029
	10,407,864	**12,858,818**	**8,773,621**	**11,168,792**
Net Cash Flow from Operating Activities	**145,511**	**378,493**	**1,642,627**	**2,150,903**
Cash Flows from Investing Activities				
(Purchase)/Sale of Intangible Assets	**(10,053)**	(52,721)	**(10,053)**	(52,721)
Proceeds from Sale of Property, Plant & Equipment	**5,269**	2,361	**6,501**	2,361
(Purchase)/Sale of Property, Plant & Equipment	**(154,150)**	(96,828)	**(156,036)**	(97,187)
	(158,934)	**(147,188)**	**(159,588)**	**(147,547)**
Cash Flows from Financing Activities				
Issuance of Ordinary Share Conversion - Warrants	**733,738**	1,257,860	**733,738**	1,257,860
Increase / (Decrease) in Refinance Activities	**(421)**	(4,478)	**(421)**	(4,478)
Increase / (Decrease) in Call & Other Borrowings	**(72,786)**	(873,308)	**(1,572,117)**	(2,646,040)
Issue/(Redemption) of Debentures	**1,835,000**	(165,000)	**1,835,000**	(165,000)
Dividend Paid	**(461,215)**	(314,465)	**(461,215)**	(314,465)
	2,034,316	**(99,391)**	**534,985**	**(1,872,123)**
Net Increase in Cash and Cash Equivalents	**2,020,894**	131,916	**2,018,024**	131,233
Cash and Cash Equivalents at the beginning of the year	**3,446,951**	3,077,645	**3,484,131**	3,083,714
Cash and Cash Equivalents at the end of the year	**5,467,845**	**3,209,559**	**5,502,155**	**3,214,947**
Reconciliation of Cash and Cash Equivalents				
Cash in Hand, Balances with Banks & Due to Banks	**2,024,966**	969,367	**2,059,276**	974,755
Balance with the Central Bank of Sri Lanka	**3,442,879**	2,240,192	**3,442,879**	2,240,192
	5,467,845	**3,209,559**	**5,502,155**	**3,214,947**
A. Reconciliation of Operating Profit				
Profit before Taxation	**1,602,079**	1,477,655	**1,786,093**	1,620,307
Depreciation	**242,872**	219,715	**251,786**	228,466
(Profit) / Loss on Disposal of Property, Plant & Equipment	**(5,269)**	(128)	**(5,269)**	(128)
Provision for Doubtful Debts	**(143,303)**	237,914	**(136,965)**	229,440
Provision for Gratuity	**40,538**	33,631	**41,399**	34,466
(Increase) / Decrease in Interest Receivable	**106,025**	(301,250)	**148,049**	(293,384)
Increase / (Decrease) in Interest Payable	**(8,617)**	(288,233)	**(13,681)**	(280,433)
Other Non-cash items	**(75,461)**	(328,980)	**(61,719)**	(326,945)
Gratuity Payments Made	**(6,711)**	(9,188)	**(7,632)**	(9,188)
	1,752,153	**1,041,136**	**2,002,062**	**1,202,601**

Nations Trust Bank PLC No. 242, Union Place, Colombo 2.
Tel: 4313131 Fax: 2307854 Email: customerservice@nationstrust.com Web: www.nationstrust.com

NATIONS TRUST BANK PLC AND ITS FULLY OWNED SUBSIDIARIES

Cont'd

FINANCIAL REVIEW

NTB maintains growth momentum

At the group level, NTB closed the 9-month period ending 30th September 2011, with post-tax profits of Rs.1,170 Mn, up 38% over the corresponding period in 2010, while pre-tax profits grew from Rs. 2, 020 Mn to Rs. 2, 127 Mn, an increase of 5%.

Group net interest income was below the previous year due to narrowing margins which was anticipated for the current year and visible across the industry. Its impact, however, was mitigated by the sustained growth in business volumes especially in the 2nd and 3rd quarters, timely re-pricing of deposits and a shift in the deposit mix towards low cost funds.

Non-funds based income from all core lines of business including credit cards, trade service and treasury service businesses recorded good growth against the previous year. Impact of the reduction in corporate and personal taxation was reflected in increased import/export business volumes and consumer spending together with increased tourist arrivals bolstered these growth levels. Trade finance volumes, both on imports and exports picked up significantly compared to the previous year with the resultant income increasing by 28%. Credit card related non-fund based income recorded healthy growth for the period under review due to increased consumer spend and the roll out of new card acquisition programs. Foreign exchange income too showed significant growth despite the relatively stable exchange rate that prevailed during the period.

During the period, group operating expenses recorded an increase of 5% over the corresponding period in 2010. The increase is in line with the expansion drive initiated in the latter part of 2010 where investments were made in people, premises and systems to support the growth prospects and strengthen risk management. Five new branches were opened during the 9 months to September 2011with 4 more to be opened before the year end. The increase in operating expenses also reflects investments made during the period to strengthen the NTB brand. As a result the group cost income ratio increased from 55% to 59% over the previous period. However lower tax rates applicable for the current year resulted in the higher post tax profit.

Group NPL Ratio stood at 3.45% compared to 4.82% recorded in December 2010 and 4.8% in June 2011. Growth in the loan book through prudent credit underwriting assisted in lowering the NPL Ratio, despite the upward pressure via a more stringent regulatory environment in respect of NPL classifications coming into force at the beginning of the year. Focused management of collections is reflected in provision reversals during the period.

For the period under review, gross loans and advances recorded a growth of Rs. 12.3Bn up 26%. On a YOY basis, the uplift by 30th September 2011 was over 30% distributed across various industry segments with no particular concentrations. Such growth in loans was supported by the deposit base increasing by Rs.12Bn to Rs. 61Bn, recording a growth of 25% for the year with low cost deposits growing at a healthy pace of 20%.

In terms of capital, the position strengthened to Rs.8.2Bn with the conversion of the 2nd tranche of warrants leading to a comfortable Group Capital Adequacy Ratio of 14.01%. The Bank also concluded an unsecured subordinated debenture issue amounting Rs. 2Bn in readiness for further expansion of the loan book.

Review of Operations

The year 2011 commenced with the rolling out of initiatives in line with the Strategic Plan crafted for the Bank's next phase of growth. This entailed aligning the core business segments and strengthening the risk management framework thereby empowering our staff with the right skills and mind set for sustainable growth.

Retail and SME Banking - It was a demanding year as the Branches stepped into new terrain by transforming from the traditional model of only mobilizing deposits to a more holistic approach of both deposits and lending driven channels of delivery. More importantly Branches have also been mapped out to implement the SME strategy of the Bank. Thus their primary focus area during the year was to roll out the branch lending proposition by deploying credit managers within the branch network in a concerted effort to tap into the SME sector. Having acknowledged that SMEs are a vital sector in the economy, they are in the process of strengthening the knowledge and experience base to be rooted in this burgeoning area on a much larger scale as the growth opportunities are significant. Momentum in loan growth remained in the 3Q to give the desired results. In the meantime, the deposit mobilization drive exceeded expectations with a 25 % growth in total deposits and more importantly improving the low cost deposit mix by 2 percentage points. In keeping in line with the strategy of expanding customer touch points to enhance accessibility and convenience, the branch network expanded its footprint by opening full service branches in Horana, Kalmunai, Anuradhapura, Malabe and Piliyandala by 3Q and another branch in Ratnapura by end of October 2011 extending the network coverage to 46 branches.

Cards and Personal Loans - The Cards Division bounced back with alternative strategies to recover from the interest rate cap introduced in late 2010 which put significant pressure on its top line revenue. The Division performed well with timely re-configuring of the business model to drive the bottom line. Initiatives were rolled out to build scale and enhance top of the mind brand recall. The growth in consumer spend both from local sales and destination business coupled with new card acquisitions contributed in equal measure to generate revenue to bridge the vacuum in earnings created by the interest rate cap.

Card receivables grew by 11% with the card base expanding by 17%. Equally the personal loan business, mainly engaged in the mass affluent segment, recorded substantial growth on the back of pent-up demand. New loan volumes increased significantly as confidence spread across the economy. Both cards and consumer loans recorded improved NPL Ratios and the sustained recovery effort on past due loans helped in posting net write backs to the bottom line.

Corporate and Wholesale Banking - The Division recorded an exceptional performance despite having to balance volume growth vis-a-vis bottom line growth throughout the year as intense competition put pressure on margins. Asset growth in 3Q picked up significantly whilst containing the NPL Ratio to previous year levels. Concentration of the loan book across the key economic sectors were appropriately balanced by keeping a constant watch over industries and sectors which are particularly vulnerable to changing market dynamics.

Leasing and Factoring - Leasing volumes expanded substantially due to the booming vehicle market which resulted in a growth in the leasing book of 45%. The Division sustained their sales drive from both centrally located teams and branches. They also explored and ventured into new customer segments with selective product offerings and unrivalled customer service. Again a focused recovery effort coupled to a healthy NPL Ratio improved profits for the period, posting a growth of 20% over the previous year. The factoring portfolio also expanded by 55% for the period as a result of acquisition of new customers and improved utilization of facilities extended to existing customers. The tailor-made product campaigns re-launched during 2011 gave the much needed media coverage for the business thereby positioning it more in line with customer needs.

Treasury - The primary focus of the unit was to support the growth in the loan book and the core banking business whilst keeping the trading positions at tolerable levels. Like all active treasury operations, it was proactively engaged in re-pricing the assets and liabilities and managing the pressure on interest rate risks in a timely manner. Medium term funding arrangements have been sourced as planned to support the build-up of term assets and Tier 2 Capital.

Other Matters of Interest

Although not directly impacting business revenues in the short term, several initiatives influencing the very foundations of the business of banking is currently taking root. Among them is the application of IFRS across the local banking system. It requires the banks to report their financials on a fair-value basis that will, among its many attributes, enable wider comparison. We have taken several steps towards its implementation and to be compliant at the beginning of 2012. Equally the Central Bank of Sri Lanka has issued directions covering the implementation of BASEL II and a Customer Charter. In implementing BASEL II, the regulator is looking to place the banking system on stable and firm footing for the future.

The Customer Charter equally looks to providing a more open and even market place for engaging in business with banks. On both directions, we have undertaken substantial work to be compliant by the due dates.

Outlook

In a dynamic market, as the one in which we are currently operating, opportunities emerge and challenges unfold daily. Significant effort is deployed to sift through these movements and latch-on to sustainable trends. The outlook for the rest of the year is expected to put pressure on margins, on deposits to fund loan growth and liquidity. We are also conscious of uneven global trends and possible local impact. We believe we remain well equipped with a strong balance sheet, comfortable capital position, a sound risk management framework and most importantly, an energetic skilled workforce to handle all such ups and downs. Overall the macro environment factors remain conducive for continuing business momentum and we look forward to closing the year on a high note.

Nations Trust Bank PLC No. 242, Union Place, Colombo 2.
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