

# **NATIONS TRUST BANK PLC**



**Listing of 2,000,000 Unsecured, Subordinated, Redeemable, Rated 'A-'  
2011/2016 Debentures  
of LKR 1,000/= each on the Main Board of the CSE**

**INTRODUCTORY DOCUMENT**

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This Introductory Document is dated 09<sup>th</sup> May 2012

This Introductory Document has been prepared by Nations Trust Bank PLC (hereinafter sometimes referred to as 'NTB' or 'the Company'). The Directors of the Company, collectively and individually, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respect and that there are no other material facts, the omission of which, would make any statement herein misleading. While NTB has taken reasonable care to ensure full and fair disclosure, it does not assume any responsibility for any investment decisions made by the investors based on information contained herein. In making an investment decision, prospective investors must rely on their own examination and assessments of the Company including the risks involved.

No person is authorized to give any information or make any representation in connection with the Debentures other than the information and representations contained in this Document and if given or made, any such information or representation must not be relied upon as having been authorized by the Company.

The delivery of this Introductory Document shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of NTB since the date of the Introductory Document.

'The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Introductory Document. However, the CSE assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports included in this introductory document.'

## 01 DETAILS OF THE ENTITY

|                                 |   |
|---------------------------------|---|
| Company Name                    | <b>Nations Trust Bank PLC</b>   |
| Head Office & Registered Office | No. 242, Union Place<br>Colombo 2<br><br>Telephone: 94-11-4313131<br>Fax: 94-11- 2307854<br>E-mail: info@nationstrust.com<br><br>Website: <a href="http://www.nationstrust.com">www.nationstrust.com</a>        |
| Date of incorporation and place | A licensed Commercial Bank established under the Banking Act No 30 of 1988. A Public Limited Liability Company incorporated in Colombo, Sri Lanka.<br><br>Date of incorporation : 21 <sup>st</sup> January 1999 |
| Company Registration Number     | PQ 118  |
| Secretary to the Company        | Mr. Theja Silva   |
| Auditors/Reporting Accountants  | <b>Ernst &amp; Young</b><br>Chartered Accountants,<br>No. 201, De Saram Place,<br>P.O.Box 101,<br>Colombo 10.<br><br>Tel: 94-11-2463500<br>Fax: 94-11-2697369   |
| Managers                        | <b>First Capital Markets Limited</b><br>No.75, Arnold Ratnayake Mawatha<br>Colombo 10<br><br>Tel: 94-11-2639840<br>94-11-2639898<br>Fax: 94-11-2639819  |
| Registrars                      | <b>K H L Corporate Services Ltd</b><br>No. 75, Arnold Ratnayake Mawatha<br>Colombo 10<br><br>Tel: 94-11-2639807<br>Fax: 94-11-2639819   |
| Trustee                         | <b>Bank of Ceylon</b><br>Investment Banking Division<br>23 <sup>rd</sup> Floor, Head Office<br>No. 4, Bank of Ceylon Mawatha<br>Colombo 1<br><br>Tel: 94-11-2448348<br>94-11-2542167<br>Fax:94-11-2346842       |

## 1.1 SALIENT FEATURES AT A GLANCE

| Instrument type                              | Rated, unsecured, subordinated, redeemable five year (2011-2016) Debentures carrying fixed rates and interest payable semi annually, until the expiry of five years respectively from the date of allotment.  |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
|--|---|-----------------------------|-----------------------|------------------------------|---------------------|--|---------------------|--|------------------------|-----------------------|------------------------|-----------------------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|
| Number of Debentures                         | 2,000,000 (Two million) Debentures.   |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Face value of a Debenture                    | Rs 1,000/-  |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Tenure of Debentures                         | 5 years (2011/2016)   |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Rating                                       | Credit Rated ‘A-’ by Fitch Rating Lanka Ltd – (Ref. pg # 29)  |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Listing                                      | The Company will be seeking a listing on the Main Board of the Colombo Stock Exchange by way of an Introduction   |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Coupon Interest rate                         | Interest is payable semi-annually ,(Nominal Interest Rate)<br><b>Type 1</b> Coupon Interest rate of 11.50% p.a. (AER: 11.83% p.a.)<br><b>Type 2</b> Coupon Interest rate of 11.00% p.a. (AER: 11.30% p.a.)  |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Date of allotment                            | Tranche 1   | 4 <sup>th</sup> August 2011 | Tranche 2             | 29 <sup>th</sup> August 2011 |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| No. of debentures allotted                   | <b>Tranche 1</b> 1,725,000 (One million seven hundred and twenty five thousand) debentures<br><b>Tranche 2</b> 275,000 (Two hundred and seventy five thousand) debentures   |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Method of allotment                          | The debentures have fully paid up and has been fully allotted to qualified investors by way of a private placement  |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Interest payment dates                       | <table><tr><th colspan="2">5 Years – Tranche 1</th><th colspan="2">5 Years – Tranche 2</th></tr><tr><th>Interest Period Ending</th><th>Interest Payment Date</th><th>Interest Period Ending</th><th>Interest Payment Date</th></tr><tr><td>3-Feb-12</td><td>4-Feb-12</td><td>25-Feb-12</td><td>26-Feb-12</td></tr><tr><td>3-Aug-12</td><td>4-Aug-12</td><td>28-Aug-12</td><td>29-Aug-12</td></tr><tr><td>3-Feb-13</td><td>4-Feb-13</td><td>27-Feb-12</td><td>28-Feb-12</td></tr><tr><td>3-Aug-13</td><td>4-Aug-13</td><td>28-Aug-13</td><td>29-Aug-13</td></tr><tr><td>3-Feb-14</td><td>4-Feb-14</td><td>27-Feb-13</td><td>28-Feb-13</td></tr><tr><td>3-Aug-14</td><td>4-Aug-14</td><td>28-Aug-14</td><td>29-Aug-14</td></tr><tr><td>3-Feb-15</td><td>4-Feb-15</td><td>27-Feb-14</td><td>28-Feb-14</td></tr><tr><td>3-Aug-15</td><td>4-Aug-15</td><td>28-Aug-15</td><td>29-Aug-15</td></tr><tr><td>3-Feb-16</td><td>4-Feb-16</td><td>27-Feb-15</td><td>28-Feb-15</td></tr><tr><td>3-Aug-16</td><td>4-Aug-16</td><td>28-Aug-16</td><td>29-Aug-16</td></tr></table> <p>In order to accommodate the Debenture interest cycles in the Debt Trading System (DEX) the payment of interest should not include debenture holders holding debentures in the DEX as at the last day of the payment cycle (semi annually), but one day prior to the payment date (entitlement date). If the entitlement date is a holiday, interest should be calculated including the entitlement date.” The interest calculation shall be based upon the “Actual/Actual” number of days in each interest payment period.</p> |                             |                       |                              | 5 Years – Tranche 1 |  | 5 Years – Tranche 2 |  | Interest Period Ending | Interest Payment Date | Interest Period Ending | Interest Payment Date | 3-Feb-12 | 4-Feb-12 | 25-Feb-12 | 26-Feb-12 | 3-Aug-12 | 4-Aug-12 | 28-Aug-12 | 29-Aug-12 | 3-Feb-13 | 4-Feb-13 | 27-Feb-12 | 28-Feb-12 | 3-Aug-13 | 4-Aug-13 | 28-Aug-13 | 29-Aug-13 | 3-Feb-14 | 4-Feb-14 | 27-Feb-13 | 28-Feb-13 | 3-Aug-14 | 4-Aug-14 | 28-Aug-14 | 29-Aug-14 | 3-Feb-15 | 4-Feb-15 | 27-Feb-14 | 28-Feb-14 | 3-Aug-15 | 4-Aug-15 | 28-Aug-15 | 29-Aug-15 | 3-Feb-16 | 4-Feb-16 | 27-Feb-15 | 28-Feb-15 | 3-Aug-16 | 4-Aug-16 | 28-Aug-16 | 29-Aug-16 |
| 5 Years – Tranche 1                          |   | 5 Years – Tranche 2         |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Interest Period Ending                       | Interest Payment Date   | Interest Period Ending      | Interest Payment Date |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Feb-12                                     | 4-Feb-12  | 25-Feb-12                   | 26-Feb-12             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Aug-12                                     | 4-Aug-12  | 28-Aug-12                   | 29-Aug-12             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Feb-13                                     | 4-Feb-13  | 27-Feb-12                   | 28-Feb-12             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Aug-13                                     | 4-Aug-13  | 28-Aug-13                   | 29-Aug-13             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Feb-14                                     | 4-Feb-14  | 27-Feb-13                   | 28-Feb-13             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Aug-14                                     | 4-Aug-14  | 28-Aug-14                   | 29-Aug-14             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Feb-15                                     | 4-Feb-15  | 27-Feb-14                   | 28-Feb-14             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Aug-15                                     | 4-Aug-15  | 28-Aug-15                   | 29-Aug-15             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Feb-16                                     | 4-Feb-16  | 27-Feb-15                   | 28-Feb-15             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| 3-Aug-16                                     | 4-Aug-16  | 28-Aug-16                   | 29-Aug-16             |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Redemption of principle money/ Maturity Date | On completion of 5 years respectively from the date Allotment.(i.e. payable on 4 <sup>th</sup> August 2016 and 29 <sup>th</sup> August 2016)  |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |
| Mode of payment at maturity                  | Payment of principle money relating to the debentures to the debenture holders will be made by crossed account payee only cheques or bank to bank transfers.  |                             |                       |                              |                     |  |                     |  |                        |                       |                        |                       |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |          |          |           |           |

## 1.2 OBJECTIVES OF THE ISSUE

- a) Access to additional sources of funds from non-deposit sources which will;
  - Enable the Bank to enhance the funding sources.
  - Tap a wider investor base with an appetite for innovative financial solutions with different risk profiles.
  - Help resource funding in view of the direct competition to deposits from gilt-edged securities
  - Further strengthen the funding mix and tenors of the Bank, as most of the deposit sources generate only short term funding.
  - Finance the Bank's future business expansion anticipated and in particular the growth in SME sector, leasing and other medium to long term credit expansion.
- b) To minimize the interest rate risk and the gap exposure in the Bank's assets/liabilities.
- c) To improve the Statutory Liquid Assets Ratio (SLAR) and strengthen the banks liquidity of position.
- d) To improve the Capital Adequacy Ratio of NTB, by strengthening its Tier II Capital and the single borrower limit.
- e) Provide Investors a structure that meets the risk-return and maturity needs while offering an attractive return over a period of five years.

Proceeds have mainly been used to expand the term loan book and to reduce the short term borrowings which is exposed to market conditions such as interest rate risk

## 1.3 WHO MAY INVEST?

- a) Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age.
- b) Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- c) Approved provident funds, trust funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- d) Foreign institutional investors, corporate bodies, incorporated out side Sri Lanka and individual residents out side Sri Lanka.

## 2.0 THE BOARD OF DIRECTORS

| Name & Designation                                  | Description   |
|---|---|
| Mr. J R F Peiris<br>Chairman/Non Executive Director | Mr. Peiris was appointed as the Chairman of the Bank on 1 <sup>st</sup> January, 2012. He has been on the Board of Nations Trust Bank PLC since 1st November, 2003. He is a Director of John Keells Holdings PLC and many of its subsidiaries. Mr. Peiris has overall responsibility for the John Keells Group Finance and Accounting and related areas, Insurance and the Information Technology functions. Mr. Peiris has served in many Boards overseas and has over 40 years of finance and general management experience at very senior levels in Sri Lanka and abroad. Mr. Peiris is currently the Chairman of the Taxation Sub-Committee of the Ceylon Chamber of Commerce. He is a FCMA and a FCCA, and also holds an MBA from the University of Cape Town, South Africa. Mr. Peiris was recently appointed as the Chairman of the Board Credit Committee and Human Resources and Remuneration Committee and also as a member of the Nomination Committee of the Bank. He served as the Chairman of the Integrated Risk Management Committee of the Bank until his appointment as the Chairman of the Bank. |
| Mr. Saliya Rajakaruna<br>Executive Director/CEO     | Mr. Rajakaruna joined the Bank as its Chief Executive Officer and Director on 15th September, 2009. He is a Member of the Chartered Institute of Management -UK and holds a MBA from Cranfield School of Management, Cranfield University, United Kingdom. Mr. Rajakaruna brings with him over 30 years of varied international experience covering UK, Europe, USA, Scandinavia, South Africa and Asia all with Citibank during which period he performed several roles relating to corporate banking, risk management, finance, marketing product management and treasury activities. With a proven track record in balancing revenue generation and risk management, Mr. Rajakaruna brings an appropriate dimension to the operations of the Bank. Mr. Rajakaruna has also functioned as the Chief Financial Officer and Chief Risk Officer of the Bank of Ceylon, Director and the Chairman of the Audit Committee of Ceylon Petroleum Corporation. He currently serves on the Board of Sri Lanka Bankers' Association (Guarantee) Limited and LankaClear (Private) Limited.                                    |
| A. K. Gunaratne<br>Non Executive Director           | Mr. Gunaratne is the Director - Group Co-ordination of Central Finance Company PLC, a leading Non-Banking Financial Institution (NBFI) in the country where he oversees the functions of Strategic Planning and Risk Management. He is a Fellow Member of The Chartered Institute of Management Accountants of UK and The Institute of Chartered Accountants of Sri Lanka. Mr. Gunaratne was appointed to the Board of Nations Trust Bank PLC on 1st May, 2005. He was recently appointed as the Chairman of the Board Supervisory Committee of the Bank. He is a member of the Board Credit Committee and the Integrated Risk Management Committee of the Bank. Mr. Gunaratne has also served as a member of the Board Audit Review Committee of the Bank.   |
| Mr. Krishan Balendra<br>Non Executive Director      | Mr. Balendra was appointed to the Board in December 2009 and also serves on the Board Supervisory Committee of the Bank. He is a President and member of the Group Executive Committee of John Keells Holdings PLC and is responsible for the Retail sector, John Keells Stock Brokers and the Corporate Finance & Strategy function of the group. He is the Chairman of the Colombo Stock Exchange. He started his   |

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|  | professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence & Co. PLC, Sri Lanka prior to joining JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.  |
| Mr. M E Wickremesinghe<br>Independent Non Executive Director / Senior Director | Mr. Wickremesinghe holds an Honours Degree in Laws from the University of Colombo, is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom and is an Attorney-at-Law of the Supreme Court of Sri Lanka specializing in Corporate, Commercial and Banking Law. He has lectured and examined at the Faculty of Law of the University of Colombo, at the University of Moratuwa and at the Kotalawela Defense Academy. Mr. Wickremesinghe was appointed to the Board of Nations Trust Bank PLC on 1st March, 2007. He functions as the Chairman of the Board Audit Review Committee and of the Nomination Committee of the Bank. Mr. Wickremesinghe has previously served on the Integrated Risk Management Committee of the Bank.   |
| Mr. A R Rasiah<br>Non Executive Director                                       | Mr. Rasiah is a Fellow member of The Institute of Chartered Accountants of Sri Lanka and holds a Bachelor of Science Degree from the University of Sri Lanka. Mr. Rasiah possesses well over 30 years of experience in Finance at a very senior level both internationally and locally and currently serves on the Board of Ceylon Cold Stores PLC and Walkers Sons & Co. Limited, MTD Walkers PLC and EB Creasy Group of Companies. He is also a Management Consultant of Ceylon Pencil Company. Mr. Rasiah has been a visiting lecturer on Finance and Accounts for Nestlé SA for Africa-Asia and Oceanic Regions and former visiting lecturer and examiner at The Institute of Chartered Accountants of Sri Lanka. He is currently a visiting lecturer for MBA students on Finance at Postgraduate Institute of Management (PIM). A keen social worker, he is a former President of the Benevolent Society of The Institute of Chartered Accountants of Sri Lanka and a Committee member of Sri Lanka Institute of Directors. Mr. Rasiah is also a sportsman of repute having represented Sri Lanka at Table Tennis. Mr. Rasiah was appointed to the Board of Nations Trust Bank PLC on 1st March, 2007. He was recently appointed as the Chairman of the Integrated Risk Management Committee of the Bank. He also serves as a member of the Human Resources and Remunerations Committee and the Board Audit Review Committee of the Bank. Mr. Rasiah has also served as the Chairman of the Board Audit Review Committee of the Bank. |
| Dr. Dushni Weerakoon<br>Independent Non Executive Director                     | Dr. (Ms.) Weerakoon holds a Ph.D. and a MA in Economics from the University of Manchester, United Kingdom and a B.Sc. in Economics from Queens University of Belfast, U. K. Currently, Dr. (Ms.) Weerakoon is carrying-out research and teaching in international economics and macroeconomic policy management. She was appointed to the Board of Nations Trust Bank PLC on 1st March, 2007. She is a member of the Board Audit Review Committee and the Human Resources and Remuneration Committee of the Bank.  |
| Mr. Murtaza Jafferjee<br>Independent Non Executive Director                    | Mr. Jafferjee holds Masters in Financial Economics from the University of Colombo, Sri Lanka, Chartered Financial Analyst from CFA Institute, Charlottesville, Virginia, USA, Bachelors in Computer Science and  |



|   |  |
|---|--|
|   | <p>Bachelors in Engineering-Mechanical (Hons) from University of New South Wales, Australia. He was appointed to the Board of Nations Trust Bank PLC in December, 2010. He is currently a Director and the Chief Executive Officer of JB Securities (Private) Limited, Immediate Past President of CFA Sri Lanka, the local member society representing CFA charter holders in Sri Lanka and also an Independent Non Executive Director of Serendib Hotel PLC. He is also a Director of several other companies including Star Packaging (Pvt) Limited and Serendib Hotels PLC. He was a Director of Colombo Stock Exchange from April, 2007 to August, 2009. He possesses experience and skills in the fields of management, corporate finance, financial statement analysis and industry analysis. He is a member of the Nomination Committee and the Board Supervisory Committee of the Bank.</p>   |
| Dr. Kemal De Soysa<br>Independent Non Executive Director      | <p>Dr. De Soysa holds a PhD in History of Science, MPhil in History and Philosophy of Science and Medicine and BA Hons. in Natural Sciences from the University of Cambridge. He was appointed to the Board of Nations Trust Bank PLC on 21st January, 2011. He is currently the Director/Country Head of Amba Research Lanka (Pvt) Ltd., managing the Sri Lanka-based operation of Amba Research, the leading provider of investment research and analytics support services to the global capital market industry. He is a member of the Executive Committee of the Amba group and has also served in various capacities in the equity research domain at Amba's offices in Costa Rica and India. Dr. De Soysa serves as a member of the Integrated Risk Management Committee of the Bank.</p>   |
| N. Shalini Panditaratne<br>Independent Non Executive Director | <p>Mrs. Shalini Panditaratne is a Chartered Accountant, Sri Lanka and, is a Fellow of the Chartered Institute of Management Accountants, UK. She has international experience in Corporate and Investment Banking at senior management level, primarily in Credit Risk Management and Analysis. She initially worked as an accountant in Sri Lanka and Zambia and commenced her career in corporate banking in Bahrain. After moving to Australia, she worked for seventeen years with JP Morgan Chase Bank Sydney (formerly The Chase Manhattan Bank) in various roles including as Vice President, Head of Country Credit in Singapore and later in Thailand. She also held the position of Head of Asia Credit and Capital Management, S.E Asia. Mrs. Panditaratne has provided credit training for Sydneybased financial institutions in corporate credit risk analysis and credit risk management. She was appointed to the Board of Nations Trust Bank PLC on 1st January, 2012.</p> |
| D. Prasanna De Silva<br>Non Executive Director                | <p>Mr. De Silva who is a Director of Central Finance Company PLC, possesses 22 years of experience in banking and finance of which 15 years has been in senior management. He was appointed to the Board of Nations Trust Bank PLC on 1st January, 2012. He has had extensive exposure to credit appraisals, recovery, operating systems, tax, regulatory framework and legal aspects at operational and managerial levels during his tenure at Central Finance Company PLC. Mr. De Silva is an Associate Member of Chartered Financial Analyst Institute (CFA) USA and an Associate Member of Chartered Institute of Management Accountants (CIMA) UK. He is also a past Chairman of the Leasing Association of Sri Lanka. Mr. De Silva serves as a member of the Nomination Committee and Integrated Risk Management Committee of the Bank.</p>  |

|   |   |
|---|---|
| C. H. S. K. Piyaratna<br>Executive Director | <p>Mr. Sarath Piyaratna is an Executive Director of the Bank. He was appointed to the Board of Nations Trust Bank in October 2006, after a successful career at HSBC spanning 28 years. His career at HSBC included assignments in Group offices in Hong Kong and Philippines. He served as the Deputy CEO and Head of Personal Financial Services at HSBC Colombo from 2000 until his retirement in 2006. Mr. Piyaratna holds a Bachelors Degree and a Masters Degree in Economics. Until recently, he served as the Chairman of the Board Supervisory Committee of the Bank in which he continues to serve as a member, in addition to the Board Credit Committee of the Bank.</p> <p>.</p> |
|---|---|

## **2.1 DIRECTORSHIPS OF THE DIRECTORS OF THE BANK IN OTHER INSTITUTIONS AS AT 30<sup>TH</sup> APRIL, 2012**

### **Mr. Ronnie Peiris**

1. John Keells Holdings PLC
2. John Keells Hotels PLC
3. Keells Food Products PLC
4. Tea Smallholder Factories PLC
5. Asian Hotels & Properties PLC
6. Trans Asia Hotels PLC
7. John Keells PLC
8. Ceylon Cold Stores PLC
9. South Asia Gateway Terminals (Pvt) Ltd
10. John Keells Hotels India (Pvt) Ltd, India
11. Auxicogent BPO Solutions (Pvt) Ltd, India

### **Mr. Saliya Rajakaruna**

1. Waldock Mackenzie Ltd
2. Nations Insurance Brokers Ltd
3. Allied Properties Ltd.
4. Mercantile Leasing Financial Services Ltd
5. Sri Lanka Banker's Association (Guaranty) Ltd
6. LankaClear (Private) Ltd

### **Mr. Sarath Piyaratna**

1. Sunshine Holdings PLC
2. Katulanda Plantations (Pvt) Ltd
3. Nations Insurance Brokers Ltd
4. Swiss Biogenics Ltd (Unquoted)
5. Waldock Mackenzie Ltd
6. Sunshine Power (Pvt) Ltd
7. Sunshine Energy (Pvt) Ltd
8. Mercantile Leasing (Financial Services) Ltd

### **Mr. Murtaza Jafferjee**

1. JB Securities (Pvt) Ltd
2. JB Financial Services (Pvt) Ltd.
3. Jafferjee Investments Ltd
4. Serendib Hotels PLC
5. CFA Sri Lanka
6. Maxwell Enterprises (Pvt) Ltd
7. Ceylon Machine Twisted Industries (Pvt) Ltd
8. Askold (Pvt) Ltd
9. JB Credit Ltd.

### **Mr. Maithri Wickremesinghe**

1. Hemas Holdings PLC
2. Premium Brands (Pvt) Ltd.

**Dr. Dushni Weerakoon**

1. Institute of Policy Studies
2. Centre for Poverty Analysis (CEPA)

**Mr. A.R. Rasiah**

1. Ceylon Cold Stores PLC
2. MTD Walkers PLC
3. Walkers Sons & Co. Ltd
4. E.B. Creasy & Company PLC
5. Darley Butler & Company Ltd
6. Creasy Foods Ltd

**Dr. Kemal De Soysa**

1. Amba Research Lanka (Pvt) Ltd.

**Mr. Krishan Balendra**

1. Auxicogent Alpha (Private) Ltd
2. Auxicogent Investments Mauritius (Pvt) Ltd
3. Colombo Stock Exchange
4. Jaykay Marketing Services (Pvt) Ltd
5. John Keells Stock Brokers (Pvt) Ltd
6. Nexus Networks (Pvt) Ltd
7. Quattro Business Support Services (Pvt) Ltd
8. Quattro Finance & Accounting Solutions Pvt Ltd
9. South Asia Gateway Terminals (Private) Ltd
10. Waldock Mackenzie Ltd
11. Allied Properties Ltd

**Mr. Arjuna Gunaratne**

1. Capital Suisse Asia Ltd
2. CF Venture Management Co. Ltd
3. Central Finance Company PLC
4. Mark Marine Services (Pvt) Ltd
5. Central Industries PLC
6. Zyrex Power Company Ltd
7. Hi-Tech Power Systems (Pvt) Ltd
8. Waldock Mackenzie Ltd
9. Allied Properties Ltd

**Mr. D. Prasanna De Silva**

1. Central Finance Company PLC
2. Hedges Court Residencies (Pvt) Ltd
3. Mark Marine (Pvt) Ltd.

**Ms. N. Shalini Panditaratne**

None

### 3.0 CAPITAL STRUCTURE

3.1 Stated Capital as at 31<sup>st</sup> March 2012 Rs. 5,101,369,000

Number of shares as at 31<sup>st</sup> March 2012 230,607,283

#### Details of movement of share capital

|                      | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| No of Shares         | 125,786,004   | 125,786,004   | 167,714,672   | 167,714,672   | 209,643,340   | 230,607,283   |
| Stated Capital (Rs.) | 2,061,553,991 | 2,061,554,000 | 3,109,771,000 | 3,109,771,000 | 4,367,631,000 | 5,101,369,000 |

#### Details of share issuances for the past two years

|                                       | 2011                        |           | 2010                        |           |
|---------------------------------------|-----------------------------|-----------|-----------------------------|-----------|
|                                       | # of Shares                 | Rs. '000  | # of Shares                 | Rs. '000  |
| Balance as at 1st January             | 209,643,340                 | 4,367,631 | 167,714,672                 | 3,109,771 |
| Date of allotment                     | 24 <sup>th</sup> March 2011 |           | 19 <sup>th</sup> March 2010 |           |
| Shares issued on 'Warrants' exercised | 20,963,943                  | 733,738   | 41,928,668                  | 1,257,860 |
| Consideration per share               | Rs. 35                      |           | Rs. 30                      |           |
| Balance as at 31st December           | 230,607,283                 | 5,101,369 | 209,643,340                 | 4,367,631 |

The company's capital structure does not include non-voting, preference or any other class of shares. Also the company does not have any outstanding convertible debt securities.

There is no statutory restriction on the free transferability of securities.

### 3.2 PARTICULARS OF DEBT AND LOAN CAPITAL AS AT 31ST MARCH 2012 –GROUP

#### 1) Senior Debt

| Debt Securities       | Tenor      | CSE Listing | Interest Frequency | Balance (Rs. 'Mn) | Market Value | Coupon/Interest Rate (%) |
|-----------------------|------------|-------------|--------------------|-------------------|--------------|--------------------------|
| Senior Debenture      | 2009-2013  | NTBD0145    | Semi Annual        | 500               | Not traded   | 20.53                    |
| Trust Certificates    | < 6 months | -           | Monthly            | 11                | Not traded   | 15.11-15.21              |
| FMO Senior Loan       | 2009-2012  | -           | Semi Annual        | 602               | -            | Variable rate            |
| Total Debt Securities |            |             |                    | 1,113             |              |                          |

#### 2) Subordinated Debt

| Debt Securities        | Tenor   | CSE Listing | Interest Payable Frequency | Balance Rs.'Mn | Market Values | Coupon / Interest Rate (%) |
|------------------------|---------|-------------|----------------------------|----------------|---------------|----------------------------|
| Debenture              | 2008/13 | NTBD0131    | Annually                   | 1,000          | Not traded    | 21.00                      |
| Debenture *            | 2011/16 | Not Listed  | Semi -Annually             | 200            | Not traded    | 11.00                      |
| Debenture *            | 2011/16 | Not Listed  | Semi -Annually             | 1,800          | Not traded    | 11.50                      |
| FMO Subordinated Debit |         |             | Semi -Annually             | 269            | -             | Variable Rate              |
| Total Debt Securities  |         |             |                            | 3,269          |               |                            |

- \* During 2011, the Bank issued 2 Mn, rated, unsecured, subordinated redeemable debentures that will mature in 2016, for an aggregate value of Rs. 2,000 Mn by way of a private placement. Listing of these debentures is sought through this Introductory Document.

- 3) There are no guarantees to banks or financial institutions.
- 4) The Company has following mortgages and charges on its assets.

| <b>Date &amp; Description of Instrument creating charges</b>      | <b>Amount Outstanding as at 31.03.2012</b> | <b>Name, Address of persons entitled to the charges</b>   |
|---|--|---|
| Mortgage of specific lease receivables-7 <sup>th</sup> March 2008 | Rs. 11,200,000/-                           | Deutsche Bank AG Colombo<br>No 86, Galle Road Colombo 3   |
| Mortgage over leases-2 <sup>nd</sup> July 2008                    | Rs.602,133,335/-                           | Nederland Financiering –<br>Maatschappij Voor<br>Ontwikkelingslandeen N.V<br><br>(FMO of Netherlands) |

- 5) In a liquidation senior debt will rank above subordinated debt of the company.
- 6) There had been no repurchase, redemption or acquisition of shares or reduction of stated capital immediately proceeding two years from the date of this introductory document.

## 4 PROFILE OF THE ENTITY

### 4.1 OVERVIEW

Nations Trust Bank (NTB) PLC began operations in 1999 following the acquisition and re-naming of the Sri Lanka branch of Hong-Kong based Overseas Trust Bank Limited (OTB).

NTB is a licensed Commercial Bank established under the banking Act No. 30 of 1988 and a quoted public limited liability company. The registered office of the company is located at no 242 Union Place, Colombo 02

NTB is included in both, All Share Index and Millanka Index of the Colombo Stock Exchange (CSE). The company has a market capitalization of Rs. 13 billion as at 31<sup>st</sup> December 2011. John Keells Holdings (JKH) and Central Finance Company PLC (CF), who promoted the OTB purchase, and their related entities currently hold 49.9% of equity of NTB.

NTB has a network base of 51 branches. Further it has 62 ATMs & 7 personal banking centres as well as Internet Banking. NTB is considered to be one of the most customer-centric financial institutions today.

A strategy of aggressive but selective acquisitions has been pursued since 1999. The Bank acquired Waldock Mackenzie Limited (WML), the investment banking arm of JKH in 2002. With the appointment as the franchisee for American Express (AMEX) Credit Card in Sri Lanka in 2003, the Bank entered the domestic credit card business. On 1<sup>st</sup> January 2006, the merger with Mercantile Leasing Limited (MLL) a long established specialized leasing company acquired by JKH in 2004, was effected through a share swap which resulted in acquiring both a leasing and a factoring portfolio together with an insurance and real estate business.

The core business of NTB includes Retail Banking, Corporate Banking, SME Banking, Treasury, AMEX Credit Card and Consumer Assets. Further it offers a wide range of value added financial products ranging from tailor-made treasury products, to retail products, from leasing to credit cards. These have ensured the rapid growth of the Bank while maintaining market stability, boasting of one of the lowest NPL figures among banks and financial institutions in Sri Lanka.

NTB is one of the fasters growing banks in the country today. Within a relatively short period of 12 years, the Bank has carved out a respectable market share in almost all business lines in addition to being leading player in the consumer banking, credit card and leasing businesses.

Fitch Rating has affirmed the Bank National Long Term rating of “A”(lka) with a stable outlook. The agency has simultaneously affirmed NTB’s outstanding LKR 500m senior unsecured redeemable debenture at “A”(lka) and outstanding LKR 3Bn subordinated Debentures at “A-“(lka)

The Board of Directors comprises of 12 members and it is led by the Chairman Mr. J R F Peiris who was appointed as Chairman of the Board on 1<sup>st</sup> January 2012.

## VISION

Making life simple by being the benchmark of convenience.

## MISSION

Be innovative in continuously developing customer centric solutions. Unleash the talent of our team to be the best in the industry. Consistently grow market share and be the most profitable and respectable Sri Lankan bank by 2015.

### 4.1.1 Principal Activities of the Group

|   | Retail & SME Banking                      |   | Cards        |   | Consumer Assets |   | Leasing             |   | Corporate Banking     |   | Treasury                             |
|---|---|---|--------------|---|-----------------|---|---------------------|---|-----------------------|---|--------------------------------------|
| * | Deposit Mobilisation                      | * | Credit Cards | * | Personal Loans  | * | Finance Leasing     | * | Corporate Banking     | * | FX Dealing                           |
| * | Branch Banking                            | * | Sales Terms  | * | Home Loans      | * | Hire Purchase       | * | Transactional Banking | * | Margin Trading                       |
| * | Retail and SME Lending                    |   |              |   |                 | * | Insurance Brokering | * | Project Financing     | * | Investment Banking                   |
| * | Alternate Channels                        |   |              |   |                 |   |                     | * | Institutional Banking | * | Dealing in Government Corporate Debt |
| * | Pawning                                   |   |              |   |                 |   |                     | * | Factoring             |   |                                      |
| * | Strategic Alliance for Insurance Products |   |              |   |                 |   |                     |   |                       |   |                                      |
| * | Remittances                               |   |              |   |                 |   |                     |   |                       |   |                                      |
| * | Business Banking                          |   |              |   |                 |   |                     |   |                       |   |                                      |



#### 4.2 Top 10 Shareholding as at 9<sup>th</sup> May 2012

|    | Name  | No of Shares | %      |
|----|---|--------------|--------|
| 1  | John Keells Holdings PLC                                    | 46,121,536   | 20.00% |
| 2  | DFCC Bank A/C 1   | 22,865,356   | 9.92%  |
| 3  | Mackinnons & Keells Financial Services Limited.             | 22,830,159   | 9.90%  |
| 4  | Central Finance Company PLC A/C No 03                       | 20,715,400   | 8.98%  |
| 5  | HSBC Intl Nom Ltd.-Credit Suisse Ag Zurich-Uma Kumar Sharma | 18,668,671   | 8.10%  |
| 6  | CF Growth Fund Ltd A/C No.01                                | 14,813,273   | 6.42%  |
| 7  | CF Insurance Brokers (Pvt) Ltd                              | 10,592,857   | 4.59%  |
| 8  | A D Gunewardene   | 5,671,164    | 2.46%  |
| 9  | M F Hashim  | 2,566,250    | 1.11%  |
| 10 | Seylan Bank PLC/Thirugnanasambandar Senthilverl             | 2,000,000    | 0.87%  |

#### 4.3 Degree of Dependence on customers and Suppliers.

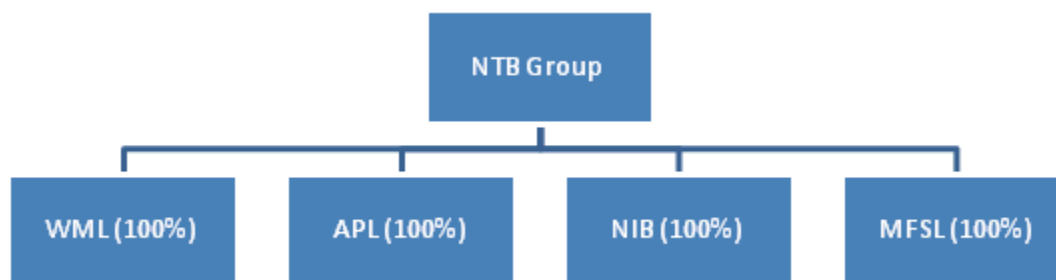
NTB is not significantly dependent on any key suppliers and/ or customers. NTB is not over exposed to any particular customer or a supplier. The nature of the business is such, it is the normal course of business for the company to have a wide base of customers and suppliers.

#### 4.4 Details of the Group Structure

##### Key Subsidiary Companies

The principal activities of the Bank's subsidiaries namely Waldock Mackenzie Limited, Allied Properties Limited, Mercantile Leasing (Financial Services) Limited and Nations Insurance Brokers Limited are carrying out money market operations and fund and fee based activities, property rental, managing an operating lease portfolio and insurance broking respectively.

##### GROUP STRUCTURE



**WML – Waldock Mackenzie Ltd** – Investment Banking

**APL – Allied Property Ltd** – Renting of commercial property

**NIB - Nations Insurance Brokers Ltd** - Insurance broking activities

**MFSL – Mercantile Financial Services Ltd** – Managing an operating lease portfolio

#### 4.5 EMPLOYEES

The permanent employee's details as at 31<sup>st</sup> March 2012 are as follows;

|                             |      |
|-----------------------------|------|
| Total no of Employees       | 1955 |
| Total no of Senior Managers | 242  |

There are no labour unions at NTB. Accordingly NTB does not have any labour union agreements.

#### 4.6 FUTURE PLANS

The Strategic Plan of Nations Trust Bank for the period 2011-2013 was formulated on the basis of its core competencies, a forecast uplift in the macroeconomic environment and anticipated tightening of the regulatory framework. The growth projected for the Bank during the planning period expects to increase our market share. The growth areas for the planning period are tourism, construction, transport, housing, consumer goods/services, agriculture and most importantly the SME Sector. These sectors of the economy are expected to grow at disproportionate levels and our business strategies have been aligned to capture the opportunities arising from such growth areas. A significant focus has been given to the growth of our SME customer segment especially in terms of the assets book as a sustainable segment in the future. The Increase in the branch footprint with the enhancement in our branch credit and risk management structure will support this business. The bank will use its strengths in customer segmentation and its convenience platform as well as the expertise in specialized products such as factoring and leasing to bring a unique selling proposition to this sector.

The bank will move into different segments which yield higher margins and to more effectively use the risk reward formula in order to manage the Non Performing Loans (NPLs). Risk reward based pricing will need to be managed at portfolio level with a fine balancing between volume growth and product profitability.

The level of market share that is expected to be achieved requires significant volume growth across business lines. Such level of growth requires investments to expand the channels and build a strong operating and risk controlled framework. Investments will be made in new branches, manpower, IT and the NTB brand to support the growth in business volumes and other identified strategic initiatives.

#### **Key Assumptions:**

The future plan of the Bank forecasts an uplift in the macroeconomic environment. We expect a GDP growth of 8%, per capita doubling to USD 4,000 by 2014 and the underlying credit growth reaching Rs.3.3 Tn. Inflation is expected to remain subdued during the period, around mid to high single digit levels. It is on such credit expansion environment the growth is projected for the Bank during the planning period to increase our market share.

The growth areas for the planning period are tourism, construction, transport, housing, consumer goods/services, agriculture and most importantly the SME Sector. These sectors of the economy are expected to grow at disproportionate levels.

### **Associated Risks:**

Net Interest Margins (NIM) are expected to take a dip during the planned period. Widespread price wars also expected, especially in the leasing, housing and consumer loans market as competition become stiffer and customers become extremely rate sensitive. Financial disintermediation will play a larger role with the anticipated capital market boom. Together with the possible relaxation of the capital account and FDI flows, margin pressure is likely to grow. Sourcing trade finance business from the top/mid corporate segment will become challenging as international banks with extensive correspondent banking relationships begin to dominate the market. War for talent will be a key challenge faced by the industry which will need to be addressed through effective HR strategies to maintain the best talent in the organization and become the preferred employer.

### **4.7 CONTROL ENVIRONMENT**

Risk management functions across the bank will be strengthened during the plan period. Specifically the development of risk management tools covering the SME Sector and strengthening the related credit risk management expertise has been factored. Regulatory compliance is addressed at a relatively high financial cost resulting from the mandatory deposit insurance scheme and system capabilities to strengthen KYC rules etc. The new cadre requirement will predominantly be to support identified growth sectors.

## 5. MANAGEMENT

### 5.1 CEO & SENIOR MANAGEMENT

Saliya Rajakaruna  
Executive Director/CEO  
Queens Park Residencies  
114/1, D M Colombage Mawatha  
Nawala

Mr. Rajakaruna joined the Bank as its Chief Executive Officer and Director on 15th September, 2009. He is a Member of the Chartered Institute of Management - UK and holds a MBA from Cranfield School of Management, Cranfield University, United Kingdom. Mr. Rajakaruna brings with him over 30 years of varied international experience covering UK, Europe, USA, Scandinavia, South Africa and Asia all with Citibank during which period he performed several roles relating to corporate banking, risk management, finance, marketing product management and treasury activities. With a proven track record in balancing revenue generation and risk management, Mr. Rajakaruna brings an appropriate dimension to the operations of the Bank. Mr. Rajakaruna has also functioned as the Chief Financial Officer and Chief Risk Officer of the Bank of Ceylon, Director and the Chairman of the Audit Committee of Ceylon Petroleum Corporation. He currently serves on the Board of Sri Lanka Bankes' Association (Guarantee) Limited and LankaClear (Private) Limited.

Chief Executive is/was NOT involved in the following events:

- A petition under bankruptcy laws filed against such a person or any partnership in which he was a partner or any corporation of which he was as an executive officer.
- A conviction of fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.
- The subject of an order, judgment or ruling of any court or competent jurisdiction temporary enjoining him from acting as an investment advisor, dealer in securities, director or employee of a financial institution or engaging in any type of business practice or activity.

| Name  | Professional Qualifications  | Overall Experience in the Banking & Finance field  |
|---|--|--|
| Mr Saliya Rajakaruna<br>Chief Executive Officer | MBA (Cranfield, UK) – Finance Major - 1985<br><br>Member of the Chartered Institute of Management (MCIM) UK - 2006 | <b><u>Nations Trust Bank PLC</u></b><br>Director/Chief Executive Officer (Sept 2009 to date)<br><br><b><u>Bank of Ceylon</u></b><br>Chief Financial Officer (Aug 2006 - Aug 2009)<br><br>Chief Risk Officer (Sept 2008 - Aug 2009)<br><br><b><u>Citibank NA</u></b><br>( from 1973 - 2006)<br><br>Over 30 years corporate banking and risk management experience with Citibank covering UK, USA, Scandinavia, South Africa and Asia. |

|  |   |   |
|--|---|---|
| Ms Renuka Fernando<br>Deputy Chief<br>Executive Officer  | Associate of Chartered Institute of<br>Bankers, UK – 1988 September<br><br>H.Dip. Business Administration<br>(Banking), Polytechnic, Hongkong –<br>1981 | <b><u>Nations Trust Bank PLC</u></b><br>Deputy Chief Executive Officer<br>(May 2011 to date)<br><br>DGM – Retail & SME Banking<br>(Jan 2011 to May 2011)<br><br>DGM – Retail Banking<br>(Jan 2010 to Dec 2010)<br><br>DGM – Consumer Banking<br>(April 2004 to Dec 2009)<br><br>AGM – Corporate Banking<br>(Sep 2001 to Mar 2004)<br><br><b><u>ABN AMRO Bank NV, SL</u></b><br>(Jan 2000 to Sep 2001)<br>Asst Vice President - Global<br>Transactional Banking<br><br>(Jan 1997 to Jan 2000)<br>Head – Consumer Banking<br><br><b><u>Banque Indosuez, SL</u></b><br>(Mar 1986 to Dec 1996)<br>Manager Corporate Banking<br><br><b><u>Netherlandsche Middenstands Bank,<br/>Hongkong</u></b><br>(Oct 1981 to Oct 1985)<br>Credit Officer Corporate Banking |
| Mr Sarath Piyaratna<br>Executive Director                | B.A. Economics – University of<br>Madras - 1975<br><br>M.A. Economics - Delhi School of<br>Economics – 1977   | <b><u>Nations Trust Bank PLC</u></b><br>Executive Director<br>(Oct 2006 to date)<br><br><b><u>HSBC Sri Lanka</u></b><br>(1978 - 2006)<br><br>Deputy CEO and Head of Personal<br>Financial Services<br>(2000-2006)<br><br>Secondment to HSBC Philippines as Vice<br>President Custody and Clearing (1994-<br>1996)<br><br>Secondment to HSBC Hong Kong (1988-<br>1989)   |
| Ms Keshini<br>Jayawardena<br>DGM-Retail & SME<br>Banking | Solicitor of the Supreme Court of<br>England and Wales – 1985<br><br>B.Sc. Econ Upper Second Class<br>Honours, London School of Economics<br>– 1981     | <b><u>Nations Trust Bank PLC</u></b><br>DGM – Retail & SME Banking<br>(Sep 2011 to date)<br><br>DGM – SME Banking<br>(Feb 2006 to Aug 2011)   |

|   |  |   |
|---|--|---|
|   |  | <b><u>HSBC Sri Lanka</u></b><br>(1987 – 2005)<br>Head of Operations   |
| Mr Priyantha Talwatte<br>DGM Cards & Strategic Marketing    | Diploma in Marketing – Chartered Institute of Marketing, UK – 1993   | <b><u>Nations Trust Bank PLC</u></b><br>DGM Cards & Strategic Marketing<br>(Jan 2012 to date)<br><br>DGM – Cards, Consumer Assets & Strategic Marketing<br>(Jan 2011 to Dec 2011)<br><br>DGM – Sales & Marketing<br>(Mar 2008 to Dec 2010)<br><br>Head of Credit Cards & Strategic Marketing<br>(Mar 2003 to March 2008)<br><br>Head of Marketing<br>(May 2002 to Mar 2003)   |
| Mr Rohitha Ganegoda<br>Chief Operating Officer              | MBA, Southern Illinois University – 1997<br><br>B.Sc. Computer Science, University of Texas – 1993<br><br>Diploma in Computer Studies, NIBM - 1987   | <b><u>Nations Trust Bank PLC</u></b><br>Chief Operating Officer<br>(Jan 2010 to date)<br><br>Chief Operations Officer<br>(July 2005 to Jan 2010)<br><br>Chief Manager Information Technology<br>(Jan 2004 to July 2005)<br><br>Senior Manager Applications<br>(Aug 2002 to Dec 2003)<br><br><b><u>National Development Bank of Sri Lanka</u></b><br>Financial & Accounting Systems Analyst/Programmer<br>(Aug 1993 to Aug 1996) |
| Mr Theja Silva<br>Company Secretary/DGM- Legal & Compliance | Bachelor of Laws (LL.B) Second Class Honours, University of Colombo – 1992<br><br>Attorney-at-Law (Supreme Court of Sri Lanka) – 1993<br><br>Masters in Law (LLM) in International Law (University of Colombo) - 1998<br><br>Registered Company Secretary (Sri Lanka) – 1996<br><br>Notary Public (Sri Lanka) – 1994 | <b><u>Nations Trust Bank PLC</u></b><br>Company Secretary/DGM – Legal & Compliance<br>(Jan 2012 to date)<br><br>Head of Legal & Company Secretary<br>(April 2004 to Dec 2011)<br><br>Company Secretary/Manager Legal & Corporate Services<br><br><b><u>DFCC Bank</u></b><br>(6 years experience)<br>Legal Officer<br>Senior Legal Officer   |

|  |   |  |
|--|---|--|
| Ms Ramanika Unamboowe<br>DGM- Commercial Banking | <p>MBA in Human Resources Management, Postgraduate Institute of Management, University of Sri Jayawardenapura - 2010</p> <p>Bachelor of Arts in International Business Administration, The American College in Paris, France - 1988</p> | <p><b><u>Nations Trust Bank PLC</u></b><br/>DGM – Commercial Banking<br/>(Jan 2012 to date)</p> <p>Head of Human Resources<br/>(Sep 2009 to Dec 2011)</p> <p>Chief Manager Human Resources<br/>(May 2008 to Aug 2009)</p> <p>Chief Manager Wholesale Banking<br/>(Jan 2004 to April 2008)</p> <p>Executive Corporate Banking<br/>(Oct 2002 to Dec 2004)</p> <p><b><u>American Express Bank</u></b><br/>(1991 - 2002)<br/>Account Relationship Manager - Corporate Banking</p>  |
| Mr Ajith Akmeemana<br>Chief Financial Officer    | <p>Associate of the Institute of Bankers of Sri Lanka (AIB) – 1998</p> <p>Associate of the Institute of Chartered Accountants of Sri Lanka (ACA) – 2004</p>   | <p><b><u>Nations Trust Bank PLC</u></b><br/>Chief Financial Officer<br/>(DGM grade - January 2012 to date)</p> <p>Chief Financial Officer<br/>(March 2009 to Dec 2011)</p> <p><b><u>Bank of Maldives Plc, Maldives</u></b><br/>(2006 to 2008)<br/>Chief Financial Officer</p> <p><b><u>ICICI Bank, Colombo</u></b><br/>(2005 to 2006)<br/>Finance Manager</p> <p><b><u>Public Bank Berhad, Colombo</u></b><br/>(2002 to 2005)<br/>Head of Finance</p> <p><b><u>Union Bank of Colombo</u></b><br/>(1999 to 2002)<br/>Accountant</p> <p><b><u>Seylan Merchant Bank, Colombo</u></b><br/>(1998 to 1999)<br/>Accountant</p> <p><b><u>Ernst &amp; Young, Colombo</u></b><br/>(1995 to 1998)<br/>Senior Accountant</p> |
| Mr Anura Yapa<br>Chief Risk Officer              | Associate of the Institute of Bankers of Sri Lanka - 1990   | <p><b><u>Nations Trust Bank PLC</u></b><br/>Chief Risk Officer<br/>(DGM grade – Jan2012 to date)</p>   |

|   |   |  |
|---|---|--|
|   |   | <p>Chief Risk Officer<br/>(April 2011 to Dec 2011)</p> <p>Head of Credit Risk Management<br/>(May 2009 to March 2011)</p> <p><b><u>Bank Sohar, Oman</u></b><br/>(2008 – 2009)<br/>Chief Manager Corporate Accounts</p> <p><b><u>HSBC Bank Middle East Ltd, Bahrain</u></b><br/>(2006 – 2008)<br/>Manager Credit</p> <p><b><u>The Saudi British Bank, Dammam</u></b><br/>(2003 – 2006)<br/>Relationship Manager, Commercial Banking</p> <p><b><u>Union Bank of Colombo Ltd</u></b><br/>(1997 – 2003)<br/>Head of Loan Administration</p> <p><b><u>The Saudi British Bank, Riyadh</u></b><br/>(1993 – 1997)<br/>Relationship Manager Corporate Banking</p> |
| Mr Arthur Fernandez<br>Head of Internal Audit | <p>Member of Certified Management Accountants (CMA). USA – part Qualification – 2003</p> <p>Institute of Bankers of Sri Lanka – February 1980</p> | <p><b><u>Nations Trust Bank PLC</u></b><br/>Head of Internal Audit<br/>(June 2006 to date)</p> <p>Chief Manager Internal Audit<br/>(Jan 2005 – June 2006)</p> <p>Consultant – Nations Trust/MLL<br/>(Sept 2004 – Jan 2005)</p> <p><b><u>National Bank of Oman, Oman</u></b><br/>Senior Manager Credit<br/>(Mar 2002 – Jan 2003)</p> <p><b><u>Oman International Bank, Oman</u></b><br/>Chief Manager Corporate Banking<br/>(Jan 1999 – Nov 2001)</p> <p><u>Various posts in Corporate Banking</u><br/>(1985 to 1999)</p> <p><b><u>Abu Dhabi Commercial Bank, Abu Dhabi</u></b><br/>Supervisor (1981 – 1985)</p>  |
| Mr Priyantha Wijesekera<br>Head of Leasing    | <p>Attorney-at-Law (Sri Lanka) – 1987</p> <p>Solicitor (England &amp; Wales) – 1991</p>   | <p><b><u>Leasing Association of Sri Lanka</u></b><br/>(Director – 2010 to date)</p> <p><b><u>Nations Trust Bank PLC</u></b><br/>Head of Leasing<br/>(September 2011 to date)</p>   |



|   |  |   |
|---|--|---|
|   |  | <p>Chief Manager – Nations Leasing Operations<br/>(2009 to 2011)</p> <p>AGM – Operations (Leasing)<br/>(2008 to 2009)</p> <p>AGM (Human Resources/Legal) – Nations Leasing<br/>(2006 to 2008)</p> <p><u>Mercantile Leasing Ltd</u><br/>AGM - Human Resources/Legal<br/>(2003 – 2006)</p> <p>AGM – Human Resources &amp; Compliance Officer<br/>(2001 – 2003)</p> <p><b><u>Citi National Investment Bank</u></b><br/>(1998 – 2001)<br/>Head Compliance &amp; Operations</p> <p><b><u>Lanka Securities (Pvt) Ltd</u></b><br/><b><u>(subsidiary of MBSL)</u></b><br/>(1995 – 1998)<br/>Manager Compliance &amp; Operations</p> |
| Mr Mevan Balalle<br>Head of Human Resources | Attorney-at-Law of the Supreme Court of Sri Lanka – 1992 | <p><b><u>Coca Cola Beverages Sri Lanka</u></b><br/>Manager Human Resources<br/>(2007 to 2012)</p> <p><b><u>The Capital Maharaja Organization</u></b><br/>Group Human Resources Manager<br/>(2002 – 2006)</p> <p><b><u>Attorney-at-Law – Self Employed</u></b><br/>(1992 – 2002)</p>   |

|  |   |  |
|--|---|--|
| <p>Mr M. Galgamuwa<br/>         Consultant/Head of<br/>         Treasury</p> | <p>Institute of Bankers Professional<br/>         Examinations, UK (up to Finals) –<br/>         1972 to 1976</p> | <p><b><u>Nations Trust Bank PLC</u></b><br/>         Consultant/Head of Treasury<br/>         (Aug 2009 to date)</p> <p><b><u>Overseas Treasury Assignments</u></b><br/>         In Pakistan, Bahrain, UAE, Australia.</p> <p><b><u>Petroleum Corporation</u></b><br/>         Consultant Treasurer<br/>         (2001 – 2004 July)</p> <p><b><u>Natwealth Corporation</u></b><br/>         Chief Executive Officer<br/>         (Jul 2004 – Dec 2005)</p> <p><b><u>Mashreq Bank</u></b><br/>         Country Treasurer<br/>         (1998 – 2001 Feb)</p> <p><b><u>ANZ Grindlays Bank</u></b><br/>         Country Treasurer<br/>         (1980 – 1997 April)</p> |
|--|---|--|

**6. FINANCIAL INFORMATION**

**Annexure 1**

Annual Reports for the financial years ending 31<sup>st</sup> December 2010 and 2011 are enclosed herewith.

**Annexure 1.1**

Interim financial reports for the quarter ending 31<sup>st</sup> March 2012 are enclosed herewith.

**6.1 FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS OF THE GROUP**  
(For The Year Ended 31<sup>st</sup> December)

| Year ended 31st December                         | (Rs. Millions) |               |               |               |               |
|--|----------------|---------------|---------------|---------------|---------------|
| OPERATING RESULTS                                | 2011           | 2010          | 2009          | 2008          | 2007          |
| Gross Income                                     | 12,337         | 12,215        | 14,037        | 13,877        | 9,342         |
| Interest Income                                  | 9,954          | 10,090        | 12,049        | 12,094        | 8,011         |
| Interest Expense                                 | (5,589)        | (5,525)       | (8,329)       | (9,185)       | (5,900)       |
| Net Interest Income                              | 4,365          | 4,565         | 3,720         | 2,909         | 2,111         |
| Other Income                                     | 2,383          | 2,125         | 1,988         | 1,783         | 1,331         |
| Net Income                                       | 6,748          | 6,690         | 5,708         | 4,692         | 3,442         |
| Operating Expenses & Provisions                  | (4,538)        | (4,662)       | (4,327)       | (3,664)       | (2,594)       |
| PBT  | 2,210          | 2,028         | 1,381         | 1,028         | 848           |
| Provision for taxation                           | (676)          | (944)         | (695)         | (435)         | (343)         |
| Profit After Tax                                 | 1,534          | 1,084         | 686           | 593           | 505           |
|  |                |               |               |               |               |
| <b>ASSETS</b>                                    |                |               |               |               |               |
| Cash & Short Term Funds                          | 3,691          | 1,531         | 1,431         | 4,065         | 3,147         |
| Statutory deposit with Central Bank of Sri Lanka | 4,284          | 2,416         | 2,044         | 1,717         | 1,964         |
| Government and Corporate Debt Securities         | 25,290         | 28,344        | 25,926        | 18,335        | 15,597        |
| Investment Securities                            | 3,811          | 4,020         | 4,239         | 3,781         | 2,392         |
| Loans & Advances                                 | 46,298         | 33,799        | 25,154        | 26,378        | 22,418        |
| Bills of Exchange & Lease Receivables            | 14,504         | 9,304         | 8,149         | 9,560         | 7,816         |
| Intangible & Other assets                        | 2,239          | 2,046         | 1,642         | 1,993         | 1,288         |
| Property, Plant & Equipment                      | 1,888          | 1,788         | 1,919         | 2,035         | 1,065         |
| <b>Total Assets</b>                              | <b>102,005</b> | <b>83,248</b> | <b>70,504</b> | <b>67,864</b> | <b>55,687</b> |
| <b>LIABILITIES</b>                               |                |               |               |               |               |
| Deposits   | 66,439         | 48,315        | 44,222        | 34,146        | 28,666        |
| Borrowings                                       | 16,953         | 20,174        | 14,416        | 23,494        | 19,471        |
| Deferred & other payables                        | 5,996          | 5,649         | 4,483         | 3,709         | 3,508         |
| Debentures & Subordinated Loan                   | 4,007          | 2,306         | 2,606         | 2,173         | 1,173         |
| <b>Total Liabilities</b>                         | <b>93,395</b>  | <b>76,443</b> | <b>65,727</b> | <b>63,522</b> | <b>52,818</b> |
| Stated Capital                                   | 5,101          | 4,368         | 3,110         | 3,110         | 2,062         |
| Reserves   | 493            | 156           | 106           | 80            | 57            |
| Retained earnings                                | 3,016          | 2,281         | 1,561         | 1,152         | 750           |
| Total Shareholders' Funds                        | 8,610          | 6,805         | 4,777         | 4,342         | 2,869         |
| <b>Total Liabilities &amp; Equity</b>            | <b>102,005</b> | <b>83,248</b> | <b>70,504</b> | <b>67,864</b> | <b>55,687</b> |

## 7. CORPORATE GOVERNANCE PRACTICES.

### a) DIRECTORS

Good governance continues to be one of the main areas of focus for the Board of Directors of the Bank. Accordingly Board ensures a high degree of integrity through transparency and accountability at every level of operations of the Bank. The Board of Directors has established necessary policies and procedures to ensure that the day to day affairs of the Bank are governed by adequate internal control mechanisms in a manner that would enhance stakeholder confidence. Board is assisted in this effort by 6 Board sub committees. Whilst ensuring that the business is carried on adhering to the generally accepted corporate governance practices, the Board also ensures compliance with the Corporate Governance Rules under Direction No.11 of 2007 issued by the Central Bank of Sri Lanka. Bank has obtained a certificate from the External Auditors in compliance with Direction No.11 of 2007 issued by the Central Bank of Sri Lanka.

### b) REMUNERATION COMMITTEE

The Committee was reconstituted with effect from 26th January, 2012 and currently comprises of the following directors;

Mr. J. R. F. Peiris (Chairman) – Non Executive Director  
Mr. A. K. Gunaratne - Non Executive Director  
Dr. (Ms) D. Weerakoon – Independent Non Executive  
Mr. A. R. Rasiah – Non Executive Director

The workings of the committee are governed by the Remuneration Committee Charter, the objectives of which are:

- To assist the Board of Directors to establish remuneration policies and practices.
- To review and recommend to the Board, remuneration policies and packages for the Chief Executive Officer (CEO) and other Executive Directors and key management personnel of the Bank.
- To set goals and targets for CEO, other Executive Directors and key management personnel.
- To evaluate the performance of the CEO, other Executive Directors and key management personnel against set goals and targets.

In performing this role, the Committee ensures that

- Shareholder and employees interests are aligned
- The Bank is able to attract, motivate and retain employees, particularly at management level.
- The integrity of the Bank's compensation and reward programme is maintained.

Aggregated remuneration paid to the executive and non executive Directors as at 31<sup>st</sup> December 2011

|                                     | Rs. (Mn) |
|-------------------------------------|----------|
| Executive Directors' emoluments     | 44.476   |
| Non Executive Directors' emoluments | 9.110    |

**c) AUDIT COMMITTEE**

The Board Audit Review Committee (the “BARC”) is a subcommittee of the Board of Directors chaired by an Independent Non-Executive Director and comprising exclusively of Non Executive Directors. The Head of Internal Audit of the Bank is the secretary of the BARC. The Director / Chief Executive Officer and the Deputy Chief Executive Officer of the Bank have attended all the meetings on the invitation of BARC. Other members of the Corporate Management have attended such meetings as and when required by BARC. The minutes of meetings of the BARC are submitted for review to the Board of Directors. The Head of Internal Audit reports directly to the Chairman of the BARC, a practice that strengthens the independence of the position.

**Board Audit Review Committee**

M. E. Wickremesinghe (Chairman) – Independent Non Executive Director  
A. R. Rasiah – Non Executive Director  
Dr. (Ms.) D. Weerakoon – Independent Non Executive Director  
D. Prasanna De Silva – Non Executive Director  
A. Fernandez - Head of Internal Audit - (Secretary - Board Audit Review Committee)

**Functions of BARC**

The BARC advises the Board of Directors on the Bank’s system of internal controls and on management of risk. As and when required, it requests additional information from the Management in order to satisfy itself of the adequacy of the controls in place.

**8. LISTING DEBT –TRUSTEE /DIRECTORS**

**TRUSTEES**

Bank of Ceylon has agreed in writing to act as the Trustee to the debenture holders and has issued a consent letter to this effect. The Company has entered into an agreement with the Trustee (hereinafter called the ‘Trust Deed’). Debenture holders in their application for subscription have irrevocably authorized the Trustee, subject to overriding clauses in the Trust Deed, to act as their agent in entering into such deeds, writings, and instruments with the Company and to act as agents and Trustees for the debenture holders in order to facilitate the protection of the debenture holders investment and return. There is no conflict of interest between the Trustee/its directors and the Company.

**DIRECTORS**

The Directors of NTB hold no interest in acquiring, disposing, or leasing of any asset of the Company during the past two years preceding the issue and have not proposed to acquire, dispose or lease any asset of the Company, during the two years succeeding the debenture issue, of which the introduction is sought through this document, including the consideration of thereon.

## 9 FITCH RATING REPORT



Mr Saliya Rajakaruna  
Chief Executive Officer  
Nations Trust Bank Plc  
242, Union Place  
Colombo 2

11 July 2011

Dear Mr. Rajakaruna

**Re: Issue Rating on Proposed Subordinated Debt Issuance of Nations Trust Bank Plc**

Fitch ("Fitch") (see definition below) assigns the following ratings:-

- National Long-term Rating of 'A-(lka)' on the proposed subordinated debt issuance of upto LKR 2 billion

The primary applicable criteria with respect to this rating is entitled "Global Financial Institutions Criteria", dated August 2010, and "National Ratings Criteria", dated 18 January 2011. All applicable criteria can be found at [www.fitchratings.com](http://www.fitchratings.com).

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which is the date of the related

Fitch Ratings Lanka Limited  
#15-04 East Tower, World Trade Centre, Colombo 1, Sri Lanka. T +94 11 2541900 F +94 11 2541903 E [info@fitchratings.lk](mailto:info@fitchratings.lk) [www.fitchratings.lk](http://www.fitchratings.lk)

rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given rating.

This rating is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws.

It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between Fitch and any user of the ratings. Nothing in this letter shall limit our right to publish, disseminate or license others to publish or otherwise to disseminate the ratings or the rationale for the ratings.

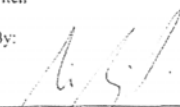
In this letter, "Fitch" means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact me at 94112541900.

Sincerely,

Fitch

By:

  
Maninda Wickramasinghe  
Country Head



## 10. LITIGATION DISPUTES AND CONTINGENT LIABILITIES AS AT 31<sup>ST</sup> MARCH 2012

- There are no penalties imposed by Regulatory and State authorities as per Rule 3.3.6(b) of the CSE listing Rules
- Two Fixed deposits for value of Rs. 6Mn and Rs. 25 Mn and a personal current account in the name of a customer were opened by the Power of Attorney holder. Thereafter the customer acting through his Attorney obtained an overdraft facility on his personal current account placing the said two Fixed Deposits as security. The Overdraft was not settled and the FDs were liquidated and set off against the overdraft.

The Customer has filed an action against the Bank stating that he never pledged the FDs and that he never authorized any other person to open any other account on his behalf and/or to pledge the FDs and has alleged that the Bank had wrongfully failed to pay the sums in the FDs on maturity.

### **Current status of the case**

The Bank is to file the answer in courts on 26 June 2012.

### **Potential liability**

Customer claims Rs.6 Million with interest at 13% p.a from 25 September 2009 and Rs.25 Million with interest 16% p.a from 18 May 2010.

## 11. OTHER REQUIRMENTS

The Introductory Document and the Articles of Association of the entity will be hosted in the company's Website: [www.nationstrust.com](http://www.nationstrust.com) and/or Colombo Stock Exchange's web site <http://www.cse.lk> for a period of not less than fourteen (14) days

## 12. DECLARATION BY THE DIRECTORS

This Introductory Document has been seen and approved by the directors of the Entity and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate.

Signature of all the Directors of the company

| Name of Director                   | Signature |
|------------------------------------|-----------|
| Mr. J.R.F. Peiris                  | Sgd       |
| Mr. K N J Balendra                 | Sgd       |
| Mr. A.K. Gunaratne                 | Sgd       |
| Mr. S.G. Rajakaruna (Director/CEO) | Sgd       |
| Mr. C.H.S.K. Piyaratna             | Sgd       |
| Mr. A.R. Rasiah                    | Sgd       |
| Dr. (Ms.) D. Weerakoon             | Sgd       |
| Mr. M.E. Wickremesinghe            | Sgd       |
| Mr. M Jafferjee                    | Sgd       |
| Dr. (Mr.) Kemal De. Soysa          | Sgd       |
| Mr. D.P. De Silva                  | Sgd       |
| Ms. N. S. Panditaratne             | Sgd       |

# Annexure 1 A

# INCOME STATEMENT

For the three months ended March 31

## GROSS INCOME

### Interest Income

Interest Income on Loans and Advances

Interest Income on Other Interest Earning Assets

### Interest Expense

Interest Expense on Deposits

Interest Expense on Other Interest Bearing Liabilities

## NET INTEREST INCOME

### Non-Interest Income

Foreign Exchange Gain

Other Operating Income

## NET INCOME

### Less : Non-Interest Expenses

Personnel Costs

Provision for Staff Retirement Benefits

Premises, Equipment and Establishment Expenses

Loss on Trading / Investment Securities

Amortisation of Intangible Assets

Other Operating Expenses

### Less : Provision for Bad & Doubtful Debts and

#### Loans Written Off

Provision/(Write back) -General

Provision/ (Write back) -Specific

## OPERATING PROFIT ON ORDINARY

### ACTIVITIES BEFORE TAXES

Less: Value Added Tax on Financial Services

## OPERATING PROFIT BEFORE CORPORATE TAX

Less: Tax on Profits on Ordinary Activities

## OPERATING PROFIT FOR THE PERIOD

Earnings Per Share -Basic (Rs.)

|  | BANK             |                  |               | GROUP            |                  |               |
|--|------------------|------------------|---------------|------------------|------------------|---------------|
|  | 2012<br>Rs. '000 | 2011<br>Rs. '000 | Change<br>(%) | 2012<br>Rs. '000 | 2011<br>Rs. '000 | Change<br>(%) |
| <b>GROSS INCOME</b>                                      | 3,603,648        | 2,828,248        | 27            | 3,690,349        | 2,932,595        | 26            |
| <b>Interest Income</b>                                   |                  |                  |               |                  |                  |               |
| Interest Income on Loans and Advances                    | 2,225,488        | 1,472,726        | 51            | 2,258,762        | 1,517,054        | 49            |
| Interest Income on Other Interest Earning Assets         | 757,924          | 785,349          | (3)           | 783,195          | 819,990          | (4)           |
|  | 2,983,412        | 2,258,075        | 32            | 3,041,957        | 2,337,044        | 30            |
| <b>Interest Expense</b>                                  |                  |                  |               |                  |                  |               |
| Interest Expense on Deposits                             | (1,324,651)      | (726,497)        | 82            | (1,324,651)      | (726,497)        | 82            |
| Interest Expense on Other Interest Bearing Liabilities   | (574,269)        | (552,044)        | 4             | (574,707)        | (563,321)        | 2             |
|  | (1,898,920)      | (1,278,541)      | 49            | (1,899,358)      | (1,289,818)      | 47            |
| <b>NET INTEREST INCOME</b>                               | 1,084,492        | 979,534          | 11            | 1,142,599        | 1,047,226        | 9             |
| <b>Non-Interest Income</b>                               |                  |                  |               |                  |                  |               |
| Foreign Exchange Gain                                    | 127,345          | 76,053           | 67            | 127,345          | 76,530           | 66            |
| Other Operating Income                                   | 492,891          | 494,120          | -             | 521,047          | 519,021          | -             |
|  | 620,236          | 570,173          | 9             | 648,392          | 595,551          | 9             |
| <b>NET INCOME</b>  | 1,704,728        | 1,549,707        | 10            | 1,790,991        | 1,642,777        | 9             |
| <b>Less : Non-Interest Expenses</b>                      |                  |                  |               |                  |                  |               |
| Personnel Costs  | 398,412          | 381,119          | 5             | 406,835          | 388,361          | 5             |
| Provision for Staff Retirement Benefits                  | 17,841           | 14,247           | 25            | 18,276           | 14,648           | 25            |
| Premises, Equipment and Establishment Expenses           | 205,377          | 168,876          | 22            | 207,946          | 171,577          | 21            |
| Loss on Trading / Investment Securities                  | 39,938           | -                | 100           | 46,371           | -                | 100           |
| Amortisation of Intangible Assets                        | 26,464           | 26,738           | (1)           | 26,464           | 26,738           | (1)           |
| Other Operating Expenses                                 | 379,474          | 398,699          | (5)           | 380,940          | 396,883          | (4)           |
|  | 1,067,506        | 989,679          | 8             | 1,086,832        | 998,207          | 9             |
| <b>Less : Provision for Bad &amp; Doubtful Debts and</b> |                  |                  |               |                  |                  |               |
| <b>Loans Written Off</b>                                 |                  |                  |               |                  |                  |               |
| Provision/(Write back) -General                          | 27,163           | (27,105)         | 200           | 25,831           | (23,070)         | 212           |
| Provision/ (Write back) -Specific                        | (26,252)         | (16,143)         | 63            | (26,252)         | (16,143)         | 63            |
|  | 911              | (43,248)         | (102)         | (421)            | (39,213)         | (99)          |
| <b>OPERATING PROFIT ON ORDINARY</b>                      |                  |                  |               |                  |                  |               |
| <b>ACTIVITIES BEFORE TAXES</b>                           | 636,311          | 603,276          | 5             | 704,580          | 683,783          | 3             |
| Less: Value Added Tax on Financial Services              | (94,174)         | (96,605)         | (3)           | (98,916)         | (109,486)        | (10)          |
|  | 542,137          | 506,671          | 7             | 605,664          | 574,297          | 5             |
|  | (182,303)        | (175,097)        | 4             | (199,963)        | (198,443)        | 1             |
|  | 359,834          | 331,574          | 9             | 405,701          | 375,854          | 8             |
| <b>Earnings Per Share -Basic (Rs.)</b>                   | 1.56             | 1.50             | 4             | 1.76             | 1.71             | 3             |

- 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) With the new Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) coming into effect from 01/01/2012, interim results shall be required to be reported by entities in accordance with LKAS 34, Interim Financial Reporting. However, The Institute of Chartered Accountants of Sri Lanka has granted the option of preparing the Interim Financial Statements during the first year commencing on or after 01/01/2012 in accordance with the Sri Lanka Accounting Standards that existed immediately prior to 01/01/2012 (SLASs), with disclosures on impact to the Income Statement for period and net assets based on SLFRS/LKAS. Accordingly, these Interim Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards that existed immediately prior to 01/01/2012 (SLASs) and the impact if these Financial Statements are prepared in accordance with SLFRS/LKAS is given in Appendix A.
  - (3) These interim financial statements are presented in accordance with SLAS 35 - Interim Financial Reporting which existed immediately prior to 01/01/2012 (SLASs) 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 31/12/2011. These financial statements also 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.
  - (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) There are no material changes to contingent assets and liabilities since 31/03/2012 and the balances reflected are due to transactions carried out in the normal course of Banking Business.
  - (6) No material events have taken place since 31/03/2012 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.**

**Appendix A - Impact of application of SLFRSs / LKASs**

| Area   | Description  | Impact to Net Assets (pre-tax) as at Mar 31, 2012 | Impact to statement of income (pre-tax) for the Quarter ended Mar 31, 2012 |
|--|--|---|--|
| Impairment of Loans and Receivables  | Time- based CBSL provision will be replaced with collective and individual impairment. All individually significant loans with objective evidences will be individually tested while other loans will be tested collectively for impairment.                 | Increase by Rs.256 Mn                             | Decrease by Rs. 17 Mn  |
| Effective Interest rate (EIR) impact on longer maturity assets and liabilities | Interest income and expenses will be recognized on effective interest basis rather than on straight line method.   | Increase by Rs. 122 Mn                            | Increase by Rs.13 Mn   |
| Measurement of Staff loans at fair value                                       | All staff loans are to be recognized initially at fair value. Subsequent interest recognition should be on EIR. Day 1 difference is treated as pre-paid staff cost and to be amortised.  | No significant Impact                             | No significant Impact  |
| Fair valuation of derivatives and Financial Guarantees                         | All derivatives and financial guarantees should be fair valued and reported as on-balance sheet items.   | Decrease by Rs. 33 Mn                             | Increase by Rs. 6 Mn   |
| Investments  | Investment to be classified either as Fair value through profit and loss (FVTPL), Held to maturity (HTM), Available for sale (AFS). Measurement should be either at fair value or amortised cost using effective interest rate, based on the classification. | No significant Impact                             | No significant Impact  |
| Total  |  | Increase by Rs. 345 Mn                            | Increase by Rs. 2 Mn   |

# DEBENTURE INFORMATION

## Debenture Information

The unsecured, Subordinated, Redeemable Debentures 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 31st March 2012. Further 2011/16 debentures will be listed in the near future.

| Debenture categories    | CSE Listing | Interest Payable Frequency | Balance as at 31.03.2012<br><br>Rs. '000 | Market Values      |                   |                 | Interest Rates   |                             | Interest rate of Comparable Government Security |                 | Other Ratios as at date of last trade |                        |
|-------------------------|-------------|----------------------------|--|--------------------|-------------------|-----------------|------------------|-----------------------------|---|-----------------|---------------------------------------|------------------------|
|                         |             |                            |  | Highest<br><br>Rs. | Lowest<br><br>Rs. | Year End<br>Rs. | Coupon Rate<br>% | Effective Annual Yield<br>% | 31.03.2012<br>%                                 | 31.03.2011<br>% | Interest Yield<br>%                   | Yield to Maturity<br>% |
| <u>Fixed Rate</u>       |             |                            |  |                    |                   |                 |                  |                             |   |                 |                                       |                        |
| Fixed Rate              | NTBD0145    | Semi-Annually              | 500,000                                  |                    | Not traded        |                 | 20.53            | 21.58                       | 10.92   | 7.68            |                                       | Not traded             |
| Fixed Rate              | NTBD0131    | Annually                   | 1,000,000                                |                    | Not traded        |                 | 21.00            | 21.00                       | 11.33   | 7.79            |                                       | Not traded             |
| Fixed Rate              | Not Listed  | Semi-Annually              | 200,000                                  |                    | Not traded        |                 | 11.00            | 11.30                       | 11.88   | -               |                                       | Not traded             |
| Fixed Rate              | Not Listed  | Semi-Annually              | 1,800,000                                |                    | Not traded        |                 | 11.50            | 11.83                       | 11.88   | -               |                                       | Not traded             |
| <b>Total Debentures</b> |             |                            | <b>3,500,000</b>                         |                    |                   |                 |                  |                             |   |                 |                                       |                        |

| Ratios of Debt  | 31.03.2012 | 31.03.2011 |
|---|------------|------------|
| * Debt / Equity Ratio %   | 49.27%     | 30.79%     |
| Interest Cover (Times)  | 4.71       | 6.23       |
| * All Subordinated debt and listed Senior debt are considered as Debt (numerator) |            |            |

# SELECTED PERFORMANCE INDICATORS

|   | BANK                          |                                  | GROUP               |                                  |
|---|-------------------------------|----------------------------------|---------------------|----------------------------------|
|   | As at<br>31.03.2012           | As at<br>31.12.2011<br>(Audited) | As at<br>31.03.2012 | As at<br>31.12.2011<br>(Audited) |
| <b>Regulatory Capital Adequacy</b>  |                               |                                  |                     |                                  |
| Core Capital (Tier 1 Capital), Rs.Mn.   | 7,290                         | 7,775                            | 8,037               | 8,522                            |
| Total Capital Base, Rs.Mn.  | 9,685                         | 10,337                           | 10,425              | 11,079                           |
| Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)   | 10.78%                        | 12.50%                           | 11.74%              | 13.42%                           |
| Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%) | 14.33%                        | 16.62%                           | 15.23%              | 17.44%                           |
| <b>Assets Quality (Quality of Loan Portfolio)</b>                                     |                               |                                  |                     |                                  |
| Gross Non-performing Advances Ratio, % (Net of Interest In Suspense)                  | 2.83%                         | 2.83%                            | 2.81%               | 2.79%                            |
| Net Non-performing Advances Ratio, % (Net of Interest In Suspense and Provisions)     | 1.40%                         | 1.32%                            | 1.40%               | 1.30%                            |
| <b>Profitability</b>  |                               |                                  |                     |                                  |
| Interest Margin, %  | 4.11%                         | 4.39%                            | -                   | -                                |
| Return on Assets, % (before Tax)  | 2.06%                         | 2.10%                            | 2.28%               | 2.34%                            |
| Return on Equity, %   | 18.35%                        | 19.36%                           | 18.68%              | 19.56%                           |
| <b>Regulatory Liquidity</b>   |                               |                                  |                     |                                  |
| Statutory Liquid Assets, Rs. Mn.  | 19,807                        | 17,698                           | -                   | -                                |
| Statutory Liquid Assets Ratio, (%) (Minimum Requirement, 20%)                         |                               |                                  |                     |                                  |
| Domestic Banking Unit (DBU)   | 24.85%                        | 21.37%                           | -                   | -                                |
| Foreign Currency Banking Unit (FCBU)  | 26.97%                        | 33.79%                           | -                   | -                                |
| Net Assets Value Per Share (Rs.)  | 33.18                         | 33.72                            | 37.00               | 37.34                            |
|   | 31.03.2012<br>(Quarter ended) | 31.03.2011<br>(Quarter ended)    |                     |                                  |
| Market Price Per Share (Rs.)  | 64.60                         | 89.80                            |                     |                                  |
| Highest   |                               |                                  |                     |                                  |
| Lowest  | 51.50                         | 73.00                            |                     |                                  |
| Last Traded Price   | 56.90                         | 76.30                            |                     |                                  |

## STATEMENT OF CHANGES IN EQUITY

|  | Stated<br>Capital<br>Rs. '000 | Capital<br>Reserve<br>Rs. '000 | Reserve<br>Fund<br>Rs. '000 | Investment<br>Fund*<br>Rs. '000 | Revenue<br>Reserve<br>Rs. '000 | Total<br>Rs. '000 |
|--|-------------------------------|--------------------------------|-----------------------------|---------------------------------|--------------------------------|-------------------|
| <b>Bank</b>                                |                               |                                |                             |                                 |                                |                   |
| 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           |
| Net Profit for the Period                  | -                             | -                              | -                           | -                               | 331,574                        | 331,574           |
| Balance as at 31.03.2011                   | 5,101,369                     | -                              | 155,696                     | -                               | 1,478,551                      | 6,735,616         |
| Balance as at 01.01.2012                   | 5,101,369                     | -                              | 224,242                     | 248,123                         | 2,201,236                      | 7,774,970         |
| Dividend Paid for 2011                     | -                             | -                              | -                           | -                               | (484,275)                      | (484,275)         |
| Transfers to Investment Fund *             | -                             | -                              | -                           | 70,003                          | (70,003)                       | -                 |
| Net Profit for the Period                  | -                             | -                              | -                           | -                               | 359,834                        | 359,834           |
| Balance as at 31.03.2012                   | 5,101,369                     | -                              | 224,242                     | 318,126                         | 2,006,792                      | 7,650,529         |
| <b>Group</b>                               |                               |                                |                             |                                 |                                |                   |
| 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           |
| Net Profit for the Period                  | -                             | -                              | -                           | -                               | 375,854                        | 375,854           |
| Balance as at 31.03.2011                   | 5,101,369                     | 9,500                          | 155,696                     | -                               | 2,186,243                      | 7,452,808         |
| Balance as at 01.01.2012                   | 5,101,369                     | 9,500                          | 224,242                     | 268,761                         | 3,006,977                      | 8,610,849         |
| Dividend Paid for 2011                     | -                             | -                              | -                           | -                               | (484,275)                      | (484,275)         |
| Transfers to Investment Fund *             | -                             | -                              | -                           | 76,319                          | (76,319)                       | -                 |
| Net Profit for the Period                  | -                             | -                              | -                           | -                               | 405,701                        | 405,701           |
| Balance as at 31.03.2012                   | 5,101,369                     | 9,500                          | 224,242                     | 345,080                         | 2,852,084                      | 8,532,275         |

\* 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. 253mn were granted under this scheme.

# SHAREHOLDERS INFORMATION

## Twenty largest Shareholders as at 31st March 2012

| Name of the Shareholder                              | No. of Shares | %      |
|--|---------------|--------|
| John Keells Holdings PLC                             | 46,121,536    | 20.00  |
| DFCC Bank A/C No 1                                   | 22,865,356    | 9.92   |
| Mackinnons & Keells Financial Services Limited       | 22,830,159    | 9.90   |
| Central Finance Company PLC A/C No 3                 | 20,715,400    | 8.98   |
| HSBC International Nominees Limited -                |               |        |
| Credit Suisse AG Zurich - Uma Kumar Sharma           | 18,313,100    | 7.94   |
| CF Growth Fund Limited A/C No 1                      | 14,813,273    | 6.42   |
| CF Insurance Brokers (Pvt) Limited                   | 10,592,857    | 4.59   |
| Mr. A.D. Gunewardene                                 | 5,671,164     | 2.46   |
| Mr.M.F. Hashim                                       | 2,512,199     | 1.09   |
| Seylan Bank PLC / Thirugnanasambandar Senthilvel     | 2,000,000     | 0.87   |
| Renuka City Hotels Limited                           | 1,858,775     | 0.81   |
| Sri Lanka Insurance Corporation Limited-General Fund | 1,658,529     | 0.72   |
| HSBC International Nominees Limited - SSBT -         |               |        |
| Deutsche Bank AG Singapore A/C No 1                  | 1,600,000     | 0.69   |
| Bank of Ceylon - A/C No 2                            | 1,546,100     | 0.67   |
| Employees Trust Fund Board                           | 1,366,900     | 0.59   |
| Mr. N.R. Somaiya                                     | 1,320,624     | 0.57   |
| Mr.Udeshi  | 1,271,334     | 0.55   |
| Timex (Garments) Limited                             | 1,238,465     | 0.54   |
| Sri Lanka Insurance Corporation Limited-Life Fund    | 1,096,200     | 0.48   |
| Mr.Sharma  | 1,069,400     | 0.46   |
|  | 180,461,371   | 78.25  |
| Others   | 50,145,912    | 21.75  |
| Total  | 230,607,283   | 100.00 |

Percentage of public shareholding as at 31st March 2012 was 79.89%

## Directors' holding in shares as at 31st March 2012

| Name of Director                     | No. of Shares |
|--------------------------------------|---------------|
| 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            | -             |
| Mr. D.P. De Silva                    | -             |
| Ms. N. S. Panditaratne               | -             |

# SEGMENTAL INFORMATION

|                            | BANKING     |            | INVESTMENT BANKING |            | OTHERS     |            | ELIMINATION/ALLOCATED |             | GROUP       |            |
|----------------------------|-------------|------------|--------------------|------------|------------|------------|-----------------------|-------------|-------------|------------|
| In Rs. '000                | 31.03.2012  | 31.03.2011 | 31.03.2012         | 31.03.2011 | 31.03.2012 | 31.03.2011 | 31.03.2012            | 31.03.2011  | 31.03.2012  | 31.03.2011 |
| <b>Total Revenue</b>       | 3,603,648   | 2,828,248  | 102,942            | 132,282    | 42,051     | 32,489     | (58,292)              | (60,424)    | 3,690,349   | 2,932,595  |
| <b>Segment Results</b>     |             |            |                    |            |            |            |                       |             |             |            |
| Profit before Taxation     | 542,137     | 506,671    | 37,429             | 63,705     | 24,427     | 16,409     | 1,671                 | (12,488)    | 605,664     | 574,297    |
| Taxation                   | (182,303)   | (175,097)  | (11,856)           | (19,084)   | (5,804)    | (3,907)    | -                     | (355)       | (199,963)   | (198,443)  |
| Net Profit for the Year    | 359,834     | 331,574    | 25,573             | 44,621     | 18,623     | 12,502     | 1,671                 | (12,843)    | 405,701     | 375,854    |
| <b>Segment Assets</b>      |             |            |                    |            |            |            |                       |             |             |            |
|                            | 109,576,263 | 88,365,801 | 2,604,160          | 3,511,843  | 877,586    | 810,525    | (2,864,579)           | (3,527,880) | 110,193,428 | 89,160,288 |
| Intangible Assets          | 590,409     | 654,170    | -                  | -          | 345        | -          | 79,261                | 79,261      | 670,016     | 733,431    |
| Total Assets               | 110,166,672 | 89,019,971 | 2,604,160          | 3,511,843  | 877,931    | 810,525    | (2,785,318)           | (3,448,619) | 110,863,444 | 89,893,719 |
| <b>Segment Liabilities</b> |             |            |                    |            |            |            |                       |             |             |            |
|                            | 101,914,921 | 81,931,966 | 1,956,619          | 2,977,132  | 67,606     | 58,425     | (2,217,503)           | (2,979,942) | 101,721,643 | 81,987,581 |
| Deferred Liabilities       | 601,222     | 352,389    | 3,289              | 2,652      | 5,015      | 4,953      | -                     | -           | 609,526     | 453,330    |
| Total Liabilities          | 102,516,143 | 82,284,355 | 1,959,908          | 2,979,784  | 72,621     | 63,379     | (2,217,503)           | (2,979,942) | 102,331,169 | 82,440,911 |



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## BALANCE SHEET

| As at   | BANK                   |                                     |               | GROUP                  |                                     |               |
|---|------------------------|-------------------------------------|---------------|------------------------|-------------------------------------|---------------|
|   | 31.03.2012<br>Rs. '000 | 31.12.2011<br>Rs. '000<br>(Audited) | Change<br>(%) | 31.03.2012<br>Rs. '000 | 31.12.2011<br>Rs. '000<br>(Audited) | Change<br>(%) |
| <b>On-Balance Sheet Assets</b>                                |                        |                                     |               |                        |                                     |               |
| Cash in Hand  | 1,393,363              | 1,370,877                           | 2             | 1,393,371              | 1,370,885                           | 2             |
| Balances with Central Bank of Sri Lanka                       | 4,738,125              | 4,284,336                           | 11            | 4,738,125              | 4,284,336                           | 11            |
| Due from Banks and Other Financial Institutions               | 4,577,431              | 8,523,588                           | (46)          | 3,895,389              | 7,875,177                           | (51)          |
| Investments-Trading Account                                   |                        |                                     |               |                        |                                     |               |
| Government Securities   | 13,742,401             | 6,270,703                           | 119           | 14,051,083             | 6,549,788                           | 115           |
| Investments-Held-to-Maturity                                  |                        |                                     |               |                        |                                     |               |
| Government Securities   | 11,828,614             | 12,322,586                          | (4)           | 12,453,823             | 12,942,447                          | (4)           |
| Other Securities  | 1,852,902              | 1,749,106                           | 6             | 1,852,902              | 1,749,106                           | 6             |
| Investments in Subsidiaries                                   | 678,710                | 678,710                             | -             | -                      | -                                   | -             |
| <b>Total Loans and Advances</b>                               |                        |                                     |               |                        |                                     |               |
| <b>Total Performing Loans and Advances</b>                    |                        |                                     |               |                        |                                     |               |
| Bills of Exchange   | 496,816                | 648,777                             | (23)          | 496,816                | 648,777                             | (23)          |
| Overdrafts  | 16,724,944             | 14,064,059                          | 19            | 16,724,944             | 14,064,059                          | 19            |
| Lease Rentals Receivable within One Year                      | 4,948,484              | 4,053,144                           | 22            | 4,948,484              | 4,053,144                           | 22            |
| Lease Rentals Receivable after One Year                       | 10,236,276             | 9,523,464                           | 7             | 10,236,276             | 9,523,464                           | 7             |
| Other Loans   | 33,937,460             | 32,977,875                          | 3             | 34,319,826             | 33,924,480                          | 1             |
|   | 66,343,980             | 61,267,319                          | 8             | 66,726,346             | 62,213,924                          | 7             |
| <b>Total Non-performing Loans and Advances</b>                |                        |                                     |               |                        |                                     |               |
| Bills of Exchange   | 3,162                  | 2,814                               | 12            | 3,162                  | 2,814                               | 12            |
| Overdrafts  | 676,286                | 615,714                             | 10            | 676,286                | 615,714                             | 10            |
| Lease Rentals Receivable                                      | 537,494                | 484,588                             | 11            | 537,494                | 484,588                             | 11            |
| Other Loans   | 1,189,582              | 1,126,948                           | 6             | 1,189,582              | 1,126,948                           | 6             |
| Interest Receivable   | 192,310                | 96,417                              | 99            | 192,310                | 96,417                              | 99            |
|   | 2,598,834              | 2,326,481                           | 12            | 2,598,834              | 2,326,481                           | 12            |
| <b>Total Gross Loans and Advances</b>                         | 68,942,814             | 63,593,800                          | 8             | 69,325,180             | 64,540,405                          | 7             |
| Less:   |                        |                                     |               |                        |                                     |               |
| Interest In Suspense  | (666,196)              | (540,487)                           | 23            | (666,196)              | (540,487)                           | 23            |
| Specific Loan Loss Provisions                                 | (692,065)              | (694,965)                           | (-)           | (692,065)              | (694,965)                           | (-)           |
| General Loan Loss Provisions                                  | (286,829)              | (257,609)                           | 11            | (280,952)              | (253,064)                           | 11            |
| <b>Net Loans and Advances</b>                                 | 67,297,724             | 62,100,739                          | 8             | 67,685,967             | 63,051,889                          | 7             |
|   |                        |                                     |               |                        |                                     |               |
| Other Assets  | 2,058,303              | 1,494,202                           | 38            | 2,193,448              | 1,551,971                           | 41            |
| Deferred Assets   | 66,946                 | 62,430                              | 7             | 66,946                 | 62,430                              | 7             |
| Intangible Assets   | 590,409                | 599,568                             | (2)           | 670,016                | 679,200                             | (1)           |
| Property, Plant and Equipment                                 | 1,341,744              | 1,364,795                           | (2)           | 1,862,374              | 1,888,323                           | (1)           |
| <b>Total on Balance Sheet Assets</b>                          | 110,166,672            | 100,821,640                         | 9             | 110,863,444            | 102,005,552                         | 9             |
| <b>On-Balance Sheet Liabilities</b>                           |                        |                                     |               |                        |                                     |               |
| <b>Total Deposits</b>   |                        |                                     |               |                        |                                     |               |
| Demand Deposits   | 7,373,536              | 6,952,725                           | 6             | 7,348,257              | 6,894,040                           | 7             |
| Savings Deposits  | 10,235,146             | 9,367,874                           | 9             | 10,235,146             | 9,367,874                           | 9             |
| Time Deposits   | 57,384,191             | 50,177,028                          | 14            | 57,384,191             | 50,177,028                          | 14            |
| Margin Deposits   | 317,437                | 481,175                             | (34)          | 317,438                | 481,175                             | (34)          |
|   | 75,310,310             | 66,978,802                          | 12            | 75,285,032             | 66,920,117                          | 12            |
| <b>Total Borrowings</b>                                       |                        |                                     |               |                        |                                     |               |
| Borrowings from Banks and Financial Institutions in Sri Lanka | 526,806                | 520,449                             | 1             | 526,806                | 520,449                             | 1             |
| Borrowings from Banks and Financial Institutions Abroad       | 1,354,613              | 705,791                             | 92            | 1,354,613              | 705,791                             | 92            |
| Securities Sold Under Repurchase Agreements                   | 13,816,682             | 14,297,692                          | (3)           | 13,516,682             | 14,017,181                          | (4)           |
| Subordinated Term Debt  | 3,269,300              | 3,506,625                           | (7)           | 3,269,300              | 3,506,625                           | (7)           |
| Other Borrowings  | 1,113,333              | 1,119,133                           | (1)           | 1,113,333              | 1,719,133                           | (35)          |
|   | 20,080,734             | 20,149,690                          | (-)           | 19,780,734             | 20,469,179                          | (3)           |
| Deferred Taxation   | 362,128                | 395,638                             | (8)           | 362,128                | 395,638                             | (8)           |
| Current Taxation  | 364,534                | 203,843                             | 79            | 370,551                | 205,615                             | 80            |

**CERTIFICATION:**

I certify that the above 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 dated 30/09/2005. In terms of the convergence to LKAS/SLFRS, these Interim Financial Statements have been prepared in terms of section 3.1(b) of the Central Bank of Sri Lanka draft guidelines dated 05/04/2012.

(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.) **J.R.F. Peiris**  
Chairman  
May 11, 2012 - Colombo

(Sgd.) **A.K. Gunaratne**  
Director

(Sgd.) **Saliya Rajakaruna**  
Director/Chief Executive Officer

# CASH FLOW STATEMENT

For the three months ended 31st March

|  | BANK             |                  | GROUP            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2012<br>Rs. '000 | 2011<br>Rs. '000 | 2012<br>Rs. '000 | 2011<br>Rs. '000 |
| <b>Cash Flows from Operating Activities</b>                                |                  |                  |                  |                  |
| Interest Received  | 3,042,639        | 2,170,762        | 3,142,307        | 2,310,003        |
| Interest Paid  | (1,580,218)      | (1,182,055)      | (1,576,533)      | (1,185,390)      |
| Foreign Exchange Income Received   | (217,635)        | 91,488           | (217,635)        | 91,488           |
| Receipts from Other Operating Activities                                   | 492,350          | 458,315          | 491,326          | 461,420          |
| Gratuity Payments made   | (1,713)          | (1,116)          | (1,713)          | (1,116)          |
| Payments to Employees and Suppliers  | (1,092,541)      | (991,936)        | (1,113,250)      | (1,001,662)      |
| <b>Net Cashflow from Operating Activities before Income Tax (A)</b>        | <b>642,882</b>   | <b>545,458</b>   | <b>724,502</b>   | <b>674,743</b>   |
| Income Tax paid  | (30,000)         | (109,800)        | (39,410)         | (127,306)        |
| <b>Operating Profit before Changes in Operating Assets and Liabilities</b> | <b>612,882</b>   | <b>435,658</b>   | <b>685,092</b>   | <b>547,437</b>   |
| <b>(Increase)/Decrease in Operating Assets</b>                             |                  |                  |                  |                  |
| Investments in Treasury Bills ,Bonds & Reverse Repurchases                 | (2,868,105)      | (4,249,657)      | (2,978,600)      | (4,319,469)      |
| Investments and other placements   | 31,632           | (30,449)         | 31,632           | (30,449)         |
| Bills of Exchange  | 152,354          | 218,398          | 152,354          | 218,398          |
| Loans and Advances including Leases  | (5,316,802)      | (1,327,330)      | (5,284,240)      | (744,879)        |
| Other Assets   | (573,158)        | (316,528)        | (665,273)        | (351,534)        |
|  | (8,574,079)      | (5,705,566)      | (8,744,127)      | (5,227,933)      |
| <b>Increase/(Decrease) in Operating Liabilities</b>                        |                  |                  |                  |                  |
| Customer Deposits  | 8,113,124        | 3,093,025        | 8,113,124        | 3,093,025        |
| Securities sold under Repurchase Agreements                                | (493,739)        | 1,016,428        | (409,735)        | (1,091,533)      |
| Other Liabilities  | 1,354,408        | 1,283,666        | 1,069,707        | 3,060,497        |
|  | 8,973,793        | 5,393,119        | 8,773,096        | 5,061,989        |
| <b>Net Cash Flow from Operating Activities</b>                             | <b>1,012,596</b> | <b>123,211</b>   | <b>714,061</b>   | <b>381,493</b>   |
| <b>Cash Flows from Investing Activities</b>                                |                  |                  |                  |                  |
| Purchase of Intangible Assets  | (17,305)         | (1,852)          | (17,305)         | (1,852)          |
| Proceeds from sale of Property, Plant & Equipment                          | 540              | 15               | 540              | 15               |
| Purchase of Property, Plant & Equipment                                    | (41,723)         | (19,275)         | (41,723)         | (20,438)         |
|  | (58,488)         | (21,112)         | (58,488)         | (22,275)         |
| <b>Cash Flows from Financing Activities</b>                                |                  |                  |                  |                  |
| Issuance of Ordinary Share Capital - Warrants                              | -                | 733,738          | -                | 733,738          |
| Increase / (Decrease) in Refinance Activities                              | -                | (211)            | -                | (211)            |
| Increase / (Decrease) in Call & Other Borrowings                           | 556,129          | 109,139          | 822,655          | (182,320)        |
| Net Issue / (Redemption) of Debentures                                     | (170,000)        | -                | (170,000)        | -                |
| Dividend Paid  | (484,275)        | (461,215)        | (484,275)        | (461,215)        |
|  | (98,146)         | 381,451          | 168,380          | 89,992           |
| Net Increase in Cash and Cash Equivalents                                  | 855,962          | 483,549          | 823,953          | 449,210          |
| Cash and Cash Equivalents at the beginning of the year                     | 7,609,413        | 3,446,951        | 7,662,548        | 3,484,131        |
| <b>Cash and Cash Equivalents at the end of the year</b>                    | <b>8,465,375</b> | <b>3,930,500</b> | <b>8,486,501</b> | <b>3,933,341</b> |
| <b>Reconciliation of Cash and Cash Equivalents</b>                         |                  |                  |                  |                  |
| Cash in Hand, Balances with Banks & Due to Banks                           | 2,645,906        | 1,070,901        | 2,667,032        | 1,073,742        |
| Balance with the Central Bank of Sri Lanka                                 | 4,738,125        | 2,859,599        | 4,738,125        | 2,859,599        |
| Money at Call and Short Notice   | 1,081,344        | -                | 1,081,344        | -                |
|  | 8,465,375        | 3,930,500        | 8,486,501        | 3,933,341        |
| <b>A. Reconciliation of Operating Profit</b>                               |                  |                  |                  |                  |
| Profit before taxation   | 542,137          | 506,671          | 605,664          | 574,297          |
| Depreciation   | 91,237           | 71,842           | 93,824           | 74,808           |
| (Profit) / Loss on disposal of Property, Plant & Equipment                 | (540)            | -                | (540)            | -                |
| Provision/ (Reversal) for Doubtful Debts                                   | 911              | (43,248)         | (421)            | (39,213)         |
| Provision for Gratuity   | 17,841           | 14,247           | 18,276           | 14,648           |
| (Increase) / Decrease in Interest Receivable                               | 59,226           | (87,312)         | 71,507           | (52,053)         |
| Increase / (Decrease) in Interest Payable                                  | 318,702          | 96,486           | 322,825          | 108,852          |
| Other Non cash items   | (384,919)        | (12,112)         | (384,920)        | (5,480)          |
| Gratuity Payments Made   | (1,713)          | (1,116)          | (1,713)          | (1,116)          |
|  | 642,882          | 545,458          | 724,502          | 674,743          |

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E-mail: [info@bartleetstock.com](mailto:info@bartleetstock.com) Kandy Branch Tel: 081-5622779, 081-5622781, Matara Branch Tel: 041-5410005-6, 041-2232985,  
Negombo Branch Tel: 031-5677838, 031-2221550, Jaffna Branch Tel: 021-2221800,
- **Acuity Stockbrokers (Pvt) Ltd.**, Level 6, Acuity House, 53, Dharmapala Mawatha, Colombo 3. Tel.2206206 Fax: 2206298/9  
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- **John Keells Stockbrokers (Pvt) Ltd.**, 130, Glennie Street, Colombo 2. Tel. 2306250, 2342066-7, 2446694-5, 2338066-7, 2439047-8, 4710721-4  
Fax: 2342068, 2326863 E-mail: [jstock@keells.com](mailto:jstock@keells.com), website: [www.jksb.com](http://www.jksb.com), [www.jksbonline.com](http://www.jksbonline.com), [www.jksb.keells.lk](http://www.jksb.keells.lk)
- **Asha Phillip Securities Ltd.**, Level 4, “Millennium House”, 46/58, Navam Mawatha, Colombo 2. Tel. 2429100, Fax: 2429199  
E-mail: [apsl@ashaphillip.net](mailto:apsl@ashaphillip.net), Matara Branch Tel: 041-2223240, 041-2223940, Kandy Branch Tel: 081-4474118, 081-2204750,  
Kurunegala Branch Tel: 037-4691844, Fax: 037-2234777, Negombo Branch Tel: 031-2227474, Fax: 031-2227474, Jaffna Branch Tel: 021-2221614
- **Assetline Securities (Pvt) Ltd.**, 282, Kaduwela Road, Battaramulla. Tel. 4700111, 2307366 Fax: 4700112  
website: [www.dpgsonline.com](http://www.dpgsonline.com) E-mail: [dpgsl@sltnet.lk](mailto:dpgsl@sltnet.lk) Matara Branch Tel: 041-4390766-7 Kandy Branch Tel: 081-4481638/9, 081-4474233,  
Fax: 081-2202104, Kurunegala Branch Tel: 037-4690384, 037-2222808, Fax: 037-4690095
- **Somerville Stockbrokers (Pvt) Ltd.**, 137, Vauxhall Street, Colombo 2. Tel. 2329201-5, 2332827, 2338292-3 Fax: 2338291, E-Mail: [ssb-web@sltnet.lk](mailto:ssb-web@sltnet.lk)
- **J B Securities (Pvt) Ltd.**, 150, St. Joseph Street, Colombo 14. Tel. 2490900, 077-2490900, 077-2490901 Fax: 2430070, 2446085, 2447875  
E-mail: [jbs@jb.lk](mailto:jbs@jb.lk)
- **Lanka Securities (Pvt) Ltd.**, 228/2, Galle Road, Colombo 4. Tel. 4706757, 2554942 Fax: 4706767 website: [www.lsl.lk](http://www.lsl.lk)  
E-mail: [lankasec@sltnet.lk](mailto:lankasec@sltnet.lk) Kandy Branch Tel: 081-4939206, Fax: 081-4481772, Kurunegala Branch Tel: 037-4934067, Fax: 037-4692105,  
Negombo Branch Tel: 031-4929671, Fax: 031-4874736, Jaffna Branch Tel: 021-4590460, 021-4925148, Fax: 021-4590460
- **Asia Securities (Pvt) Ltd.**, Level 21, West Tower, World Trade Centre, Echelon Square, Colombo 1. Tel. 2423905, 5320000 Fax: 2336018  
E-mail: [enquiry@asiacapital.lk](mailto:enquiry@asiacapital.lk), Kurunegala Branch Tel. 0375642717, 0375628844, 0375643580
- **Nation Lanka Equities (Pvt) Ltd.**, Ceylinco House, Level 9, 69, Janadhipathi Mawatha, Colombo 1. Tel. 4-714300, 4-714388, 4-714389,  
0777-891871, 0777-896064 Fax: 2387228 E-mail: [info@ecsbl.com](mailto:info@ecsbl.com), web site: [www.ecsbl.com](http://www.ecsbl.com), Kurunegala Branch, Tel: 037-2220297, 037-2234633  
Fax: 037-2234634 / Branch Office, No. 95, Colombo Road, Kurunegala. Kandy Branch, 127A-2/1 CDC Complex D.S. Senanayake Veediya,  
Kandy, Panadura Branch, No. 358/A Galle Road, Panadura. Dambulla Branch, No. 700 Abeyratne Building, Anuradhapura Road, Dambulla.  
Negombo Branch, 169, Colombo Road, Negombo. Kegalle Branch, 306, 2<sup>nd</sup> Floor, Main Street, Kegalle.
- **Capital TRUST Securities (Pvt) Ltd.**, 42, Sir Mohamed Macan Markar Mawatha, Colombo 3. Tel: 5-335225, Fax: 5-365725  
E-mail: [inquiries@capitaltrust.lk](mailto:inquiries@capitaltrust.lk), website: [www.capitaltrust.lk](http://www.capitaltrust.lk) Kandy Branch Tel: 081-5626839, Fax: 081-5675423,  
Kurunegala Branch Tel: 037-5671403, 037-5677939, Fax: 037-5264264, Matara Branch Tel: 041-5623200, 041-5623202,  
Negombo Branch Tel: 031-5675291-4, Fax: 031-2227894, Jaffna Branch Tel: 021-5677001-2, Fax: 021-2220347
- **S C Securities (Pvt) Ltd.**, 2<sup>nd</sup> Floor, 55 D.R. Wijewardena Mawatha, Colombo 10. Tel. 4711000, Fax: 2394405 E-mail: [cscres@sltnet.lk](mailto:cscres@sltnet.lk)  
Matara Branch Tel: 041-2220090, 041-4390545, Kandy Branch Tel: 081-4474299
- **CT Smith Stockbrokers (Pvt) Ltd.**, 4-14, Majestic City, 10, Station Road, Colombo 4. Tel. 2552290 -4 Fax: 2552289 E-mail: [ctssales@sltnet.lk](mailto:ctssales@sltnet.lk)
- **D N H Financial (Pvt) Ltd.**, Level 16, West Tower, World Trade Centre, Colombo 1. Tel. 5700777 Fax: 5736264, E-mail: [info@dnhfinancial.com](mailto:info@dnhfinancial.com),  
Negombo Branch Tel: 031-5676451
- **N D B Stockbrokers (Pvt) Ltd.**, 5<sup>th</sup> Floor, NDB Building, 40, Navam Mawatha, Colombo 2. Tel. 2314170-8 Fax: 2314180, E-mail: [mail@ndbs.lk](mailto:mail@ndbs.lk)

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- **SMB Securities (Pvt) Ltd.**, 47, Dharmapala Mawatha, Colombo 3. Tel: 5232091 Fax: 2339292 E-mail: [admin@smbsecurities.lk](mailto:admin@smbsecurities.lk)  
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- **First Guardian Equities (Pvt) Ltd.**, 32<sup>nd</sup> Floor, East Tower, World Trade Centre, Colombo 1. Tel: 5884400 Fax: 5884401, E-mail: [info@firstguardianequities.com](mailto:info@firstguardianequities.com)
- **Taprobane Securities (Pvt) Ltd.**, 2<sup>nd</sup> Floor, 10, Gothami Road, Colombo 08. Tel: 5328200 Fax: 5328277  
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- **Heraymila Securities Ltd.**, Level 8, South Wing, Millennium House, 46/58, Navam Mawatha, Colombo 2. Tel: 2359100, Fax: 2305522 E-mail: [info-hsl@heraymila.com](mailto:info-hsl@heraymila.com)
- **SKM Lanka Holdings (Pvt) Ltd.**, 377/3, Galle Road, Colombo 3. Tel: 2372413-4, Fax: 2372416, Jaffna Branch Tel: 021-2221596 E-mail: [info@skmlankaholdings.com](mailto:info@skmlankaholdings.com)
- **IIFL Securities Ceylon (Pvt) Ltd.**, 27<sup>th</sup> Floor, East Tower, World Trade Centre, Colombo 1. Tel: 2333000 Fax: 2333383  
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- **TKS Securities (Pvt) Ltd.**, 19-01, East Tower, World Trade Centre, Colombo 1. Tel: 7857799, Fax: 7857857, Email: [ralph@tks.lk](mailto:ralph@tks.lk),  
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- **Richard Pieris Securities (Pvt) Ltd.**, 69, Hyde Park Corner, Colombo 2. Tel: 7448900, Fax: 2675064 Email: [communication@rpsecurities.com](mailto:communication@rpsecurities.com)
- **Claridge Stockbrokers (Pvt) Ltd.**, 10, Gnanartha Pradeepa Mawatha, Colombo 8. Tel: 2697974, Fax: 2677576, Email: [fonseka@mackwoods.com](mailto:fonseka@mackwoods.com)  
Negombo Branch Tel. 0312236666, 0773378684
- **New World Securities (Pvt) Ltd.**, 2<sup>nd</sup> Floor, 45/2, Braybrooke Street, Colombo 2. Tel: 2358700/20 Fax: 2358701 Email: [info@nws.lk](mailto:info@nws.lk),  
Website: [www.nws.lk](http://www.nws.lk)
- **Arrenga Capital (Pvt) Ltd.**, Level 23, East Tower, World Trade Centre, Colombo 01. Tel: 7277000 to 98 Fax: 7277099  
Email: [dihand@arengacapital.com](mailto:dihand@arengacapital.com) Website: [www.arengacapital.com](http://www.arengacapital.com)
- **LOLC Securities Ltd.**, Level 18 West Tower, World Trade Center, Echelon Square, Colombo 01. Tel: 5880880 Fax : 5880607 ,  
Kurunegala Branch Tel. 0377201221

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