



COMMERCIAL BANK

Annual Report 2000



Symbiotic Harmony



COMMERCIAL BANK

Our Interest is in You

C O N T E N T S

2	Operating Highlights and Performance in 2000
4	SL AA+
6	Chairman's Message
12	Board of Directors
14	Interview with the Managing Director
18	Management Discussion and Analysis
34	Risk Management
37	Our People
40	Social Responsibility
44	Directors' Report
48	Corporate Governance
51	Financial Reports
52	Audit Committee Report
53	Auditors' Report
54	Income Statement
55	Balance Sheet
56	Cash Flow Statement
58	Statement of Changes in Equity
59	Principal Accounting Policies
66	Notes to the Accounts
95	US Dollar Accounts
97	Subsidiary/Associate Companies
98	Decade at a Glance
100	Information on Your Share
103	Success Stories
106	Eighty Years Tradition
108	Branch Network
110	Correspondent Banks
112	Glossary of Financial and Banking Terms
114	Subject Index
115	Notice of Meeting
	Enclosed Form of Proxy
	Inner Back Cover Corporate Information

CORPORATE BANKING

TREASURY

PERSONAL BANKING

PRODUCTS

- Intra net-COMSERV
- Letters of credit
- Shipping guarantees
- Import and Export Finance Guarantees
- SWIFT facilities
- Syndicated Loans
- Corporate project financing
- Leasing
- Working capital financing
- Internet Banking

- Foreign Exchange dealings
- Forward Exchange bookings
- Commercial paper
- Foreign Currency swaps
- Interest rate swaps
- Advice on foreign currency market movements

- Current, Savings and Fixed Deposit Accounts
- COMNET Facility
- CAT (Automated Teller)
- CAT Super
- COMTEL - Telebanking
- Holiday Banking Centre
- "Arunalu" and "Isuru" Accounts
- Progressive Saver Accounts
- Certificates of Deposit
- DotCom
- "Nivahana" Housing Loans
- MiniCom Centres
- Credit Cards

CORE COMPETENCIES

- Expertise on trade finance and corporate credit
- 80 year tradition of dealing with corporates
- State-of-the-art technology
- Flexible products

- Expertise on foreign currency market movements and Asset Management
- Expertise on foreign currency related product development

- Computer linked branch network
- Wide range of products
- 'One stop' facilities
- Speedy and friendly service

FUTURE STRATEGIES

- Diversification of portfolio beyond Sri Lankan shores
- Simplifying operations to ensure speedy delivery and improve quality
- Offering most competitive terms backed by IT
- Offering jointly structured financial services with the two main shareholders

- Developing innovative treasury products
- Streamlining risk management measures
- Developing fee based operations in debt market instruments

- Developing new delivery channels
- Adopting new customer relationship techniques
- Expanding cross selling
- Diversification into fast growing areas of the economy
- Developing new products tailor-made to specific market segments

Financial Goals and Achievements

	Goal	Achievement				
		2000	1999	1998	1997	1996
Return on Average Assets (%) (after tax)	Over 2	2.05	1.72	1.90	2.05	1.90
Return on Average Shareholders' Funds (%)	Over 20	20.09	16.21	16.20	16.80	17.03
Growth in Gross Income (%)	Over 20	28.49	19.25	5.24	15.71	23.40
Growth in Net Profit After Tax (%)	Over 20	42.14	11.33	8.84	25.40	31.61
Growth in Assets Employed (%)	Over 20	18.44	21.13	25.04	9.17	24.95
Dividend Rate (%)	Over 40	45.00	40.00	40.00	40.00	30.00
Capital Adequacy Ratios:						
Tier I	10.00	14.97	14.90	15.53	16.71	17.13
Tier I & II	15.00	16.62	17.14	18.45	17.63	17.47

Cover Story...

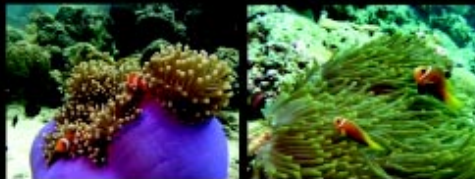
Symbiotic Harmony...

Symbiosis (Greek *Symbioun*, "to live together") is in biology, the term for the interdependence of different species, which are sometimes called Symbionts. The type of symbiosis that results in mutual benefit to the interdependent organisms is commonly known as mutualism.



The Anemone Fish and Sea Anemone...

A brightly coloured, well defined type of fish, with loose, free flowing fins known as the Anemone Fish, live and shelter among the tentacles of the Sea Anemone, swimming in and out, unharmed by the stinging cells (nematocysts) that are present on the tentacles. Together they display a most colourful and



fascinating symbiotic harmony. The Anemone Fish is covered with a mucus that protects it from the sting of the Anemone, and should it sense danger, it nestles among the tentacles of the Anemone, using the Anemone's poison to its own advantage. The presence of an Anemone is also essential for the reproduction of Anemone Fish as their eggs are laid beneath the oral disc overhang of the Anemone. In turn, the Anemone Fish attracts food for and protects the Anemone from its predators.

Commercial Bank and its valued customers...

Just like the Sea Anemone and the Anemone Fish, the Commercial Bank and its Customers grow in mutualism in good times as well as bad times.

We are proud to have learnt from Mother Nature.

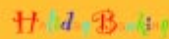
*Symbiotic Harmony...
We love it!*



The cover photograph of Anemone Fish (*Amphiprion ocellaris*) was captured by the award-winning diver cum photographer and videographer Ms. Nishamani Jinadasa. An accountant by profession and a diver in her spare time, Nishamani obtained her scuba diving license in 1995 at the Great Barrier Reef, Australia. The cover photograph was taken from her underwater video clip, which was filmed at Sipadan Island Malaysia, where she won an award at the International Underwater Photography and Videography Competition in September 2000.

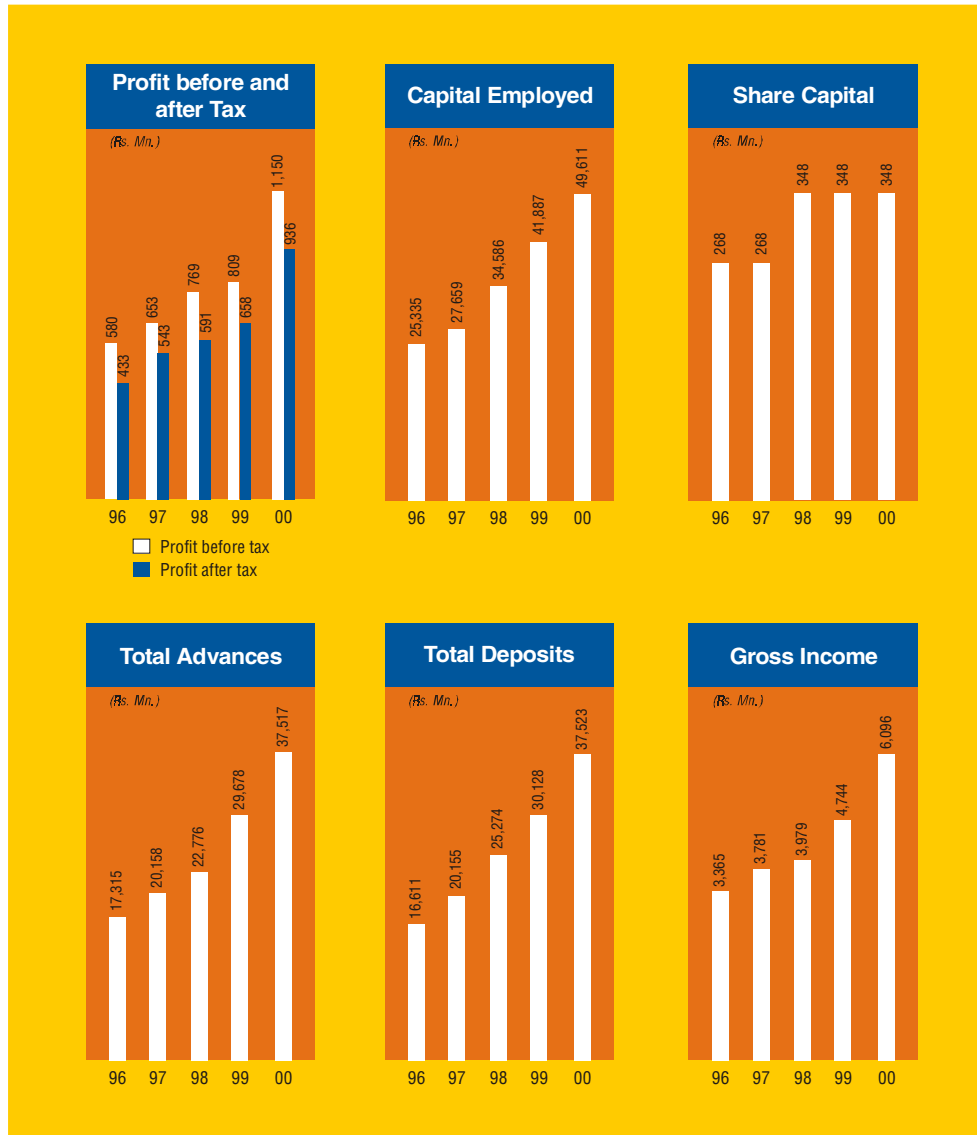
Our *Vision*
to be THE
Financial Powerhouse
in Sri Lanka

Our *Mission*
to be THE
•Largest
•Strongest
•Most Profitable & Innovative
Financial Services Group



Operating Highlights

and Performance in 2000



The Bank recorded a pre tax profit of Rs.1,150.455 million for 2000. This was an increase of Rs. 340.976 million over the previous year's pre tax profit of Rs. 809.479 million and represents a 42.12% growth over the 1999 figure.

The Bank's post tax profit for 2000 was Rs. 935.955 million. This represented a growth of 42.14% or Rs. 277.476 million over the previous year's figure of Rs. 658.479 million.

Deposits grew by 24.54% to reach Rs. 37,522.999 million.

Gross advances grew by 26.41% to reach Rs. 37,516.771 million.

The growth rates of both deposits and advances were higher than the industry averages. The industry averages are estimated to have been around 15% and 20% for deposits and advances respectively during 2000.

The Bank continued to expand its lending in the Maldives and it had funded 4 companies by the end of 2000.

The Return on Total Average Assets (ROA) was 2.51% (before tax) and 2.05% (after tax).

	2000 Rs. Mn.	1999 Rs. Mn.	Change %
Results for the year			
Gross income	6,096.478	4,744.450	28.50
Net profit before income tax	1,150.455	809.479	42.12
Income tax on profits	214.500	151.000	42.05
Net profit after taxation	935.955	658.479	42.14
Gross dividends	156.713	139.300	12.50
Unappropriated profit carried forward	10.588	1.346	686.63

At the year end

Shareholders' funds (Capital and Reserves)	5,047.529	4,268.287	18.26
Deposits from customers	37,522.999	30,128.139	24.54
Gross advances to customers	37,516.771	29,678.255	26.41
Capital employed	49,610.718	41,887.303	18.44

Information per ordinary share

Earnings (Rs.)	26.88	18.91	42.14
Dividends (Rs.)	4.50	4.00	12.50
Net assets value (Rs.)	144.94	122.56	18.26
Market value - voting (Rs.)	93.00	115.00	(19.13)
Market value - non-voting (Rs.)	68.00	80.00	(15.00)

Ratios

Return on average shareholders' funds (%)	20.09	16.21	23.94
Return on average assets (%)	2.05	1.72	19.19
Price earnings (times)	3.46	6.08	(43.09)
Year on year growth in earnings (%)	42.14	11.33	271.93
Year on year growth in dividends (%)	12.50	0.00	N/A
Dividend yield (%)	4.84	3.48	39.08
Dividend cover (times)	5.97	4.73	26.22
Liquid assets (%)	27.22	22.19	22.67

Capital Adequacy Ratio (%)

Tier I	14.97	14.90	0.47
Tier I & II	16.62	17.14	(3.03)

The Bank's Cost/Income Ratio was 54.75% in 2000 against 60.28% in 1999.

The Non-Performing Loan Ratio (NPL) was brought down from 8.95% in 1999 to 8.73% in 2000.

The Bank's capital buffer-equity capital in relation to total assets - was 10.17%, the highest in the local banking industry.

The Bank had a free capital of Rs. 2,985.037 million at the end of 2000.

Capital Adequacy Ratios stood at 14.97% and 16.62% respectively for Tier I and Tier I & II as at 31.12.00.

Export turnover, despite the adverse economic conditions, grew by 31.87%. Import turnover grew by 20.57%.

80 of our 81 branches are linked on-line by state-of-the-art information technology system.

The Bank has decided to recommend a final dividend of 31% in addition to the interim dividend of 14% paid in December 2000.

The logo features the text "SLAA+" in a white, bold, serif font with a black outline. The text is centered horizontally and overlaid on a stylized background. The background consists of two vertical, metallic-looking pillars that meet at the top and bottom. These pillars are flanked by two large, curved, metallic-looking shapes that resemble stylized wings or a shield. The entire logo is set against a solid blue background.

SLAA+

SL AA+ Rating for Commercial Bank by Fitch Ratings Lanka Ltd.

Fitch Ratings Lanka Ltd. (a joint venture between Fitch, an international rating agency, International Finance Corporation (Washington), Central Bank of Sri Lanka and several other leading local financial institutions) has assigned SL AA+(SL Double A plus) national rating for Implied Long-term Unsecured Senior Debt of Commercial Bank of Ceylon Ltd.

SL AA+ rating denotes a very low expectation of credit risk. The rating indicates very strong capacity for timely payment of financial commitments. The capacity is not significantly vulnerable to foreseeable events.

Key factors, amongst others, considered in assigning this rating were:

- Bank's relatively high levels of capitalization.
- Comparatively better fundamentals:
In this connection some of the parameters taken into consideration are as follows:
 - The Bank's ability to maintain a high degree of profitability and Return on Average Assets despite a lacklustre economic environment.
 - Success of the Bank in employing information technology to provide Sri Lanka's largest and fully networked banking environment and to improve the quality of customer services and operational efficiency.
 - Bank's lowest cost/income ratio among peers, at 54.75% for 2000.
- Strong position in Trade Finance and Corporate Banking.

The SL AA+ published by the Commercial Bank is the highest credit rating ever published by a Sri Lankan financial institution.

Chairman's Message

I am pleased to welcome you to the 32nd Annual General Meeting to be held on the March 29, 2001, and to present to you the Annual Report of the Bank for the financial year ended 31st December, 2000.

Global Economy

Real GDP Growth (% YOY)

	1999	2000F	2001F
Global	3.4	4.7	4.2
United States	4.2	5.2	3.6
Europe	2.0	3.3	3.0
Asia	2.4	3.8	3.6
Japan	0.2	1.8	2.2
Non-Japan Asia	6.4	7.2	5.9

Source: IMF/Chase JF

The global economy recovered from its 1998 downturn and is estimated to have recorded a GDP growth of 4.7% in 2000. The faster pace of growth in the Middle East, the Western Hemisphere and Africa and a faster recovery in emerging Asian economies are the main reasons for the estimated higher growth during year 2000. In 2001, the global economy is projected to grow by around 4.2%.

The major industrial economies are expected to slow down to around 3.0% in 2001, having recorded 3.9% in 2000.

The East Asian economies have staged a rapid recovery, driven by both domestic demand as well as favourable conditions in the global economy. The recovery in East Asia is good news for Sri Lanka, since that will improve the prospects of foreign direct investment flows from that region to our country. In particular, South Korea, which is a prominent investor in Sri Lanka, has staged a

commendable recovery and has now reached a level of growth exceeding the pre-crisis level.

The US economy is estimated to have achieved a high growth rate of 5.2% in 2000, despite the recent oil price hike slowing down the growth momentum in the second half of 2000. After a prolonged period of economic growth, the US economy may now be nearing the downside of the economic cycle as evidenced by the continued bear run in the US equity markets triggered by reported profit declines from many companies. Meanwhile, economists are considering the possibility of a recession in the US in 2001. What is even more worrying is the fact that a weakness in the US banking sector, falling equity markets and the oil shock have all occurred at around the same time. Despite these valid concerns, the US economy is expected to grow at 3.6% in 2001.

Another important development in the international scene is China's entry into the World Trade Organisation (WTO) and the resulting improvement in her competitiveness. China is also one of the world's leading garment producers and therefore an important competitor of Sri Lanka in that sphere. Sri Lanka should therefore be prepared to overcome the challenges that will come her way due to these developments.

SRI LANKA – well positioned in the global economy

It has been observed that regional groups are emerging in great number. The success of a region's future would depend on its ability to muster the synergies emerging from the fusion of skills and products within the region. Strategically located at the base of India, and at the crossroads of East and West sea lanes, Sri Lanka offers the potential to be the Hong Kong of South Asia, with the

promise of preferential market access and duty concessions, due to the recently concluded Indo-Lanka Free Trade Agreement (ILFTA) which can also be used as a springboard even by third party countries.

Sri Lanka is the most liberalised economy in South Asia, with a per capita income of US \$ 870, which is almost twice that of India's. The country also has advanced legal, banking and administrative systems, a developed corporate structure, developed social and economic infrastructure and a twenty year head start as an open economy. Sri Lanka is also privy to a skilled, highly trainable, resilient and motivated workforce. These strengths of Sri Lanka if combined with India's strengths, i.e economies of scale and superior technology, could provide the synergies that will be mutually beneficial to both countries. For instance, the possibility of combining India's mature textile industry with Sri Lanka's highly advanced apparel industry, that has market access to and is manufacturing for leading brands in the global market – the US in particular. Sri Lanka offers a market size of US\$ 1 billion worth of textile and accessories as inputs to its apparel export industry. However, the imports from India, accounts for only 5.5% of this market. This shows the potential for greater synergies between the two countries which can be made good use of through the ILFTA. In this context it is also important to note that Indian companies have already demonstrated a tremendous amount of confidence in Sri Lanka as a hub to service the Indian domestic markets and tap global markets. Fifty percent of Indian investments in the SAARC region are located in Sri Lanka. ILFTA came into operation in March 2000. According to the Commerce Department statistics exports made to India under the duty concessions afforded by the Agreement amounted to US \$ 9.21 million in 2000.

The resilience of the Sri Lankan economy and the potential that it offers for foreign investors is amply demonstrated in the estimated GDP growth rate of around 6% for 2000.



The Key Challenges faced by the Domestic Economy

Targeted budget deficit exceeded

The budget deficit which was brought down to 7.5% of GDP in 1999 from 9.2% of GDP in 1998 is again estimated to have gone up to around 8.8%-9% of GDP in 2000, which is in excess of the initial target of 6.5% of GDP. However, some private sector analysts are of the view that the budget deficit for 2000 could be even higher. In view of the higher budget deficit levels, the Government will be compelled to resort to more commercial borrowing which will in all probability be inflationary.

Recent pressures on the budget deficit

Recent pressures on the budget deficit are mainly due to the higher expenditure incurred on oil imports and armament imports resulting from intensification of the North-East civil war. The additional expenditure on oil imports in year 2000, was around 600 million US Dollars (Rs. 49.2 billion), and on armament imports around 340 million US Dollars (Rs. 28 billion).

Government revenue, although recording an increase, had fallen below the targeted revenue by as much as Rs. 60.1 billion as at the end of October, 2000.

The above developments mainly contributed to the widening of the budget deficit.

Inflationary pressures are building up

The 12 month annual average rate of inflation (as measured by the CCPI) went up to 3.7% in June, reversing the declining trend witnessed since September, 1998. At the end of 2000, it reached 6.2%. Increased oil prices and defence, and other expenditure such as increases in salaries and pensions of Government servants and other welfare expenditure were the main factors that fuelled inflation in 2000.

The country's Gross Official Reserves have declined

Gross Official Reserves, which recorded US \$ 2,029 million at the end of 1997, had dropped to US \$ 978 million by the end of November, 2000, which was estimated to be sufficient for only around 7.0 weeks of imports.

Upward Movement in Interest Rates

Heavy domestic borrowing by the Government, in the wake of recent significant pressures on the budget deficit, have significantly raised the Treasury Bill rates in recent times. The 12month T-Bill rate was fast approaching the 20% level towards the latter part of December, 2000, and has even exceeded these levels since then.

Movements in the Repo, Reverse Repo and the Bank Rate

The Central Bank raised the repurchase rate (repo rate) from 11.75% to 13% and the reverse repurchase rate (reverse repo rate) from 15.5% to 16% on September 29, 2000, and increased the "Bank Rate" from 16% to 18% on the October 2, 2000. Again on November 8, 2000 the repo rate was increased to 15%, the reverse repo rate was increased to 18% and the Bank Rate was increased to 20%. Once again on the 21st of November, 2000 the Central Bank increased the repo rate to 17% and the reverse repo rate to 20%, while increasing the Bank Rate to 25%.

The raising of repo and reverse repo rates and the Bank Rate from time to time was defended by the Central Bank in view of the need to have realistic rates in the market and as a bid to discourage speculation on the exchange rate. By increasing the repo, reverse repo and the Bank Rate, the Central Bank effectively increases the opportunity cost of holding dollars without converting them to rupees.

Apart from the above reasons, there was a shortage of liquidity of rupee funds in the money market and the Central Bank intervened regularly in the money markets. This gives an indication of the volatility in the money markets largely due to increased Government borrowing in the domestic markets in order to meet its increased expenditure. This highlights the urgent need for improved fiscal discipline on the part of the Government, and the need for further enhancement and streamlining of its revenue earning mechanisms.

Free Float of the Rupee

On June 20, 2000, the Central Bank of Sri Lanka widened the rupee's trading band to 5% from the earlier 2% band. The band was set at between Rs. 75.60 to Rs. 79.47 to a

US Dollar. On November 3, 2000 the Central Bank further widened the rupee's trading band to 6% by increasing the upper limit of the band to Rs. 80.14 to a US Dollar and on December 11, 2000 the Central Bank raised the trading band of the rupee to 8%, with the upper limit at Rs. 83.01 to a US Dollar and the lower limit at Rs. 76.87 per US Dollar. At the end of 2000 Rs./USD Exchange Rate was Rs. 82.56 (commercial banks' middle rate).

On January 23, 2001, the Central Bank took the decision to Freely Float the rupee. This move, was expected to stem the declining foreign reserves, although in the short-run it would have a significant impact on the cost of living due to the higher rupee prices of imported items.

Good Export Performance

In year 2000, export earnings had recorded a growth of 19.8% in US Dollar terms, compared to 1999. Comparatively, imports grew by 28.8%, also in US Dollar terms. However, this high growth rate in imports is largely due to the purchase of the balance three Aircraft during the year 2000 under the re-fleeting programme of SriLankan Airlines. When the expenditure incurred on the purchase of aircraft (US \$ 297million) is deducted from the total imports for 2000, the import growth rate for 2000 is reduced to 23.6%.

The performance of exports is commendable, and is reflected in all export sectors, i.e. Agricultural, Industrial, Mineral and other. Industrial exports which account for around 77% of total exports, had registered an impressive 20.6% growth in 2000 compared to 1999.

Textiles and Apparel Exports

Textiles and Apparel exports recorded an impressive 23.0% growth (in US Dollar terms) for 2000 compared to 1999, due to a healthy demand from the buoyant US and European economies.

According to projections made by certain independent analysts, expansion programmes in established local garment manufacturers together with increased collaboration with global retailers should see increased demand flows especially in the non-quota segments throughout 2001. In this backdrop it is extremely

encouraging to note that in December, 2000 the Government of Sri Lanka had signed a Memorandum of Understanding (MOU) with the European Union (EU), which will suspend all quantitative restrictions that are currently in force with respect to the import of textiles and clothing from Sri Lanka by the EU. This move is particularly significant since 34% of total garment exports of Sri Lanka are destined to the EU and is expected to further boost apparel export earnings of the country by around Rs.16 billion in 2001. Consequent to the lifting of these quota restrictions, companies such as Marks and Spencer, British Home Stores and TESCO are expected to triple their combined sourcing from Sri Lanka over the next 2-3 years. According to certain projections, the current level of Rs.11 billion worth of apparel exports to the EU is expected to reach Rs. 35.4 billion within this time horizon. Another positive aspect of this suspension of quota is that it enables buyers to take a long-term view in placing orders from Sri Lanka without the hindrance of quantity restrictions and costs associated with such limitations.

Tea Exports

Sri Lanka's Tea industry has been steadily improving with significant increases in crop, exports and prices as per latest data. Tea production during 2000, had increased by 8% or 22 million kilos to 305.8 million kilos, up from 283.8 million kilos in 1999. Tea export earnings were up by 23%, to record Rs. 53 billion in 2000. The devaluation of the rupee helped to boost rupee earnings with the increase in the FOB price from Rs.162.40 to Rs.184.31 per kilo also enhancing the rupee earnings.

The Commonwealth of Independent States (CIS) continue to be the major market for Sri Lankan tea, with 57 million kilos purchased in 2000, compared to 48 million kilos, bought in 1999. Japan too has emerged as a promising market, particularly as an important buyer of high grown tea, and increased its purchases by 39% to 4.9 million kilos during the first eight months of 2000, compared to the corresponding period in 1999.

One of the major concerns of the Sri Lankan Tea Industry, is that the major volume of our tea exports continues to be in bulk form. The fact that we have not moved away from a 'commodity trader' framework and not adequately looked at value addition from a total industry development

perspective deserves serious thought. This weakness is reflected in the fact that there has been hardly any change in the price of a kilo of tea during the whole of the past decade. We should also explore new markets for our tea. China and India are two very important markets that we need to focus on. Under the Indo-Lanka Trade Agreement, which came into effect in 2000, India has granted duty concessions for 15 million kg. of Sri Lankan tea. While making maximum use of this opportunity we should also strive to tap the Chinese market.

Sri Lankan companies as Global Players

Millennium Information Technologies (Millennium IT), designs and develops the software for the MESDAQ

While we take pride in the fact that we have been able to attract foreign investment to Sri Lanka despite the civil war in the country, we must not forget that Sri Lankan companies too do not lack the potential to become global players. A Sri Lankan company, Millennium Information Technologies (Millennium IT), designed and developed the software for the MESDAQ Order Routing and Execution System (MORE!), which is a new internet-enabled trading system of the Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ). MESDAQ was set up in 1999 as a stock exchange targeted specifically at growth and technology companies, with a mandate to enhance Malaysia's capital market environment.

Following the success of Millennium Information Technologies in designing and developing the software for the MESDAQ in record time, the Colombo Stock Exchange had recently awarded Millennium Information Technologies the contract to develop an electronic trading system for debt. This is a sequel to the signing of a Memorandum of Understanding (MOU) between the Primary Dealers Association and the CSE which set the pace for the new debt trading system. This will pave the way for a more automated debt market with a scrippless (online) bidding system for the dedicated primary dealers and also a debt exchange for secondary market operations in government debt. The new system will enable retail investors to quote their own prices and match what is on offer. Primary dealers can use the system to trade on their own account and quote their own prices on treasury bills and treasury bonds.

The urgent need to accelerate Savings/Investments

There is a pressing need to maintain an appreciable rate of investments in order to achieve rapid economic development. In order to maintain this investment momentum, and also to control over dependence on Foreign Direct Investment, it is necessary to maintain a high rate of Gross Domestic Savings. Sri Lanka's Gross Domestic Savings Ratio (GDSR), reached 19.8% at the end of 1999 and is estimated to have increased to 20.5% in 2000. It is encouraging to note that the GDSR has been increasing during the past few years. However, the Sri Lankan GDSR falls far below the rates achieved by the East Asian tiger economies such as Singapore, where the GDSR is sometimes as high as 50% of GDP. If Sri Lanka can significantly improve its GDSR, and thereby improve its investment ratio, that in turn will attract foreign investors to invest more in the country.

An Exceptional Performance by Commercial Bank

The Bank continued its branch expansion programme in 2000. Five fully fledged branches, 04 Customer Service Points and 02 MiniCom Outlets were opened during 2000.

Thus, Commercial Bank ended the year with 72 fully fledged branches, 05 Customer Service Points, and 03 MiniCom Outlets, and a counter at the Bandaranaike International Airport, Katunayake.

Commercial Bank recorded a commendable performance in year 2000. The Bank's deposits recorded a growth of 24.54%, while loans and advances grew by 26.41%. The Bank's pre tax profits grew by 42.12% to record Rs.1.150 billion and the Bank's after tax profit grew by 42.14% to register Rs. 935.955 million. We believe that we have achieved above industry growth rates in deposits, loans and advances and profit in 2000.

Commercial Bank - rated as the best bank of Sri Lanka for the second consecutive year by the prestigious "Global Finance" magazine

Commercial Bank was selected by "Global Finance" as the best bank in Sri Lanka for the second consecutive year, based on the results for 1999. The main criteria on which Commercial Bank scored heavily for the purpose of

this rating were the Bank's high profitability, growth in all areas, stability achieved through strong capital adequacy ratios, and the superior services such as the ComNet facility, which is the largest computer linked branch and ATM network in the country, made possible through the use of modern technology. If I may quote straight from the May, 2000 issue of the Global Finance magazine, it has commented on the Commercial Bank as follows:



Global Finance - New York awarding the "Best Bank in Sri Lanka Award" to Commercial Bank (1999)

".....It (Commercial Bank) has established a branch that's open every day of the year and installed one of the country's most sophisticated online banking systems: It permits clients to conduct a variety of banking transactions through their personal telephone, personal computer, or lap top."

Towards the realisation of the full potential of synergy between Commercial Bank and the DFCC Bank

In December 2000, Commercial Bank and the DFCC Bank announced that they had submitted a joint proposal to the Central Bank to create an institutional structure as the foundation to form a larger and a stronger financial services group.

Future Outlook – 2001 and Beyond

Commercial Bank is poised to come up with a superlative performance in year 2001 and beyond too, with many exciting projects on the cards. Excellence in performance is not only our cherished objective but also our way of life. Every customer and shareholder is valuable to us, and every staff member is committed to serving the

interests of every customer and shareholder at a level above their expectations.

In short, what we have achieved at Commercial Bank is a harmonious relationship between the Bank and its customers. We share the perfect *Symbiotic Harmony*, which is the theme of our Annual Report – 2000.

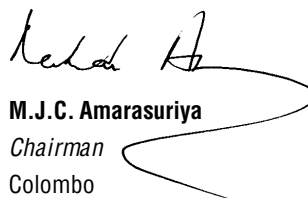
I express my sincere appreciation to every member of the staff for his/her relentless efforts in the best interests of the Bank, and I am more than confident that they will continue to sustain this corporate culture with renewed vigour.

May I take this opportunity to record my deepest appreciation for whole hearted support given by my colleagues on the Board in fulfilling the Vision and Mission of Commercial Bank. Mr. D.J. Amarasinghe, the former Chairman of the Sri Lanka Insurance Corporation who resigned from the Board on the 31st of December, 2000, rendered a valuable service to the Bank. I extend my sincere thanks to him and wish him well in all his future endeavours.

I also extend my gratitude to Her Excellency the President and Minister of Finance, Chandrika Bandaranaike Kumaratunga and officials at the Ministry of Finance and the Governor and other officials of the Central Bank of Sri Lanka for their guidance and cooperation during the year 2000.

Special recognition must be made of the excellent contribution of the Managing Director who motivated an exceptional management team to achieve the best ever results in the history of the Bank.

On behalf of the Board, I wish to express my sincere thanks to every customer and shareholder for his/her valuable relationship with Commercial Bank, which in no uncertain terms contributed to the success achieved during the year.


M.J.C. Amarasuriya
Chairman
Colombo

February 26, 2001

Board of Directors



M.J.C. Amarasuriya



J.S. Mather



A.L. Gooneratne



Dr. H.S. Wanasinghe



B.R.L. Fernando



M.L. Mack



A.N. Fonseka



P.A. Pematilaka



Mrs. R.R. Dunuwille (Company Secretary)

M.J.C. Amarasuriya - Chairman

Joined the Board of Commercial Bank on 15th May 1986 and appointed Chairman on 1st January 1995. Deputy Chairman, Hayleys Ltd., Haytech Marketing Ltd., Hayleys Photoprint Ltd., Chairman, United Motors Lanka Ltd. Director of Haycarb Ltd., Talawakelle Plantations Ltd., Commercial Leasing Co. Ltd. Chairman, Commercial Fund Management (Pvt.) Ltd., Equity Investments Lanka Ltd., Chairman, Planters' Association of Ceylon. Chairman of the International Chamber of Commerce, Sri Lanka. President, Institute of Management, Sri Lanka. Member of the Employees' Trust Fund Board. Past Chairman and Trustee, Employers' Federation of Ceylon and Chairman of the Regional Industry Service Committee of the North Western Province.

J.S. Mather - Deputy Chairman

Joined the Board of Commercial Bank on 1st September 1989. A Fellow of The Institute of Chartered Accountants, England & Wales. A Senior Partner of Ernst & Young, Sri Lanka and a Partner/Director of all its subsidiaries. A non-Executive Director of a number of Public Quoted Companies, including Ceylon Tobacco Co. Ltd., Chemical Industries (Colombo) Ltd., The Central Finance Co. Ltd. and United Motors Lanka Ltd. Also holds non-Executive Directorships of a number of unlisted Companies.

A.L. Gooneratne - Managing Director

Appointed to the Board of Commercial Bank as Managing Director on 6th January 1997. Joined the Bank in March 1983 and has held several senior positions prior to his appointment as General Manager/Chief Executive in March 1996. A Fellow of The Institute of Chartered Accountants, England & Wales; Represents the Bank's interests on the Boards of all its Associate and Subsidiary Companies. Serving as a Member, Sri Lanka Accounting & Auditing Standards Monitoring Board. Previously held positions as Chairman, Sri Lanka Banks' Association (Guarantee) Ltd. and as a Member, Governing Council, National Institute of Business Management.

Dr. H.S. Wanasinghe

Appointed to the Board of Commercial Bank on 5th January 1990. Currently, Senior Visiting Fellow of the Institute of Policy Studies. A Member of the Board of Governors of the Marga Institute and a Member of the Human Resources Development Council. Served the United Nations Economic and Social Commission for Asia and the Pacific for 15 years and on return to Sri Lanka in 1986 served

as the Chairman of the Presidential Committee on Administrative Reforms, the Presidential Taxation Commission and the Public Investment Management Board. Before joining the United Nations, served as a member of the Ceylon Civil Service for 24 years.

B.R.L. Fernando

Joined the Board on 1st January 1995. A Fellow of The Institute of Chartered Accountants of Sri Lanka. Executive Chairman of Chemical Industries (Colombo) Ltd. and non-Executive Chairman of Chemanex Ltd., CIC Paints (Pvt.) Ltd., CIC Fertilizers (Pvt.) Ltd., CISCO Speciality Packaging (Pvt.) Ltd., CIC Agri-biotech (Pvt.) Ltd., CIC Seeds (Pvt.) Ltd., Rangers Group (Pvt.) Ltd. and Crop Management Services (Pvt.) Ltd. He is also a non-Executive Director of Paints & General Industries Ltd., Agro Enterprises Japan-Lanka (Pvt.) Ltd., Exchange & Finance Investments Ltd., Rainwear (Pvt.) Ltd. and Alternate Director of Gestetner Ceylon Ltd. Trustee of The Employers' Federation of Ceylon Ltd. Member of the Board of Directors of the Colombo Y.M.C.A. Possesses extensive experience in finance and commerce.

M.L. Mack

Appointed to the Board of Commercial Bank on 31st October 1997. Currently a Director of Aitken Spence & Co. Ltd., the DFCC Bank and the C F Venture Fund Ltd. Also a member of the Board of Investment of Sri Lanka. Previously Chairman and Managing Director of Aitken Spence & Co. Ltd.

A.N. Fonseka

Appointed to the Board of Commercial Bank on 31st January 2000. General Manager/Chief Executive/Director of DFCC Bank. Chairman of Lanka Industrial Estates Ltd. and National Asset Management Ltd. Director of Lanka Ventures Ltd., Private Sector Infrastructure Development Co. Ltd. and Associated Battery Manufactures (Ceylon) Ltd. Member, Governing Board, National Institute of Business Management and also Member of the Industrialisation Commission.

P.A. Pematilaka

Appointed to the Board of Commercial Bank on 31st January 2000. An Associate Member of The Institute of Chartered Accountants of Sri Lanka. Additional Director General, Treasury Cash Management, Department of State Accounts. Director, Ruhunu Cement Co. Ltd., Director, National Lotteries Board, Director, Central Engineering Consultancy Bureau.

Interview with the Managing Director

How do you describe the Bank's performance during 2000?

Year 2000 was a landmark year for Commercial Bank. We achieved a record profit of Rs. 1.150 billion. It was the first time in the history that a private commercial bank in Sri Lanka reached the Rs. 1 billion mark in profit before taxation. This is the highest profit recorded by the Bank so far.

Profit before tax of Rs. 1,150.455 million indicates a growth Rs. 340.976 million (42.12%) over the profit before tax recorded for 1999 of Rs. 809.479 million. The growth in profit after tax too is commendable. Profit after tax of Rs. 935.955 million for 2000 reflects an increase of Rs. 277.476 million over the profit after tax of Rs. 658.479 million reported in 1999.

A.L. Gooneratne
Managing Director

February 26, 2001

Another noteworthy achievement was the decrease in the Non-Performing Loans to Total Loans and Advances Ratio to 8.73% from the 8.95% a year ago, despite the growth in the loan book by 26.41% and the sluggish economic conditions.

Our Bank's key financial ratios such as Capital Adequacy, Return on Assets and Cost / Income are the best among the peer banks. The proposed increase by the Central Bank of Sri Lanka in Capital Adequacy Ratios by 1% and 2% in Tier I and Tier I & II in two stages over the next 2 years will not have much of an impact on the Bank's Capital Adequacy Ratios. Even in the event of the assets of the Off-shore Banking Centre being brought under the capital adequacy requirements, which is the international practice, our capital adequacy ratios will remain well above the minimum levels stipulated by the Central Bank.

Given the sluggish economic conditions that prevailed during the year how was it possible for the Commercial Bank to record such superior performance?

The higher than the industry growth rates reported by the Bank in Turnover, Profit before Tax, Profit after Tax, Deposits and Advances is a clear indication that the Bank has increased its overall market shares in both Deposits and Advances. This is specially commendable when compared to an estimated GDP Growth Rate of around 6% and the Inflation Rate of 6.2% during the year.

Cognizant of the fact that fund based operations of the banks are fast becoming a volume business with ever thinning margins the Bank increased its emphasis on the theme of "Volumes with Quality". This proved fruitful and the Bank achieved a growth of 25.94% in Net Interest Income while the underlying increases in Deposits and Advances were 24.54% and 26.41% respectively. Increase in our off-shore lending and added emphasis on retail business segments with lot of growth potential such as Housing Loans, Leasing, Consumption Lending, etc. helped the Bank in increasing its Loan Portfolio.

Depreciation of the Sri Lankan Rupee by 14.29% over the year contributed the Bank to record an Exchange Profit of Rs. 420.733 million, a growth of Rs. 146.353 million over the previous year.

Despite the growth in the loan portfolio the Bank has successfully maintained the credit quality through improvements to credit appraisal procedures and continuous monitoring of the facilities granted to our customers.

Excellent management of the fund base and the timely revision of interest rates on both deposits and advances in response to the market conditions by the Assets and Liabilities Committee of the Bank ensured that the interest spread was well managed at all times.

Our cost efficiency too made a significant contribution in achieving the profit growth. This is evident from the fact that we had a growth of 27.57% in our net income, which was achieved with 14.99% increase only in our operational expenses. It is also significant that our cost / income ratio dropped from 60.28% in 1999 to 54.75% in 2000. Bank's IT Superiority coupled with the target driven culture helped the Bank to increase the operational effectiveness and efficiency thereby rationalising the cost of operations.

The establishment of cost effective new delivery channels which started with the opening of the MiniCom Outlet at Staples Street and a Customer Service Point at Ekala in 1999 continued throughout the year and as of end 2000, the Bank had opened 03 MiniCom outlets and 05 Customer Service Points. We will continue to leverage the best of the new technologies to build smarter and more efficient delivery channels.

The negotiated settlement of the Collective Agreement during the year and the resulting improvement in excellent staff relations too certainly augured well for the Bank.

During 2000, Commercial Bank was once again bestowed with the “Best Bank in Sri Lanka” status for the second successive year by Global Finance, the prestigious New York based Magazine. What does it reflect?

It reflects nothing but our leadership position we have achieved and our collective determination to sustain that position in the local banking industry. It is an acknowledgement of our financial stability, sound asset quality, IT superiority, profitability and overall managerial excellence, among other things. I am sure that all the Stakeholders of the Bank are very proud and pleased of this achievement.

Fitch Ratings Lanka Ltd. has given the SL AA + rating to Commercial Bank, the first ever published local credit rating given to a local commercial bank. What does it signify?

The SL AA + rating denotes a very low expectation of credit risk. The rating indicates a very strong capacity for timely payment of financial commitments, which capacity is not significantly vulnerable to foreseeable events.

Fitch Ratings Lanka Ltd. has considered such key factors as relatively high levels of capitalisation of the Bank, better fundamentals and strong position in trade finance and corporate banking in assigning this rating to the Bank.

Are you happy with this rating?

As mentioned above, the SL AA + is a very strong credit rating, though it is slightly short of SL AAA, but you will agree that it is extremely difficult for any financial institution to obtain a better rating in this market, notwithstanding fundamentals. Also no other financial institution in Sri Lanka has so far published any credit rating better than this. As you are aware the market conditions in which we operate are so volatile and we have very little or no control over economic and regulatory changes affecting banking operations. In the circumstances we are happy with the credit rating given by Fitch.

If you elaborate on the recent joint announcement with the DFCC Bank

Both our Bank and the DFCC Bank have decided to operate in future within a group structure. Hence, we have proposed to set up a holding company, which would hold majority of the shares of both our Bank and the DFCC Bank. We trust that this move will provide a proper institutional structure for both banks to maximise the synergies. For this purpose, we have forwarded a concept paper to the Central Bank and are awaiting the approval.

What will be the winning strategy for Commercial Bank over the next decade?

We need to focus on appropriate strategies aimed at establishing a profitable and sustainable position against the forces that determine industry competition. In this context our future success would lie in the continued search for the most favourable competitive position in the industry.

Competitive advantage grows fundamentally out of the value a firm is able to create for its customers. It is where the quality of customer service would come in. We need to offer our customers unique benefits, which our competitors cannot match on a continuous basis. In essence, we want to create positive experiences for our customers in their dealings with the Bank. It is then a win-win situation for both the Bank and the customer as quite rightly depicted in the theme story of the Annual Report - Symbiotic Harmony.

Do you see the need for any changes in implementing such a strategy?

Unless we consider the need for creating positive experiences in the customer as a critical success factor and adjust our ways of dealing with the customers to suit their aspirations, even the long periods of stable performance which we all are proud about can be abruptly ended by competitive moves.

In this context, I am happy that all our staff members have awoken to this reality and renewed their joint determination by putting their shoulders to the wheel to achieve our vision of being the Financial Power House in Sri Lanka.

We now have a greater focus on staff training than we have ever had in the past. We recognized the need to have properly trained staff, both competent and courteous, to enable a higher standard of service to be provided to our customers. We have also changed our recruitment procedure to reflect our expectations on the need to have highly trained staff. In this regard, the entry-level qualifications have been raised and, we now insist on a three-year training period prior to confirmation as Banking Assistants. At the middle Management Level we encourage delegation of responsibilities so that, a higher number of staff would gain managerial experience. We have also introduced a system of participative management so as to motivate the staff to reach greater heights in performance. Members of our Executive Staff are totally target driven and thrive on performance related culture which we have introduced.

Any concluding remarks

The dawn of the 21st Century heralds a time of unremitting and accelerating technological changes. These unprecedented changes in Information Technology and Communications will dramatically and continuously change the customer preferences. Commercial Bank is a very dynamic force today and I am sure it can successfully manage the challenges brought about by these changes.

We fervently hope that the current volatile and unsettled situation in the macro-economic conditions in the country will soon be a thing of the past.

The Bank is steadily moving forward in the strategic direction as spelled out in the Corporate Plan.

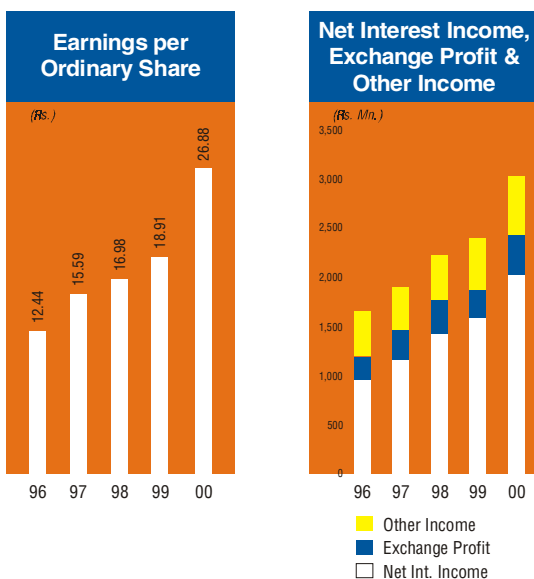
We are proud of our past. We are excited about our present. We will make the future thrilling.

I take this opportunity to place on record my sincere appreciation of the support and the guidance of the Chairman and the other members of the Board, members of the Corporate Management, Senior Management, Executive staff and all other members of the staff.

I also wish to thank all our valued stakeholders including the customers and the shareholders for their continued patronage with the Bank.

On behalf of the Bank, I would also like to record our sincere appreciation of the efforts and the guidance of the Governor and other officials of the Central Bank of Sri Lanka.

Finally, let me thank M/s. KPMG Ford, Rhodes, Thornton & Company for their professional role in carrying out the external audit and issuing the report on a timely basis enabling the Bank to publish this report at an early date.



Management Discussion and Analysis

Corporate Management



A.L. Gooneratne
(Managing Director)



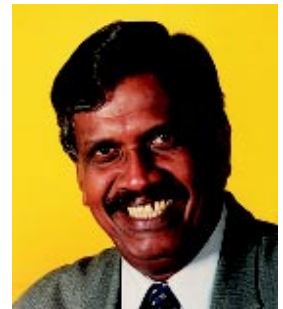
G.L.H. Premaratne
(Deputy General Manager -
Corporate Banking)



R.B. Ekanayake
(Deputy General Manager - Information
Technology)



R. Samaranyake
(Deputy General Manager -
Finance & Planning)



G.D. Pitadeniya
(Deputy General Manager - Inspection)



W.M.R.S. Dias
(Deputy General Manager -
Personal Banking)



M.N.J. Jayaratne
(Deputy General Manager -
Human Resource Management)



B.H.M.G. Dharmasiri
(Asst. General Manager -
Corporate Banking I)



M.A. Pemasiri
(Asst. General Manager - Services)



H.W.J.P. Peiris
(Asst. General Manager - International)



S.D. Bandaranayake
(Asst. General Manager - Operations)



Delip Fernando
(Asst. General Manager -
Personal Banking I)



P.V. Ratnapala
(Asst. General Manager -
Personal Banking II)



D.S. Weeratunga
(Asst. General Manager - Treasury)

Absent
M.D. Perera
(Asst. General Manager -
Corporate Banking II)

Senior Management



K.D.N. Luxman
(Senior Regional Manager -
Central Region)



V. Sirinivasan
(Senior Regional Manager -
Inner Colombo)



Raja Senanayake
(Head of Finance & Planning)



D.C.R.C. Perera
(Chief Manager -
Human Resource Management)



S. Raghavan
(Chief Manager - Exports)



J. Durairatnam
(Chief Manager - Imports)



Vimal Fernando
(Regional Manager - Outer Colombo)



Mrs. M.E.C. Abeywardena
(Chief Manager - Corporate Banking II)



Mrs. Carmelita De Silva
(Chief Manager - Corporate Banking I)

Absent

Mrs. R.K. Jayawardene
(Chief Manager - Legal)

P. Narangoda
(Chief Manager - Treasury)

S.C. Gunasekera
(Regional Manager - North Colombo)

D.N.F. Perera
(Chief Manager - Recoveries)

P. Samarasinghe
(Chief Manager - Information Technology)



CORPORATE

B A N K I N G

Capitalising on the legacy the Bank inherited from the Eastern Bank in Trade Finance, Corporate Banking accounted for a major part of the Bank's loans and advances portfolio and made a significant contribution towards the Bank's profitability.

The following table summarises its contribution:

	2000		1999	
	Rs. Mn.	%	Rs. Mn.	%
Profit before Tax	428	37.22	337	41.63
Loans and Advances (Gross)	23,227	61.91	18,372	61.90
Deposits	10,261	27.35	8,198	27.21

The Non-performing Loans Ratio of the Bank was brought down to 8.73% as at December 31, 2000 from 8.95% a year earlier through strengthened post-sanction monitoring efforts.

The Bank successfully expanded its overseas operations and had financed 4 Maldivian tourism companies by the end of year 2000.

The Indo-Lanka Free Trade Agreement (ILFTA) which came into operation in March, 2000 is expected to open up manifold opportunities for enterprising businessmen. Commercial Bank is well aware of these opportunities and is well poised to cater to further promotion of the export oriented growth strategy of Sri Lanka.

While continuing to cater to the niche areas where our Corporate Banking has been traditionally strong, the Bank also plans to explore new and profitable areas to lend to. We appreciate the fact that the country should break free from the 'commodity trader' mentality and move on to more value added manufactured products in our export strategy, where we will be price makers and not price takers. It is only through such a strategy that we can propel the country on to a rapid growth path.

We are aware of the intense competition in the corporate banking business, which has led to narrowing of profit margins. In the wake of these developments, our strategy would be to expand our market share through a quality service backed up with the ease that we provide through our computer linked branch network in the name and style of COMNET, which is the largest computer linked branch/ATM network in Sri Lanka.

With increasing competition, many local banks are showing a keen interest in the areas of Internet Banking and e-commerce. This trend is particularly important in view of the fact that by year 2005, 6%-8% of total world trade is expected to be conducted through e-commerce. Commercial Bank, being well aware of these developments, launched Internet Banking in December, 2000.

The key to improving the Corporate Banking sector is to strictly adhere to the principle of quality volumes. In other words while taking business risks we must ensure that they are well calculated. Knowing our customers well also entails an equally good grasp and understanding of the business environment in which they operate. We at Commercial Bank ensure that we have access to this know-how through our business information gathering process which adopts the top down approach, i.e. we begin with a macro analysis and then get on to the industry analysis and the firm/institutional analysis. This approach ensures that we do not miss out on details; even the minute details.

Our innovative approach to Corporate Banking has opened up new vistas for our customers. That is the secret which binds them with us in perfect *Symbiotic Harmony*. We adopt a need based approach which involves getting to know our customers' needs in order to blend our products with their needs.

In the long run what sustains us is our futuristic vision - the key to our expansion and growth.



PERSONAL

B A N K I N G

Personal Banking - Global Focus

With margins becoming thinner in corporate banking, personal banking products have become increasingly popular in the local banking scene, with many foreign bank branches operating in Sri Lanka too joining the fray.

This trend that could be seen in the local banking scenario is very much in step with a global fashion of renewed interest in personal banking. The Commercial Bank has introduced an array of attractive personal banking products.

New products introduced during year 2000

Commercial Bank introduced an exciting teen's and young adult's banking product in the name and style of "DotCom". This product, which offers a special DotCom ATM card for DotCom account holders, also enables them to obtain special discounts from department stores.

Commercial Bank offered ATM (CAT) cards with international access to all its foreign currency account holders.

Commercial Bank also became the first private commercial bank in Sri Lanka to use its own funds for medium term lending. In addition to the housing loan scheme "Nivahana" the Bank introduced the "Diribala" development loan scheme, through which it will provide assistance to industrial and agricultural sectors.

The "PAHAN" loan is another such attractive personal loan scheme that the Bank has introduced, through which one can borrow money for a variety of purposes such as education, social functions, purchase of equipment to set up a professional practice, purchase of vehicles, weddings and other family functions, purchase of household goods or even travel abroad, whether for pleasure or business.

The national budget of 1999 stipulated that premia up to Rs. 25,000/- per annum on Life Insurance Policies with not less than three annual premiums qualified for tax exemption. Having observed that there are a large number of personal income tax payers in Sri Lanka who would benefit from a short term life insurance policy, the Bank took steps to arrange with the Sri Lanka Insurance Corporation Ltd. (SLIC) to issue "Thewasa" Life Insurance Policies, exclusively through Commercial Bank.

Commercial Bank - Sustainable Expansion

The Bank is aware that the traditional branch banking system will continue to play a significant role in the local banking scenario, particularly in the retail banking sector. Hence, the Bank will continue with a rapid branch

expansion programme. This is in fact reflected in the Bank's plan to have 100 Branches /Customer Service Points/MiniComs by the end of 2001.

The Bank continued its branch expansion programme in 2000. Five fully fledged branches were opened in Kalutara, Trincomalee, Horana, Piliyandala and Panchikawatte. The Customer Service Point (CSP) concept that we introduced in 1999 with the opening of the Ekala CSP, gathered further momentum in 2000 when we opened four more CSPs at the DFCC Head Office, Peradeniya, Kochchikade and Homagama. Last year we pioneered super market banking in partnership with the Cargills Food City supermarket chain when we opened our first "MiniCom" outlet, at the Cargills Food City outlet at Staples Street, Colombo 02. During year 2000, we opened two more MiniCom outlets, one in Nugegoda Cargills Food City and the other in the Majestic City-Cargills Food City.

Thus, Commercial Bank ended the year with 72 fully fledged Branches, 05 Customer Service Points, and 03 MiniCom outlets, and a counter at the Bandaranaike International Airport, Katunayake.

The Card Centre of the Bank was relocated at the Union Place branch building and is now poised to be the leading credit card issuer in the country.

The contribution of the Personal Banking Division can be summarised as follows:

	2000		1999	
	Rs. Mn.	%	Rs. Mn.	%
Profit before Tax	549	47.74	377	46.56
Loans and Advances (Gross)	14,290	38.09	11,306	38.10
Deposits	27,262	72.65	21,930	72.79

The Personal Banking Division channelled funds mobilised in excess of their lending requirements to Corporate Banking Division thus making low cost funds available to the Corporate Banking Division to be utilised for their lending.

The success of our personal banking operations is amply testified by the fact that on a normal two-day weekend Commercial Bank's ATMs process over 35,000 transactions out of which 25,000 are cash withdrawals. Our network of 79 ATMs processed a record 49,650 transactions, the highest in the history of any local bank during the three-day Christmas weekend in 2000, disbursing Rs.122 million.

TREASURY

Monthly Expense Analysis

May 2001

Date

To whom paid

Type of Expense

Home

Business

Personal

RECEIPT
EVERLY STREET
MEL
COLOMB
TERMINA
DATE
TIME
CASHIER
SALESM
PHONE
HA
D
C
E
CASH
1 ITEMS
TOTAL 440.00
A WEEK
TAGS
REFUNDS!
THANK YOU COME AGAIN

Type of Expense

Home

Business

Personal

Total

Treasury played a significant role in managing the assets and liabilities and the related risks of the Bank. It continued to apply and monitor internal transfer pricing mechanism enabling the other profit centres to ascertain their profits realistically.

With the development of the Treasury as a separate profit centre in 1997 it has emerged as a pivotal unit for both Corporate Banking and Personal Banking Divisions.

Year 2000 was a very volatile year for the financial markets in Sri Lanka. Both interest rates and exchange rates started to rise rapidly during the second half of the year. Sri Lankan Rupee was depreciated by about 14.29% and yields on Government securities rose by 1000 basis points. Even under these volatile conditions, the Treasury managed to achieve its profitability targets. The contribution of the Treasury can be summarised as follows:

	2000		1999	
	Rs. Mn.	%	Rs. Mn.	%
Profit before Tax	173	15.04	95	11.73
Asset Portfolio	3,001	6.05	4,794	11.45

Our foreign exchange dealers participated actively in the spot and forward markets in all major currencies. Throughout the year, our dealers provided clients with strategic currency advice on money market and currency movements helping them to reduce the adverse effects of currency movements and enhance their capacity to reap richer dividends from their foreign exchange activities.

Recent developments in the debt securities market have presented the Bank with new opportunities and resulted in the Treasury expanding its fixed income securities operation considerably. If we take the world as a whole, indeed the debt-securities market is even larger than the global share market. Certain companies in developed countries are even thinking in terms of higher debt equity ratios, in their financial planning process.

Countries with developed financial systems have well developed debt securities markets. However, in Sri Lanka these debt securities have so far not been tradable through an on-line trading system, as in the share market. Therefore the expediency of transactions has been limited. Scripless trading in Government Treasury Bills/Bonds through an electronic trading system for debt is now being planned. This is a sequel to the signing of a Memorandum Of Understanding (MOU) between the Primary Dealers' Association and the Colombo Stock Exchange. This will pave the way for a more automated debt market with a scripless (on-line) bidding system for the dedicated primary dealers and also a debt exchange for secondary market operations in Government debt.

The new system is expected to reduce intermediation cost and improve liquidity in the market, since the cost of not having an on-line system for debt runs into millions of rupees.

As required by the Central Bank of Sri Lanka the Bank set-up a fully owned subsidiary, Commercial Bank Primary Dealer Ltd. to operate on the Primary Dealership in Government Securities. The new Company commenced operations on March 1, 2000 to which the Bank transferred all the assets and liabilities relating to Government Securities. The new Company will focus on developing a "market making" culture. Higher trading volumes are being sought with the aim of developing a highly liquid Debt Securities Market in the country.

As a profit centre, the Treasury hopes to refine its marketing skills in a bid to improve on turnover. New Treasury products are being planned.

Information Technology

Bank is proud to possess a superior Information Technology system which has been built over the years. It is in fact the single largest network of linked branches (80 branches) and Automated Teller Machines (79 ATMs) in the country today. The Bank has planned for a rapid expansion of the ATM network over the next 3 years.

This superior IT system has immensely helped the Bank in achieving substantial operational efficiency in our activities. This was one of the major contributory factors for the very satisfactory level of Cost / Income Ratio of 54.75% recorded for 2000.

The major developments in the IT related activities during the year included offering ATM access to foreign currency account holders for the first time in the country and launching of Internet Banking. Foreign currency account holders of the Bank now enjoy the convenience of being able to withdraw the currency of their choice from any part of the world through over 500,000 ATMs displaying "Cirrus" logo. Our on-line branch at www.combank.lk is now open and it provides our customers the convenience of carrying out certain transactions with the Bank from a place of their choice.

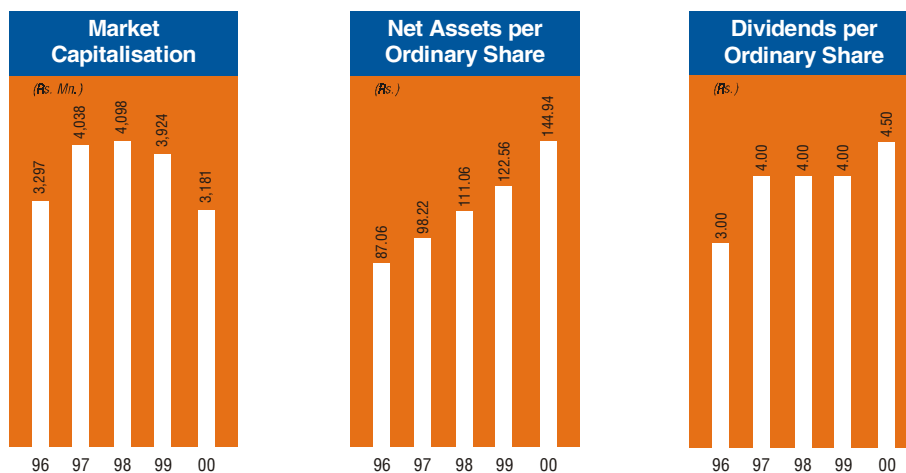
Dividend Policy

Dividend Policy of the Bank reflects the Bank's reliance on the profits as a major source of funding its expansion, while giving a fair return to the Shareholders. This policy has helped the Bank to ensure the availability of sufficient funds for the expansion programme the Bank has embarked on in the past which has undoubtedly increased the profitability of the Bank and the Net Assets Value of the shares.

The rate of dividend which averaged at 40% over the past several years has been increased to 45% this year considering the excellent performance achieved by the Bank in the year 2000.

Risk Management

The very nature of banking business exposes banks to a multitude of risks. Commercial Bank is no exception to this situation. Hence, a well-structured Risk Management system is in place in the Bank to address the totality of risks extending from banking to non-banking risks. More details on the risks and the risk management measures in place are given in a separate article on the subject on page 34 of this Report.



Capital Adequacy

Computation of Risk-Weighted Assets

As at 31st December

On-Balance Sheet Items

ASSETS	Balance		Risk Weight	Risk Weighted Balance	
	2000 Rs.'000	1999 Rs.'000		(%)	2000 Rs.'000
Cash, Statutory Deposit with Central Bank of Sri Lanka, Treasury Bills, Government and other securities	3,906,813	4,241,937	–	–	–
Loans secured by Cash and guaranteed by Central Bank of Sri Lanka	3,830,028	2,776,760	–	–	–
Loans guaranteed by SLECIC	24,645	11,308	50	12,323	5,654
Loans secured by Primary Mortgages over Residential Property	1,763,367	1,366,324	50	881,684	683,162
Other Loans and Advances	21,690,635	18,427,209	100	21,690,635	18,427,209
Credit Equivalent of Off-Balance Sheet Items (as shown below)	3,695,517	3,549,049	100	3,695,517	3,549,049
Due from Banks Abroad	2,611,803	1,438,776	20	522,361	287,755
Due from Local Banks including Development Financial Institutions	1,400,000	1,155,000	20	280,000	231,000
Due from Off-shore Banking Centre	4,016,058	2,759,186	10	401,606	275,919
Cash Items in the process of collection	18,882	38,940	20	3,776	7,788
Investments excluding investments in Financial Associates	364,865	441,320	100	364,865	441,320
Property, Plant & Equipment	1,520,883	1,468,277	100	1,520,883	1,468,277
Other assets	3,085,240	1,880,343	100	3,085,240	1,880,343
TOTAL	47,928,736	39,554,429		32,458,890	27,257,476

Off-Balance Sheet Items

INSTRUMENTS	Balance		Credit Conversion Factor (%)	Credit Equivalent	
	2000 Rs.'000	1999 Rs.'000		2000 Rs.'000	1999 Rs.'000
General Guarantees of indebtedness (Credit Guarantees and Advance Payment Guarantees)	2,189,632	2,004,618	100	2,189,632	2,004,618
Performance Bonds, Bid Bonds and Warranties	937,076	910,586	50	468,538	455,293
Shipping Guarantees	875,784	1,801,296	20	175,157	360,259
Documentary Letters of Credit	3,220,004	2,545,065	20	644,001	509,013
Usance Bills	1,035,819	1,069,217	20	207,164	213,843
Bills for Collection	1,449,935	1,043,837	–	–	–
Foreign Exchange and Interest Rate related Contracts:					
Customers	13,561	5,295	50	6,781	2,648
Banks	21,227	16,874	20	4,245	3,375
TOTAL	9,743,038	9,396,788		3,695,518	3,549,049

Computation of Capital

	2000 Rs.'000	1999 Rs.'000
TIER 1 : CORE CAPITAL		
Paid-up Ordinary Shares	348,251	348,251
Share Premium	641,780	641,780
Statutory Reserve Fund	1,009,000	1,009,000
Published Retained Profits	10,588	1,346
General and other Reserves	2,839,129	2,064,173
Minority Interest	11,583	12,284
Less: Goodwill	-	(14,842)
Total Tier 1 Capital	4,860,331	4,061,992
TIER 2 : SUPPLEMENTARY CAPITAL		
Revaluation Reserve (as approved by the Central Bank of Sri Lanka)	157,286	157,286
General Provisions	100,770	52,300
Approved Subordinated Term Debt	300,000	400,000
Total Tier 2 Capital	558,056	609,586
Total Capital	5,418,387	4,671,578
Deductions		
Investments in Financial Associates	24,584	814
Capital base	5,393,803	4,670,764

Computation of Ratios

	2000 Rs.'000	1999 Rs.'000
Total Tier 1: Core capital	4,860,331	4,061,992
Total Capital Base	5,393,803	4,670,764
Total Risk Weighted Assets	32,458,890	27,257,476

Core Capital Ratio - Tier I (Minimum required Ratio is 4%)

	%	%
$\frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \times 100$	14.97	14.90

Total Risk Weighted Capital Ratio - Tier I & II (Minimum required Ratio is 8%)

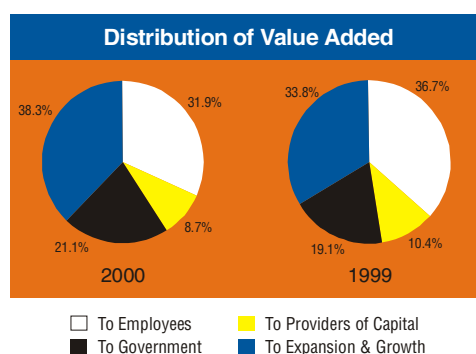
	%	%
$\frac{\text{Total Capital}}{\text{Risk Weighted Assets}} \times 100$	16.62	17.14

Risk Weighted Assets

- Loans and Advances are net of specific provisions and interest in suspense.
- Total assets do not tally with that of the Balance Sheet mainly due to Off-shore Banking Centre not being subject to capital adequacy requirements and securities purchased under resale agreements and securities sold under repurchase agreements being shown separately in the Balance Sheet.
- Minimum required ratios have since been increased by the Central Bank of Sri Lanka to 4 1/2% and 9% respectively for Tier I and Tier I & II with effect from January 1, 2001 and will further increase up to 5% and 10% respectively for Tier I and Tier I & II with effect from January 1, 2002.

Value Addition

	2000 Rs.'000	%	1999 Rs.'000	%
Value Added				
Income from Banking Services	5,746,670		4,488,483	
Cost of Services	(3,067,843)		(2,457,802)	
Value Added by Banking Services	2,678,827		2,030,681	
Non-Banking Income	69,768		65,527	
Loan Losses and Provisions	(180,178)		(116,456)	
	2,568,417		1,979,752	
Distribution of Value Added				
To Employees				
Salaries and other benefits	819,244	31.9	728,348	36.7
To Providers of Capital				
Dividends to Shareholders	156,713		139,300	
Interest to Debentureholders	67,155		65,626	
	223,868	8.7	204,926	10.4
To Government				
Income Tax	171,600		122,600	
Turnover Tax	50,259		38,899	
National Security Levy	319,186		216,157	
	541,045	21.1	377,656	19.1
To Expansion and Growth				
Retained Income	779,242		519,179	
Depreciation	162,118		121,243	
Deferred Taxation	42,900		28,400	
	984,260	38.3	668,822	33.8
	2,568,417	100.0	1,979,752	100.0



Economic Value Added

Economic Value Added (EVA) measures the profitability of a company after taking into account the cost of invested equity.

EVA helped the Bank as a tool in understanding what creates value and what destroys the value and thereby improving performance. We sought to maximise the EVA through the adoption of appropriate management strategies.

	2000 Rs. '000	1999 Rs. '000	1998 Rs. '000	1997 Rs. '000	1996 Rs. '000
Invested Equity					
Shareholders' Funds	5,047,529	4,268,287	3,867,504	3,420,399	3,031,774
Add: Cumulative loan loss provision	596,234	548,993	642,157	583,302	511,409
	5,643,763	4,817,280	4,509,661	4,003,701	3,543,183
Earnings					
Profit after taxation	935,955	658,479	591,464	542,889	433,362
Add: Provision for bad debts	180,178	116,456	183,099	197,416	142,165
Less: Loan losses written off	(3,805)	(36,750)	(20,172)	(2,354)	(33,283)
	1,112,328	738,185	754,391	737,951	542,244
Cost of Equity based on the 12 months weighted average Treasury Bill rate plus 2% for the risk premium					
	16.25%	14%	14%	14%	14%
Cost of equity calculated as above	917,111	674,419	631,353	560,518	496,046
Economic Value Added	195,217	63,766	123,038	177,433	46,198

Maturity Analysis

A summary of the maturity pattern of the respective assets and liabilities is as follows:

Item	Maturity Period						Rs.'000	
	Up to 3 months	3 - 12 months	1 - 3 years	3 - 5 years	Over 5 years	Total 2000	Total 1999	
	Interest Earning Assets	28,747,531	4,200,515	4,595,605	2,408,730	1,427,777	41,380,158	34,595,446
Non-Interest Earning Assets	2,905,162	559,117	182,920	112,009	4,471,352	8,230,560	7,291,857	
Total Assets	31,652,693	4,759,632	4,778,525	2,520,739	5,899,129	49,610,718	41,887,303	
Interest Bearing Liabilities	23,270,577	7,900,346	2,642,640	1,211,201	2,278,535	37,303,299	31,555,379	
Non-Interest Bearing Liabilities	7,068,330	41,560	–	150,000	5,047,529	12,307,419	10,331,924	
Total Liabilities	30,338,907	7,941,906	2,642,640	1,361,201	7,326,064	49,610,718	41,887,303	

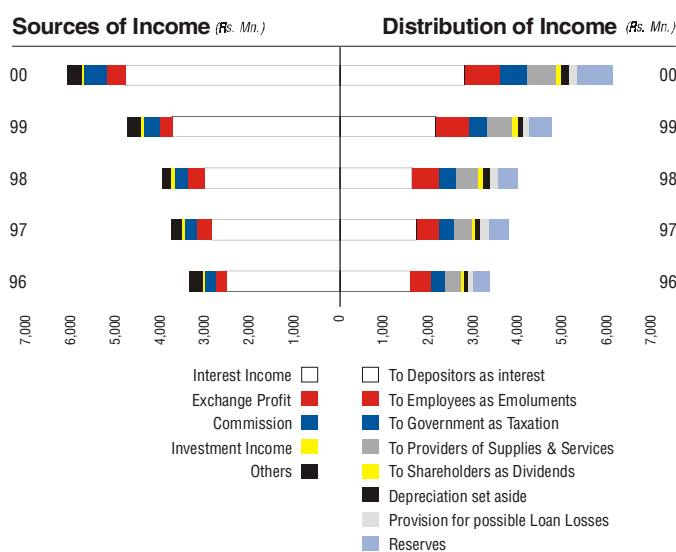
Sources and Distribution of Income

For the year ended 31st December

	1996	1997	1998	1999	2000
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Source of Income					
Interest Income	2,553	2,877	3,032	3,762	4,796
Exchange Profit	219	320	362	274	421
Commission	256	278	317	359	505
Investment Income	44	71	55	57	41
Others	293	235	213	292	333
	3,365	3,781	3,979	4,744	6,096

Distribution of Income

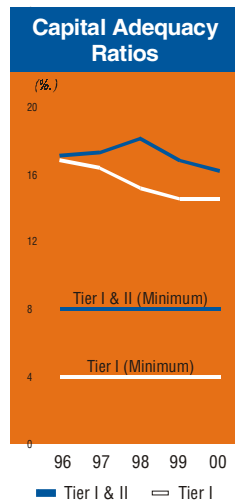
To Depositors as Interest	1,572	1,723	1,605	2,158	2,776
To Employees as Emoluments	468	508	615	728	819
To Government as Taxation	329	308	376	406	583
- Income Tax	147	110	178	151	214
- Turnover Tax	57	61	39	39	50
- National Security Levy	125	137	159	216	319
To Providers of Supplies & Services	333	398	485	557	640
To Shareholders as Dividends	80	107	139	139	157
Depreciation set aside	88	104	124	121	162
Provision for Possible Loan Losses	142	197	183	116	180
Reserves	353	436	452	519	779
	3,365	3,781	3,979	4,744	6,096



Capital Management

It is a policy of the Bank to maintain maximum possible capital at all times in relation to the underlying risk weighted assets as measured in terms of the Capital Adequacy Ratios as per the guidelines issued by the Central Bank of Sri Lanka. The complete capital adequacy computation as at December 31, 2000 is given in page 28. Accordingly, the Tier I ratio and the Tier I & II ratio were 3.7 times and 2.1 times above the minimum requirements respectively as at end 2000.

The changes that are contemplated in the Capital Adequacy Framework by the Basle Committee on Banking Supervision are yet to be announced. However, based on the draft guidelines it appears that there will be far reaching changes in the entire framework.



Social Responsibility

As a responsible corporate citizen the Bank contributed in numerous ways for the development of the society at large. In addition, the Bank will continue to be associated with the Marine Pollution Prevention Authority in its various projects for the protection of the coastal area and the marine life.

A detailed note on the social responsibility is given on page 40.

Future Direction

As highlighted under Financial Goals and Achievements in the inner front cover of this Report the Bank is proud to have achieved the goals in most of the areas during the year.

The Bank will vigorously pursue the strategic direction that has been identified and laid down in the Corporate Plan by leveraging the superior information technology and the warm human touch to make the Commercial Bank the most profitable commercial bank in the country.

The Bank is aware that with the ever thinning margins, fund based operations of the Bank are going to be a volume business and that there will be an inevitable shift of focus from fund-based operations to fee-based operations.

The Bank will actively work together with the two main shareholders' namely, DFCC Bank and the Sri Lanka Insurance Corporation Ltd. to maximise the synergies and the shareholder value and in that respect jointly promote products on a mutually beneficial basis.

Risk Management

The very nature of banking business involves taking business risks and in Commercial Bank, we ensure that these risks are well-calculated business risks.

The magnitude of risks may be high in the business of banking compared to non-banking sectors. It is due to this reason that the banking business is highly regulated world over. Banks, as corporate bodies, are exposed to other non-banking risks as well, such as operational risks, legal risks and reputation risks, which are common to all sectors.

Our Bank's well-streamlined risk management system has been structured to address total risk, i.e. both banking as well as non-banking risks. The prime objective of this risk management system is to safeguard the Bank's capital, its financial resources and profitability from various risks.

While trying to eliminate if possible certain risks altogether, such as legal and operational risks, the Bank is also mindful of the correlation between risk and reward in certain other areas. It is the Bank's policy to manage such risks effectively so as to mitigate or minimise such risks.

In order to realise this objective, our Bank continues to maintain and update a wide-ranging list of possible risks and has also formulated suitable risk management measures against each identified risk. All Senior Managers are required to periodically assess and report to the Board, the extent of implementation of these risk management measures and evaluate the adequacy and effectiveness of these measures, in the context of the changing business environment.

The major risks that are addressed in the Bank's Risk Management System are as follows:

Credit Risk

This involves the risk of a borrower, not paying the full capital amount granted or interest of a loan or an advance within the agreed time period. This risk could arise due to many causes and comes in various forms, with the ultimate result being a financial loss to the Bank. In order to effectively manage this fundamental banking risk, the Bank has taken various measures which includes skills development in "pre-sanctioning credit evaluation" and "sound credit decision making". This is followed by delegation of appropriate authority to credit officers depending on their levels of skill and expertise. Each credit decision is subject to an independent review by the next level of authority.

Proper and adequate securitisation of advances is carried out in most instances as an additional safeguard. Approximately 90% of the Bank's advances are backed by realisable securities. Credit disbursement is carried out within a well-defined Credit Policy that outlines the maximum exposure limits to various sectors of the economy. This helps the Bank to avoid unhealthy credit concentrations. The Bank's own limits to individual borrowers have been fixed after a careful assessment of their credit worthiness and financial requirements. In addition we have an internal risk grading system for all borrowing customers. This is a comprehensive system whereby each customer is graded according to various

risk characteristics including financial management, collaterals and repayment capacity, etc. These gradings are reviewed every year and/or when any of the above characteristics undergo a material change.

One cannot over emphasize the need for effective post sanctioning monitoring of facilities. Commercial Bank with its cutting edge in IT superiority has developed an “early warning system” aimed at early identification of problematic advances so that corrective action could be initiated without delay. We also need to emphasize that the Bank’s Computer System has been programmed strictly within the parameters set by the Central Bank of Sri Lanka on suspension of interest and classification of non-performing loans. Once non-performing loans are classified in this manner, provisioning is done strictly in accordance with the guidelines issued by the Central Bank.

Market Risk

This refers to the potential risk to the Bank’s profitability due to adverse movement in the market in respect of interest rates, exchange rates and adverse price fluctuations in the Bank’s trading portfolios.

Interest Rate Risk

The source of this risk is the fluctuations in the market interest rates over which the Bank has very limited control. The magnitude of losses arising from this source is generally linked to the mismatch in interest bearing assets and liabilities of the Bank and the difficulty associated with re-pricing these asset and liability products of the Bank.

Commercial Bank has an effective strategy in place to manage this risk, which involves a gap analysis to ascertain and thereby manage the maturity mismatches in assets and liabilities appearing on the Bank’s Balance Sheet. The Bank’s Assets and Liabilities Committee (ALCO), which has been entrusted with this task, meets regularly to effectively execute it. As shown in the Maturity Analysis of the Bank’s Assets and Liabilities given on page 83 of the Annual Report, the maturity gaps of our Bank as at December 31, 2000 were manageable.

The ALCO, which closely monitors movements in interest rates and trends in the market, makes prompt decisions on re-pricing. In addition the following are also pursued with a view to managing interest rate risk:

- Entering into interest rate swap agreements such as Fixed vs. Floating.
- Fixing of the prices of asset and liability products to an acceptable benchmark rate together with maximum and minimum interest rates.
- Introducing Floating rate products for the medium and long-term.
- Maximising the contribution from less interest sensitive sources.

Foreign Exchange Risk

Banks, as approved exchange dealers have to manage this as an inherent risk. Volatilities in Exchange Rates can cause excessive losses on open foreign exchange positions when there is an exposure or a gap between the

assets and liabilities held in a particular currency in which the rate of exchange has moved adversely. The most effective method of managing this risk is to minimise such exposure in the respective currencies. In order to achieve this purpose the Bank has implemented exchange position limits, trading loss limits, dealer limits, bank limits and transaction limits. In addition the Bank has minimised its involvements in speculative foreign currency trading. Foreign currency exposure, both spot and forward, is also closely monitored by the Management. As a further safety measure, the Bank has established different reporting lines for the dealing and processing staff.

Equity Risk

This risk arises from adverse price fluctuations in trading portfolios of banks. Such adverse movements could result in provisions for possible losses in the Income Statement. However, it is important to note that our Bank is virtually free from this risk, as its exposure to trading securities is negligible. Commercial Bank's investments are mainly in its Subsidiary and Associate Companies, which are maintained as long-term investments. The Bank as a policy refrains from making speculative investments in stocks and debts.

Liquidity Risk

This risk arises due to non-availability of sufficient funds to meet short-term liquidity demands of the stakeholders for local and/or foreign currency, as and when the need arises. Mismatched maturity gaps in assets and liabilities are the root cause of liquidity risks. The management of these maturity gaps is entrusted with the ALCO. Additionally, the Bank has taken adequate steps to minimise exposure to any single customer on either side

of the Balance Sheet. The treasury of the Bank maintains a contingency buffer of liquidity, which includes a portfolio of Treasury Bills and Treasury Bonds. The other contingency measures taken by the Bank to prop up liquidity include reverse repo facilities with the Central Bank, credit lines with our correspondent banks for short/medium-term foreign currency borrowings and credit lines with local banks to borrow in the money market.

Operational Risk

Operational risks arise due to any one or a combination of sources such as natural disaster, frauds, computer failure and human error, etc. The Bank has taken adequate measures to safeguard its tangible assets from natural disasters including insurance cover against various risks. The Bank has set in motion adequate procedures and implemented various controls in order to manage risks that arise due to human error and fraud. The Audit Committee of the Bank reviews these systems, procedures and controls on an ongoing basis to ensure that they continue to be effective. The Bank has also taken extra precaution with regard to managing the risk of computer related frauds particularly in view of the highly computerised environment that prevails in the Commercial Bank.

Legal Risk

Commercial Bank, as not only a bank but also as a listed company, taxpayer and employer has to fulfil various legal as well as statutory requirements. The Board of Directors of Commercial Bank has set in place an effective compliance system so that no legal, banking, company, stock market and other regulations are violated. The Bank has compiled and continues to update and maintain a detailed listing of all requirements to be fulfilled and has also appointed a Compliance Officer to ensure the fulfilment of these requirements. The compliance of legal and other banking requirements is also monitored at Board level.

Our People

Our Bank has been consistently making a substantial investment on the maintenance, welfare and development of human assets, in its fervent belief that the real strength of any organisation depends on the strengths and capabilities of its people, in a rapidly changing business scenario. All efforts were directed at raising a motivated and competent workforce, in order to grow and achieve results.

Strategic focus on Human Capital

In accordance with the strategic direction of the Bank, Human Resource Management functions and processes are being reviewed on a continuous basis. In pursuance of this process, the Junior Executive Officer grade was created as a part of the restructuring of the Executive cadre. This strengthened the existing executive cadre, which consequently would enhance organisational effectiveness.

Further, the array of staff welfare measures were also strengthened. Furthermore, a staff counselling process is also being initiated, to assist the staff to overcome stressful situations arising from developments in today's turbulent environment. The negotiations with the CBEU in regard to the renewal of the Collective Agreement came to a fruitful culmination, with the signing of the Memorandum of Settlement/Collective Agreement in respect of Staff Officers and Banking Assistant and Allied Grades respectively offering them enhanced salaries, terms and conditions of employment thus ending a long drawn industrial dispute between the Trade Union and eight private sector banks. This would ensure industrial peace for the ensuing three years, which would also lead to better staff productivity and contribution. A new Trade Union, Commercial Bank Staff Association was established which was a manifestation of diverse views amongst our employees.

The Banking Trainee training scheme also commenced in January 2000, and as at December 31, 2000, 183 Banking Trainees were undergoing training in the operational aspects of banking. This has led to the enhancement of quality of the new recruits to the Bank.

Further, a group of senior officers were also trained in psychometric testing, which would enhance objectivity in and quality of selection. Consequently, job aspirants at entry level would be screened objectively to ensure that those selected would possess not only the right knowledge and skills but also the right mindset as well.

The Bank continued their efforts in reviewing its systems and procedures with the optimum use of I.T. and appropriate human resource initiatives in order to enhance the productivity, the key to business success in a competitive environment. The Bank's thrust on productivity paved the way for the Commercial Bank to gain "People Productivity Leadership" amongst local banks.

Human Resource Accounting

The non-human capital is recognised as an asset in the books of account whereas the human capital is totally ignored. However, the definition of wealth as a source of income inevitably leads to the recognition of human capital as one of several forms of wealth such as money, securities and physical capital. It is encouraging to note that more and more firms are gradually moving towards recognising human resource as a form of wealth.

The Lev & Schwartz model has been used to compute the value of the Bank's human resource as at December 31, 2000.

The Human Resource evaluation is based on the following assumptions:

1. All the existing employees will continue in employment up to retirement.
2. Employee remuneration includes all direct and indirect benefits earned by them.
3. Annual increment is granted at 8% p.a. on average.
4. Total future remuneration of all the employees for each year is discounted to the present value at 10%, the financial cost of funds to the Bank.

Year	No. of Employees	Total Value of Human Resource Rs. '000	Value of Human Resource per Employee Rs. '000
2000	2,067	13,849,053	6,700
1999	1,996	12,811,298	6,418

Value Addition through Human Resource Development

Year 2000, also saw a change in focus in Training and Development activities as well, which underlined the need to look at training initiatives as a value adding function both to the individual as well as the organisation, rather than merely catering reactively to identified training need. Thus, the focus shifted from short run strategy to long-term sustainable strategy.

The Staff Development Plan based on a Training Needs Analysis, catered to the diverse Training and Development needs of our entire staff. By end December 2000, Staff Development Centre (SDC) had conducted 142 in-house programmes (Total No. of Participants - 2,842), and 11 special programmes (Total No. of Participants - 439). Further, SDC handled the nomination of 324 participants for 106 external (local) programmes, while 46 participants attended/made 33 overseas training programmes/visits.

One of the significant events during the year was the formal regionalisation of the training process, in order to ensure that the fruits of training reach those in the peripheral regions more equitably, specially in the context of Branch Expansion. Thus, during the year, 2 Regional Training Units were established, one at Southern and one at Central Region. This approach found favour with the regional authorities whereby regional training needs were catered to more effectively, the effect of which would ultimately accrue to the customers by way of enhanced standards in customer care.

Offering Services to others in the Industry and even beyond....

In accordance with the Banks' line of thinking that progress of our Bank should go hand in hand with the progress in the industry, the Staff Development Centre took the initiative to explore market possibilities in offering our services to other banks and even other non-banking institutions as well. In 2000, it offered customised programmes to several leading banks and a public training programme, in which senior managers from 6 banks and two non-banking Institutions participated. Further,

nominations were received for two other programmes from a bank and another State Corporation as well. Furthermore, a programme on Psychometric Testing was arranged in late 2000, conducted by a UK based Training Institute, with the involvement of senior managers from two other banks, on a cost sharing basis. The tempo of this trend would gather momentum in 2001, thereby enhancing our Bank's image as a provider of quality human resource solutions not only to the industry, but also beyond as well.

Towards the preservation of our Bank's rich heritage and promotion of our Bank's image

With a view to preserving the record of our proud passage through the path of history, arrangements were made during the year to preserve and display items of historical interest for the benefit of the new comers and other visitors to the Bank, at the Staff Development Centre. This mini archive has on display, ledgers and books, adding machines, newspaper cuttings, forms as well as photographs portraying the different stages of our evolution into our present status.

Another attempt was also made in this direction, to produce a 25 minute video documentary on the history and growth of the Bank with the involvement of an external agency. The script was written by a member of our staff while a supporting role was played by another staff member. It was produced in all three languages, which would serve as an awareness medium for our staff – both new and senior about our rich heritage, while also serving a useful role in our marketing efforts as well.

A series of seminars commenced, to provide career guidance to senior students of schools, while using such medium to promote our DotCom accounts, with the initial programme being held for St. Peter's College, for their student leaders. This would be offered to other schools as well, in liaison with our Marketing Unit.

Our HRD Vision and Mission .. for 2001 and beyond

Our Vision will be "To become the most effective Human Resource Development Centre within the Financial Industry in Sri Lanka", "To achieve value addition to human resources through quality HRD solutions".

The Bank would therefore, through the Human Resource Development medium, seek to develop the human assets, at three levels, namely the Bank, the industry, and the national level.

Staff Strength

As at 31st December	1996	1997	1998	1999	2000
Corporate Management	11	12	12	12	15
Executives	236	236	250	389	564
Staff Officers and Allied	316	318	347	235	89
Banking Assistants and Allied	1,062	1,116	1,174	1,155	1,017
Banking Trainees	–	–	–	–	183
Office Assistants and others	212	207	202	205	199
Total	1,837	1,889	1,985	1,996	2,067
Income per Employee (Rs. '000)	1,832	2,001	2,004	2,377	2,949
Profit per Employee (Before Tax) (Rs. '000)	316	345	387	406	556
Assets per Employee (Rs. '000)	13,792	14,642	17,383	20,986	24,001

Age Analysis of the Staff as at 31st December

Age Group (years)	Corporate Mgt.	Executives	Staff Officers & Allied	Banking Asst. & Allied	Banking Trainees	Office Asst. & Others	Total 2000	Total 1999
Above 60	–	–	–	–	–	–	–	–
51 - 60	10	23	01	06	–	10	50	43
41 - 50	05	226	24	75	–	77	407	410
31 - 40	–	248	45	375	–	78	746	709
21 - 30	–	67	19	561	183	34	864	834
Below 20	–	–	–	–	–	–	–	–
	15	564	89	1,017	183	199	2,067	1,996

Average age of employees as at December 31, 2000 was 34.6 years (1999 - 33.8 years).

Service Analysis of the Staff as at 31st December

Service (years)	Corporate Mgt.	Executives	Staff Officers & Allied	Banking Asst. & Allied	Banking Trainees	Office Asst. & Others	Total 2000	Total 1999
Above 20	08	171	13	52	–	51	295	267
16 - 20	03	114	13	51	–	43	224	283
11 - 15	–	145	23	167	–	31	366	292
6 - 10	03	93	39	441	–	59	635	713
Below 5	01	41	01	306	183	15	547	441
	15	564	89	1,017	183	199	2,067	1,996

Average service of employees as at December 31, 2000 was 11.0 years (1999 - 11.1 years).

The service of the employees absorbed from Eastern Bank Ltd. and Mercantile Bank Ltd. is also included.

Social

Responsibility

Symbiotic Harmony with our Society... .

“The organization needs to be an ethical creature – an organism capable of both reaping profits and making the world a better place to live.”

Levi Strauss, *Chairman and Chief Executive, Robert Haas*

Being conscious of relationships, Commercial Bank always saw the responsibility towards the society as the number one priority. We have always worked together with the community to earn their respect by contributing to the goodwill of the society and at the same time strengthening the economy. We were able to carry out our community services throughout the country via our branch network.



The Managing Director, A.L. Gooneratne handing over a cheque for Rs. 175,000 to the Minister of Ports Development and Development of the South, Ronnie De Mel. The Commercial Bank has funded a publicity campaign to project the fast deteriorating coastal and marine environment

Responsible Stewardship in relation to nature

Commercial Bank ventured into an education and consciousness-raising project to promote protection and preservation of our beaches and oceans through the sponsorship of production of colourful posters to be displayed at various public places on the coastal line, highlighting the importance of conserving the pristine state of our unique marine environment and Eco-systems. This project was coordinated by the Marine Pollution Prevention Authority (MPPA).

Highlighting our rich cultural heritage

Mindful of Sri Lanka having a rich cultural heritage dating back to over 2500 years, we launched “**Helamaga Salakunu**” an awareness programme to educate on lesser-known facts of the country’s most popular cultural and scenic sights. In



continuation of this thirst to rediscover the trails of our beloved ancestors, “**Helamaga Visithuru**” was launched to nurture and bring out the traditions, beliefs, values and customs of early days, which are slowly being submerged in modernity.

Our contribution to the youth of the country

Through the “Tharuna Aruna Skills Development Programme” we were able to provide on the job training to a large number of unemployed graduates. Under this programme, graduates receive a sixteen months on the job training and earn the necessary practical experience at Commercial Bank. Youth with professional qualifications and / or successful completion of secondary education are provided comprehensive on the job training on all aspects of banking as a foundation for a successful career in the banking field under the “Banking Trainees” training programme.

In remembrance of those who departed from among us

Commercial Bankers, multiplying their reach to the community, contributed generously out of their pockets and donated a “Dyna Map machine” imported from



Managing Director handing over the cheque as the national sponsor for badminton in Sri Lanka

America to the Maharagama Cancer Hospital. The “Dyna Map machine” is an essential item for the operating theatre. This project was undertaken in remembrance of some of our staff members whom we lost under tragic circumstances.

Towards a healthy nation

For the fourth year in succession we were the national sponsors for Badminton in Sri Lanka. Through our sponsorship it has been possible for the Sri Lanka Badminton Association to upgrade the standard of the game to higher levels and also popularise it even in the outstations and it has also enabled the Sri Lankan Badminton team to be elevated from Group 5 to Group 6 in the concluded International Group Championships. In recognition of the Bank’s support towards Badminton, the International Badminton Federation (IBF) awarded a special certificate of commendation to Commercial Bank.



Donating a 'Dyna Map' equipment to the Cancer Hospital

REACHING OUT TO THE SOCIETY

Anuradhapura Branch

- Donated a refrigerator to the Victory Army Hospital. ①

Hingurakgoda Branch

- New Year sale in aid of disabled soldiers and families of those who had died in action.
- Donated gift items to families of Army personnel who had died in action.
- Organised a regional Chess tournament to promote the sport among students.

Head Office

- Sponsorship of National Vesak Festival.
- Sponsorship of National Management Conference.
- Donations to the Wildlife Preservation Fund.
- Donation to the sports day of the disabled.
- Sponsorship of CIMA seminar.

Nugegoda Branch

- Donated a "Microvasive Mechanical Lithotripter" to the Kalubowila Hospital.

Kalutara Branch

- Donated a "Coin Counting Machine" to the Kalutara Bhodi Trust. ⑦

Kirulapone Branch

- Donated an Electric Water Boiler to an orphanage managed by Sri Lankadhara Society Ltd.

Wellawatte Branch

- Sponsored the prize certificates of the Annual Prize giving of St. Peter's College.

Maharagama Branch

- Presented gifts to the children and a cash donation to the Maharagama Cancer Hospital.

Vavuniya Branch

- Donated medical equipment to the Vavuniya Base Hospital.
- Donated Milk powder to flood victims. ②

Wennappuwa Branch

- Donated beds to Sambodhi Home for disabled, Lunuwila.

Kurunegala Branch

- Sponsored the ladies' and men's cycle race at "Kurunegala Bakmaha Ulela".
- Sponsored get-together of Doctors in the area.
- Conducted Dengue Fever controlling campaigns at St. Anne's College, Angangala School and Gettuwana School.

Kegalle Branch

- Sponsored St. Mary's vs Kegalu Vidyalaya Big Match.
- Provided lunch for children's orphanage.

Badulla Branch

- Sponsored prizes that were distributed at the Prize-Giving of Muthiyangana Sri Sumanatissa Daham School.

Galle - Fort & Galle - City Branches

- Donated furniture to the Sambhodi Welfare Society, Galle.
- Donated Personal Computers to Mahinda College, Galle.
- Organised "Awareness Programme on Treasury Products" for the leading customers and entrepreneurs.

Matara Branch

- Provided refreshments to participants at the “Dengue Prevention Shramadana campaign” organised by Rahula College and Sujatha Vidyalaya.

Galle Fort and Akuressa Branches

- Sponsored and participated in Dengue Awareness campaigns.

Hikkaduwa Branch

Donated Personal Computers for the “Foster Parents” scheme conducted by the Lions Club of Hikkaduwa.

Kandy Branch

- Blood donation campaign and donation of a bed to the Blood Bank. ⑤
- Donated books to the Garihagama Junior School library and Jayagrahana Children’s Home library. ③ ⑥
- Organised and sponsored the “Inter-School Poson Bakthi Gee” competition with the participation of Kandy Schools. ④

Matale Branch

- Renovated the building and donated books to the Puvakpitiya Junior School library.

Katugastota Branch

- Official Banker – Rajans Millennium Scouts Jamboree, 2000.



Directors'

Report

The Directors have pleasure in presenting to the members their Report together with the audited accounts of the Commercial Bank of Ceylon Ltd. a public limited liability company incorporated in Sri Lanka on June 25, 1969 under the Companies Ordinance No. 51 of 1938, quoted in the Colombo Stock Exchange in March 1970 and a licensed commercial bank under the Banking Act No. 30 of 1988, for the year ended December 31, 2000.

These were approved by Directors on February 26, 2001.

Review of the year

The Chairman's Statement and the Interview with the Managing Director describe in detail the Company's affairs and important events of the year.

Principal Activities

Bank

The principal activities of the Bank continued to be banking and related activities such as personal banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, travel related services, corporate and retail credit, project financing, lease financing, rural credit, local and international credit cards, telebanking facilities, Intra-net facilities to customers, etc.

Subsidiaries

The principal activities of Commercial Development Company Ltd. and Commercial Bank Primary Dealer Ltd. are property development and dealing in Government securities as a Primary Dealer respectively.

Associates

The principal activities of Commercial Leasing Company Ltd., Equity Investments Lanka Ltd. and Commercial Fund Management Pvt. Ltd. are leasing and factoring, venture capital and fund management respectively.

Profit

The profit before tax was up by 42.12% (1999 - 5.20%) and profit after tax up by 42.14% (1999 - 11.33%). Details of which were given below.

	2000 Rs.	1999 Rs.
Profit for the year after payment of all expenses of management and providing for depreciation, possible loan losses and contingencies	1,150,455,115	809,479,038
Provision for taxation	214,500,000	151,000,000
Net profit after taxation	935,955,115	658,479,038
Unappropriated profit brought forward from previous year	1,345,235	1,166,657
Profit available for appropriation	937,300,350	659,645,695
Appropriations		
Transfer to General Reserve 14% (12% in 1999) Interim	770,000,000	519,000,000
Dividend paid 31% (28% in 1999) Final	48,755,161	41,790,138
Dividend proposed	107,957,856	97,510,322
Unappropriated profit to be carried forward	10,587,333	1,345,235

Further information on the results of operations is given in the Income Statement on page 54.

Dividends

The Directors recommend the payment of 31% final dividend for the year 2000 (1999 - 28%). An interim dividend of 14% was paid in December 2000 (1999 - 12%).

Interim dividend included Rs. 2.836 million paid out of exempt dividends received and hence be exempt from income tax in the hands of the shareholders.

Provision for Taxation

Provision for taxation has been computed at 30% on the taxable income arising from the domestic operations of the Bank and at 10% on the taxable income arising from on-shore banking operations of the Off-shore Banking Centre.

It is the Bank's policy to provide for deferred taxation on all known timing differences on the liability method.

Property, Plant & Equipment

Expenditure on Property, Plant & Equipment and Capital Work-in-Progress amounted to Rs. 213.295 million (1999 - Rs. 328.335 million), details of which are given in Note 20 to the Accounts. Expenditure approved and contracted for after the year end is included in Note 31 to the Accounts.

Reserves

The total reserves of the Bank stood at Rs. 4,699.278 million as at December 31, 2000, details of which are given in Note 27 and 28 to the financial statements.

Directors**List of Directors**

The Board of Directors of Commercial Bank of Ceylon Ltd. consist of nine Directors with wide financial knowledge and experience. The following were the Directors during the year:

M.J.C. Amarasuriya (*Chairman*)
J.S. Mather (*Deputy Chairman*)
A.L. Gooneratne (*Managing Director*)
Dr. H.S. Wanasinghe
B.R.L. Fernando
M.L. Mack
A.N. Fonseka
P.A. Pematilaka
D.J. Amarasinghe (*Resigned w.e.f. 31.12.2000*)

Interest in Shares

Shareholdings of Directors at the beginning and at the end of the year are as follows:

	As at 31.12.00	As at 01.01.00
M.J.C. Amarasuriya	4,650	4,550
	900	-
	(non-voting)	
J.S. Mather	-	-
A.L. Gooneratne	19,293	19,293
	4,332	4,332
	(non-voting)	(non-voting)
Dr. H.S. Wanasinghe	-	-
B.R.L. Fernando	1,177	1,177
	(non-voting)	(non-voting)
M.L. Mack	-	-
A.N. Fonseka	149	-
	(non-voting)	
P.A. Pematilaka	-	-
D.J. Amarasinghe	-	-

Interest in Debentures

Debenture holdings of Directors at the beginning and at the end of the year are as follows:

	As at 31.12.00	As at 01.01.00
M.J.C. Amarasuriya	-	-
J.S. Mather	-	-
A.L. Gooneratne	-	-
Dr. H.S. Wanasinghe	-	-
B.R.L. Fernando	-	-
M.L. Mack	-	-
A.N. Fonseka	-	-
P.A. Pematilaka	-	-
D.J. Amarasinghe	-	-

Directors' shareholdings have not changed subsequent from the date of the Balance Sheet up to January 26, 2001 being one month prior to the date of Notice of the Annual General Meeting.

Appointments and Resignations

In accordance with Articles 85 and 86 of the Articles of Association of the Company, Mr. J.S. Mather and Dr. H.S. Wanasinghe retire by rotation and being eligible for re-election are recommended for re-election.

Reference has already been made in the Notice of Meeting to the Special Resolutions received by the Company from a shareholder with regard to the re-election of Mr. J.S. Mather and Dr. H.S. Wanasinghe who have already passed the age of 70 years.

Mr. D.J. Amarasinghe resigned from the Board with effect from December 31, 2000.

Directors' Interests in Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed in Note 33 to the Accounts. These interests have been declared at Directors' Meetings. Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Bank to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 17 of 1982 and the Banking Act No. 30 of 1988.

Human Resources

The Bank continued to implement appropriate Human Resource Management Policies and Practices to develop its employees and also to ensure their optimum contribution towards the achievement of corporate goals. Specific measures taken in this regard are detailed elsewhere in the section on Our People appearing on page 37.

Branch Expansion

Branch expansion policy continued during the year and the Bank opened 5 Branches, 3 Customer Service Points and 2 MiniComs.

Share Capital

During the year under review the share capital of the Bank remained unchanged.

Shareholdings

There were 4,564 registered shareholders holding voting ordinary shares and 1,013 registered shareholders holding non-voting ordinary shares of the Bank as at December 31, 2000. The distribution of shareholdings and the 20 largest shareholders are given on page 100 of this Report.

Vision, Mission and Corporate Conduct

The Bank's Vision and Mission are given on the back cover of the Report. The business activities of the Bank are conducted with the highest level of ethical standards in achieving its Vision and Mission.

Corporate Governance

Systems and procedures are in place to ensure that corporate governance is properly practised. Specific measures taken in this regard are elaborated on page 48 of this Report.

Audit Committee

The following non-Executive Directors of the Board served as members of the Board Audit Committee:

Mr. J.S. Mather
Dr. H.S. Wanasinghe
Mr. B.R.L. Fernando
Mr. P.A. Pematilaka

Mr. A.L. Gooneratne attends the meetings by invitation.

The report of the Audit Committee is given on page 52 of this Report.

Going Concern

The Board of Directors is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

Risk Management

Specific steps taken by the Bank in managing both banking and non-banking risks are detailed on page 34 of this Report.

Donations

During the year donations amounting to Rs. 703,555/- (Rs. 246,150/- in 1999) of which Rs. 648,825/- was to Government approved charities, were made by the Bank.

Auditors

The retiring Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Company have signified their willingness to continue in office and a resolution to re-appoint them as Auditors, and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

System of Internal Controls

The Board of Directors has instituted an effective and comprehensive system of Internal Controls required to carry on the business of Banking in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records.

Post Balance Sheet Events

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the Accounts other than those disclosed, if any in Note 33 to the Accounts.

Notice of Meeting

Notice of meeting relating to the Thirty-Second Annual General Meeting is given on page 115.

By Order of the Board



Mrs. R.R. Dunuwille
Company Secretary

Colombo
February 26, 2001

Corporate Governance

For us at Commercial Bank, Corporate governance in essence is the enhancement of shareholder value whilst being ethical and accountable to the society. In this regard, our Board of Directors acts as the representative of shareholders and ensures that the Corporate Management acts in the best interests of the shareholders. Transparency and equitable treatment to all shareholders, both big as well as small, are the hallmarks of the strategy adopted by our Board in enhancing shareholder value.

Enhancing Shareholder Value

Good corporate governance is reflected in whatever we do at Commercial Bank. Enhancing shareholder value is the ultimate objective of good corporate governance. Even under depressed overall share market conditions, the current market capitalisation of Commercial Bank's shares and the Bank's track record on dividends and scrip issues bear ample testimony to our concerted efforts at enhancing shareholder value.

Board of Directors - in full control of the Bank's affairs

Our Board of Directors is in full control of the Bank's affairs and is also fully accountable to our shareholders.

Commercial Bank's Board of Directors comprise of nine Directors with one Executive Director who is the CEO and eight non-Executive Directors. Of these eight non-Executive Directors, four represent the two major shareholders, namely the Government of Sri Lanka and the DFCC Bank. The remaining four Directors which include both the current Chairman and Deputy Chairman are appointed by the shareholders at the Annual General Meeting.

The Directors of Commercial Bank are all professionals drawn from different disciplines and they have no material interest in shares or other business relationships with the Bank. They are therefore in a position to add value and bring independent judgement to bear on the decision making process of the Company, free from any undue influence or control of other parties.

A well streamlined Management Information System (MIS) is in place at Commercial Bank enabling the Board of Directors to have timely access to financial and other information in relation to the functions and performance of the Bank. In addition, the Board also receives regular updates on the economic and business activities in the country with special emphasis on the banking and financial services sector. These inputs help them to arrive at well informed decisions in the best interests of the shareholders and other main stakeholders of the Bank.

The Board regularly meets at their monthly meetings. In addition, special meetings are also arranged as required.

The Board of Directors of Commercial Bank gives utmost priority to safeguard the interests of the Bank. Therefore, they do not leave room for any conflict between their

personal interests and those of the Bank. The Board also ensures that there is no such conflict of interests between the Bank and its stakeholders such as shareholders, customers and employees.

Commercial Bank - *model corporate citizen*

Commercial Bank's Board of Directors ensures that the Bank conducts itself as a model corporate citizen.

Towards this end, they have specified corporate values for the Bank and stipulated a code of conduct/ethics for the employees. This ensures that the employees maintain their dignity and integrity, building customer confidence in the Bank.

The Board has formulated proper checks, balances and controls. It also ensures that adequate technology, systems, procedures and strategic planning are in place. The effectiveness of these systems is periodically reviewed by the Board and it also ensures that effective internal and external audit procedures are in place and these functions are carried out by independent and competent persons. The Board also reviews the reports arising from the internal and external audit and also monitors the progress of the Bank by evaluating the results against the budget and the industry performance.

Your Directors have also put in place an effective risk management and compliance system so that no legal, banking, company, stock market and other regulations are violated.

The Role of the Management

Even though the Board of Directors is ultimately responsible for the operations and financial soundness of the Bank, the day to day management of the Bank, is entrusted with the Corporate Management of the Bank headed by the Chief Executive Officer. In this connection the Board:

- Appoints the Chief Executive Officer and Corporate Management, defines their job responsibilities and plans for their succession.
- Sets goals and objectives to the Chief Executive Officer and Corporate Management and assesses their performance. The Managing Director/CEO is entrusted with the management of the Bank's operations and he is fully accountable to the Board. The main corporate goals and objectives emanating from the Bank's Corporate Plan and the Budget are incorporated as personal goals of the CEO, whose performance is assessed by the Board.
- Ensures that a proper decision making and accountability structure is established throughout the Bank so that the staff down the line is fully accountable to the Senior Management.

The Board has delegated appropriate authority to the Management to implement policies and other strategic objectives of the Bank. The Management exercises this authority within the policy framework stipulated by the Board and in line with the ethical and professional standards applicable to the banking industry. In short the

Management strives to preserve and nurture our unique corporate culture that has enabled us to earn the goodwill of our shareholders and other stakeholders.

Continuous Improvement

Commercial Bank has always welcomed active participation of the shareholders at the Annual General Meetings and solicited their views at all times, thereby promoting a healthy dialogue. Whenever possible, the Bank has also implemented their suggestions. For instance, the Directors favourably considered and subsequently implemented the request made by the shareholders at the 31st Annual General Meeting of the Bank held on March 31, 2000 to arrange for the future dividends of our Bank to be credited to a special savings account to be opened by shareholders, with any branch of the Commercial Bank. In the alternative, we have also made provisions for the existing savings accounts of the shareholders to be reclassified under the said category.

Transparency

We at Commercial Bank, attach high priority to timely publication of quarterly and annual results with comprehensive details far in excess of statutory requirements, enabling both existing and prospective shareholders to make a timely and fair assessment of the Bank's performance. In addition we strictly adhere to the accounting formats and other procedures laid down by the regulatory authorities in the submission of all periodic returns and other information.

Committees

There are several board sub-committees, each with a defined scope of work and terms of reference. These committees are responsible for providing independent and expert advice to the Board on the subjects assigned.

Audit Committee

The Audit Committee is headed by the Deputy Chairman and represented by four non-Executive Directors. The Managing Director attends the meetings by invitation. The full Report of this committee is given on page 52 of this Report.

Credit Committee

The Credit Committee formulates the Bank's Credit Policy and monitors the management of credit risk. Facilities over and above the delegated authority of the management are also referred to this committee for approval. The Credit Committee comprises of the Chairman, Managing Director and a non-Executive Director.

The composition of each board sub-committee is given in the table below:

Name of the Director	Audit	Credit	Personnel and Remuneration	Corporate Planning
A.L. Gooneratne	✓	✓	✓	✓
M.J.C. Amarasuriya		✓	✓	✓
J.S. Mather	✓			✓
Dr. H.S. Wanasinghe	✓		✓	
B.R.L. Fernando	✓	✓		
A.N. Fonseka				✓
D.J. Amarasinghe*				✓
M.L. Mack			✓	✓
P.A. Pematilaka	✓			

* Resigned with effect from December 31, 2000

Personnel and Remuneration Committee

This Committee maintains a market oriented remuneration policy for the Bank's management and the executive staff. This enables the Bank to attract the best personnel in the market while maintaining a contended staff. The Personnel and Remuneration Committee also makes recommendations to the Board on appointments to the corporate management and their succession planning. This Committee comprises of the Chairman, Managing Director and three other non-Executive Directors.

Corporate Planning Committee

This Committee ensures that a proper planning procedure is in place and also strives to promote a target driven culture within the Bank. The Committee is headed by the Chairman and also comprises of two non-Executive Directors and the Managing Director.

In addition to the advice offered by the above committees, the Board obtains independent professional advice from external sources whenever the Board deems it is necessary.

FINANCIAL CALENDAR

Thirty-Second Annual General Meeting to be held on	March 29, 2001
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Final Dividend for 1999 paid on	March 31, 2000
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Interim Dividend for 2000 paid on	December 22, 2000
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Final Dividend for 2000 proposed to be paid on	March 29, 2001
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Annual Report and Accounts for 2000 signed on	February 26, 2001
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Quarterly Reports in terms of Rule 3.1-10 of the Colombo Stock Exchange:

For the three months ended March 31, 2000 (unaudited)	May 19, 2000
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For the six months ended June 30, 2000 (unaudited)	August 4, 2000
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For the nine months ended September 30, 2000 (unaudited)	October 10, 2000
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Annual Report and Accounts for 2000 (audited)	February 26, 2001
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FINANCIAL REPORTS

The Audit Committee comprises four non-Executive Members of the Board and the Managing Director, who attends by invitation. The Bank's Deputy General Manager (Inspection) functions as the Secretary of the Committee.

The Audit Committee is empowered, among other things, to examine any matter relating to the financial affairs of the Bank and to review all internal and external audit and inspection programmes, internal control procedures, accounting policies, etc., to ensure that a sound financial reporting system is in place and is well managed in order to provide accurate, appropriate and timely information to the Management, Regulatory Authorities and Shareholders and that the Bank's operations conform to rules, regulations and accepted ethical guidelines and meet the Management policies.

During the year under review, the Committee met four times and reviewed over 160 Audit and Inspection Reports on Branches and Head Office Departments with special emphasis on credit administration, quality of operations and provided directions and guidance wherever operational deficiencies have been observed. The Committee keeps a close and continuous watch over those Branches and Departments where overall performance was found to be below acceptable levels. The Committee also reviewed the External Auditors' Management Letter and the Management response thereto. Besides reviewing Inspection Reports and the Management Letter, the Audit Committee met with the Auditors with a view to assessing and improving branch operations.

Regular reports of the proceedings of the Audit Committee Meetings were made to the full Board.

Along with the other members of the Board, the Audit Committee reviewed in detail at least quarterly the Bank's Compliance with the Mandatory Banking and other Statutory requirements and at least bi-annually, the Bank's adherence to the Risk Management Measures approved by the Board. The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Bank's assets are safeguarded and that the financial position of the Bank is well monitored.

The Audit Committee reviewed the effectiveness of the internal financial controls and the procedures established for assessing and managing risks particularly in the background of the rapid expansion in the Branch network, complexity of operations, advanced information technology and the diversity of products and services offered. Committee also reviewed the Charter of the Audit Committee in line with the latest developments in management techniques and as part of good corporate governance.

In view of the rapid expansion in the Branch network and business volumes, the Audit Committee with the concurrence of the Board enlisted the services of five firms of Chartered Accountants approved by the Central Bank of Sri Lanka, to supplement the Bank's Inspection Department in carrying out periodic branch inspections.

The Audit Committee has recommended to the Board of Directors that M/s. KPMG Ford, Rhodes, Thornton & Company be re-appointed as Auditors for the financial year ending December 31, 2001 subject to the approval of the Shareholders at the next Annual General Meeting.

J.S. Mather
Chairman - Audit Committee

February 26, 2001



Ford, Rhodes, Thornton & Co.

(CHARTERED ACCOUNTANTS)

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P.O. Box 186,
Colombo 3,
Sri Lanka.

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Telefax - (94-1) 445872, 446058, 541249
E-mail: frt@kpmg.lk

TO THE MEMBERS OF COMMERCIAL BANK OF CEYLON LIMITED.

We have audited the Balance Sheet of Commercial Bank of Ceylon Ltd. as at December 31, 2000, the Consolidated Balance Sheet of the Bank and its Subsidiaries and the related Statements of Income, Cash Flows and Changes in Equity for the year then ended, together with the Accounting Policies and Notes exhibited on pages 54 to 94 of the Annual Report.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended December 31, 2000, and to the best of our

information and according to the explanations given to us, the said Balance Sheet, and related Statements of Income, Cash Flows, Changes in Equity and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No.17 of 1982 and the Banking Act No. 30 of 1988 and give a true and fair view of the Company's state of affairs as at December 31, 2000, and of its profit, cash flows and changes in equity for the year then ended.

In our opinion, the Consolidated Balance Sheet and Statements of Income, Cash Flows, Changes in Equity and the Accounting Policies and Notes thereto have been properly prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No.17 of 1982 and the Banking Act No. 30 of 1988 and give a true and fair view of the state of affairs as at December 31, 2000, and of its profit, cash flows and changes in equity for the year then ended of the Company and its Subsidiaries dealt with thereby, so far as concerns the members of the Company.

Directors' Interests in Contracts with the Company

According to information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended December 31, 2000, except as stated in Note 33 to these Financial Statements.

Chartered Accountants

Colombo
February 26, 2001



Member Firm of
Klynveld Peat Marwick Goerdeler (KPMG)

G. C. B. Wijeyesinghe, F. C. A.
S. Sirikananathan, F. C. A.

R. N. Asirwatham, F. C. A.
M. R. Mihular, F. C. A.
C. P. Jayatilake, F. C. A.

A. N. Fernando, F. C. A.
Ms. M. P. Perera, F. C. A.
T. J. S. Rajakarier, F. C. A.

R. Seevaratnam, F. C. A.
P. Y. S. Perera, F. C. A.

For the year ended 31st December	Note	Bank			Group	
		2000 Rs.'000	1999 Rs.'000	Change %	2000 Rs.'000	1999 Rs.'000
Net income	1	5,727,034	4,489,394	27.57	5,902,834	4,466,634
Interest income	2	4,796,171	3,762,206	27.48	5,003,594	3,761,541
Interest expense	3	2,776,361	2,158,477	28.63	2,971,630	2,158,477
Net interest income		2,019,810	1,603,729	25.94	2,031,964	1,603,064
Foreign exchange profit		420,733	274,380	53.34	420,733	274,380
Other income	4	599,534	517,424	15.87	569,348	495,329
		3,040,077	2,395,533	26.91	3,022,045	2,372,773
Less: Turnover Tax		11,938	10,049	18.80	12,135	10,049
National Security Levy		77,468	54,567	41.97	78,706	54,567
		2,950,671	2,330,917	26.59	2,931,204	2,308,157
Less: Operating expenses	5					
Personnel costs		777,194	680,368	14.23	782,621	683,798
Premises, equipment and establishment expenses		530,939	465,685	14.01	482,065	415,149
Provision for staff retirement benefits	6	42,050	47,980	(12.36)	42,050	47,980
Other overhead expenses		265,409	210,949	25.82	270,799	225,220
		1,615,592	1,404,982	14.99	1,577,535	1,372,147
Profit before loan losses and provisions and provision for fall in value of investment properties		1,335,079	925,935	44.19	1,353,669	936,010
Less: Loan losses and provisions	7	180,178	116,456	54.72	180,178	116,456
Provision for fall in value of investment properties		4,446	–	100.00	4,446	–
Profit after loan losses and provisions and provision for fall in value of investment properties		1,150,455	809,479	42.12	1,169,045	819,554
Add/(Less): Share of profit/(loss) before tax of associate companies	8	–	–	–	9,960	16,682
		1,150,455	809,479	42.12	1,179,005	836,236
Goodwill on consolidation written off		–	–	–	14,842	14,842
Profit before taxation		1,150,455	809,479	42.12	1,164,163	821,394
Less: Provision for taxation	9	214,500	151,000	42.05	227,600	162,144
Profit after taxation		935,955	658,479	42.14	936,563	659,250
Less: Minority interest		–	–	–	1,312	1,256
Profit attributable to ordinary shareholders		935,955	658,479	42.14	935,251	657,994
Earnings per Ordinary Share	10	Rs. 26.88	Rs. 18.91	42.14	Rs. 26.86	Rs. 18.89
Dividend per Ordinary Share		Rs. 4.50	Rs. 4.00	12.50	Rs. 4.50	Rs. 4.00

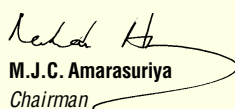
The Accounting Policies and the Notes from pages 59 to 94 form an integral part of these financial statements.

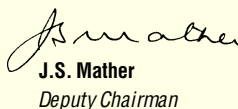
Balance Sheet

As at 31st December		Bank			Group	
		2000 Rs.'000	1999 Rs.'000	Change %	2000 Rs.'000	1999 Rs.'000
ASSETS						
Cash and short-term funds	13	5,456,230	3,760,763	45.08	5,456,230	3,760,763
Balance with Central Bank of Sri Lanka		2,583,244	2,643,515	(2.28)	2,583,244	2,643,515
Government of Sri Lanka Treasury bills and bonds		1,066,609	2,613,640	(59.19)	4,233,358	2,613,640
Commercial paper		330,400	745,000	(55.65)	330,400	745,000
Securities purchased under re-sale agreements		–	–	–	501,933	–
Investment securities	14	208,485	299,715	(30.44)	208,585	299,815
Placements with banks maturing after one year		–	288,920	(100.00)	–	288,920
Treasury bonds maturing after one year		381,969	959,200	(60.18)	381,969	959,200
Bills of exchange	15.1	2,331,031	1,873,019	24.45	2,331,031	1,873,019
Loans and advances	15.2	31,570,380	24,692,476	27.85	31,570,380	24,692,476
Lease receivable within one year	15.3	535,860	430,507	24.47	530,239	427,203
Lease receivable after one year	15.4	726,602	616,573	17.85	706,589	616,573
		45,190,810	38,923,328	16.10	48,833,958	38,920,124
Investment properties	16	133,324	94,788	40.65	133,324	94,788
Investments in Associate Companies	17	78,331	78,331	–	119,826	117,833
Investments in Subsidiary Companies	18	424,393	274,393	54.67	–	–
Interest and fees receivable		268,532	459,720	(41.59)	268,532	459,720
Other assets	19	2,209,732	793,440	178.50	2,217,488	788,791
Goodwill on consolidation		–	–	–	–	14,842
Property, Plant & Equipment	20	1,305,596	1,263,303	3.35	1,520,883	1,461,305
		49,610,718	41,887,303	18.44	53,094,011	41,857,403
FINANCED BY:						
LIABILITIES						
Deposits from customers	21	37,522,999	30,128,139	24.54	37,369,387	30,106,024
Borrowings	22	2,316,713	1,350,196	71.58	2,316,713	1,350,196
Securities sold under re-purchase agreements		1,430,134	3,371,208	(57.58)	4,896,753	3,371,208
Other liabilities	23	2,493,825	2,060,697	21.02	2,673,498	2,069,673
Deferred taxation	24	150,000	107,100	40.06	152,490	109,286
Tax payable		41,560	4,166	897.59	20,819	(24,886)
Dividends payable		107,958	97,510	10.71	107,958	98,116
Debentures	25	500,000	500,000	–	500,000	500,000
		44,563,189	37,619,016	18.46	48,037,618	37,579,617
SHAREHOLDERS' FUNDS						
Share capital	26	348,251	348,251	–	348,251	348,251
Statutory reserve fund	27	1,009,000	1,009,000	–	1,009,000	1,009,000
Reserves	28	3,690,278	2,911,036	26.77	3,686,562	2,908,024
Shareholders' funds		5,047,529	4,268,287	18.26	5,043,813	4,265,275
Minority interest		–	–	–	12,580	12,511
		5,047,529	4,268,287	18.26	5,056,393	4,277,786
Total liabilities and shareholders' funds		49,610,718	41,887,303	18.44	53,094,011	41,857,403
Commitments and contingencies	30	17,879,548	15,445,166	15.76	17,879,548	15,445,166

The Accounting Policies and the Notes from pages 59 to 94 form an integral part of these financial statements.

Approved and signed for and on behalf of the Board


M.J.C. Amarasuriya
Chairman


J.S. Mather
Deputy Chairman


A.L. Gooneratne
Managing Director


Mrs. R.R. Dunuwille
Company Secretary

<i>For the year ended 31st December</i>	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
Cash Flows from Operating Activities				
Interest and commission receipts	5,301,565	4,121,113	5,508,820	4,120,280
Interest payments	(2,776,361)	(2,158,477)	(2,971,630)	(2,158,477)
Recoveries on loans previously provided/written off	24,372	60,889	24,372	60,889
Foreign exchange profit and other income	438,886	283,762	438,392	285,419
Cash payments to employees and suppliers	(1,540,910)	(1,346,388)	(1,491,860)	(1,307,237)
Operating profit before changes in operating assets	1,447,552	960,899	1,508,094	1,000,874
(Increase)/Decrease in operating assets:				
Balance with Central Bank of Sri Lanka	60,271	(803,554)	60,271	(803,554)
Funds advanced to customers	(7,731,476)	(7,155,885)	(7,709,146)	(7,158,379)
Increase/(Decrease) in operating liabilities:				
Deposits from customers	6,782,368	4,418,350	6,650,871	4,404,192
Negotiable certificates of deposit	612,492	435,358	612,492	435,358
Net cash from operating activities before income tax	1,171,207	(2,144,832)	1,122,582	(2,121,509)
Income tax paid	(134,206)	(116,691)	(138,691)	(127,179)
Net cash inflow/(outflow) from operating activities	1,037,001	(2,261,523)	983,891	(2,248,688)
Cash Flows from Investing Activities				
Dividends received	31,073	31,628	1,549	8,044
Interest received	10,398	25,438	10,398	25,438
Placements with banks	288,920	(288,920)	288,920	(288,920)
Government of Sri Lanka Treasury bills and bonds	1,165,062	(530,140)	(2,001,687)	(530,140)
Securities purchased under resale agreements	–	70,000	(501,933)	70,000
Securities sold under repurchase agreements	(1,941,074)	1,240,765	1,525,545	1,240,765
Commercial paper	414,600	(15,000)	414,600	(15,000)
Treasury bonds	959,200	(550,400)	959,200	(550,400)
Additions to investments	(226,752)	(10,327)	(68,785)	(10,327)
Proceeds from GOSL Rupee Loans matured	–	252,171	–	252,171
Proceeds from sale of investments	125,000	2,307	125,000	2,307
Purchase of Property, Plant & Equipment	(213,295)	(328,335)	(243,006)	(325,223)
Proceeds from sale of Property, Plant & Equipment	19,026	1,011	19,024	1,011
Net cash inflow/(outflow) from investing activities	632,158	(99,802)	528,825	(120,274)

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
<i>For the year ended 31st December</i>				
Cash Flows from Financing Activities				
Minority Interest	–	–	(1,243)	(1,249)
Net increase in other borrowings	172,573	886,965	330,865	895,967
Dividends paid	(146,265)	(139,300)	(146,871)	(139,416)
Net cash inflow/(outflow) from financing activities	26,308	747,665	182,751	755,302
Net increase in cash and cash equivalents	1,695,467	(1,613,660)	1,695,467	(1,613,660)
Cash and cash equivalents at beginning of period	3,760,763	5,374,423	3,760,763	5,374,423
Cash and cash equivalents at end of period (Refer to Note 13)	5,456,230	3,760,763	5,456,230	3,760,763
Reconciliation of Operating Profit				
Profit before taxation	1,150,455	809,479	1,164,163	821,394
Add/(Less): Investment income	(41,471)	(57,066)	(11,947)	(33,482)
Share of Profit/(Loss) of associate companies	–	–	(9,960)	(16,682)
Profit on sale of Property, Plant & Equipment	(10,144)	(1,734)	(10,144)	(1,734)
Goodwill written off	–	–	14,842	14,842
Depreciation	162,120	121,243	174,548	127,559
Loan losses and provisions	180,178	116,456	180,178	116,456
Recoveries not involving an inflow of funds	–	(29,446)	–	(29,446)
Provision for fall in value of investment properties	4,446	–	4,446	–
Provision for legal interest	1,968	1,967	1,968	1,967
Operating profit before changes in operating assets	1,447,552	960,899	1,508,094	1,000,874

NOTES TO THE ACCOUNTS

Note	Page
1. Net Income	66
2. Interest Income	66
3. Interest Expense	66
4. Other Income	66
5. Operating Expenses	67
6. Provision for Staff Retirement Benefits	67
7. Loan Losses and Provisions	67
8. Share of Profit / (Loss) before tax of Associate Companies	68
9. Provision for Taxation	68
10. Earnings per Ordinary Share	69
11. Dividends	69
12. Unappropriated Profit/(Loss) Carried Forward	70
13. Cash and Short Term Funds	70
14. Investment Securities	70
15. Loans and Advances	72
16. Investment Properties	75
17. Investments in Associate Companies	76
18. Investments in Subsidiary Companies	77
19. Other Assets	78
20. Property, Plant & Equipment	78
21. Deposits from Customers	80
22. Borrowings	80
23. Other Liabilities	80
24. Deferred Taxation	81
25. Debentures	81
26. Share Capital	82
27. Statutory Reserve Fund	82
28. Reserves	82
29. Maturity Analysis	83
30. Commitments and Contingencies	87
31. Capital Commitments	88
32. Financial Reporting by Segment	89
33. Directors' Interests in Contracts with the Company	89
34. Related Party Transactions	90
35. Post Balance Sheet Events	94

Statement of Changes in Equity

Note	Share Capital		Reserve Fund Rs.'000	Share Revaluation Premium Reserve Rs.'000		General Reserve Rs.'000	Profit & Loss Account Rs.'000	Total Rs.'000
	Voting Shares Rs.'000	Non-voting Shares Rs.'000						
BANK								
Balance as at 31.12.1998	325,000	23,251	1,009,000	641,780	157,286	1,710,020	1,167	3,867,504
Profit after tax for the year 1999	-	-	-	-	-	-	658,479	658,479
Transfers during the year 1999	-	-	-	-	-	519,000	(519,000)	-
Dividends	11	-	-	-	-	-	(139,300)	(139,300)
Write-down of the fall in value of investment	-	-	-	-	-	(118,396)	-	(118,396)
Balance as at 31.12.1999	325,000	23,251	1,009,000	641,780	157,286	2,110,624	1,346	4,268,287
Profit after tax for the year 2000	-	-	-	-	-	-	935,955	935,955
Transfers during the year 2000	-	-	-	-	-	770,000	(770,000)	-
Dividends	11	-	-	-	-	-	(156,713)	(156,713)
Balance as at 31.12.2000	325,000	23,251	1,009,000	641,780	157,286	2,880,624	10,588	5,047,529
GROUP								
Balance as at 31.12.1998	325,000	23,251	1,009,000	641,780	157,286	1,710,020	1,167	3,867,504
Restatement due to consolidation	-	-	-	-	-	-	(2,527)	(2,527)
Restated balance as at 31.12.1998	325,000	23,251	1,009,000	641,780	157,286	1,710,020	(1,360)	3,864,977
Profit after tax for the year 1999	-	-	-	-	-	-	657,994	657,994
Transfers during the year 1999	-	-	-	-	-	519,000	(519,000)	-
Dividends	11	-	-	-	-	-	(139,300)	(139,300)
Write-down of the fall in value of investment	-	-	-	-	-	(118,396)	-	(118,396)
Balance as at 31.12.1999	325,000	23,251	1,009,000	641,780	157,286	2,110,624	(1,666)	4,265,275
Profit after tax for the year 2000	-	-	-	-	-	-	935,251	935,251
Transfers during the year 2000	-	-	-	-	-	770,000	(770,000)	-
Dividends	11	-	-	-	-	-	(156,713)	(156,713)
Balance as at 31.12.2000	325,000	23,251	1,009,000	641,780	157,286	2,880,624	6,872	5,043,813

Composition of the unappropriated profit/(loss) carried forward is given in Note 12 to the financial statements.

1. General

1.1 Accounting Convention

The financial statements of the Bank are prepared under the historical cost convention in conformity with Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka. No adjustment has been made for inflationary factors affecting the financial statements except that certain land and buildings are stated at valuation as explained in Note 20 to the financial statements. The accounting principles are applied consistently with due regard to prudence, materiality and substance over form criteria as explained in Sri Lanka Accounting Standard No. 3 on Presentation of Financial Statements on accrual basis. These financial statements are prepared in Sri Lanka Rupees unless otherwise stated. Where appropriate the accounting policies are disclosed in the succeeding notes.

1.2 Basis of Consolidation

The Group financial statements with comparative balances have been prepared for the first time as per the Sri Lanka Accounting Standard No. 26 on Consolidated Financial Statements and Accounting for Investments in Subsidiaries. The Group financial statements comprise consolidation of the financial statements of the Bank, its Subsidiaries and the proportionate share of the profit/loss of its associate companies in terms of Sri Lanka Accounting Standard No. 26 on Consolidated Financial Statements and Accounting for Investments in Subsidiaries and Sri Lanka Accounting Standard No. 27 on Accounting for Investments in Associates respectively.

1.2.1 Subsidiaries

Subsidiaries included in the consolidated financial statements are those companies in which the Group directly or indirectly has an interest of over 50% of the voting rights and/or has the power to exercise control over the financial and operating policies of the companies so as to obtain benefits from their activities.

The consolidated financial statements are prepared to a common financial year ending December 31. All Subsidiaries in the Group other than Commercial Development Company Ltd. have a common financial year ending December 31.

The financial year end for Commercial Development Company Ltd. is March 31 and hence interim financial statements as at December 31 were used for the purpose of consolidation for the year 2000, after carrying out a limited review of these interim financial statements by the Auditors.

A listing of the Group's Subsidiaries is set out in Note 18 to the financial statements.

The interest of the outside shareholders of the Group is disclosed separately under the heading "Minority Interest".

The Subsidiary, Commercial Development Co. Ltd., was consolidated with effect from the current financial year and the consolidated financial statements for the previous year has been restated to include the results and financial position of that company. Commercial Development Co. Ltd. was not previously consolidated with the approval of the Registrar of Companies, in accordance with Section 146(2) (b) (iii) of the Companies Act No.17 of 1982.

The Subsidiary, Commercial Bank Primary Dealer Ltd. commenced operations on March 1, 2000 and hence there was no impact on the previous year.

1.2.2 Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The investments in Associate Companies are accounted under the Equity Method whereby the carrying amount of the investment is increased/decreased by the Company's share of profit / losses and reduced by the distributions received from the investee. No goodwill arose from the treatment of Associates under the Equity Method since Commercial Bank had the respective percentages of ownership in Associates from the commencement of those Associates.

These investments were accounted for under the Cost Method, whereby income was recognized only to the extent that dividends were distributed from the net accumulated profits up to the end of 1999. Hence, the comparative figures for 1999 have been restated in Accordance with Sri Lanka Accounting Standard No. 10 on Net Profit or Loss for the period, Fundamental Errors and Changes in Accounting Policies.

1.2.3 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired. Acquired goodwill is recognised in the Consolidated Balance Sheet and amortised on the straight-line basis over a period of 5 years.

1.2.4 Inter-Company Transactions and Balances

Inter-Company transactions and balances and any unrealised gains arising from such Inter-Company transactions and balances have been eliminated in preparing the consolidated financial statements. Unrealised gains resulting from transactions with Associates are eliminated to the extent of the Group's interest in the Associates.

1.3 Foreign Currency Translation

1.3.1 Assets and liabilities in foreign currencies are translated at the middle rate of exchange ruling on the date of the Balance Sheet except as indicated in 1.3.2. below. Translation gains and losses are dealt with through the Income Statement.

1.3.2 Forward exchange contracts are valued at the forward market rates ruling on the date of the Balance Sheet. Unrealised gains and losses are dealt with through the Income Statement.

1.4 Taxation

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 28 of 1979 and amendments thereto.

1.5 Deferred Taxation

Deferred taxation is provided on the liability method and the balance of the Deferred Taxation Account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which depreciation allowances are claimed and the net book value of such assets. Provision has not been made for deferred taxation on assets leased to customers by reference to the Partial Application Method since timing differences on these assets are not expected to reverse for the next three years and is unlikely to reverse within a reasonable period thereafter either in view of the Bank maintaining the current scale of leasing activity.

Commercial Leasing Company Ltd. has, by using the partial application method made no provision in its accounts for deferred taxation. No provision has been made for deferred tax since these timing differences arising out of capital allowances claimed on Property, Plant & Equipment and leased assets are not expected to reverse for at least the next two years and there is reasonable expectation that these timing differences are unlikely to reverse after this period.

1.6 Comparative Figures

Wherever necessary amounts shown for the previous year have been reclassified to facilitate comparison.

1.7 Post Balance Sheet Events

All the material post Balance Sheet events have been considered and appropriate adjustments/disclosures have been made in the Accounts, where necessary.

2. Assets and Bases of their Valuation**2.1 Advances to Customers**

Advances to customers are stated in the Balance Sheet net of provisions for possible loan losses and net of interest, which is not accrued to revenue.

2.1.1 Provision for Loan Losses

Specific provisions for possible loan losses are based on a continuous review of the loans and advances portfolio in accordance with Sri Lanka Accounting Standard No. 23 on Revenue Recognition and Disclosures in the financial statements of Banks and the parameters set by the Central Bank of Sri Lanka. Accordingly, specific provisions have been made as follows:

Period Outstanding	Classification	Provision made net of realisable value of security
6 to 12 months	Sub-standard	20%
12 to 18 months	Doubtful	50%
18 months and over	Loss	100%

In addition, as a matter of prudence, general provisions are made wherever necessary based on past experience and judgement taking into account risks inherent in any portfolio.

Provisions are applied to write off advances, in part or in whole, when loans are considered partly or wholly irrecoverable.

2.2 Leases

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title are accounted for as finance leases.

Amounts receivable under finance leases net of initial rentals received, unearned lease income and provision for rentals doubtful of recovery are classified as Lease Receivable in the Balance Sheet.

2.2.1 Provision for Lease Receivable

Provision for losses on Lease Receivable are made at 3% of the total Lease Receivable, in conformity with the industry practice.

2.3 Credit Card Receivable

Amounts receivable on Credit Cards are included in Advances to customers at the amounts expected to be recovered.

2.3.1 Provision for Credit Card Receivable

Provision for Credit Card Receivable is made at 3% of the total Credit Card Receivable.

2.4 Investments

2.4.1 Dealing Securities

These are marketable securities acquired and held with the intention of resale over a short period of time. Such securities are recorded at the lower of cost and market value on an individual investment basis.

2.4.2 Fall in Value of Investments

Unrealised losses on revaluation of dealing securities at the lower of cost and market value are taken to the Income Statement as per the provisions of Sri Lanka Accounting Standard No. 22 on Accounting for Investments. This is a departure from the historical cost convention but is considered to be a prudent accounting practice.

2.4.3 Investment Securities

These are acquired and held for yield or capital growth in the medium to long-term. Such securities are generally recorded at cost. Interest and dividend income is accrued.

Temporary reductions in value and reversals of such reductions are included in equity.

2.4.4 Investment Properties

Land and buildings that are not occupied substantially for use by or in the operations of the Bank are classified as investment properties on the Balance Sheet and are stated at cost less provisions for fall in value.

The Bank considers the changes in their fair value to be more significant than their depreciation and therefore would revalue them periodically on a systematic basis for disclosure purposes.

2.4.5 Investments in Associates

Investments in Associates are accounted for under the Cost Method in Bank's financial statements in accordance with the Sri Lanka Accounting Standard No. 27 on Accounting for Investments in Associates.

2.4.6 Investments in Subsidiaries

Investments in Subsidiaries are stated at cost in the Bank's financial statements in accordance with the Sri Lanka Accounting Standard No. 26 on Consolidated Financial Statements and Investments in Subsidiaries.

2.5 Property, Plant & Equipment

2.5.1 Property, Plant & Equipment are recorded at cost of purchase or construction or valuation together with any incidental expenses thereon. These assets are stated at cost less accumulated depreciation which is provided for on the basis specified in 2.5.2 below.

2.5.2 Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Leasehold properties	over the period of lease
Freehold buildings	2.5% per annum
Motor vehicles	20% per annum
Computer equipment	16.67% per annum
Office equipment	20% per annum
Furniture & fittings	10% per annum

Depreciation is provided on a pro-rata basis on the assets purchased/disposed of during the year. Depreciation is not provided for freehold land.

Depreciation is provided in the financial statements of Commercial Development Co. Ltd. at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Leasehold properties	amortised over 99 years
Freehold buildings	2.5% per annum
Motor vehicles	20% per annum
Computer equipment	20% per annum
Office equipment	10% per annum
Machinery & equipment	10% per annum

Full depreciation is provided on the assets purchased and used during the year. Depreciation is not provided on the assets disposed of during the year.

3. Liabilities and Provisions

3.1 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

3.2 Pensions and Retirement Benefits

The Bank has an approved Pension Fund, which was established in 1992. As per the Deed of Trust, only those employees who were less than 45 or 50 years of age depending on the retirement age applicable to the respective employees (55 years or 60 years) as at January 1, 1992 are covered by the Pension Fund in order to leave a minimum contribution for a period of 10 years before they are eligible for pension.

An actuarial valuation is undertaken at least every three years to ascertain the full liability. The liability is calculated on ongoing basis.

An Actuarial Valuation of the Pension Fund and the Widows' & Orphans' Pension Scheme was carried out as at December 31, 1999. The results revealed that there is a past service deficit totalling to Rs.176.825 million in the Pension Fund and the Widows' & Orphans' Pension Scheme due to the changes in actuarial assumptions (i.e. interest rate, etc.) that took place since the previous actuarial valuation as at December 31, 1996.

However, since both the Pension Fund and the Widows' & Orphans' Pension Scheme are solvent on discontinuance basis (i.e. assuming that these funds are terminated on the valuation date) the actuary recommended the amortisation of the past service deficit by regular contributions over the full working lifetime of the current employees by incorporating it into the ongoing contribution rate. Commencing January 2000, contributions are made to the Pension Fund by the Bank and to the Widows' and Orphans' Pension Scheme by the Bank and the employees as recommended by the Actuary.

Provision is not made in these financial statements for gratuities payable to employees who complete 5 or more years of continuous service, payable under the Payment of Gratuity Act No.12 of 1983, as the Bank has its own non-contributory pension scheme in force. However, if an employee who is eligible for gratuity resigns before retirement the Bank is liable to pay gratuity to such employees.

3.3 Defined Contribution Plans

Contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

3.3.1 Provident Fund

The Bank and employees contribute to the approved private Provident Fund. The total amount recognised as an expense for the current year is Rs. 41.445 million (1999 - Rs. 51.699 million).

3.3.2 Trust Fund

The Bank contributes to the Employees' Trust Fund. The total amount recognised as an expense for the current year is Rs. 9.964 million (1999 - Rs. 12.579 million).

4. Income Statement

4.1 Revenue Recognition

4.1.1 Interest Income

Interest receivable is recognised on accrual basis. Interest ceases to be taken into revenue when the recovery of interest or principal is in arrears for over three months. Thereafter interest on advances is accounted for on cash basis.

4.1.2 Lease Income

Income recognised on assets leased to customers is the interest component of the lease rentals receivable during the year. The unearned lease income included in the lease rentals receivable is taken into revenue over the term of the lease commencing from the month in which the lease is executed in proportion to the capital outstanding.

4.1.3 Dividend Income

Dividend income from shares is recognised in the period in which they are declared.

4.1.4 Rental Income

Rental Income is recognised on accrual basis.

4.1.5 Credit Card Receivable

Interest receivable on overdue credit card receivable is recognised on accrual basis.

4.2 Interest Expense

Interest payable is recognised on accrual basis.

4.3 Terminal Benefits

The actual amounts paid as pension and retirement gratuities to those employees, who are not covered by the Pension Fund as per 3.2 above, are charged to the Income Statement.

4.4 Off-Balance Sheet Transactions

The Bank enters into off-balance sheet transactions such as forward exchange contracts and currency swaps. At the year end unrealised gains and losses are dealt with through the Income Statement.

5. Cash Flow Statement

The Cash Flow statement has been prepared by using the "Direct Method" of preparing Cash Flows. Cash and cash equivalents comprise mainly of cash balances, call deposits and short-term placements/balances with foreign banks.

	Bank		Group	
	2000	1999	2000	1999
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1. Net Income				
Gross Income	6,096,478	4,744,450	6,273,713	4,721,690
Less : Turnover based taxes				
Turnover tax recovered from customers	38,320	28,850	38,320	28,850
Turnover tax paid by the Bank	11,938	10,049	12,135	10,049
National Security Levy collected from customers	241,718	161,590	241,718	161,590
National Security Levy paid by the Bank	77,468	54,567	78,706	54,567
Net income	5,727,034	4,489,394	5,902,834	4,466,634
Income of the Bank resulted mainly from the business of banking and related activities.				
2. Interest Income				
Customer advances	4,370,867	3,287,921	4,365,413	3,287,256
Treasury Bills, Treasury Bonds, placements with other Banks and other money market instruments	425,304	474,285	638,181	474,285
	4,796,171	3,762,206	5,003,594	3,761,541
3. Interest Expense				
Customer deposits	2,599,588	2,008,084	2,599,588	2,008,084
Debentures	67,155	65,626	67,155	65,626
Short-term borrowings and refinance	79,008	70,870	274,277	70,870
Other interest expenses	30,610	13,897	30,610	13,897
	2,776,361	2,158,477	2,971,630	2,158,477
4. Other Income				
Fee and commission income	505,394	358,907	505,226	358,739
Income from investment securities (quoted)	1,505	460	1,505	460
Income from investment securities (unquoted)	10,442	25,438	10,442	25,438
Income from investments in Associates (quoted)	5,500	7,700	5,500	7,700
Income from investments in Associates (unquoted)	2,467	-	2,467	-
Income from investments in Subsidiaries(quoted)	21,557	15,884	-	-
Income from Unit Trust Company	-	7,584	-	7,584
Bad debts recovered (including recovery of debts written off)	24,372	90,335	24,372	90,335
Profit on sale of Property, Plant & Equipment	10,144	1,734	10,144	1,734
Rental and other income	18,153	9,382	17,659	11,039
	599,534	517,424	577,315	503,029
Less : Dividends received from Associate Companies transferred to investment	-	-	(7,967)	(7,700)
	599,534	517,424	569,348	495,329

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
Executive Director's emoluments	4,171	3,655	4,171	3,655
Directors' fees	1,571	1,445	1,679	1,553
Auditors' remuneration	1,200	1,100	1,225	1,125
Terminal benefits	19,758	22,136	19,791	22,296
Depreciation/amortisation	162,120	121,243	191,833	121,364
Professional and legal expenses	19,756	10,926	19,756	10,926
Donations	704	246	732	266

5. Operating Expenses

Operating expenses include the following:

6. Provision for Staff Retirement Benefits

A sum of Rs. 42.050 million (Rs. 47.980 million in 1999) has been charged against profits being the total of monthly contributions for the year to the approved Pension Fund and Widows' & Orphans' Pension Scheme.

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
Provision for bad & doubtful debts :				
Specific provision on loans and advances	127,903	60,006	127,903	60,006
General provision on loans and advances	32,250	10,000	32,250	10,000
General provision on credit card receivable	11,720	—	11,720	—
General provision on lease receivable	4,500	9,700	4,500	9,700
Total provision made during the year	176,373	79,706	176,373	79,706
Direct write offs	3,805	36,750	3,805	36,750
	180,178	116,456	180,178	116,456

7. Loan Losses and Provisions

Provision for bad & doubtful debts :

A general provision of Rs. 4.500 million has been made during the year on lease receivable, which together with the general provisions made up to 1999 of Rs. 32.300 million adds upto a total general provision of Rs. 36.800 million on lease receivable. This provision is 3% of the total lease receivable and has been made in conformity with the industry practice.

In addition, a general provision of Rs. 11.720 million has been made during the year at 3% on credit card receivable.

7. (a) Movement in the provision for bad & doubtful debts account is given below:

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
Opening balance	548,993	642,157	548,993	642,157
Provision during the year (Note 7)	176,373	79,706	176,373	79,706
Exchange rate variance on foreign currency provisions	3,139	(2,526)	3,139	(2,526)
Recoveries/Reversals during the year	(132,271)	(170,344)	(132,271)	(170,344)
Closing balance	596,234	548,993	596,234	548,993

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000

8. Share of Profit / (Loss) before tax of
Associate Companies

Commercial Leasing Company Ltd.	-	-	9,848	14,995
Equity Investments Lanka Ltd.	-	-	711	2,891
Commercial Fund Management Ltd.	-	-	(599)	(1,204)
	-	-	9,960	16,682

9. Provision for Taxation

9.1 Charge to taxation is as follows:

Bank

Income tax on profits for the year	192,800	122,600	192,800	122,600
Transfer to deferred taxation	42,900	28,400	43,204	29,826
(Over)/under provision for previous years	(21,200)	-	(21,200)	-
	214,500	151,000	214,804	152,426

Subsidiary Companies:

Commercial Development Co. Ltd.	-	-	10,396	9,190
Commercial Bank Primary Dealer Ltd.	-	-	2,400	-

Associate Companies:

Income tax on profits of Commercial Leasing Company Ltd.	-	-	-	528
Income tax on profits of Equity Investments Lanka Ltd.	-	-	-	-
Income tax on profits of Commercial Fund Management Ltd.	-	-	-	-
	214,500	151,000	227,600	162,144

Income Tax has been provided at 30% on the taxable income arising from the domestic operations of the Bank and at 10% on the taxable income arising from on-shore banking operations of the Off-shore Banking Centre.

9.2 Capital gains on the revaluation surplus of Property, Plant & Equipment

The revaluation surplus of Rs. 314.572 million (only 50% of which is accounted) arising from the revaluation of Property, Plant & Equipment in 1993 would be liable to a capital gains tax of Rs. 32.448 million, if realised by disposal.

10. Earnings per Ordinary Share

Earnings per ordinary share has been calculated by dividing profit after taxation by the number of ordinary shares in issue (both voting and non-voting) as at December 31.

11. Dividends

			Bank		Group	
	Interim 14% (paid on 22 Dec.'00) Rs.'000	Final 31% (proposed) Rs.'000	2000 45% Total Rs.'000	1999 40% Total Rs.'000	2000 45% Total Rs.'000	1999 40% Total Rs.'000
Net dividend paid/ payable to the shareholders	48,595	107,581	156,176	138,708	156,176	138,708
Withholding Tax deducted at source from the non-resident shareholders	160	377	537	592	537	592
Gross dividend	<u>48,755</u>	<u>107,958</u>	<u>156,713</u>	<u>139,300</u>	<u>156,713</u>	<u>139,300</u>

Withholding tax to be deducted at source from non-resident shareholders on the proposed final dividend is estimated based on the composition of shareholders as at December 31.

14% Interim Dividend paid in December 2000 included Rs. 2.836 million paid out of exempt dividends received by the Bank. Accordingly, the effective interim dividend rate was 14.44%.

Proposed final dividend of 31% will be paid out of the taxable profits of the Bank.

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
12. Unappropriated Profit/(Loss) Carried Forward				
Commercial Bank of Ceylon Ltd.	10,588	1,346	(63,623)	(58,023)
Subsidiary Companies:				
Commercial Development Co. Ltd.	-	-	18,048	16,855
Commercial Bank Primary Dealer Ltd.	-	-	10,953	-
Associate Companies:				
Commercial Leasing Co. Ltd.	-	-	52,014	47,666
Equity Investments Lanka Ltd.	-	-	(7,334)	(5,578)
Commercial Fund Management Ltd.	-	-	(3,186)	(2,586)
	10,588	1,346	6,872	(1,666)

13. Cash and Short Term Funds

Coins and notes held in local currency	723,756	738,274	723,756	738,274
Coins and notes held in foreign currency	136,696	84,365	136,696	84,365
Placements/balances with foreign banks (maturing within one year)	3,191,778	1,783,124	3,191,778	1,783,124
Loans at call and short notice	1,400,000	1,155,000	1,400,000	1,155,000
Pro-notes	4,000	-	4,000	-
	5,456,230	3,760,763	5,456,230	3,760,763

	Bank		Group	
	As at 31.12.00		As at 31.12.99	
	Cost	Market Value/ Manager's Buying Price	Cost	Market Value/ Manager's Buying Price
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

14. Investment Securities**Quoted****SHARES**

Sampath Bank Ltd. (1,000 Ordinary Shares of Rs. 10/- each)	49	42	49	45	49	42	49	45
		(@ Rs. 41.50)		(@ Rs. 45/-)		(@ Rs. 41.50)		(@ Rs. 45/-)
Hatton National Bank Ltd. (2,500 Ordinary Shares of Rs. 10/- each)	254	115	254	218	254	115	254	218
		(@ Rs. 46/-)		(@ Rs. 87/-)		(@ Rs. 46.00)		(@ Rs. 87/-)
Seylan Bank Ltd. (1,000 Ordinary Shares of Rs. 10/- each)	24	17	24	16	24	17	24	16
		(@ Rs. 16.75)		(@ Rs. 15.75)		(@ Rs. 16.75)		(@ Rs. 15.75)
DFCC Bank (251,166 Ordinary Shares of Rs. 10/- each)	24,045	20,093	275	145	24,045	20,093	275	145
(1,166 Ordinary Shares in 1999)		(@ Rs. 80/-)		(@ Rs. 124/-)		(@ Rs. 80/-)		(@ Rs. 124/-)

	Bank				Group			
	As at 31.12.00		As at 31.12.99		As at 31.12.00		As at 31.12.99	
	Cost	Market Value/ Manager's Buying Price	Cost	Market Value/ Manager's Buying Price	Cost	Market Value/ Manager's Buying Price	Cost	Market Value/ Manager's Buying Price
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
National Development Bank (1,500 Ordinary Shares of Rs. 10/- each) (1,000 Ordinary Shares in 1999)	198	62 (@ Rs. 41.50)	198	115 (@ Rs. 115/-)	198	62 (@ Rs. 41.50)	198	115 (@ Rs. 115/-)
Nations Trust Bank (1,000 Ordinary Shares of Rs. 10/- each)	14	12 (@ Rs. 11.50)	14	14 (@ Rs. 14/-)	14	12 (@ Rs. 11.50)	14	14 (@ Rs. 14/-)
Mercantile Leasing Ltd. (325,000 shares of Rs. 10/- each) (216,666 shares in 1999)	6,500	3,738 (@ Rs. 11.50)	4,333	3,412 (@ Rs. 15.75)	6,500	3,738 (@ Rs. 11.50)	4,333	3,412 (@ Rs. 15.75)
DEBENTURES								
Ceylon Glass Co. Ltd. (50,000 debentures of Rs. 100/- each)	5,000	5,000 (@ Rs.100/-)	5,000	5,000 (@ Rs.100/-)	5,000	5,000 (@ Rs.100/-)	5,000	5,000 (@ Rs.100/-)
National Development Bank (10,000 debentures of Rs. 1,000/- each)	10,000	10,000 (@ Rs.1,000/-)	10,000	10,000 (@ Rs.1,000/-)	10,000	10,000 (@ Rs.1,000/-)	10,000	10,000 (@ Rs.1,000/-)
Sri Lanka Telecom Ltd. (10,000 debentures of Rs. 1,000/- each)	10,000	10,000 (@ Rs.1,000/-)	-	-	10,000	10,000 (@ Rs.1,000/-)	-	-
UNITS								
Comtrust Equity Fund (25,281,998 Units of Rs.10/-each)	120,848	104,162 (@ Rs.4.12)	239,244	120,848 (@ Rs.4.78)	120,848	104,162 (@ Rs.4.12)	239,244	120,848 (@ Rs. 4.78)
	176,932	153,241	259,391	139,813	176,932	153,241	259,391	139,813
Less: Fall in value of the investment in Comtrust Equity Fund	-		118,396		-		118,396	
	176,932		140,995		176,932		140,995	

	Bank				Group			
	As at 31.12.00		As at 31.12.99		As at 31.12.00		As at 31.12.99	
	Cost	Directors' Valuation	Cost	Directors' Valuation	Cost	Directors' Valuation	Cost	Directors' Valuation
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Unquoted SHARES								
Credit Information Bureau of Sri Lanka (4,400 Ordinary Shares of Rs. 100/- each)	440	440 (@ Rs. 100/-)	440	440 (@ Rs. 100/-)	440	440 (@ Rs. 100/-)	440	440 (@ Rs. 100/-)
Fitch Rating Lanka Ltd. (31,250 Ordinary Shares of Rs. 10/- each)	313	313 (@ Rs. 10/-)	313	313 (@ Rs. 10.00)	313	313 (@ Rs. 10/-)	313	313 (@ Rs. 10/-)
Commercial Insurance Brokers (Pvt.) Ltd. (80,000 Ordinary Shares of Rs. 10/- each)	-	-	-	-	100	800 (@ Rs.10/-)	100	800 (@ Rs.10/-)

	Bank				Group			
	As at 31.12.00		As at 31.12.99		As at 31.12.00		As at 31.12.99	
	Cost	Directors' Valuation	Cost	Directors' Valuation	Cost	Directors' Valuation	Cost	Directors' Valuation
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
DEBENTURES								
Lanka Orix Leasing Co. Ltd. (125 Secured Debentures of Rs. 1 Mn. each in 1999)	-	-	125,000	125,000	-	-	125,000	125,000
				(@ Rs. 1 Mn.)			(@ Rs. 1 Mn.)	
Mercantile Leasing Ltd. (216,667 Convertible Debentures of Rs. 10/- each in 1999)	-	-	2,167	2,167	-	-	2,167	2,167
				(@ Rs. 20/-)			(@ Rs. 20/-)	

	Bank				Group			
	As at 31.12.00		As at 31.12.99		As at 31.12.00		As at 31.12.99	
	Cost	Directors' Valuation	Cost	Directors' Valuation	Cost	Directors' Valuation	Cost	Directors' Valuation
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
BONDS								
DFCC Bank 7% Development Bonds redeemable at par (redeemable on Sep. 30, 2001)	30,800	30,800	30,800	30,800	30,800	30,800	30,800	30,800
	31,553	31,553	158,720	158,720	31,653	32,353	158,820	159,520
	208,485	184,794	299,715	298,533	208,585	185,594	299,815	299,333

The fall in value of the Investment in Comtrust Equity Fund has been written down to its market value against General Reserve as at 31.12.1999 based on the Unit Trust Manager's buying price.

	Bank		Group	
	2000	1999	2000	1999
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

15. Loans and Advances

15.1 Bills of Exchange

Export bills	1,988,503	1,531,778	1,988,503	1,531,778
Import bills	379,012	371,306	379,012	371,306
	2,367,515	1,903,084	2,367,515	1,903,084
Less: Loan loss provision	36,484	30,065	36,484	30,065
Interest in suspense	-	-	-	-
	2,331,031	1,873,019	2,331,031	1,873,019

The maturity analysis of bills of exchange is given in Note 29.

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
15.2 Loans and Advances				
Sri Lanka Rupee and foreign currency loans and advances [Note 15.2(a)]	33,849,994	26,695,791	33,849,994	26,695,791
Less: Loan loss provision	522,951	486,628	522,951	486,628
Interest in suspense	1,756,663	1,516,687	1,756,663	1,516,687
	31,570,380	24,692,476	31,570,380	24,692,476

The maturity analysis of loans and advances is given in Note 29.

15.2 (a) Sri Lanka Rupee and Foreign Currency Loans and Advances

Sri Lanka Rupee loans and advances				
Overdrafts	8,320,331	6,593,669	8,320,331	6,593,669
Loans	15,364,987	12,806,741	15,364,987	12,806,741
Packing credit	627,298	632,972	627,298	632,972
Trust receipts	28,557	33,843	28,557	33,843
Staff loans	762,477	712,791	762,477	712,791
Other accounts	1,231,477	881,315	1,231,477	881,315
	26,335,127	21,661,331	26,335,127	21,661,331
Foreign Currency loans and advances				
Overdrafts	871,632	642,386	871,632	642,386
Loans	4,510,706	2,142,894	4,510,706	2,142,894
Packing credit	2,132,529	2,249,180	2,132,529	2,249,180
	7,514,867	5,034,460	7,514,867	5,034,460
Total	33,849,994	26,695,791	33,849,994	26,695,791

15.3 Lease Receivable within one year

Total lease rentals receivable	1,821,723	1,544,905	1,789,012	1,541,904
Less: Lease rentals receivable after one year				
from Balance Sheet date	1,048,481	909,718	1,022,943	909,718
Lease rentals receivable within one year				
from Balance Sheet date	773,242	635,187	766,069	632,186
Less: Unearned lease income	134,785	121,499	133,842	121,691
GST recoverable	86,977	69,901	86,368	70,012
Provision for bad & doubtful debts	15,620	13,280	15,620	13,280
	535,860	430,507	530,239	427,203

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
15.4 Lease Receivable after one year				
Lease rentals receivable after one year from the Balance Sheet date	1,048,481	909,718	1,022,943	909,718
Less: Unearned lease income	182,763	174,012	179,405	174,012
GST recoverable	117,936	100,113	115,769	100,113
Provision for bad & doubtful debts	21,180	19,020	21,180	19,020
	726,602	616,573	706,589	616,573

The maturity analysis of lease receivable is given in Note 29.

15.5 Non-Performing Loans and Advances

Net exposure on non-performing loans and advances as at December 31, before discounting the value of the securities obtained is given below:

	Bank				Group			
	2000 Rs.'000	%	1999 Rs.'000	%	2000 Rs.'000	%	1999 Rs.'000	%
Non-performing loans and advances	3,169,877	8.73	2,583,617	8.95	3,169,877	8.73	2,583,617	8.95
Less: Interest in suspense included in overdrafts **	544,067		693,930		544,067		693,930	
Net non-performing loans and advances	2,625,810	7.34	1,889,687	6.71	2,625,810	7.34	1,889,687	6.71
Less: Prov. for bad & doubtful debts	596,235		548,993		596,235		548,993	
Net exposure	2,029,575	5.77	1,340,694	4.67	2,029,575	5.77	1,340,694	4.67

** This does not tally with the total interest in suspense included in Note 15.2 above due to the interest receivable on non-performing loans not being included.

Net exposure of Rs. 2,029.575 million (Rs. 1,340.694 million as at December 31, 1999) is almost covered by securities held covering land and buildings valued at Rs. 1,998.367 million. (Rs. 1,357.689 million as at December 31, 1999) excluding machinery and stocks.

All loans and advances where the recovery of capital or interest is in arrears for over three months have been classified into the non-performing category in accordance with the guidelines issued by the Central Bank of Sri Lanka. The Bank's computer system has been programmed to classify the loans and suspend interest thereon in accordance with these guidelines. In instances where the recovery of capital or interest is in arrears for over three months interest credited to the Income Statement on such loans and advances for the first three months too is transferred to interest in suspense.

15.6 Concentration of Credit Risk

Sectorwise analysis of Bank's credit portfolio reflecting the exposure to credit risk in the various sectors of the economy is given below:

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
Exports	9,444,681	7,539,346	9,444,681	7,539,346
Tourism and allied	818,853	452,475	818,853	452,475
Industrial	3,006,279	2,725,461	3,006,279	2,725,461
Agriculture and fishing	640,044	558,705	640,044	558,705
Commercial trading	2,840,668	2,158,489	2,840,668	2,158,489
Imports	7,426,353	6,420,857	7,426,353	6,420,857
Consumption	367,854	254,415	367,854	254,415
Services	3,692,437	2,190,405	3,666,803	2,187,101
Housing and construction	1,400,842	1,179,978	1,400,842	1,179,978
Others	7,878,760	6,198,124	7,878,760	6,198,124
Gross loans and advances	37,516,771	29,678,255	37,491,137	29,674,951

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000

16. Investment Properties

Opening balance	94,788	–	94,788	–
Additions during the year	42,982	94,788	42,982	94,788
	137,770	94,788	137,770	94,788
Provision for fall in value	(4,446)	–	(4,446)	–
Closing balance	133,324	94,788	133,324	94,788

	31.12.00		31.12.99		31.12.00		31.12.99	
	Balance	Market Value	Balance	Market Value	Balance	Market Value	Balance	Market Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

17. Investments in Associate Companies

Quoted

Commercial Leasing Co. Ltd.

(2,200,001 Ordinary Shares of

	% Holding	Balance	Market Value	Balance	Market Value	Balance	Market Value	Balance	Market Value
Rs.10/- each fully paid)	30.00	20,000	59,400	20,000	52,800	20,000	59,400	20,000	52,800
			(@ Rs. 27/-)		(@ Rs. 24/-)		(@ Rs. 27/-)		(@ Rs. 24/-)

Add/(Less): Share of profit/(loss) applicable to the Bank:

Balance at the beginning of the year	-	-	-	-	47,666	40,899			
Current year's share of profit after tax	-	-	-	-	9,848	14,467			
Less: Dividend received during the year	-	-	-	-	(5,500)	(7,700)			
Current year's retained profits	-	-	-	-	4,348	6,767			
Balance at the end of the year	-	-	-	-	52,014	47,666			
		20,000	59,400	20,000	52,800	72,014	59,400	67,666	52,800

	31.12.00		31.12.99		31.12.00		31.12.99	
	Balance	Directors' Valuation	Balance	Directors' Valuation	Balance	Directors' Valuation	Balance	Directors' Valuation
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Unquoted

Equity Investments Lanka Ltd.

(4,110,938 Ordinary Shares of

	% Holding	Balance	Directors' Valuation	Balance	Directors' Valuation	Balance	Directors' Valuation	Balance	Directors' Valuation
Rs.10/- each fully paid)	22.92	44,331	41,344	44,331	40,634	44,331	41,344	44,331	40,634

Add/(Less): Share of profit/(loss)

applicable to the Bank:

Balance at the beginning of the year	-	-	-	-	(5,578)	(8,469)			
Current year's share of profit after tax	-	-	-	-	711	2,891			
Less: Dividend received during the year	-	-	-	-	(2,467)	-			
Current year's retained profits	-	-	-	-	(1,756)	2,891			
Balance at the end of the year	-	-	-	-	(7,334)	(5,578)			
		44,331	41,344	44,331	40,634	36,997	41,344	38,753	40,634

	% Holding	Bank				Group			
		31.12.00		31.12.99		31.12.00		31.12.99	
		Balance	Directors' Valuation	Balance	Directors' Valuation	Balance	Directors' Valuation	Balance	Directors' Valuation
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Commercial Fund Management (Pvt.) Ltd.									
(125,000 Ordinary Shares of Rs.100/- each fully paid)	50.00	12,500	9,315	12,500	9,914	12,500	9,315	12,500	9,914
(15,000 Preference Shares of Rs.100/- each fully paid)		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Add/(less): Share of profit/(loss) applicable to the Bank:									
Balance at the beginning of the year		-	-	-	-	(2,586)	-	(1,382)	-
Current year's share of profit/(loss) after tax		-	-	-	-	(599)	-	(1,204)	-
Less: Dividend received during the year		-	-	-	-	-	-	-	-
Current year's retained profits		-	-	-	-	(599)	-	(1,204)	-
Balance at the end of the year		-	-	-	-	(3,185)	-	(2,586)	-
		14,000	10,815	14,000	11,414	10,815	10,815	11,414	11,414
		58,331	52,159	58,331	52,048	47,812	52,159	50,167	52,048
Total Value of Investments in Quoted & Unquoted Associate Companies		78,331		78,331		119,826		117,833	
Total Market Value/Directors' Valuation of Investments in Associate Companies			111,559		104,848		111,559		104,848

	% Holding	Bank				Group			
		31.12.00		31.12.99		31.12.00		31.12.99	
		Cost	Market Value/Directors' Valuation	Cost	Market Value/Directors' Valuation	Cost	Market Value/Directors' Valuation	Cost	Market Value/Directors' Valuation
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Commercial Development Co. Ltd.									
(11,345,705 Ordinary Shares of Rs.10/- each fully paid)	94.55	274,393	136,148	274,393	170,186	-	-	-	-
			(@ Rs. 12/-)		(@ Rs. 15/-)				
Commercial Bank Primary Dealer Ltd.									
(15,000,007 Ordinary Shares of Rs.10/- each fully paid)	100.00	150,000	150,000	-	150,000	-	-	-	-
			(@ Rs. 10/-)		(@ Rs. 10/-)				
		424,393	286,148	274,393	320,186	-	-	-	-

18. Investments in Subsidiary Companies

Quoted

Commercial Development Co. Ltd.

(11,345,705 Ordinary Shares of

Rs.10/- each fully paid)	94.55	274,393	136,148	274,393	170,186	-	-	-	-
			(@ Rs. 12/-)		(@ Rs. 15/-)				

Unquoted

Commercial Bank Primary Dealer Ltd.

(15,000,007 Ordinary Shares of

Rs.10/- each fully paid)	100.00	150,000	150,000	-	150,000	-	-	-	-
			(@ Rs. 10/-)		(@ Rs. 10/-)				
		424,393	286,148	274,393	320,186	-	-	-	-

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
19. Other Assets				
Deposits and prepayments	71,063	59,109	58,769	46,815
Clearing account balance	1,028,813	305,120	1,028,813	305,120
Others	1,109,856	429,211	1,129,906	436,856
	2,209,732	793,440	2,217,488	788,791

20. Property, Plant & Equipment

	Freehold Land & Buildings Rs.'000	Leasehold Land & Buildings Rs.'000	Computer Equipment Rs.'000	Motor Vehicles Rs.'000	Office Equipment & Furniture Rs.'000	Capital Work-in- Progress Rs.'000	31.12.00 Total Rs.'000	31.12.99 Total Rs.'000
Bank								
Cost/Valuation								
as at beginning of the year	766,411	23,425	790,824	50,115	458,654	24,266	2,113,695	1,792,898
Additions	29,845	1,952	101,403	10,300	54,704	15,089	213,293	701,074
Disposals	(1,743)	–	(76)	(18,208)	(4,932)	–	(24,959)	(3,505)
Transfers/Adjustments	(28,297)	(1,952)	10,996	(1,922)	32,845	(17,500)	(5,830)	(376,772)
As at end of the year	766,216	23,425	903,147	40,285	541,271	21,855	2,296,199	2,113,695
Accumulated depreciation								
as at beginning of the year	64,202	1,932	503,986	42,243	238,029	–	850,392	734,177
Charge for the year	17,376	220	83,557	4,586	56,381	–	162,120	121,243
Disposals	(62)	–	(38)	(18,208)	(4,186)	–	(22,494)	(3,154)
Transfers/Adjustments	(2,034)	–	1,515	(796)	1,900	–	585	(1,874)
As at end of the year	79,482	2,152	589,020	27,825	292,124	–	990,603	850,392
Net book value								
as at 31.12.00	686,734	21,273	314,127	12,460	249,147	21,855	1,305,596	
Net book value								
as at 31.12.99	702,209	21,493	286,838	7,872	220,625	24,266		1,263,303

All freehold Land and Buildings of the Bank were revalued by professionally qualified independent valuers as at December 31, 1993. 50% of the surplus on the revaluation amounting to Rs. 157.286 million has been credited to the Revaluation Reserve Account.

The carrying amount of these freehold land and buildings if they were carried at cost less accumulated depreciation is as follows:

	Cost Rs.'000	Accumulated Depreciation Rs.'000	Net Book Value Rs.'000
Land	23,374	–	23,374
Buildings	94,639	38,430	56,209
Total	<u>118,013</u>	<u>38,430</u>	<u>79,583</u>

	Freehold Land & Buildings Rs.'000	Leasehold Land & Buildings Rs.'000	Computer Equipment Rs.'000	Motor Vehicles Rs.'000	Office Equipment & Furniture Rs.'000	Capital Work-in- Progress Rs.'000	31.12.00 Total Rs.'000	31.12.99 Total Rs.'000
Group								
Cost/Valuation								
as at beginning of the year	938,882	67,285	791,023	50,115	487,289	24,266	2,358,860	2,037,942
Additions	31,821	1,952	101,403	38,030	54,711	15,089	243,006	701,195
Disposals	(1,743)	–	(76)	(18,208)	(4,932)	–	(24,959)	(3,505)
Transfers/Adjustments	(28,297)	(1,952)	10,996	(1,922)	32,845	(17,500)	(5,830)	(376,772)
As at end of the year	<u>940,663</u>	<u>67,285</u>	<u>903,346</u>	<u>68,015</u>	<u>569,913</u>	<u>21,855</u>	<u>2,571,077</u>	<u>2,358,860</u>
Accumulated depreciation								
as at beginning of the year	88,962	4,831	504,113	42,243	257,406		897,555	775,024
Charge for the year	21,774	724	83,576	10,822	57,652		174,548	127,559
Disposals	(62)	–	(38)	(18,208)	(4,186)		(22,494)	(3,154)
Transfers/Adjustments	(2,034)	–	1,515	(796)	1,900		585	(1,874)
As at end of the year	<u>108,640</u>	<u>5,555</u>	<u>589,166</u>	<u>34,061</u>	<u>312,772</u>		<u>1,050,194</u>	<u>897,555</u>
Net book value								
as at 31.12.00	<u>832,023</u>	<u>61,730</u>	<u>314,180</u>	<u>33,954</u>	<u>257,141</u>	<u>21,855</u>	<u>1,520,883</u>	
Net book value								
as at 31.12.99	<u>849,920</u>	<u>62,454</u>	<u>286,910</u>	<u>7,872</u>	<u>229,883</u>	<u>24,266</u>		<u>1,461,305</u>

	Bank		Group	
	2000	1999	2000	1999
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
21. Deposits from Customers				
Local Currency Deposits				
Current account deposits	3,481,620	2,840,312	3,328,008	2,818,197
Savings deposits	8,709,123	7,763,102	8,709,123	7,763,102
Time deposits	13,211,883	10,229,917	13,211,883	10,229,917
Certificates of deposit	2,534,870	1,922,378	2,534,870	1,922,378
	27,937,496	22,755,709	27,783,884	22,733,594
Foreign Currency Deposits				
Current account deposits	451,297	547,273	451,297	547,273
Savings deposits	4,383,117	3,828,114	4,383,117	3,828,114
Time deposits	4,751,089	2,997,043	4,751,089	2,997,043
	9,585,503	7,372,430	9,585,503	7,372,430
	37,522,999	30,128,139	37,369,387	30,106,024
<i>The maturity analysis of deposits is given in Note 29.</i>				
22. Borrowings				
Foreign bank balances	1,538,880	712,445	1,538,880	712,445
Refinance borrowings	777,833	637,751	777,833	637,751
	2,316,713	1,350,196	2,316,713	1,350,196
23. Other Liabilities				
Accrued expenditure and interest	1,267,414	955,306	1,440,894	955,306
Others	1,226,411	1,105,391	1,232,604	1,114,367
	2,493,825	2,060,697	2,673,498	2,069,673

	Bank				Group			
	As at 31.12.00		As at 31.12.99		As at 31.12.00		As at 31.12.99	
	Timing	Tax	Timing	Tax	Timing	Tax	Timing	Tax
	Difference	Effect	Difference	Effect	Difference	Effect	Difference	Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at the beginning of the year	356,921	107,100	262,251	78,700	364,207	109,286	264,784	79,460
Amount originating/(reversing) during the year	142,863	42,900	94,670	28,400	143,880	43,204	99,423	29,826
As at the end of the year	499,784	150,000	356,921	107,100	508,087	152,490	364,207	109,286

24. Deferred Taxation

Provision has not been made for deferred taxation on assets leased to customers by reference to the Partial Application Method.

Tax effect on timing differences of assets leased to customers is given below:

	Bank				Group			
	As at 31.12.00		As at 31.12.99		As at 31.12.00		As at 31.12.99	
	Timing	Tax	Timing	Tax	Timing	Tax	Timing	Tax
	Difference	Effect	Difference	Effect	Difference	Effect	Difference	Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at the beginning of the year	605,861	181,758	455,365	136,609	605,861	181,758	455,365	136,609
Amount originating/(reversing) during the year	(28,293)	(8,488)	150,496	45,149	(28,293)	(8,488)	150,496	45,149
As at the end of the year	577,568	173,270	605,861	181,758	577,568	173,270	605,861	181,758

25. Debentures

Consists of 500,000 Unsecured Subordinated Redeemable 5 year debentures of Rs. 1,000/- each issued by the Bank in 1998 in two tranches of 250,000 debentures each.

No. of Debentures	Value Rs. '000	Allotment Date	Maturity Date	Rate of Interest
250,000	250,000	20.07.1998	20.07.2003	Fixed - 13.5% p.a. payable quarterly (Effective Annual Yield 14.2% p.a.)
250,000	250,000	08.10.1998	08.10.2003	Floating Coupon Rate equivalent to the Weighted Average Yield of the three months G.O.S.L. Treasury Bills plus 1% p.a. payable quarterly subject to a maximum of 16% p.a. and a minimum of 12% p.a.
<u>500,000</u>	<u>500,000</u>			

These debentures are quoted on the Colombo Stock Exchange.

These debentures were issued mainly to raise long-term funds to expand on long-term credit facilities.

There were no material changes in the use of funds raised through debentures.

	Bank		Group	
	2000	1999	2000	1999
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
26. Share Capital				
Authorised				
100,000,000 Ordinary Shares of Rs. 10/- each	1,000,000	1,000,000	1,000,000	1,000,000
30,000,000 Non-voting Ordinary Shares of Rs. 10/- each	300,000	300,000	300,000	300,000
	1,300,000	1,300,000	1,300,000	1,300,000
Issued & Fully Paid				
32,500,000 Ordinary Shares of Rs. 10/- each	325,000	325,000	325,000	325,000
2,325,115 Non-voting Ordinary Shares of Rs. 10/- each	23,251	23,251	23,251	23,251
Total	348,251	348,251	348,251	348,251

27. Statutory Reserve Fund

Opening balance	1,009,000	1,009,000	1,009,000	1,009,000
Add: Transfers during the year	-	-	-	-
Closing balance	1,009,000	1,009,000	1,009,000	1,009,000

Since the balance in the Statutory Reserve Fund is far in excess of the paid up share capital of the Bank, no further appropriations were made to it.

	Bank		Group	
	2000	1999	2000	1999
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
28. Reserves				
Capital Reserves				
Share Premium Account [Refer Note 28 (a)]	641,780	641,780	641,780	641,780
Revaluation Reserve (Refer Note 20)	157,286	157,286	157,286	157,286
	799,066	799,066	799,066	799,066
Revenue Reserves				
General Reserve [Refer Note 28 (b)]	2,880,624	2,110,624	2,880,624	2,110,624
Unappropriated profit/(loss) carried forward	10,588	1,346	6,827	(1,666)
	2,891,212	2,111,970	2,887,451	2,108,958
Total	3,690,278	2,911,036	3,686,562	2,908,024

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
28. (a) Share Premium Account				
Opening balance	641,780	641,780	641,780	641,780
Transfers during the year	–	–	–	–
Closing balance	<u>641,780</u>	<u>641,780</u>	<u>641,780</u>	<u>641,780</u>
28 (b) General Reserve				
Opening balance	2,110,624	1,710,020	2,110,624	1,710,020
Add: Transfer from the Income Statement	770,000	519,000	770,000	519,000
Less: Temporary diminution in the value of investment in Comtrust Equity Fund	–	(118,396)	–	(118,396)
Closing balance	<u>2,880,624</u>	<u>2,110,624</u>	<u>2,880,624</u>	<u>2,110,624</u>

29. Maturity Analysis

29 (a) Bank

(i) An analysis of the total assets employed of the Bank as at December 31, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below:

	Up to 3 months Rs.'000	3 to 12 months Rs.'000	1 to 3 years Rs.'000	3 to 5 years Rs.'000	More than 5 years Rs.'000	Total as at 31.12.00 Rs.'000	Total as at 31.12.99 Rs.'000
Interest earning assets:							
Loans at call and short notice	1,400,000	–	–	–	–	1,400,000	1,155,000
Placements with foreign banks	2,317,107	660,400	–	–	–	2,977,507	1,339,230
Government of Sri Lanka							
Treasury bills and bonds	533,657	532,951	381,969	–	–	1,448,577	3,572,840
Commercial paper	330,400	–	–	–	–	330,400	745,000
Pro-notes	4,000	–	–	–	–	4,000	–
Securities purchased under re-sale agreements	–	–	–	–	–	–	–
Investments	5,000	30,800	–	20,000	–	55,800	170,800
Bills of exchange	2,367,515	–	–	–	–	2,367,515	1,873,019
Loans and advances	21,655,887	2,574,469	3,632,354	2,243,410	1,427,777	31,533,897	24,692,476
Lease receivable	133,965	401,895	581,282	145,320	–	1,262,462	1,047,081
	<u>28,747,531</u>	<u>4,200,515</u>	<u>4,595,605</u>	<u>2,408,730</u>	<u>1,427,777</u>	<u>41,380,158</u>	<u>34,595,446</u>

	Up to 3 months Rs.'000	3 to 12 months Rs.'000	1 to 3 years Rs.'000	3 to 5 years Rs.'000	More than 5 years Rs.'000	Total as at 31.12.00 Rs.'000	Total as at 31.12.99 Rs.'000
Non-interest earning assets:							
Cash in hand	860,452	-	-	-	-	860,452	822,638
Balance with Central Bank of Sri Lanka	1,561,907	559,117	182,920	112,009	167,291	2,583,244	2,643,515
Balances with foreign banks	214,271	-	-	-	-	214,271	732,814
Investments	-	-	-	-	788,733	788,733	576,427
Fees and interest receivable	268,532	-	-	-	-	268,532	459,720
Other assets	-	-	-	-	2,209,732	2,209,732	793,440
Property, Plant & Equipment	-	-	-	-	1,305,596	1,305,596	1,263,303
	<u>2,905,162</u>	<u>559,117</u>	<u>182,920</u>	<u>112,009</u>	<u>4,471,352</u>	<u>8,230,560</u>	<u>7,291,857</u>
Total Assets	31,652,693	4,759,632	4,778,525	2,520,739	5,899,129	49,610,718	41,887,303
Percentage - 31.12.00	63.80	9.59	9.63	5.08	11.90	100.00	
Percentage - 31.12.99	63.22	15.10	10.05	4.11	7.52		100.00

(ii) An analysis of the total capital employed of the Bank as at December 31, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below:

	Up to 3 months Rs.'000	3 to 12 months Rs.'000	1 to 3 years Rs.'000	3 to 5 years Rs.'000	More than 5 years Rs.'000	Total as at 31.12.00 Rs.'000	Total as at 31.12.99 Rs.'000
Interest bearing liabilities:							
Deposits	19,523,730	7,900,346	2,142,640	1,211,201	2,278,535	33,056,452	26,333,975
Borrowings	2,316,713	-	-	-	-	2,316,713	1,350,196
Securities sold under REPOs	1,430,134	-	-	-	-	1,430,134	3,371,208
Debentures	-	-	500,000	-	-	500,000	500,000
	<u>23,270,577</u>	<u>7,900,346</u>	<u>2,642,640</u>	<u>1,211,201</u>	<u>2,278,535</u>	<u>37,303,299</u>	<u>31,555,379</u>
Non-interest bearing liabilities							
Deposits	4,466,547	-	-	-	-	4,466,547	3,794,163
Other liabilities	2,493,825	-	-	-	-	2,493,825	2,060,697
Deferred taxation	-	-	-	150,000	-	150,000	107,100
Tax payable	-	41,560	-	-	-	41,560	4,167
Dividends payable	107,958	-	-	-	-	107,958	97,510
Shareholders' funds	-	-	-	-	5,047,529	5,047,529	4,268,287
	<u>7,068,330</u>	<u>41,560</u>	<u>-</u>	<u>150,000</u>	<u>5,047,529</u>	<u>12,307,419</u>	<u>10,331,924</u>
Total Liabilities	30,338,907	7,941,906	2,642,640	1,361,201	7,326,064	49,610,718	41,887,303
Percentage - 31.12.00	61.15	16.01	5.33	2.74	14.77	100.00	
Percentage - 31.12.99	68.30	15.37	1.87	3.06	11.40		100.00

29 (b) Group

(i) An analysis of the total assets employed of the Group as at December 31, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below:

	Up to 3 months Rs.'000	3 to 12 months Rs.'000	1 to 3 years Rs.'000	3 to 5 years Rs.'000	More than 5 years Rs.'000	Total as at 31.12.00 Rs.'000	Total as at 31.12.99 Rs.'000
Interest earning assets:							
Loans at call and short notice	1,400,000	-	-	-	-	1,400,000	1,155,000
Placements with foreign banks	2,317,107	660,400	-	-	-	2,977,507	1,339,230
Government of Sri Lanka							
Treasury bills and bonds	1,700,289	1,698,040	1,216,995	-	-	4,615,324	3,572,840
Commercial paper	330,400	-	-	-	-	330,400	745,000
Pro-notes	4,000	-	-	-	-	4,000	-
Securities purchased under re-sale agreements	501,933	-	-	-	-	501,933	-
Investments	5,000	30,800	-	20,000	-	55,800	170,800
Bills of exchange	2,367,515	-	-	-	-	2,367,515	1,873,019
Loans and advances	21,655,889	2,574,469	3,632,354	2,243,410	1,427,777	31,533,899	24,692,476
Lease receivable	127,557	382,669	581,282	145,320	-	1,236,828	1,043,776
	<u>30,409,690</u>	<u>5,346,378</u>	<u>5,430,631</u>	<u>2,408,730</u>	<u>1,427,777</u>	<u>45,023,206</u>	<u>34,592,141</u>
Non-interest earning assets:							
Cash in hand	860,452	-	-	-	-	860,452	822,639
Balance with Central Bank of Sri Lanka	1,556,250	562,217	183,953	112,603	168,221	2,583,244	2,643,515
Balances with foreign banks	214,271	-	-	-	-	214,271	732,814
Investments	-	-	-	-	405,935	405,935	341,636
Fees and interest receivable	268,532	-	-	-	-	268,532	459,720
Other assets	-	-	-	-	2,217,488	2,217,488	803,633
Property, Plant & Equipment	-	-	-	-	1,520,883	1,520,883	1,461,305
	<u>2,899,505</u>	<u>562,217</u>	<u>183,953</u>	<u>112,603</u>	<u>4,312,527</u>	<u>8,070,805</u>	<u>7,265,262</u>
Total Assets	<u>33,309,195</u>	<u>5,908,595</u>	<u>5,614,584</u>	<u>2,521,333</u>	<u>5,740,304</u>	<u>53,094,011</u>	<u>41,857,403</u>
Percentage - 31.12.00	<u>62.74</u>	<u>11.13</u>	<u>10.57</u>	<u>4.75</u>	<u>10.81</u>	<u>100.00</u>	
Percentage - 31.12.99	<u>63.22</u>	<u>15.10</u>	<u>10.05</u>	<u>4.11</u>	<u>7.52</u>		<u>100.00</u>

(ii) An analysis of the total capital employed of the Group as at December 31, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below:

	Up to 3 months Rs.'000	3 to 12 months Rs.'000	1 to 3 years Rs.'000	3 to 5 years Rs.'000	More than 5 years Rs.'000	Total as at 31.12.00 Rs.'000	Total as at 31.12.99 Rs.'000
Interest bearing liabilities:							
Deposits	19,523,730	7,900,346	2,142,640	1,211,201	2,278,535	33,056,452	26,333,975
Borrowings	2,316,713	-	-	-	-	2,316,713	1,350,196
Securities sold under REPOs	4,896,753	-	-	-	-	4,896,753	3,371,208
Debentures	-	-	500,000	-	-	500,000	500,000
	<u>26,737,196</u>	<u>7,900,346</u>	<u>2,642,640</u>	<u>1,211,201</u>	<u>2,278,535</u>	40,769,918	31,555,379
Non-interest bearing liabilities:							
Deposits	4,312,935	-	-	-	-	4,312,935	3,772,049
Other liabilities	2,673,498	-	-	-	-	2,673,498	2,069,673
Deferred taxation	-	-	-	152,490	-	152,490	109,286
Tax payable	-	20,819	-	-	-	20,819	(24,886)
Dividends payable	107,958	-	-	-	-	107,958	98,116
Minority Interest	-	-	-	-	12,580	12,580	12,511
Shareholders' funds	-	-	-	-	5,043,813	5,043,813	4,265,275
	<u>7,094,391</u>	<u>20,819</u>	<u>-</u>	<u>152,490</u>	<u>5,056,393</u>	12,324,093	10,302,024
Total Liabilities	<u>33,831,587</u>	<u>7,921,165</u>	<u>2,642,640</u>	<u>1,363,691</u>	<u>7,334,928</u>	53,094,011	41,857,403
Percentage - 31.12.00	63.72	14.92	4.98	2.56	13.82	100.00	
Percentage - 31.12.99	69.20	14.17	1.88	3.32	11.43		100.00

Notes:

- (i) Bills of exchange, loans & advances and lease receivable are shown net of interest in suspense and provision for bad & doubtful debts.
- (ii) Balance with Central Bank of Sri Lanka has been apportioned into the maturity groups based on the maturity pattern of the deposits of the Domestic Banking Unit.
- (iii) Demand and savings deposits have been classified into the up to 3 months category. However, the major part of these deposits represents core retail deposits with longer term maturity.
- (iv) Total shareholders' funds are classified into the more than 5 years category since no contractual date of maturity can be identified. However, these funds are available and have in fact been used for financing assets with lesser maturity periods.

30. Commitments and Contingencies

30 (a) In the normal course of business the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	Bank		Group	
	2000	1999	2000	1999
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Commitments:				
Commitments for unutilised facilities (Direct Advances)	2,987,088	2,990,468	2,987,088	2,990,468
Contingent Liabilities:				
Acceptances	1,186,183	1,302,926	1,186,183	1,302,926
Documentary credits	3,870,755	3,026,811	3,870,755	3,026,811
Guarantees	6,670,671	6,496,869	6,670,671	6,496,869
Bills for collection	2,555,902	1,292,378	2,555,902	1,292,378
	14,283,511	12,118,984	14,283,511	12,118,984
Forward exchange contracts (net)	608,949	335,714	608,949	335,714
	14,892,460	12,454,698	14,892,460	12,454,698
Total commitments and contingencies	17,879,548	15,445,166	17,879,548	15,445,166

30 (b) Litigation against the Bank

- (i) Court action has been initiated by a customer in Case Number 110/96 (i) requesting for cancellation of a Caveat registered by the Bank subsequent to a release of a property mortgaged to the Bank and further to claim a sum of Rs. 4.500 million together with damages and interest. Same is in appeal against the High Court order.
- (ii) Court action has been initiated by a customer in proceedings Number 36/96 (i) to claim a sum of Rs.183.050 million on account of a foreign exchange contract. Legal opinion has been obtained by the Bank and the Bank is defending the action.
- (iii) Judgement was delivered on September 21, 1995 on the Court action initiated by a customer in proceedings Number 93650/M to claim a sum of approximately Rs. 6.000 million relating to a dispute over the payment by the Bank of several cheques alleged to have been forged. The Bank's liability on this would involve the payment of legal interest on the amount claimed from the date of claim to the date of judgement and thereafter interest on the sum total of the amount claimed and the legal interest up to the date of judgement until the payment is made, which has been fully provided in the Accounts. The Bank has appealed against the judgement.
- (iv) Court action has been initiated by an ex-employee in proceedings Number 5230/Spl regarding the withholding of the payment of pension on the grounds of making a wrongful and incorrect declaration to secure a premature retirement from the Bank.

- (v) Ten labour tribunal cases filed by ten ex-employees on termination of employment are pending against the Bank.
- (vi) Court action has been initiated by the Ceylon Bank Employees' Union and 5 others in proceedings Number 5570 /Spl regarding the creation of a new executive grade in the Bank.
- (vii) Court action has been initiated by an ex-employee in proceedings Number 5571 /Spl regarding the creation of a new executive grade in the Bank.
- (viii) Court action has been initiated by a customer in proceedings Number 25085/MR to claim a sum of US\$ 27,500/- o/a of a guarantee issued.
- (ix) An injunction has been obtained by a customer in proceedings Number 6631/L against a resolution passed by the Board of Directors under Recovery of Loans by Banks (Special Provisions) Act No. 4 of 1990. The Bank has appealed to the Appeal Court against the injunction.
- (x) Court action has been initiated by a customer in proceedings Number 193/2000 (1) against a resolution passed by the Board of Directors under Recovery of Loans by Banks (Special Provisions) Act No. 4 of 1990.
- (xi) Court action has been initiated by a customer in proceedings Number 25831/MR to claim a sum of Rs. 2.880 million together with interest o/a an interest refund claimed on Current Account.
- (xii) Court action has been initiated by a customer in proceedings Number 152/2000 (1) against a resolution passed by the Board of Directors under Recovery of Loans by Banks (Special Provisions) Act No. 4 of 1990.
- (xiii) Court action has been initiated by a customer in proceedings Number 5586/SPL preventing the Bank from paying the amount on a guarantee.
- (xiv) Court action has been initiated by a customer in proceeding number 438/99/SPL preventing the Bank from paying the amount on a guarantee.

31. Capital Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in these Accounts amounted to approximately:

	Bank		Group	
	2000 Rs.'000	1999 Rs.'000	2000 Rs.'000	1999 Rs.'000
Approved and contracted for	21,602	42,026	21,602	42,026
Approved but not contracted for	10,000	11,000	10,000	11,000
	31,602	53,026	31,602	53,026

32. Financial Reporting by Segment

	Bank				Group			
	2000		1999		2000		1999	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Assets								
Domestic Banking Unit	40,533,380	81.70	35,875,958	85.65	44,016,673	82.90	35,846,058	85.64
Off-Shore Banking Centre	9,077,338	18.30	6,011,345	14.35	9,077,338	17.10	6,011,345	14.36
	49,610,718	100.00	41,887,303	100.00	53,094,011	100.00	41,857,403	100.00
Gross Income								
Domestic Banking Unit	5,350,654	87.77	4,315,050	90.95	5,527,889	88.11	4,292,290	90.91
Off-Shore Banking Centre	745,824	12.23	429,400	9.05	745,824	11.89	429,400	9.09
	6,096,478	100.00	4,744,450	100.00	6,273,713	100.00	4,721,690	100.00
Profit before Tax								
Domestic Banking Unit	626,769	54.48	610,337	75.40	640,477	55.02	622,252	75.76
Off-Shore Banking Centre	523,686	45.52	199,142	24.60	523,686	44.98	199,142	24.24
	1,150,455	100.00	809,479	100.00	1,164,163	100.00	821,394	100.00
Profit after Tax								
Domestic Banking Unit	466,010	49.79	489,239	74.30	466,618	49.82	490,010	74.33
Off-Shore Banking Centre	469,945	50.21	169,240	25.70	469,945	50.18	169,240	25.67
	935,955	100.00	658,479	100.00	936,563	100.00	659,250	100.00

33. Directors' Interests in Contracts with the Company

33 (a) Banking facilities are made available to the following Directors in the ordinary course of business on commercial terms and conditions. The total amount of facilities granted by the Bank and the balances as at December 31, are given below:

	Total amount of facility granted	Balance as at 31.12.00	Balance as at 31.12.99
	Rs.	Rs.	Rs.
Mr. M.J.C. Amarasuriya - Overdraft - City Office	440,000.00	Credit Balance	173,079.13 Debit
Mr. M.J.C. Amarasuriya - Overdraft - Galle Fort Branch	-	-	57,492.93 Debit

- (b) Mr. A. L. Gooneratne, Mr. J.S. Mather and Dr. H.S. Wanasinghe who were Directors of the Company as at December 31, 2000 were also Directors of Commercial Development Company Ltd. which Company has leased part of its premises to the Bank at an annual rental of Rs. 47,844,419/-.
- (c) Banking facilities amounting to Rs. 6,500,000/- were made available to Unawatuna Beach Resorts Ltd. in which Mr. M.J.C. Amarasuriya held 186,464 shares as at December 31, 2000. The balance outstanding on these facilities as at December 31, 2000 was Rs. 5,030,591/-. The provisions of Section 47 of the Banking Act No. 30 of 1988 have been complied with.
- (d) Banking facilities amounting to Rs. 216,000/- were made available to Clodagh Western Estate in which Mr. M.J.C. Amarasuriya is a co-partner. The balance outstanding as at December 31, 2000 was Rs. 202,178/-. The provisions of Section 47 of the Banking Act No. 30 of 1988 have been complied with.
- (e) Banking facilities amounting to Rs. 300,000/- in the form of an International MasterCard were made available to Dr. H.S. Wanasinghe during the year. The balance outstanding as at December 31, 2000 was Rs. 23,327/-. The provisions of Section 47 of the Banking Act No. 30 of 1988 have been complied with.
- (f) Banking facilities amounting to Rs. 250,000/- in the form of an International MasterCard were made available to Mr. A.L. Gooneratne during the year. The balance outstanding as at December 31, 2000 was nil. The provisions of Section 47 of the Banking Act No. 30 of 1988 have been complied with.
- (g) Banking facilities amounting to Rs. 250,000/- in the form of an International MasterCard were made available to Mr. D.J. Amarasinghe during the year. The balance outstanding as at December 31, 2000 was Rs. 8,689/-. The provisions of Section 47 of the Banking Act No. 30 of 1988 have been complied with.

34. Related Party Transactions

The Bank carries out transactions in the ordinary course of its business on an arms length basis at commercial rates with related parties. These related parties, names of Directors, their relationships, accommodation granted and the balances outstanding as at December 31, 2000 are listed below:

Name of Related Party	Name of Director	Relationship	Accommodation Granted	Limit Rs.	Balance Outstanding Rs.
Haycarb Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	4,000,000	Credit Balance
			Letters of Credit	500,000	Nil
			Import Loans/DA (Sub Limit of L.C.)	(250,000)	Nil
			Short-Term Loans	25,000,000	Nil
			Pre-Shipment Loan	5,000,000	Nil
Chas P Hayley & Co. Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	10,000,000	3,190,485
			Pre-Shipment Loans	20,000,000	
			Bills Purchased	10,000,000	3,253,000
			Letters of Guarantee	500,000	175,000
			Letters of Credit	500,000	Nil

Name of Related Party	Name of Director	Relationship	Accommodation Granted	Limit Rs.	Balance Outstanding Rs.	
Agro Technica Ltd.	Mr. M.J.C. Amarasuriya	Deputy Chairman	Overdraft	40,000,000	36,879,285	
			Import Loans/DA (Sub Limit of O.D.)	(20,000,000)	2,836,635	
			Letters of Credit	25,000,000	10,000,445	
			Shipping Guarantees	10,000,000	Nil	
			Letters of Guarantee	3,000,000	723,979	
			Leasing	5,000,000	811,996	
Agro Technica Exports Ltd.	Mr. M.J.C. Amarasuriya	Deputy Chairman	Letters of Guarantee	–	600,000	
Agro Technica Marketing Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	1,000,000	784,447	
Hayleys Photoprint (Pvt) Ltd.	Mr. M.J.C. Amarasuriya	Deputy Chairman	Overdraft	25,000,000	12,140,847	
			Short-Term Loans (Sub Limit of O.D.)	(25,000,000)	15,000,000	
			Shipping Guarantees	15,000,000	Nil	
			Letters of Credit	25,000,000	2,609,775	
			Import Loans/DA	15,000,000	2,611,689	
Coates (Lanka) Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	5,000,000	275,551	
		Mr. J.S. Mather	Alternate Director	Short-Term Loan (Sub Limit of O.D.)	(3,000,000)	Nil
				Letters of Credit	7,000,000	325,371
				Import Loans, DA (Sub Limit of L.C.)	(6,000,000)	6,845,434
				Shipping Guarantees	5,000,000	Nil
Ravi Industries Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	1,000,000	1,490,709	
			Letters of Credit	3,000,000	Nil	
			Import Loans/DA (Sub limit of L.C.)	(1,000,000)	Nil	
			Bills Purchased	5,500,000	Nil	
			Letters of Guarantee	6,000,000	5,626,524	
			Pre-Shipment Loan	25,000,000	Nil	
			Short-Term Loan (Sub Limit of Pre-Ship. Loan)	(25,000,000)	Nil	
Rileys Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	2,000,000	1,983,791	
			Pre-Shipment Loans	6,000,000	6,000,000	
			Letters of Credit	10,000,000	Nil	
			Letters of Guarantee	3,000,000	615,018	
Hayleys Electronics Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	6,000,000	Credit Balance	
			Term Loan	20,000,000	1,325,000	
			Short-Term Loans	4,000,000	Nil	
			Letters of Credit	25,000,000	1,847,921	
			Import Loans/DA (Sub Limit of L/C)	(9,000,000)	19,588,923	
			Shipping Guarantees	9,000,000	Nil	
			Letters of Guarantee	1,000,000	732,000	

Name of Related Party	Name of Director	Relationship	Accommodation Granted	Limit Rs.	Balance Outstanding Rs.
Hayleys Engineering Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	5,000,000	2,143,886
			Short-Term Loan (Sub Limit of O.D.)	(5,000,000)	Nil
			Import Loans D/A	5,000,000	Nil
			Letters of Credit	11,000,000	2,129,955
			Shipping Guarantees	5,000,000	Nil
			Letters of Guarantee	30,000,000	33,857,309
Hayleys Electronics (Mfg.) Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	4,000,000	5,116,851
			Letters of Credit	12,000,000	188,297
			Import Loans D/A (Sub Limit of L.C.)	(5,000,000)	5,821,478
			Shipping Guarantees	5,000,000	Nil
			Letters of Guarantee	1,000,000	500,000
Hayleys Electronics (Retailing) Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	6,000,000	3,652,605
			Short-Term Loan	4,000,000	Nil
United Motors Lanka Ltd.	Mr. M.J.C. Amarasuriya	Chairman	Overdraft	25,000,000	Credit Balance
		Mr. J.S. Mather	Director	Short-Term Loans (Sub Limit of O/D)	(25,000,000)
	Letters of Credit		50,000,000	8,601,233	
	Import Loans D/A (Sub Limit of L.C.)		(50,000,000)	4,432,157	
	Term Loans	50,000,000	Nil		
Haytech Marketing Ltd.	Mr. M.J.C. Amarasuriya	Deputy Chairman	Overdraft	1,000,000	338,954
			Letters of Credit	8,000,000	Nil
			Import Loans/D.A. (Sub Limit of L.C.)	(4,000,000)	Nil
Talawakele Plantations Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	100,000,000	80,527,961
			Leasing	10,000,000	Nil
			Letters of Guarantee	1,000,000	238,678
			Letters of Credit	-	135,422
Commercial Leasing Co. Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	25,000,000	11,342,756
		Mr. A.L. Gooneratne	Director	Short-Term Loan	50,000,000
	Commercial Paper		100,000,000	100,000,000	
	Letters of Credit		10,000,000	86,268	
	Letters of Guarantee	5,000,000	Nil		
Acme Packaging & Printing Ltd.	Mr. J.S. Mather	Director	Overdraft	10,000,000	9,870,838
			Letters of Credit	15,000,000	Nil
			Import Demand Loans (Sub Limit of L.C.)	(7,500,000)	6,500,000
			Letters of Guarantee	2,500,000	Nil

Name of Related Party	Name of Director	Relationship	Accommodation Granted	Limit Rs.	Balance Outstanding Rs.
Ceylon Tobacco Co. Ltd.	Mr. J.S. Mather	Director	Overdraft	15,000,000	Credit Balance
The Central Finance Co. Ltd.	Mr. J.S. Mather	Director	Overdraft	25,000,000	11,195,855
			Short-Term Loan	150,000,000	150,000,000
			Term Loan	150,000,000	150,000,000
			Letters of Guarantee	8,000,000	5,000,000
Chemical Industries Colombo Ltd.	Mr. B.R.L. Fernando	Chairman	Overdraft	50,000,000	16,292,826
	Mr. J.S. Mather	Director	Term Loans	125,000,000	115,200,000
			Letters of Credit	100,000,000	19,768,853
CIC Fertilizers (Pvt) Ltd.	Mr. B.R.L. Fernando	Chairman	Overdraft	100,000,000	18,339,681
			Letters of Guarantee	5,000,000	880,272
			Letters of Credit	100,000,000	4,904,128
			D/A (Combined Limit with L.C.)	–	104,667,012
Aitken Spence Co. Ltd.	Mr. M.L. Mack	Director	Commercial Paper	400,000,000	100,000,000
			Short-Term Loan	(400,000,000)	Nil
			(Sub Limit of Commercial Paper)		
			Overdraft	(400,000,000)	Credit Balance
			(Sub Limit of Commercial Paper)		
Hayleys Plantation Services Ltd.	Mr. M.J.C. Amarasuriya	Director	Overdraft	15,000,000	12,732,251
Quality Seed Co. Ltd.	Mr. M.J.C. Amarasuriya	Managing Director	Leasing	1,000,000	311,651
Haychem Ltd.	Mr. M.J.C. Amarasuriya	Deputy Chairman	Leasing	14,000,000	11,269,619
DFCC Bank	Mr. A.N. Fonseka	Director	Letters of Credit	750,000,000	82,595,475
	Mr. M.L. Mack	Director	D/A (Sub Limit of L.C.)	(250,000,000)	20,826,728
			Shipping Guarantee	(250,000,000)	14,835,000
			(Sub Limit of L.C.)		
			Bills Receivable	–	4,249,877
Commercial Fund Management (Pvt) Ltd.	Mr. M.J.C. Amarasuriya	Chairman	Leasing	1,072,767	597,262
	Mr. A.L. Gooneratne	Director			
Commercial Development Co. Ltd.	Mr. A.L. Gooneratne	Director	Overdraft	–	4,445
	Dr. H.S. Wanasinghe	Director	Leasing	27,344,710	23,770,925
	Mr. J.S. Mather	Director			
Sri Lanka Telecom Ltd.	Mr. D.J. Amarasinghe	Director	Syndicated Loan	500,000,000	428,571,429
	(Resigned w.e.f. 31.12.2000)		Syndicated Loan	300,000,000	257,142,857

Name of Related Party	Name of Director	Relationship	Accommodation Granted	Limit Rs.	Balance Outstanding Rs.
Rainwear (Pvt.) Ltd.	Mr. B.R.L. Fernando	Director	Overdraft	US\$ 37,000	US\$ 52,358
			Temporary Overdraft	US\$ 15,000	
			Letters of Credit	US\$ 113,000	Nil
			Import Demand Loans (Sub Limit of L.C.)	(US\$ 113,000)	US\$ 108,201
Chemanex Ltd.	Mr. B.R.L. Fernando	Chairman	Overdraft	6,000,000	6,521,275
			Letters of Credit	–	6,300,328
			D/A	–	2,678,445
			Shipping Guarantee	–	11,124,000
			Letters of Guarantee	–	860,769
CIC Agri Biotech (Pvt.) Ltd.	Mr. B.R.L. Fernando	Chairman	Overdraft	–	1,270,787
Sri Lanka Insurance Corp. Ltd.	Mr. D.J. Amarasinghe (Resigned w.e.f. 31.12.2000)	Director	Overdraft	–	2,449,016
	Mr. B.R.L. Fernando	Director			
Commercial Insurance Brokers (Pvt.) Ltd.	Mr. A.L. Gooneratne	Director	Overdraft	–	4,846,289
			Letters of Guarantee	–	4,100,000

35. Post Balance Sheet Events

Commercial Bank and the DFCC Bank have submitted a concept paper to the Central Bank of Sri Lanka and are awaiting the approval for the setting up of a holding Company which would hold majority of the shares of both Commercial Bank and the DFCC Bank.

No circumstances have arisen except as stated above since the Balance Sheet date which would require adjustments to or disclosure in the financial statements.

For the year ended 31st December	Bank			Group	
	2000 US\$'000	1999 US\$'000	Change %	2000 US\$'000	1999 US\$'000
Net income	69,377	62,154	11.62	71,506	61,839
Interest income	58,100	52,086	11.55	60,613	52,077
Interest expense	33,632	29,883	12.55	35,998	29,883
Net interest income	24,468	22,203	10.20	24,615	22,194
Foreign exchange profit	5,097	3,799	34.17	5,097	3,799
Other income	7,262	7,163	1.38	6,897	6,857
	36,827	33,165	11.04	36,609	32,850
Less: Turnover Tax	145	139	4.32	147	139
National Security Levy	938	755	24.24	953	755
	35,744	32,271	10.76	35,508	31,956
Less: Operating expenses					
Personnel costs	9,415	9,419	(0.04)	9,481	9,467
Premises, equipment and establishment expenses	6,432	6,447	(0.23)	5,840	5,748
Provision for staff retirement benefits	509	665	(23.46)	509	664
Other overhead expenses	3,215	2,921	10.07	3,280	3,118
	19,571	19,452	0.61	19,110	18,997
Profit before loan losses and provisions and provision for fall in value of investment properties	16,173	12,819	26.16	16,398	12,959
Less: Loan losses and provisions	2,183	1,612	35.42	2,183	1,612
Fall in value of Investment Properties	54	-	100.00	54	-
Profit after loan losses and provisions and provision for fall in value of investment properties	13,936	11,207	24.35	14,161	11,347
Add/(Less): Share of profit/(loss) before tax of Associate Companies	-	-	-	121	231
	13,936	11,207	24.35	14,282	11,577
Goodwill on consolidation written off	-	-	-	180	205
Profit before taxation	13,936	11,207	24.35	14,103	11,372
Less: Provision for taxation	2,598	2,090	24.31	2,757	2,245
Profit after taxation	11,338	9,117	24.36	11,345	9,127
Less: Minority interest	-	-	-	16	17
Profit attributable to ordinary shareholders	11,338	9,117	24.36	11,329	9,110
Earnings per Ordinary Share US\$	0.33	0.26	26.92	0.33	0.26
Dividends per Ordinary Share US\$	0.05	0.06	(16.67)	0.05	0.06

Exchange Rate 1 US\$ was Rs. 82.55 as at 31.12.2000 (Rs. 72.23 as at 31.12.1999)

US Dollar Accounts

The Income Statement and the Balance Sheet given on pages 95 and 96 are solely for the convenience of shareholders, investors, bankers and other users of financial statements.

As at 31st December	Bank			Group	
	2000 US\$'000	1999 US\$'000	Change %	2000 US\$'000	1999 US\$'000
ASSETS					
Cash and short-term funds	66,096	52,066	26.95	66,096	52,066
Balance with Central Bank of Sri Lanka	31,293	36,599	(14.50)	31,293	36,599
Government of Sri Lanka Treasury bills and bonds	12,921	36,185	(64.29)	51,283	36,185
Commercial paper	4,002	10,314	(61.20)	4,002	10,314
Securities purchased under re-sale agreements	-	-	-	6,080	-
Investment securities	2,527	4,149	(39.09)	2,527	4,151
Placements with banks maturing after one year	-	4,000	(100.00)	-	4,000
Treasury bonds maturing after one year	4,627	13,280	(65.16)	4,627	13,280
Bills of exchange	28,238	25,931	8.89	28,238	25,931
Loans and advances	382,439	341,859	11.87	382,439	341,859
Lease receivable within one year	6,491	5,960	8.91	6,423	5,914
Lease receivable after one year	8,802	8,536	3.12	8,560	8,536
	547,436	538,880	1.59	591,568	538,837
Investment properties	1,615	1,312	23.09	1,615	1,312
Investments in Associate Companies	949	1,084	(12.49)	1,452	1,631
Investments in Subsidiary Companies	5,141	3,799	35.33	-	-
Interest and fees receivable	3,253	6,365	(48.89)	3,253	6,365
Other assets	26,768	10,985	143.68	26,862	10,921
Goodwill on consolidation	-	-	-	-	205
Property, Plant & Equipment	15,816	17,490	(9.57)	18,424	20,231
	600,978	579,916	3.63	643,174	579,502
FINANCED BY					
LIABILITIES					
Deposits from customers	454,549	417,114	8.97	452,688	416,808
Borrowings	28,064	18,693	50.13	28,064	18,693
Securities sold under re-purchase agreements	17,324	46,673	(62.88)	59,319	46,673
Other liabilities	30,211	28,530	5.89	32,386	28,654
Deferred taxation	1,817	1,483	22.52	1,847	1,513
Tax payable	503	58	767.24	252	(345)
Dividends payable	1,308	1,350	(3.11)	1,308	1,358
Debentures	6,057	6,922	(12.50)	6,057	6,922
	539,833	520,823	3.65	581,921	520,277
SHAREHOLDERS' FUNDS					
Share capital	4,219	4,821	(12.50)	4,219	4,821
Statutory reserve fund	12,223	13,969	(12.50)	12,223	13,969
Reserves	44,703	40,302	10.92	44,659	40,261
Shareholders' funds	61,145	59,093	3.47	61,100	59,051
Minority interest	-	-	-	-	173
	61,145	59,093	3.47	61,100	59,225
Total liabilities and shareholders' funds	600,978	579,916	3.63	643,174	579,502
Commitments and contingencies	216,591	213,833	1.29	216,591	213,833

Exchange Rate 1 : US\$ was Rs. 82.55 as at 31.12.2000 (Rs. 72.23 as at 31.12.1999)

Subsidiary/Associate Companies

COMPANY	BANK'S INTEREST	PRINCIPAL ACTIVITY	DIRECTORS	PRE-TAX PROFIT/(LOSS)		DIVIDEND RATE	
				Rs. Mn.		%	
				2000	1999	2000	1999
Commercial Development Co. Ltd. "Commercial House", 21, Bristol Street, Colombo 1. Tel: 447300 Incorporated on 14.03.80	94.55%	Property Development	M.T.L. Fernando (<i>Chairman</i>) A.L. Gooneratne Deshabandu S.E. Captain J.S. Mather Dr. H.S. Wanasinghe M.A. Pemasiri G.L.H. Premaratne S.R. Pushpakumara (<i>Company Secretary</i>)	33.918	32.881	19.0	19.0
Commercial Leasing Co. Ltd. "Commercial House", 21, Bristol Street, Colombo 1. Tel: 437039, 337616-7, 347264-5, 347267 Incorporated on 22.04.88	30.0%	Leasing and Factoring	H.D.S. Amarasuriya (<i>Chairman</i>) M.J.C. Amarasuriya A.L. Gooneratne M.P. Jayawardena N.C. Peiris (<i>Alternate</i>) Mrs. R.K. Jayawardena (<i>Company Secretary</i>)	32.064	42.117	-	35.0
Equity Investments Lanka Ltd. 108 A, 1st Floor, Maya Avenue, Colombo 6. Tel: 075-373745, 507605, 507606 Incorporated on 08.08.90	22.92%	Venture Capital	M.J.C. Amarasuriya (<i>Chairman</i>) H.D.S. Amarasuriya S.T. Nagendra A.L. Gooneratne Deshabandu S.E. Captain E.A.D. Perera N.C. Peiris (<i>Alternate</i>) P.P.J. Perera Mrs. R.R. Dunuwille (<i>Company Secretary</i>)	12.612	(29.643)	6.0	-
Commercial Fund Management (Pvt) Ltd. 108 A, 1/1, Maya Avenue, Colombo 6. Tel: 074-515262, 075-373747 Incorporated on 20.01.92	50.0%	Fund Management	M.J.C. Amarasuriya (<i>Chairman</i>) H.D.S. Amarasuriya A.L. Gooneratne R.C. Melville R. Hill E. Perera (<i>Alternate</i>) N.C. Peiris (<i>Alternate</i>) Mrs. R.R. Dunuwille (<i>Company Secretary</i>)	(2.408)	(1.201)	-	-
Commercial Bank Primary Dealer Ltd. "Commercial House", 21, Bristol Street, Colombo 1. Tel: 445010-15, 336700, 328193-5, 332319 Incorporated on 18.10.99	100.0%	Primary Dealer for Government Securities	M.J.C. Amarasuriya (<i>Chairman</i>) J.S. Mather A.L. Gooneratne B.R.L. Fernando G.L.H. Premaratne R. Samaranayake W.M.R.S. Dias D.S. Weeratunga S.R. Pushpakumara (<i>Company Secretary</i>)	13.353	-	-	-

The figures of Commercial Leasing Co. Ltd. and Commercial Fund Management (Pvt.) Ltd. for 2000 are provisional and subject to audit.

Year ended December 31
(Rs. Mn.)

OPERATING RESULTS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Gross income	1,374	1,868	2,391	2,416	2,727	3,365	3,781	3,979	4,744	6,096
Interest income	1,071	1,415	1,819	1,875	2,038	2,553	2,876	3,031	3,762	4,796
Interest expense	(731)	(949)	(1,233)	(1,124)	(1,213)	(1,572)	(1,723)	(1,605)	(2,158)	(2,776)
Exchange income	156	181	198	156	187	219	320	362	274	421
Other income	146	272	287	299	393	461	440	440	517	600
Operating expenses	(369)	(514)	(701)	(966)	(916)	(1,081)	(1,261)	(1,459)	(1,586)	(1,890)
Profit before income tax	273	405	370	240	489	580	653	769	809	1,150
Income tax on profits	(130)	(133)	(90)	(98)	(160)	(147)	(110)	(178)	(151)	(214)
Profit after taxation	143	272	280	142	329	433	543	591	658	936

ASSETS

Cash and short-term funds	1,017	648	1,451	2,971	3,066	4,363	4,639	8,440	3,761	5,456
Statutory Deposit with Central Bank	822	803	1,345	1,456	1,804	2,274	1,938	1,840	2,644	2,583
Govt. of Sri Lanka T. Bills and T. Bonds	-	-	-	-	-	-	-	-	2,614	1,449
Commercial paper	-	-	-	-	-	-	-	-	745	331
Investments	36	52	61	94	86	308	658	409	300	208
Securities purchased under re-sale agreements	-	-	-	-	26	20	-	70	-	-
Placements with banks maturing after one year	-	-	-	-	-	-	-	-	289	-
Treasury Bonds maturing after one year	-	-	-	-	-	-	-	409	959	-
Bills of Exchange	1,128	1,233	1,694	1,598	1,564	2,135	2,074	1,597	1,873	2,331
Loans and Advances	5,788	8,167	9,323	9,161	11,269	13,414	15,690	18,312	24,692	31,570
Lease receivable	-	-	-	-	-	177	489	730	1,047	1,263
	8,791	10,903	13,874	15,280	17,815	22,691	25,488	31,807	38,924	45,191
Investment properties	-	-	-	-	-	-	-	-	95	133
Investments in Associate Companies	85	305	298	329	414	128	128	78	78	78
Investment in Subsidiaries	-	-	-	-	-	274	274	274	274	424
Other assets	479	716	524	1,430	1,445	1,571	972	1,368	1,253	2,478
Property, Plant & Equipment	221	257	521	549	604	671	797	1,059	1,263	1,306
ASSETS EMPLOYED	9,576	12,181	15,217	17,588	20,278	25,335	27,659	34,586	41,887	49,611

LIABILITIES

Deposits from customers	6,936	8,952	10,909	12,261	13,048	16,611	20,156	25,274	30,128	37,523
Borrowings	1,115	1,421	1,709	1,952	2,150	2,601	1,321	1,124	1,350	2,317
Securities sold under re-purchase agreements	-	-	-	-	1,213	1,030	1,468	2,130	3,371	1,430
Other liabilities	734	808	954	1,698	1,706	1,975	1,226	1,594	2,168	2,643
Taxation	50	84	63	37	75	38	(8)	(1)	4	42
Dividends payable	25	18	38	23	27	48	75	98	98	108
Debentures	-	-	-	-	-	-	-	500	500	500
	8,860	11,283	13,673	15,971	18,219	22,303	24,238	30,719	37,619	44,563

SHAREHOLDERS' FUNDS

Share capital	100	100	125 ***	125	125	268 @#1	268	348 +	348	348
Statutory reserve fund	615	797	940	1,009	1,009	1,009	1,009	1,009	1,009	1,009
Reserves	1	1	479	483	925	1,755	2,144	2,510	2,911	3,690
CAPITAL EMPLOYED	9,576	12,181	15,217	17,588	20,278	25,335	27,659	34,586	41,887	49,611

Commitments and contingencies	10,377	10,861	9,559	13,222	11,027	10,517	13,768	14,612	15,445	17,880
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RATIOS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Return on average -										
shareholders' funds (%)	21.51	33.73	22.92	9.00	17.90	17.03	16.80	16.20	16.21	20.09
Income growth (%)	33.55	35.97	27.97	1.06	12.88	23.40	15.71	5.24	19.25	28.49
Return on average assets (%)	1.69	2.50	2.03	0.86	1.74	1.90	2.05	1.90	1.72	2.05
Rate of dividend (%)	25.00	30.00	30.00	30.00	35.00	30.00	40.00	40.00	40.00	45.00
Dividend cover (times)	5.72	9.07	7.46	3.78	7.25	5.39	3.90	4.25	4.73	5.91
Gross dividend (Rs. Mn.)	25.00	30.00	37.50	37.50	45.40	80.40	107.10	139.30	139.30	156.71
Advances to deposits and										
refinance (%)	93.10	100.30	96.80	84.80	95.30	92.50	88.95	80.42	89.75	91.81
Property, Plant & Equipment to										
shareholders' funds (%)	30.86	28.62	33.74	33.99	29.12	22.14	23.29	27.37	29.60	25.87
Total assets to shareholders'										
funds (times)	13.37	13.56	9.85	10.88	9.26	8.36	8.09	8.94	9.81	9.83
Liquid assets to liabilities (%)	–	31.81	32.48	27.12	20.74	28.17	25.36	24.97	22.19	27.22
(As specified in the Banking Act										
No. 30 of 1988)										
Capital adequacy (%) Tier I	–	–	9.71	11.04	13.56	17.13	16.71	15.53	14.90	14.97
Tier I & II	–	–	10.45	11.67	13.94	17.47	17.63	18.45	17.14	16.62
SHARE INFORMATION										
Market value per share (Rs.)	290	196	350	288	200	124	150	120	115	93
Earnings per share (Rs.)	14	27	22	11	26	18	16	17	19	27
Price earning ratio (times)	20	7	16	25	8	7	10	7	6	3
Net assets per share (Rs.)	72	89	124	129	165	113	128	111	123	145
Earnings yield (%)	5	14	6	4	13	15	11	14	16	29
Dividend payout ratio (%)	18	11	14	27	13	17	25	24	21	17
OTHER INFORMATION										
No. of employees	1,432	1,646	1,780	1,849	1,845	1,837	1,889	1,985	1,996	2,067
No. of branches	21	28	31	34	36	41	49	61	67	81
No. of Automated										
Teller Machines	6	8	9	14	19	29	44	60	67	79

*** Rights issue of one ordinary share for every four held was made in May 1993.

@ Scrip issue of three bonus shares for every five ordinary voting/non-voting shares held was made in April 1996.

Rights issue of one ordinary voting/non-voting share for every four held was made in October 1996.

! Issue of 894,275 non-voting ordinary shares to the shareholders of Commercial Development Co. Ltd. was made during the year 1996 on the offer for share swap.

+ Scrip issue of three bonus shares for every ten ordinary voting/non-voting shares held was made in June 1998.

1. Stock Exchange listing

The ordinary shares of the Bank are listed with the Colombo Stock Exchange. The audited Income Statement for the year ended December 31, 2000 and the audited Balance Sheet of the Bank as at date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

2. Ordinary Shareholders

As at December 31, 2000

2.1 Voting

Category	Resident		Non-Resident		Total		%
	No. of Share-holders	No. of Shares	No. of Share-holders	No. of Shares	No. of Share-holders	No. of Shares	
Less than 500 shares	2,186	439,630	25	5,934	2,211	445,564	1.37
501 - 1,000	689	502,171	12	10,365	701	512,536	1.58
1,001 - 5,000	1,332	2,619,524	34	52,822	1,366	2,672,346	8.22
5,001 - 10,000	148	1,033,727	3	21,470	151	1,055,197	3.25
10,001 - 20,000	56	759,361	2	36,371	58	795,732	2.45
20,001 - 30,000	22	561,798	-	-	22	561,798	1.73
30,001 - 40,000	13	470,420	-	-	13	470,420	1.45
40,001 - 50,000	13	582,884	-	-	13	582,884	1.79
50,001 - 100,000	10	734,536	-	-	10	734,536	2.26
100,001 - 500,000	10	2,737,340	3	662,500	13	3,399,840	10.46
500,001 - 1,000,000	3	1,931,493	-	-	3	1,931,493	5.94
over 1,000,000 shares	3	19,337,654	-	-	3	19,337,654	59.50
	4,485	31,710,538	79	789,462	4,564	32,500,000	100.00

There were 4,495 resident and 86 non-resident shareholders as at December 31, 1999.

Analysis of Shareholders	December 31, 2000			December 31, 1999		
	No. of Shareholders	Total Holdings	%	No. of Shareholders	Total Holdings	%
Public	4,281	5,728,678	17.63	4,296	5,864,264	18.04
Institutions	283	26,771,322	82.37	285	26,635,736	81.96
	4,564	32,500,000	100.00	4,581	32,500,000	100.00

2.2 Non-Voting

Category	Resident		Non-Resident		Total		%
	No. of Share-holders	No. of Shares	No. of Share-holders	No. of Shares	No. of Share-holders	No. of Shares	
Less than 500 shares	633	102,211	7	1,480	640	103,691	4.46
501 - 1,000	147	104,687	2	1,856	149	106,543	4.58
1,001 - 5,000	172	357,374	-	-	172	357,374	15.37
5,001 - 10,000	32	216,159	2	18,803	34	234,962	10.11
10,001 - 20,000	6	87,944	-	-	6	87,944	3.78
20,001 - 30,000	2	53,366	-	-	2	53,366	2.30
30,001 - 40,000	1	31,200	-	-	1	31,200	1.34
40,001 - 50,000	1	49,500	-	-	1	49,500	2.13
50,001 - 100,000	6	452,007	-	-	6	452,007	19.44
100,001 - 500,000	1	246,918	-	-	1	246,918	10.62
500,001 - 1,000,000	1	601,610	-	-	1	601,610	25.87
over 1,000,000 shares	-	-	-	-	-	-	-
	1,002	2,302,976	11	22,139	1,013	2,325,115	100.00

There were 1,009 resident and 13 non-resident shareholders as at December 31, 1999.

Analysis of Shareholders	December 31, 2000			December 31, 1999		
	No. of Shareholders	Total Holdings	%	No. of Shareholders	Total Holdings	%
Public	930	815,498	35.07	936	786,076	33.81
Institutions	83	1,509,617	64.93	86	1,539,039	66.19
	1,013	2,325,115	100.00	1,022	2,325,115	100.00

3. Twenty largest Shareholders as at December 31, 2000

Name of the Shareholder	No. of Shares	%
DFCC Bank	9,676,568	29.77
Sri Lanka Insurance Corporation Ltd.	7,990,060	24.58
Sri Lanka Insurance Corporation Ltd. - Life Fund	1,671,026	5.14
Distilleries Company of Sri Lanka Ltd.	747,493	2.30
Ceylon Petroleum Corporation	624,000	1.92
Employees' Trust Fund Board	601,610	Non-Voting
Bank of Ceylon	560,000	1.72
Readywear Industires Ltd.	435,966	1.34
Bank of Ceylon A/C - CeyBank Unit Trust	425,226	1.31
National Development Bank - A/C No. 3	394,944	1.22
Hongkong & Shanghai Banking Corporation Ltd. (Nat. Eq. Fund)	363,962	1.12
Lloyds TSB Bank PLC-Chelmsford S/A Aberdeen Asian Smaller Companies invest.	287,500	0.88
Seylan Bank Ltd.	267,533	0.82
Sri Lanka Insurance Corporation Ltd. - General Fund	246,918	Non-Voting
Lloyds TSB Bank PLC - Chelmsford S/A Aberdeen Emerging Economies invest.	240,000	0.74
National Savings Bank	197,300	0.61
Hongkong & Shanghai Banking Corporation (Comtrust. Eq. Fund)	187,063	0.58
Hatton National Bank Ltd.	180,850	0.56
The Central Finance Co. Ltd.	175,419	0.54
Bil-aberdeen Global Asian Equity Fund	135,000	0.42

4. Market Value of Shares

The market value of Company's ordinary shares were as follows:

	2000 Rs.	1999 Rs.
Voting:		
Highest	120.00	121.00
Lowest	70.50	90.00
Year end	93.00	115.00
Non-Voting:		
Highest	84.75	86.00
Lowest	57.00	65.00
Year end	68.00	80.00

5. Market Value of Debentures

The market value of Company's Fixed Rate debentures were as follows:

	2000 Rs.	1999 Rs.
Highest	950	995
Lowest	900	900
Last traded price	950	900
	(As at 2/10/00)	(As at 10/12/99)

Floating Rate debentures of the company were not traded in the above years.

6. Market Capitalisation

Market capitalisation of the Bank which is the number of Ordinary Shares in issue multiplied by the market value of a share was Rs. 3,181 million as at December 31, 2000 (As at December 31, 1999 - Rs. 3,924 million).

	2000	1999
7. Dividends		
Interim paid	14%	12%
Final proposed/paid	31%	28%
Total	<u>45%</u>	<u>40%</u>
8. Interest on Debentures		
Interest yield as at date of last trade	14.95%	15.78%
	(As at 02/10/00)	(As at 10/12/99)
Yield to Maturity	16.08%	17.56%
	(As at 02/10/00)	(As at 10/12/99)
9. Share Trading		
No. of Transactions	2,305	3,156
No. of Shares Traded	2,362,400	2,594,400
Value of Shares Traded (Rs.)	242,462,525	258,469,675

10. Financial Ratios

Key financial ratios are given in the "Decade at a Glance" on page 99.

11. Investments

The details of investments in shares of Subsidiary/Associate Companies are given on page 97.

Success Stories

Symbiotic Harmony with..... Customers

“ The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs and comes short again and again, who knows the great enthusiasms, the great devotions, and spends himself in a worthy cause; who at best, knows the triumph of high achievement; and who, at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory nor defeat.”

Theodore Roosevelt

Our success always has been the success of our most valued customers. As the anemone fish and the sea anemone, we at the Bank and our customers grow in mutualism in good times as well as bad times sharing perfect symbiotic harmony.

We take pride in associating with our customers who excelled in their respective areas at the 8th Annual NCE Export Awards Ceremony 1999 organized by the National Chamber of Exporters of Sri Lanka and at the Sri Lankan Entrepreneur of the Year 1999 competition organised by the Federation of Chamber of Commerce & Industry of Sri Lanka.

8th Annual NCE Export Awards Ceremony 1999

Most Outstanding Exporter 1999

Agriculture Traditional Sector

(Large Category)

- Gold Award

Agriculture Non-Traditional Sector (Large Category)

- Silver Award



Standard Trading Company (Pvt) Ltd.

Agriculture Non-Traditional Sector (Small Category)

- Gold Award



Ranfer International (Pvt) Ltd.

Agriculture Non-Traditional Sector (Medium Category)

- Silver Award



BPL Teas (Pvt) Ltd.

Agriculture Non-Traditional Sector (Large Category)

- Bronze Award

Best Sri Lankan Brand Exporter

- Gold Award



Akbar Brothers Ltd.

Industry Sector (Large Category)

- Gold Award



Heenatigala Garments (Pvt) Ltd.

Industry Sector (Extra Large Category)

- Bronze Award



Hands International Group of Companies

Service Providers to Exporters Sector (Large Category)

- Gold Award



Roton Vander (Freighting) Ltd.

Service Providers to Exporters Sector (Large Category)

- Silver Award



DTM Buttons (Pvt) Ltd.

Gems & Jewellery Sector (Large Category)

- Gold Award



AMA Careem Jewellers

Gems & Jewellery Sector (Small Category)
- Silver Award



Lanka Jewellery Ltd.

**Sri Lanka Entrepreneur of the Year Awards
for 1999**

Entrepreneur of the Year



Hands International (Pvt) Ltd.
Mr. Graetien Gunawardhana

Central Province



Kandy Furnishing House Distributors (Pvt) Ltd.
Mr. D.G.P. Abeygunawardena



Western Province

Da Vinci Computerised Labels (Pvt) Ltd.



Mr. K.P.J. Leonard De Silva

Susiko Bakers (Pvt) Ltd.
Mrs. Samantha Rupasinghe



Eighty Years

Tradition

- 1920** - The Eastern Bank Ltd. opened a branch office at Chatham Street, Colombo.
- 1939** - The branch office of the Eastern Bank, situated at Chatham Street, was shifted to the previous Commercial Bank, City Office premises, situated at 57, Sir Baron Jayatillake Mawatha.
- 1957** - The share capital of Eastern Bank Ltd. was acquired by the Chartered Bank.
- 1969** - The Commercial Bank of Ceylon Ltd. was duly incorporated in Sri Lanka (then Ceylon) with Eastern Bank holding 40% of its equity.
The business of the Colombo branch of the Eastern Bank was acquired by the Commercial Bank of Ceylon Ltd.
- 1971** - The business of the Eastern Bank Ltd. was taken over by the Chartered Bank.
- 1972** - Two new branches were opened at Galewela and Matale.
- 1973** - A new branch was opened at Matara. The business of the Galle, Jaffna and Kandy branches of the Mercantile Bank Ltd. was acquired by the Bank.
- 1974** - Two new branches were opened at Wellawatte and Kollupitiya.
- 1975** - The Chartered Bank transferred its business to Standard Chartered Bank. A new branch was opened at Kotahena.
- 1979** - The Foreign Currency Banking Unit was formed in order to promote off-shore banking business.
- 1980** - The Bank promoted a property development company, namely Commercial Development Company Ltd., to construct a Headquarters building for the Bank. The Bank enjoyed 40% equity participation in this company.
- 1981** - A new branch was opened at Negombo.
- 1983** - A new branch was opened at Hikkaduwa.
- 1984** - The Headquarters of the Bank was shifted to "Commercial House", 21, Bristol Street, Colombo 1, bringing the operation of the Head Office to a centralised location.
The Bank embarked on a computerisation programme which would progressively cover the entire branch network.
A new branch was opened at Hingurakgoda.
- 1985** - The Foreign Department of the Bank was elevated to the status of a fully-fledged branch. This move completed the reorganisation process whereby three independent offices representing City Office, Foreign Branch and Head Office were created by segregating the different operations.
- 1986** - A new branch was opened at Kurunegala.

- 1987** - An associate company, Commercial Insurance Services (Private) Ltd., was formed in which the Bank enjoyed 40% equity participation.
- The Eastern Bank Ltd. changed its name to Standard Chartered (UK) Holdings Ltd.
- 1988** - A new branch was opened at Maharagama. An associate company, Commercial Leasing Company Ltd. was formed.
- 1990** - Three new branches were opened at Nugegoda, Borella and Kegalle.
- Automated Teller Machines were installed at the Foreign, Borella, Nugegoda, Kotahena and Kollupitiya branches.
- An associate company, Equity Investments Lanka Ltd. was formed.
- 1991** - Two new branches were opened in the Katunayake Free Trade Zone and Narahenpita.
- An Associate Company, Commercial Stock Brokers (Private) Ltd. commenced operations. The Bank enjoyed 40% equity participation in this company.
- 1992** - Seven new branches were opened at Pettah, Battaramulla, Mutwal, Wennappuwa, Koggala, Embilipitiya and Galle.
- The Bank sponsored a Fund Management Company, Commercial Fund Management (Pvt) Ltd. for the purpose of operating unit trusts. The first unit trust was launched in March 1992. The Bank enjoyed 50% equity participation in this company.
- 1993** - Introduction of International Comprehensive Banking System (ICBS) linking nine metropolitan branches.
- Three new branches were opened at Kandana, Maradana and Akuressa.
- An Automated Teller Machine was installed at Wellawatte Branch.
- 1994** - Three new branches were opened at Minuwangoda, Keyzer Street and Panadura and they were linked to the International Comprehensive Banking System.
- Automated Teller Machines were installed at City Office, Minuwangoda, Keyzer Street, Panadura, Maradana and Battaramulla branches.
- Religious ceremonies were held and a special bonus of one month's salary was paid to mark the 25th Anniversary.
- 1995** - Two new branches were opened at Aluthgama and Kaduwela and they were linked to the ICBS. The existing branches at Kurunegala, Mutwal and Pettah were also linked to the ICBS.
- Automated Teller Machines were installed at Aluthgama, Kaduwela, Kurunegala, Mutwal and Pettah branches.
- 1996** - Five new branches were opened at Old Moor Street, Katugastota, Nuwara Eliya, Chilaw and Gampaha and they were linked to the ICBS network. The existing branches at Galle City, Matara, Negombo, Matale, and Katunayake (FTZ) were also linked to the ICBS. Automated Teller Machines were installed in these branches except in Katunayake (FTZ).
- Increased the shareholding in Commercial Development Company Ltd. to 94.55% through a share swap.
- 1997** - Eight new branches were opened at Ratmalana, Kirulapone, Union Place, Colombo 7, Ratnapura, Kuliypitiya, Badulla and Anuradhapura. The existing branches at Kandy, Kandana, Maharagama, Hikkaduwa, Wennappuwa and Kegalle were also linked to the ICBS. Automated Teller Machines were installed in these branches and in Katunayake (FTZ) branch.
- Standard Chartered Bank sold its 40% stake in the Bank in the following manner:
- | | |
|--------------------------------|-------|
| To DFCC Bank | 29.5% |
| Through Colombo Stock Exchange | 5.5% |
| To an Employee Share Trust | 5.0% |
- Shares allotted to the Employee Share Trust in turn were sold to the employees under an Employee Share Option Scheme.
- 1998** - 52 week, 365 day branch at Colombo 7 Branch was opened. Sophisticated on line banking system which permits clients to conduct a variety of banking transactions through their personal telephone, personal computer or laptop was installed. All branches except Jaffna were linked to the ICBS.
- 1999** - Banking and supermarketing were combined by opening the first "MiniCom" at the Staples Street Cargills Food City outlet. Rated as the Best Bank in Sri Lanka by Global Finance.
- 2000** - Launched Internet Banking. 5 new branches, 4 Customer Service Points and 2 MiniCom outlets were opened. Rated as the Best Bank in Sri Lanka by Global Finance for the second consecutive year.

Foreign Branch

"Commercial House",
No. 21, Bristol Street, Colombo 1.
Tel: 445010-13, 328193-5, 430420,
336700

Air Port Office

Arrival Lounge of the Bandaranaike
International Air Port, Katunayake.
Tel: 256449

Inner Colombo Region**Borella**

No. 265, Ward Place, Colombo 8.
Tel: 687051-3, 670984-5
Fax: 687052

City Office

No. 98, York Street, Colombo 1.
Tel: 448296, 432113, 424787-8
Fax: 326442

Colombo 7

No. 209, Dharmapala Mawatha.
Tel: 698201, 698200
Fax: 698199

DFCC Bank CSP

No. 73, W.A.D. Ramanayake Mawatha.
Colombo 2.
Tel: 305577, 305560 (Ext. 208)
Fax: 381351

Duplication Road

405, R.A. De Mel Mawatha, Colombo 3.
Tel: 075-376345-6, 505220
Fax: 075-376444

Grandpass

No. 507, Prince of Wales Avenue,
Colombo 14.
Tel: 451601-2
Fax: 451603

Keyzer Street

No. 32, Keyzer Street, Colombo 11.
Tel: 336770, 336773-4
Fax: 336772

Kotahena

No. 198, George R. De Silva Mawatha,
Colombo 13.
Tel: 323874, 341171, 323471
Fax: 431613

Main Street

No. 280, Main Street, Pettah, Colombo 11.
Tel: 380491-2
Fax: 380943

Maradana

No. 524, Maradana Road, Colombo 10.
Tel: 699195
Fax: 699133

Mutwal

No. 677, Aluthmawatha Road, Colombo 15.
Tel: 522553, 522559
Fax: 522557

Old Moor Street

No. 442/A, Old Moor Street, Colombo 12.
Tel: 345554, 345579, 345595
Fax: 345575

Panchikawatte

No. 240, 242, Panchikawatte Road,
Colombo 10.
Tel: 542184-6
Fax: 542187

Pettah

No. 180/1/31,
People's Park Shopping Complex,
Colombo 11.
Tel: 446290, 074-712643
Fax: 449594

Union Place

No. 1, Union Place, Colombo 2.
Tel: 074-710536-7, 300380-1
Fax: 300382

Outer Colombo Region**Avissawella**

No. 56, Yatiyantota Road.
Tel: 036-31301, 036-31303-4
Fax: 036-31302

Battaramulla

No. 15, Kaduwela Road.
Tel: 867916-7, 875390
Fax: 867521

Dehiwela

No. 85, Galle Road.
Tel: 722312, 722315
Fax: 722311

Homagama (CSP)

No. 100, High Level Road,
Tel: 895128-9, 895126
Fax: 895127

Kaduwela

50 B/C, Avissawella Road.
Tel: 571084, 571090,
Fax: 571091

Kirulapone

No. 94-A, Pamankada Road.
Tel: 074-511170, 599731
Fax: 074-511171

Kollupitiya

No. 285, Galle Road, Colombo 3.
Tel: 573546, 577281, 577620
Fax: 575448

Maharagama

No. 108A, High Level Road.
Tel: 850505, 844915
Fax: 851232

Moratuwa

No. 116, Old Galle Road.
Tel: 643084-6
Fax: 643087

Narahenpita

No. 201, Kirula Road, Colombo 5.
Tel: 502425, 500305
Fax: 502490

Nugegoda

No. 100, Stanley Tillekeratne Mawatha.
Tel: 810942-3, 827772
Fax: 810944

Panadura

No. 383, Galle Road.
Tel: 038-34169, 038-36808
Fax: 038-34167

Piliyandala

No. 7, Old Road.
Tel: 604265, 604267-8
Fax: 604266

Rajagiriya

No. 1444/A, Kotte Road.
Tel: 884024-5
Fax: 884023

Ratmalana

No. 381, Galle Road.
Tel: 738125, 715513
Fax: 715514

Thalawathugoda (CSP)

No. 7, Suramya Building.
Tel: 877550-2
Fax: 877553

Wellawatte

No. 343, Galle Road, Colombo 6.
Tel: 586097, 592627, 555379, 555380,
583556
Fax: 589437

Colombo North Region**Chilaw**

No. 52, Colombo Road.
Tel: 032-22966-7
Fax: 032-22957

Ekala (CSP)

"Regents Court"
218, Minuwangoda Road.
Tel: 240051, 075-355572
Fax: 240050

Gampaha

No. 19, Queen Mary's Road.
Tel: 033-24136-7
Fax: 033-24135

Jaffna

No. 474, Hospital Street.
Tel: 021-2176
Fax: 021-3148

Kadawatha

143/B, Kandy Road.
Tel: 921454, 921456-7
Fax: 921455

Kandana

No. 54, Negombo Road.
Tel: 232081-2
Fax: 236013

Katunayake FTZ Branch

Unit No. 15, GCEC Plaza Complex, FTZ.
Tel: 253254, 253256, 253258
Fax: 253253

Kiribathgoda

137, Kandy Road.
Tel: 909954, 909956-7
Fax: 909955

Kochchikade (CSP)

No. 42, Main Street.
Tel: 031-76085, 031-70687
Fax: 031-76088

Kuliyapitiya

No. 74, Hettipola Road.
Tel: 037-81642, 037-81644
Fax: 037-81643

Minuwangoda

No. 42, Samarakkody Mawatha.
Tel: 296221, 296223
Fax: 252309

Mirigama

No. 93, Giriulla Road.
Tel: 033-74312-3
Fax: 033-74314

Narammala

No. 77, Kuliyapitiya Road.
Tel: 037-49917
Fax: 037-49916

Nattandiya

No. 62, Marawila Road.
Tel: 032-55173, 032-55171
Fax: 032-55172

Negombo

No. 24 & 26, Fernando Road.
Tel: 031-22217, 031-33955
Fax: 031-33403

Nittambuwa

No. 127/B, Kandy Road.
Tel: 033-90549-50
Fax: 033-90551

Seeduwa

No. 791, Jayalath Plaza Building,
Negombo Road.
Tel: 256571-2
Fax: 256573

Trincomalee

No. 191, Central Road.
Tel: 026-24420-2
Fax: 026-24423

Vavuniya

No. 14, 2nd Cross Street.
Tel: 024-22956
Fax: 024-22955

Wattala

No. 503, Negombo Road.
Tel: 938751-2
Fax: 938750

Wennappuwa

No. 262 & 264, Colombo Road.
Tel: 031-55552-3
Fax: 031-55551

Central Region**Anuradhapura**

No. 249, Main Street,
Rex Building, Bank Site.
Tel: 025-23597-9
Fax: 025-23596

Badulla

No. 225, Modern Complex,
Modern Street.
Tel: 055-30581, 055-30583-4
Fax: 055-30582

Dambulla

No. 1/23, Kurunegala Road.
Tel: 066-84934-5
Fax: 066-84950

Galewela

No. 49/57, Matale Road.
Tel: 066-89351
Fax: 066-89265

Hingurakgoda

No. 44 & 45, Air Port Road.
Tel: 027-46395
Fax: 027-46022

Kandy

No. 120, Kotugodella Veediya.
Tel: 08-223217, 08-234392-3
Fax: 08-222440

Katugastota

No. 184, Madawela Road.
Tel: 08-499836
Fax: 08-498476

Kegalle

No. 186, Kandy Road.
Tel: 035-30232, 035-22034
Fax: 035-30231

Kurunegala

No. 4, Suratissa Mawatha.
Tel: 037-24092, 037-24556-7
Fax: 037-22749

Matale

No. 70, King Street.
Tel: 066-31870, 066-22485
Fax: 066-22204

Nuwara Eliya

No. 36, Park Road.
Tel: 052-23761, 052-23763
Fax: 052-23762

Peradeniya (CSP)

No. 935/1, Peradeniya Road.
Tel: 08-386447-8
Fax: 08-386446

Southern Region**Akuressa**

No. 119, Deniyaya Road.
Tel: 041-83144, 041-83146
Fax: 041-83145

Aluthgama

No. 335, Galle Road.
Tel: 034-75391, 075-580072
Fax: 034-75394

Ambalantota

No. 129, Tissa Road.
Tel: 047-23818-9
Fax: 047-23817

Embilipitiya

No. 7, 7/1, Middeniya Road.
Tel: 047-30258-9
Fax: 047-30258

Galle

No. 22, Church Street.
Tel: 09-34377, 09-32223
Fax: 09-42770

Galle City

No. 130, Main Street, Galle.
Tel: 09-34356
Fax: 09-34467

Hikkaduwa

No. 217, Galle Road.
Tel: 09-77397-8, 075-450170
Fax: 09-77397

Horana

No. 75, Ratnapura Road.
Tel: 034-61900-1, 034-61899
Fax: 034-61902

Kalutara

No. 302, Galle Road.
Tel: 034-21600-2
Fax: 034-21603

Koggala

No. H/8, Export Promotion Zone,
Galle Road.
Tel: 09-83485
Fax: 09-83388

Matara

No. 18, Station Road.
Tel: 041-24443-4
Fax: 041-24445

Ratnapura

No. 408 & 410, Main Street.
Tel: 045-23659, 045-30354-5
Fax: 045-30356

COUNTRY	NAME & ADDRESS OF THE BANK
AUSTRALIA	National Australia Bank Int'l Banking Div. P.O. Box 84A, Melbourne Victoria 3001 - Australia.
AUSTRIA	Creditanstalt Bank Vienna Technisches Zentrum Julius Tandler-Platz 3, Postfach 300, A-1090 Wien, Austria.
BELGIUM	Fortis Bank Montagne DU PARC3 B-1000, Brussels, Belgium.
CANADA	Canadian Imperial Bank of Commerce Int'l Dept: Head Office Commerce Court, Toronto M5L 1H1, Canada.
DENMARK	Uni Bank A/S Copenhagen 4, Borsgade, 1249 Copenhagen K, Denmark.
FRANCE	Credit Lyonnais, C.O.E.75898, 7, Rue Charles Paradinas, 92583 Clichy Cedex, France. West Deutsche Landes Bank France 6, Rue Lamennais, 75382 Paris, Cedex 08, France.
GERMANY	Bayerische Hypo und Vereins Bank Wechsel Bank AG REV/NK D-8000 Munich 2, Germany. Commerz Bank A.G. Neue Mainzer Strabe 32-36 6000 Frankfurt (Main) 1, Germany. Vereins Und West Bank A.G. Alter Wall 20-32, 2000 Hamburg 11, Germany. West Deutsche Landes Bank Girozentrale-P.O. Box D40199 Dusseldorf, Germany.

COUNTRY	NAME & ADDRESS OF THE BANK
HONG KONG	Standard Chartered Bank 4/4A, Des Voeux Road, G.P.O. Box 21, Hong Kong.
ITALY	Banca Commerciale Italiana Int'l Money Transfer Piazza Della Scala 6, 20121 Milano - Italy.
MALAYSIA	Standard Chartered Bank, Malaysia Berhard No. 2, Jalan Ampang P.O. Box 11001, Kuala Lumpur 507332, Malaysia.
NETHERLANDS	Algemene Bank of Netherlands 32, Vijzelstraat, P.O. Box 669, Amsterdam, Netherlands. ING Bank P.O. Box 1800 1000 BV Amsterdam, Netherlands.
NEW ZEALAND	Bank of New Zealand P.O. Box 2392, 1, Willis Street, Wellington - New Zealand.
NORWAY	Den Norske Bank Kirkegt 21, Oslo 1, Norway.
SAUDI ARABIA	The National Commercial Bank International Banking Division, Banking Relations, 20th Floor, P.O. Box 3555, Jeddah, 21481 Saudi Arabia.
SINGAPORE	Standard Chartered Bank 6, Battery Road, P.O. Box 1904, Singapore 0104.
SWEDEN	Skandinaviska Enskilda Banken Utlandsreskontran Stockholm-S 106 40, Sweden.
SWITZERLAND	Union Bank of Switzerland - AG Bahnhofstrasse 45, CH 8001, Zurich, Switzerland.

COUNTRY	NAME & ADDRESS OF THE BANK
UNITED STATES OF AMERICA	American Express Bank Limited World Financial Centre, P.O. Box 740, New York 10008, U.S.A.
	Bankers Trust Company P.O. Box 318, Church Street Station, New York NY 10008, U.S.A.
	Bank of America NT & SA International Deposit Services 1850 Gateway BL VD 6th Floor, Concord CA 94520, U.S.A.
	Chase Manhattan Bank International Division 4, New York Plaza, New York NY 10015, U.S.A.
	HSBC Bank U.S.A. Head Office, One HSBC Center Buffalo, NY 14203 U.S.A.
	Republic National Bank of New York 452, Fifth Avenue New York, NY 10018, U.S.A.
	The Bank of New York 48, Wall Street New York, NY 10286, U.S.A.
	Standard Chartered Bank 7, World Trade Centre, New York, NY 10048, U.S.A.
	Citi Bank N.A. 111, Wall Street, 19th Floor, New York 10043 U.S.A.

COUNTRY	NAME & ADDRESS OF THE BANK
UNITED KINGDOM	Standard Chartered Bank City Office Grace Church Street, Branch No. 37, Grace Church Street, London EC3V OBX-UK.
ACU DOLLAR "NOSTRO" Accounts	
BANGLADESH	Rupali Bank Limited Head Office Int'l Div. Rupali Bhabon 34 Dilkusha Commercial Area Dhaka-Bangladesh.
IRAN	Bank Melli Iran Int'l Dept Corres. Banking Ferdowzi Avenue Teheran, Iran.
INDIA	American Express Bank Ltd. 187, Mount Road Chennai 600 006, India.
	Canara Bank Foreign Dept., Spencer Towers, 770-A, Anna Salai, P.O. Box 3715, Madras 600 002, India.
	Standard Chartered Bank 23-25, Mahatma Gandhi Road, P.O. Box 558, Mumbai 400 001, India.
PAKISTAN	Bank of Ceylon 252-A, Sarwar Shaheed Road, Saddar-Karachi Pakistan.
	National Bank of Pakistan Foreign Exchange Accounts Wing, Foreign Exchange Division, Head Office, Karachi.
	Habib Bank Limited Foreign Exchange Branch, Karachi 21.

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and a designated payment date.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Bills for Collection

A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

Capital Adequacy Ratios

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Capital Employed

Sum total of liabilities and shareholders' funds.

Cash Equivalents

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Commitments

Credit facilities approved but not yet utilised by the clients as at the Balance Sheet date.

Contingencies

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Dealing Securities

Marketable securities that are acquired and held with the intention of reselling them in the short term.

Dividend Cover

Earnings per share divided by dividends per share.

Documentary Credits

Commercial letters of credit provided for payment by a bank to the named beneficiary usually the seller of merchandise, against delivery of documents specified in the credit.

Earnings per Share

Profit after taxation divided by the number of ordinary shares in issue.

Economic Value Added

It is an ultimate measure of productivity. A positive EVA indicates the creation of wealth whilst a negative EVA indicates the destruction of wealth.

Effective Tax Rate

Provision for taxation divided by the profit before taxation.

Finance Lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Foreign Exchange Profit

Profit earned on foreign currency transactions arising from the difference in foreign exchange rates between the transaction/last Balance Sheet date and the settlement/ Balance Sheet date. Also arises from trading in foreign currencies.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Free Capital

Excess of equity capital over net book value of Property, Plant & Equipment and Investments.

Gross Dividends

The portion of profits distributed to the shareholders including the tax withheld on non-resident shareholders.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owning a debt if that person fails to perform.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Human Resource Accounting

The Human Resource is considered as an asset (although not brought into the balance sheet) and the value is computed to focus attention on the management of this valuable asset.

Interest in Suspense

Interest suspended on non-performing loans and advances.

Interest Margin

The difference between the average interest rate earned and the average interest rate paid.

Investment Properties

Land and buildings that are not occupied substantially for use by or in the operations of the Bank.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to maturity.

Liquid Assets

Cash and cash equivalents.

Loan Losses and Provisions

Amounts set aside against possible losses on loans, advances and other credit facilities as a result of their becoming partly or wholly uncollectable.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Net Assets Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Dividends

Dividends net of withholding tax on non-resident shareholders.

Off-Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the Balance Sheet but which give rise to contingencies and commitments.

Price Earnings Ratio

Market price of an ordinary share divided by earnings per share.

Prudence

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Return on Average Shareholders' Funds

Profit after tax divided by the average shareholders' funds.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Return on Average Assets

Profit after tax divided by the average assets.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Segmental Analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Substance Over Form

The consideration that the accounting treatment and the presenting in financial statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debt.

Value Added

Value of wealth created by providing banking and other related services less the cost of providing such services.

	Page		Page		Page
Advances to Deposits Ratio	99	Directors' Report	44	Maturity Analysis	31,83
Appropriations	44	Dividend Cover	99	Net Assets Value	
Associate Companies	97	Dividends	69	per Share	99
Audit Committee Report	52	Dividends per Share	54	Net Income	66
Auditors' Report	53	Donations	47	Notes to the Accounts	66
Balance Sheet	55	Earnings per Share	99	Notice of Meeting	115
Balance with Central Bank	55	Economic Value Added	31	Operating Expenses	67
Bills of Exchange	72	Eighty Years Tradition	106	Other Liabilities	80
Board of Directors	12	Exchange Profit	54	Other Assets	78
Borrowings	80	Financial Calendar	51	Our People	37
Branch Network	108	Form of Proxy	Enclosed	Post Balance Sheet Events	47
Capital Adequacy Ratio	28	Free Capital	3,112	Price Earnings Ratio	3
Cash and Cash Equivalents	56, 112	Glossary	112	Principal Accounting Policies	59
Cash and Short Term Funds	70	Gross Income	3,66	Principal Activities	44
Cash Flows from:		Income Statement	54	Property, Plant & Equipment	78
Operating Activities	56	Income Tax on Profits	68	Reserve Fund	82
Investing Activities	56	Information on Your Share	100	Reserves	82
Financing Activities	57	Interest Income	66	Return on Average	
Cash Flow Statement	56	Interest Expense	66	Shareholders' Funds	3,99
Chairman's Message	06	Interview with the Managing		Risk Management	34,47
Commitments and		Director	14	Segmental Analysis	89
Contingencies	87	Investment Securities	70	Senior Management	19
Corporate Governance	48	Investments in Associate		Share Capital	82
Corporate Management	18	Companies	76	Shareholders' Funds	3,55
Correspondent Banks	110	Investment Properties	75	Social Responsibility	40
Cost/Income Ratio	15	Investments in Subsidiary	77	Sources and Distribution	
Debentures	81	Lease Receivable	73	of Income	32
Decade at a Glance	98	Liquid Assets Ratio	99	Statement of Changes in Equity	58
Deferred Taxation	81	Loans and Advances	72	Total Liabilities and	
Deposits from Customers	80	Management Discussion & Analysis	18	Shareholders' Funds	55
Directors' Interests in		Market Value of a Share	3,100	US Dollar Accounts	95
Contracts	89	Market Capitalisation	102	Value Added Statement	30

Notice is hereby given that the **Thirty-Second Annual General Meeting** of Commercial Bank of Ceylon Ltd. will be held at the 9th Floor of the Union Place Branch of the Bank, No.1, Union Place, Colombo 2, on Thursday, March 29, 2001 at 11.00 a.m. for the following purposes:

1. To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended December 31, 2000 with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Directors in place of those retiring by rotation or otherwise. (*)
4. To re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Company as Auditors and authorise the Board of Directors to determine their remuneration.
5. To authorise the Board of Directors to determine donations for 2001.

By Order of the Board



Mrs. R.R. Dunuwille
Company Secretary

Colombo
February 26, 2001

Notes:

1. A member entitled to attend/vote at the Meeting is entitled to appoint a proxy to attend/vote in his/her stead and a proxy need not be a member of the Company.
2. A Form of Proxy is found at the end of this Report. The completed Form of Proxy should be deposited at the Registered Office of the Company, "Commercial House", No.21, Bristol Street, Colombo 1, not less than 48 hours before the time appointed for the holding of the Meeting.
3. It is proposed to post the Dividend Warrants on March 29, 2001.

* A special notice dated January 29, 2001 has been received by the Company from DFCC Bank, a shareholder of the Company, giving notice of its intention to move the following resolutions as ordinary resolutions, at the forthcoming Annual General Meeting of the Company:

- (i) In regard to the re-election of Mr. J.S. Mather, who retires under Section 181 of the Companies Act and also by rotation "That the age limit stipulated in Section 181 of the Companies Act No.17 of 1982 shall not be applicable to Mr. James Selvanathan Mather, who has attained the age of seventy years on September 1, 2000 and that he be re-elected a Director of the Company" as an ordinary resolution at the forthcoming Annual General Meeting of the Company.
- (ii) In regard to the re-election of Dr. H.S. Wanasinghe, who retires by rotation, "That the age limit stipulated in Section 181 of the Companies Act No.17 of 1982 shall not be applicable to Dr. Henry Shelton Wanasinghe, who has attained the age of seventy four years on June 16, 2000 and that he be re-elected a Director of the Company" as an ordinary resolution at the forthcoming Annual General Meeting of the Company.

AGM - on March 29, at 11.00 a.m. - No: 1, Union Place.

MARCH 2001						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Form of Proxy

I

of

being a member of the above mentioned Company hereby appoint:

Mr. Mahendra Jayanthipal Chandima Amarasuriya	whom failing
Mr. James Selvanathan Mather	whom failing
Mr. Amitha Lal Gooneratne	whom failing
Dr. Henry Shelton Wanasinghe	whom failing
Mr. Bentotage Robert Lakshman Fernando	whom failing
Mr. Michael Lloyd Mack	whom failing
Mr. Anthony Nihal Fonseka	whom failing
Mr. Pasdunkorale Arachchige Pematilaka	whom failing

..... of

as my proxy to represent me and *

to vote for me on my behalf at the Thirty-Second Annual General Meeting of the Company to be held on the 29th day of March 2001 and any adjournment thereof and at every poll which may be taken in consequence thereof.

In witness my hand this day of Two Thousand One.

.....
Signature

* If you wish your proxy to speak at the meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

Notes: (i) Instructions as to completion of this Form of Proxy are given on reverse.
(ii) Shareholders of non-voting shares are entitled to speak only.
(iii) The stamp duty payable on this Form of Proxy has been paid by the Company in terms of Section 13 of the Stamp Duty Act No. 43 of 1982.

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

(i) Article 67 of the Articles of Association of the Company provides that:

“ The instrument appointing a proxy shall be in writing, and

- (a) in the case of an individual shall be signed by the Appointor or by his Attorney; and
- (b) in the case of a corporation shall be either under its common seal or signed by its Attorney or by an Officer on behalf of the corporation.

The Company may, but shall not be bound to, require evidence of the authority of any such Attorney or Officer. A proxy need not be a member of the Company.”

(ii) The full name and address of the proxy and of the shareholder appointing the proxy should be entered legibly in the Form of Proxy.

(iii) The completed Form of Proxy should be deposited with the Company Secretary at the Registered Office of the Company, “Commercial House”, 21, Bristol Street, Colombo 1, not less than 48 hours before the time appointed for the holding of the meeting.

Name of Company

Commercial Bank of Ceylon Ltd.

Legal Status

A public limited liability company incorporated in Sri Lanka on June 25, 1969 under the Companies Ordinance No. 51 of 1938 and quoted in the Colombo Stock Exchange in March 1970. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

Registered Office

“Commercial House”,
No. 21, Bristol Street, P.O. Box 856,
Colombo 1, Sri Lanka.

Telephone : 445010-15 (6 lines) 328193-5 (3 lines)
430420, 336700

Telegraphic Address : COMBANK

Telex : 21520 COMEX CE; 21274 COMBANK CE;
21898 COMFEX CE; 22384 COMFX CE;
23375 COMTLX CE.

Facsimile : 941-449889

SWIFT Code : CCEYLK LX

E-mail : email@combank.net

Website : WWW.COMBANK.NET

Company Registration Number

PBS 600

Tax Payer Identification Number (Tin No.)

124006007

Auditors

KPMG Ford, Rhodes, Thornton & Company,
Chartered Accountants,
32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.

Lawyers

Julius & Creasy,
No. 41, Janadhipathi Mawatha,
Colombo 1.

Company Secretary

Mrs. R.R. Dunuwille

*Minimise waste by informing the Commercial Bank
Company Secretary to update the mailing list if you are receiving
more than one copy of the Annual Report.*

