

WE PRESENT THE FUTURE



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## OUR MISSION

"To be the most innovative,  
trusted and best  
process-quality provider of  
financial services  
in the region."

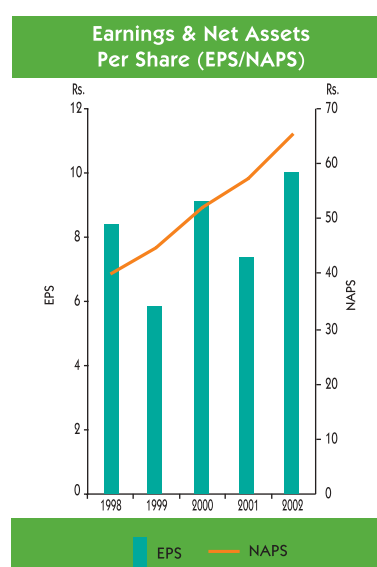
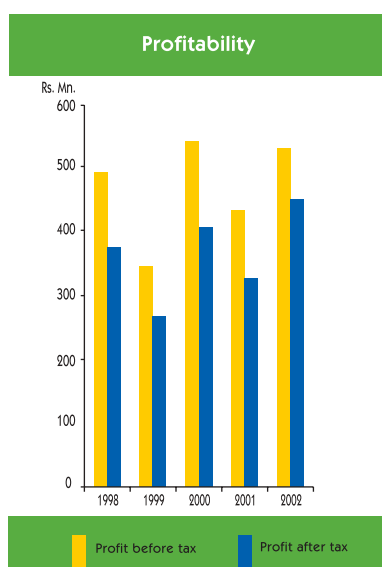
	2002 (Rs. Mn)	2001 (Rs. Mn)
<b>For the year ended 31st December</b>		
Gross Income	5,432.06	5,268.83
Net Profit before Tax	525.30	428.88
Net Profit after tax	441.23	321.76
Gross Dividends	88.57	77.50
Cost to Income Ratio %	64.7	70.6

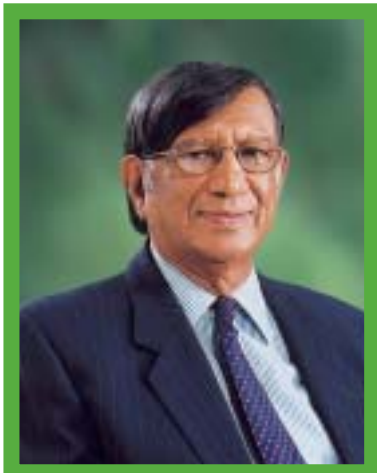
### As at 31st December

Customer Deposits	33,784.56	29,668.80	
Customer Advances	31,739.26	29,512.36	
Total Assets	43,016.84	38,781.70	
Liquid Assets %	25.2	27.9	
Shareholders' Funds	2,886.36	2,533.72	
Net Assets per Share (Rs.)	65.18	57.21	
Market Price per Share (Rs.)	72.00	63.00	
Dividend Yield %	2.8	2.8	
Capital Strength %			
	Tier I	11.5	10.5
	Tier I+II	13.1	12.6

### For the year ended 31st December

Earnings per Share (Rs.)	9.96	7.27
Dividends per Share (Rs.)	2.00	1.75
Dividend Cover (Times)	5.0	4.2
Return on Shareholders' Funds %	16.3	13.3
Return on Average Assets (After Tax) %	1.1	0.9





**EDGAR GUNATUNGE**  
*Chairman*  
Hony. FIB

Chairman since 24th September 1998.

Joined Sampath Bank as Managing Director/Deputy Chairman in January 1991.

Retired from position of Managing Director/Deputy Chairman in December 1996 but continued as a Director.

Appointed Chairman in September 24th 1998.

Counts 48 years banking experience, and serves in the boards of several companies.

**DENZIL J. GUNARATNE**  
*Director*  
Attorney-at-Law

Director of Sampath Bank since January 1998.

An Attorney-at-Law since 1973 and served in the Attorney-General's Department as a State Counsel. Joined the Judiciary and was a Magistrate from 1979, having served in such capacity at Kebithigollewa, Matara and Kegalle. Joining the unofficial Bar in 1984.

Was appointed the Chairman of the Employees' Trust Fund Board in 1994 and also Dankotuwa Porcelain Ltd.

He is the Chairman of Uni-East Agencies [Pvt] Ltd and Bibile Trading & Forwarding Agency.



**LAKSHMAN J. K. HETTIARATCHI**  
*Director*  
LL.B, FCMA, MBCS, Attorney-at-Law

Director since December 1998.

Management Consultant, Director of several companies and member of the Council of University of Moratuwa. Former President of the Organization of Professional Associations and the Country Manager of IBM World Trade Corporation, Sri Lanka.



**I. W. SENANAYAKE**  
*Deputy Chairman*

Founder Director since March 1987.

Appointed Deputy Chairman in April 1998.

Past Honorary Trade Representative for Singapore Trade Development Board in Sri Lanka.

Chairman of American President Lines Lanka [Pvt] Ltd.

Chairman and Chief Executive Officer of IWS Holdings [Pte] Limited – A conglomerate with diversified business interests in Telecommunications, Broadcasting, Information Technology, Aviation, Shipping, Automobiles, Warehousing and Logistics Support Services, Consultancy and Project Management Services for the Telecommunications, Packing and Food Processing Industries.

**DR SAMAN KELEGAMA**  
*Director*  
D. Phil [Econ] Oxford

Director since 1998.

Executive Director of the Institute of Policy Studies of Sri Lanka.

President of the Sri Lanka Economic Association. Has contributed many articles for both domestic and international journals on the Sri Lankan economy.



**MOHAN A. ABEYNAIKE**  
*Director*  
FCA

Director since 27th July 1995.

Past President of the Institute of Chartered Accountants of Sri Lanka. Has been a member of the Securities & Exchange Commission of Sri Lanka and Chairman/Director of several organisations in the Public and Private sectors.





**JAYAMPATHI BANDARANAYAKE**  
*Director*  
LL.B, F C I S

Serves on the Board of Directors of Ceylon Tobacco Company Limited, Coca Cola Beverages and James Finlays. He is the Vice Chairman of Employers Federation of Ceylon and Council Member of the Ceylon Chamber of Commerce. He is a Graduate of Law and a Fellow of the Institute of Chartered Secretaries & Administrators [UK] and a Fellow Member of the Institute of Personnel Management Sri Lanka.

**PRASANTHA LAL DE ALWIS**  
*Director*

LL.B, LL.M (Colombo), Attorney-at-Law

Director of Sampath Bank since January 2002.

An Attorney-at- Law since 1983 was a former State Counsel at the Attorney General's Department for 7 years.

A certified National Trainer in Human Resource Management of the Junior Chamber International.

Visiting lecturer at the Sri Lanka Institute for Development of Administration (SLIDA) and former visiting lecturer, University of Colombo.

Former Chairman of the Junior Bar Committee and presently the Chairman of the Technology, Infrastructure committee of the Bar Association of Sri Lanka.



**SUNIL G. WIJESINHA**  
*Director*  
M B A, F C M A, F M S

Director since October 1996 and also from September 1990 to September 1994 as a Nominee of the Employees' Trust Fund Board.

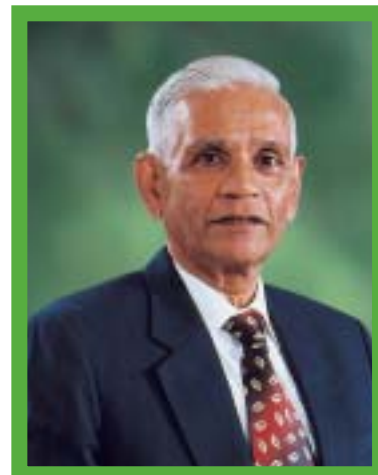
A qualified production Engineer specialised in industrial engineering. Associate Member of the institution of Engineers, Sri Lanka.

Extensive experience in the fields of industry, finance and management consultancy spanning both the public and private sectors.

A former Chairman/CEO of the Employees' Trust Fund Board. He now serves as the Managing Director of Merchant Bank of Sri Lanka Limited. Chairman Dankotuwa Porcelain Ltd and Merchant Credit of Sri Lanka Ltd.

Serves on the boards of many public and private companies including the Colombo Stock Exchange and several councils.

Founder President of the Quality Circle Association of Sri Lanka and the immediate Past President of the Japan Sri Lanka Technical & Cultural Association [JASTECA]. Conferred with the prestigious APO National Award 2000 by the Asian Productivity Organisation, in recognition of his outstanding contribution to the cause of increasing productivity in Sri Lanka.



**ERNEST A. GUNASEKERA**  
*Director*  
ACIB [ Lond ]

Director since July 2001. Banker with 45 years experience in Commercial Banking. Former Director and Head of Bankers Trust Company of New York, Colombo with responsibility for Sri Lanka, Bangladesh, Nepal and Maldives.

**ANIL S. AMARASURIYA**  
*Managing Director/CEO*  
ACA, ACMA

Appointed as Managing Director/Chief Executive Officer with effect from 10th July 2000. Previously served as the General Manager/Chief Executive Officer since 1st April 1999.

Served Sampath Bank since May 1989.

Has experience in Sri Lanka as well as in the Middle East, having worked for Grindlays Bank in Colombo and the Abu Dhabi Commercial Bank in Abu Dhabi.





Your Bank now at sixteen years of age; comparatively young for a banking company, have enjoyed a commendable steady growth. During the period under review eight branches were opened, making the total branches to fifty three. The post tax profit of Rs. 441.2 Mn. was an improvement of 37.1%. Investments in subsidiaries engaged in property development, stock broking and dealings in government securities, all brought in adequate return on the investments. Investments in the associate, Asian Alliance Insurance is expected to bring in a return by end 2003 as projected at the time of the investment. We have felt that it is now opportune to expand in the South Asian region, and as a first step, have invested in a leasing company in Bangladesh, together with an agreement to manage the company. We expect a return on the investment by the end of 2nd quarter of 2004.

Your directors at all times ensure that the Bank is run not only in accordance with regulations and guidelines stipulated by the Central Bank, but also conforming to the aspect of good corporate governance.

The Board has decided to recommend a dividend of 20%. As regards to the dividend policy, your Directors feel that to enhance the shareholders' funds, it is prudent, for the time being, whilst declaring a reasonable dividend, to retain a greater portion of the profits. Profit retained during the past ten years was Rs. 2,140.6 Mn.

In my last report I referred to the lawsuits relating to the hostile takeover attempt of the bank shares. I am happy to report that the issue is now being amicably settled in that the excess holdings by the 'parties' have been disposed of.

### Macro economic Assessment of 2002

Sri Lanka entered 2002 with an economy on the ropes, battered by both global and domestic events. The previous year had seen the country's worst macro economic performance since independence, with the economy contracting by 1.4%, inflation accelerating, and the fiscal position deteriorating. From this perspective, although the 2002 recovery may have been modest, the Government's progress in stabilizing the economy provides a firm foundation for more rapid growth in the medium term. The Government and the LTTE entered into a ceasefire to begin negotiations to settle the civil conflict that has ravaged the North and East for nearly 20 years. By midyear, tourism and shipping had recovered to the monthly levels achieved prior to the LTTE attack on the International Airport a year earlier and posted substantial gains during the second half of the year. The ceasefire also opened up opportunities for internal trade and transport services, even though external trade was lagging. For the year, services were the leading growth sector expanding by 4.6% in 2002.



The end of the drought brought relief to the agriculture sector. Agriculture grew by 2.4% in 2002, compared with the decline of 3.1% in the previous year. The one area of continued weakness was the industrial sector. Industrial production was largely unchanged from the previous year. Power cuts up to four hours a day, led to an almost 10% reduction in output from utilities during the first half of the year, with the sector not fully recovering this lost ground by the end of the year even once the power crisis had subsided. The power cuts combined with the weaker than expected global recovery led to lacklustre performance in manufacturing, with this sector contracting for the first six months and growing by a mere 1.5% for the year. Although an improvement from the 4% contraction in 2001, there is still excess capacity in the sector. On the whole, GDP grew by 3% for the year.

Saving and investment rates have recovered somewhat during the year, but higher saving rates will only materialise as the fiscal consolidation progresses. The private sector did not come in with much in the way of new investments, despite the stability from the peace process, because of the excess capacity available following the 2001 recession.

The primary goal of the 2002 budget was to stabilize the macro economy. Unsustainable deficits in the past had led to the depletion of foreign reserves, rising interest rates and an expanding debt burden. The Government has had some success reining in the budget deficit. The overall fiscal deficit, excluding grants and privatization proceeds, of 8.9% of GDP is a vast improvement compared with the deficit of 10.9% in 2001. Although the main innovations under the budget were on the revenue side, current revenue of 16.4% of GDP was similar to the performance in 2001. Total expenditure, on the other hand, fell by two percentage points of GDP to 25.3%, about half of which was due to controlling recurrent expenditure.

The budget deficit is financed mainly through domestic borrowing, but the composition of that borrowing included



long term debt instruments. During 2002, the Government reduced its outstanding balance on overdraft from SL Rs. 38 Bn, at the beginning of the year to SL Rs. 5 Bn, while privatization was budgeted to bring in SL Rs. 21 Bn, the largest deal, the sale of the Sri Lanka Insurance Corporation, was deferred to 2003. The Government has shown flexibility in pursuing its privatization agenda. When no acceptable offers were received for the Government's remaining shares in Sri Lanka Telecom, the Government chose to sell a percentage of its shares through an initial public offering on the Colombo Stock Exchange instead. The move had the added benefit of increasing the depth of the stock exchange.

Broad money supply increased by 13.4% in 2002, a similar rate to the previous year. The bulk of the increase in broad money, about half of the change, was due to an increase in domestic credit to the private sector. Net foreign assets as well increased as the Central Bank increased its holdings of foreign reserves to bolster the exchange rate. The Government, for its part, has relied on non-bank financing of the fiscal deficit to avoid pressure on the money supply. Domestic credit to the public sector accounted for less than 5% of broad money growth. Despite the higher growth in real output, inflation continued at 11% for the year, in part because of increases in world oil prices and adjustments locally in some administered prices, but inflation has been slowing in the last half of the year. After a slight depreciation in the first quarter, the exchange rate has been hovering around SL Rs. 96 to the dollar since April 2002 adding stability to the price of traded goods. In response to declining trends in inflation and international interest rates, the Central Bank reduced its interest rates 3 times during the year, lowering the repurchase rate from 12% to 9.75% and the reverse re-purchase rate from 14% to 11.75%. The interest rates on the secondary market for Treasury Bonds followed these reductions.

With the sluggish global economy, Sri Lanka's exports continued to flounder. The dollar value of exports fell by 1.9% to \$4.7 billion, after falling by nearly 13% in 2001. Textiles and apparel, which are heavily dependent on demand from the US and EU, were particularly hard hit. Imports expanded somewhat to \$6.1 billion due mainly to increasing imports of intermediate goods. As such, the trade deficit widened from 7.4% of GDP in 2001 to 8.1%. Trade in services, from the recovery of tourism and shipping, and remittances helped to offset the gap in merchandise trade such that the current account deficit was at a sustainable level of 2.4% of GDP. The overall balance of payments was in surplus, increasing official reserves from \$1.3 billion (2.3 months of import coverage) to \$1.7 billion (3 months of import coverage).

The outlook for the Sri Lankan economy is positive, with GDP

growth expected to be in the region of 5.5% in 2003. This would result from a more robust international economy, continued recovery from a low production base in the last two years, increased economic activity in the North-East, and increased investor confidence in a climate of on-going peace negotiations and responsible economic management. However, this forecast may prove to be too optimistic in the light of some uncertainties such as war breaking-out in Iraq and the threat of Parliament dissolution and possible calling for fresh General Elections in 2003.

#### Financial Sector Reform

The UNF Government that came in to power in December 2001 has appointed a Committee to Look into the necessary Financial Sector reforms to be suited for a modern economy. The financial Sector Reform Committee has recommended major changes to Banking, Finance and Labour Legislations and also introduced Act to discipline the public sector debt management. The proposed reform will ensure more flexibility and transparency in the Banking and Financial sector in Sri Lanka, which will improve the efficiency and productivity in the financial sector.

#### Appreciations

I thank all our staff especially the Managing Director and it's Senior Management team for their commendable effort and their commitment. We also thank our constituents for their continued loyalty. Our shareholders, have at all times, placed their confidence and trust in our Bank and I thank them. Finally, I record my deep appreciation to my colleagues in the Board for their unstinted co-operation and guidance.

**Edgar Gunatunge**

*Chairman*

27th February 2003



The year that has been had expectations for peace, bringing with it a new era for development of Sri Lanka. The government unveiled a National economic policy that spearheaded a partnership with the private sector, encouraging healthy competition and level playing fields in all spheres. We expected a growth of 3% to 3.5% resulting from the healthy agricultural output and increased activities in the service sector. However, industrial exports dropped by about 5% due to continued sluggish world economic growth conditions that prevailed during the year.

## Rising Numbers

We feel we have done extremely well this year, showing good results with a pre-tax profit of Rs.525.3 Mn. and a post tax profit of Rs.441.2 Mn., which is an increase of 37.1%. Deposits have grown by 13.9% and our loan book, working on the premise of quality before quantity has shown remarkable growth albeit in a controlled manner. Non-performing advances have been contained and we have made some recoveries. The approximate market share of deposits and advances is 5%, a considerable achievement for a bank this young. A major contributor to the rise in the gross profit of the FCBU to Rs.268.0 Mn, was the services provided for imports. In addition, the relatively stable economic environment coupled with the lowering of interest rates to encourage investment and development, assisted net interest income and commission income to show a considerable increase of 37.5% and 16.0% over 2001 respectively.

## Breakthroughs

Being a wholly Sri Lankan owned bank, we have seen newer and greater opportunities to open up with the prospects of peace increasing daily. On the platform of the National economic resurgence, we opened eight more branches during the year, having a total of 53 branches by the end of 2002. The North and East are now open for business and plans are underway for us to make inroads into those districts as well next year.

Visa Platinum was a groundbreaker for the credit card industry in Sri Lanka with Sampath Bank going beyond the usual norm of the gold standard, by pioneering the Platinum card.

We were the first bank in Asia to launch the Visa Electron credit card, a merchant outlet-enabled card coupling the convenience of a traditional credit card.

Sampath Professional, designed specifically for the busy executive was introduced in December 2002. This multi-functional account works on ten related accounts including standing orders, credit cards, loans and general banking giving the added convenience to cope with today's rat race lifestyle.



## Cutting Edge

Having been a pioneer in introducing innovative IT applications into the banking industry since our inception in 1986, we continue to innovate and add value to our banking solutions with cutting edge technology. Virtual Banking for our clientele was a milestone that enhanced the horizons created by us for our valued clients. We facilitated B2B with IT solutions, introducing an internally developed distance learning programme, utilizing IT technology to the optimum by opening up communication channels, enabling our staff to be trained at their respective branches. Our IT skills were honed further when we introduced an in-house developed software very successfully, to more effectively detect early warning signals in delinquent loans for remedial action to be taken on facilities that could be veering off course.

## Productivity

Productivity has been our focus during the year with processes and functions being modified to improve efficiency and competitiveness at all levels. Certain functions, which were earlier performed at branch level, have now been centralized at Head Office to improve the bank's efficiency and competency levels. The drive for productivity is an ongoing development process in line with our fundamental principle of continuous improvement.

## Team Sampath

Sampath means resources or treasure and it is Team Sampath that has been the Bank's treasure, displaying the passion and zeal in raising the bar continuously to take us towards our mission of being the most innovative, trusted and best process quality financial services provider in the region. Our young, inventive and highly motivated team has been the cornerstone to our success.





It was indeed a pleasant surprise when we won the Award for Human Resource Management – Services sector (Large companies), at the first ever HR Awards held in 2002. However, to be recognized by ones peers as being the best among the best was very heartening. The processes and methodologies that have become commonplace for HRD at our bank were considered best practices and we are proud of the recognition.

We have now increased our numbers by 62 Employees to a total of 1,492, most of them joining our 8 new branches but some also consolidating the generally increasing activity. The comprehensive and rigorous Training & Development, including the newly introduced regional training concept, cascades throughout the organization with team building and teamwork taking precedence. The participatory open-door management style is one that gives our team the drive and thrust to innovate and create, giving initiatives and ideas through Sampath Chinthana to deliver superior products and services to exceed customer expectations. Inter-branch competitions and annual fellowship and get-togethers foster unity and harmony among our team, enabling them to imbibe camaraderie into their working lives.

### Strategizing

With the economic downturn, treasury and international operations have been riding the wave, but seem to be picking up. We have been successful with our money market operations via Sampath Surakum, having made some strategic adjustments and seeing profitability increase. We strictly adhere to Central Bank of Sri Lanka requirements adding some enhanced guidelines and provisions of our own as integrity, security and reliability must be the foundation for our operations. Our tactical collaboration with Lanka Clear (Pvt) Ltd., the introduction of clearing facilities for foreign cheques, forming strategic alliances for banking assurance and the introduction of centralized processes have given us a more targeted and intense focus in our banking operations.

### Growth and Consolidation

Sampath Centre, which was set up for the rental and maintenance operations of the Centre, continues to do well.

Sampath Surakum, which is a fully owned subsidiary of the Bank is a primary dealer. Having changed the stance of the company, there has been an increase in results with the Company posting a net profit of Rs. 46.1 Mn. for the year.

SC Securities Limited a subsidiary Company who are engaged in stock brokering activities had an encouraging year and posted a profit of Rs. 16.1 Mn.

Vanik Bangladesh, our first venture off shore. The opportunity arose when Vanik Bangladesh needed to be restructured and management expertise outsourced. Together with our joint venture partner, Chinkara, each of us will own 20% of newly issued shares of the company and we intend to optimize our resources to the maximum in order to fall in line with our future plans. The company is engaged in leasing, share broking and credit card operations. We are also poised to invest and manage a Commercial Bank, which will enable both Banks to benefit from the synergies of each other.

### Responsible Corporate Citizens

We remain very conscious of our role in corporate citizenship and have a constant calendar of social responsibility projects carried on throughout the year. We believe that being a local bank, we have an immense responsibility towards the environment, society, the community and the country.

With the opening of the 50th branch, we launched an islandwide tree planting campaign together with community groups, with an expected 1,000 trees to be grown at each location. Each SET card issued contributes Rs. 5 to the Wild Life and Nature Protection Society, while we continue to be a principal sponsor of the Bio-diversity Care Trust and mass media campaigns on the importance of cultivating a true commitment to nature and its environs.

We have developed tanks in the Tissamaharama area, assisting the villagers to join in their own village projects. In tandem with these projects, we are involved in extending housing loans and hone our social obligations of developing Sri Lanka's entrepreneurs at grass root level. This self-employment development project was launched in the Polonnaruwa and Deniyaya administrative divisions and over 100 youth have benefited thus far.

With the intention of equipping the future generation of our country with leadership and life skills especially in the rural areas, we have continuous training programmes and workshops which have so far been held for schools in Ratnapura and Wariyapola in IT, economics, banking and leadership training.

Taking our role of community obligations seriously, we utilize the resources of the national and club level cricketers and rugby players in our midst, by having coaching camps for school children in Anuradhapura, Bandarawela, Matale and Embilipitiya areas. The budding cricketers of an under-privileged school in Kalawana, Gamini Central College were the beneficiaries of a donation of sportswear to its cricket team, to enable them to compete effectively at inter-school level.



### Into the future

With Sri Lanka perceiving itself as the financial hub for the region and impending peace, we see opportunities emerging for the country and for the bank, opportunities that we intend to play a leading role in. The emerging Sri Lanka has an immense future in tourism, exports, rural development and SMLs and with our focus being on national development, I am sure that we can be one of the torchbearers in this macro picture.

We want to grow at the same level and are also looking at improving on our return on assets through productivity improving processes. With continuous improvement being our mantle for value addition in order to give customers nothing less than perfection, we will persist in strategizing and implementing innovative and creative processes, services and products, which will pave the path towards fulfilling our mission.

### In appreciation

The Chairman and Board of Directors have always been a guiding light to my dream of making your bank the best there is. They have continuously given me the leadership and direction to fearlessly tread into uncharted territory in our unanimous commitment to excellence and I am most appreciative of their guidance and support through the year.

The wind beneath my wings has been Team Sampath who has displayed extraordinary skills, talents and genius in superior customer care and pioneering products and services. A heartfelt thank you to every one of you for your dedication, perseverance and enthusiasm in giving me the continued co-operation I need to lead you towards excellence.

The loyalty, trust and faith of our customers and valued business partners have been the icing on the cake in a year that can be perceived as one at the crossroads of the economy. While thanking you for being a constant source of inspiration to us, we look forward to your continued collaboration and allegiance in the year ahead, working towards a common goal of climbing to the zenith of success.

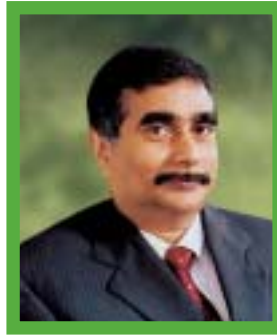
A handwritten signature in black ink, appearing to read 'Anil Amarasuriya', with a stylized flourish at the end.

**Anil Amarasuriya**  
*Managing Director*

27th February 2003



**Mr. Wijayaratne Bandaranayake**  
*Senior Deputy General Manager  
Finance & Administration*



**Mr. Anil S Amarasuriya**  
*Managing Director /  
Chief Executive Officer*



**Mr. Parama Dharmawardene**  
*Deputy General Manager  
Corporate Banking & Systems  
Development*



**Mrs. Shanthi Goonaratne**  
*Deputy General Manager  
Credit & Operations*



**Mr. Aravinda Perera**  
*Assistant General Manager  
Corporate Banking*



**Mr. Ruwan Cooray**  
*Assistant General Manager  
Treasury*



**Mr. Ganga Kariawasam**  
*Assistant General Manager  
Operations & Branch Credit*



**Mr. Ranjith Narangoda**  
*Assistant General Manager  
Card Centre & Systems  
Development*



**Mr. Jayantha Alwis**  
*Assistant General Manager  
Information Technology /  
Electronic Data Processing*



**Mr. W A D Keerthithilaka**  
*Assistant General Manager  
Commercial Credit*



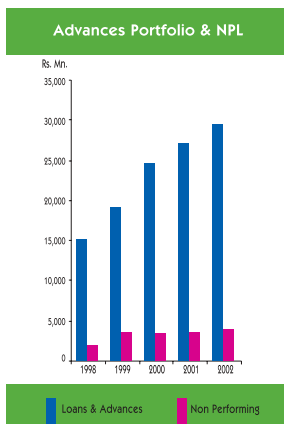
The market value of a Bank Stocks/Shares depends on the profitability, value of net assets, stability and confidence placed by depositors.

With the New Technological innovations, Banking products, Structural changes in institutions, the development of risk management culture for the Banks in Sri Lanka is an urgent and vital necessity. Sampath Bank has clearly identified the importance of a properly planed and healthy risk management culture.

Accordingly, the Bank has developed a system to Assess, Manage and Control the risks with developed risk policy, which addresses the different types of risks undertaken by the bank in its normal course of business.

**Credit Risk**

Credit Risk arises from the potential financial loss arising from the failure of a customer or counter party to honour contractual obligations.



Bank's credit process consists of a sound credit policy, a documented credit analysis and approval process, credit monitoring, remedial management and sound recovery process as the basis of successful credit risk management. The Bank's credit policy, is periodically reviewed by the Executive Credit Committee, which also reviews business objectives, portfolio limits based on market conditions and risk asset acceptance criteria.

Portfolio limits have been set with a view to containing diversified risk and profitability of Advances to business segments. Lending guidelines have been set out in accordance with the business segment and industry. Credit Analysis ensures that the loans are with policy guidelines and meet approved credit standards. Once the facilities are disbursed, the Bank continuously monitors their quality to ensure no deteriorations occur in this process. A risk classification system is being introduced to rate customers credit quality periodically.

An independent credit control unit has been introduced to review the quality of credits on continuous basis and to take immediate remedial action if the quality deterioration signals

appear on a particular credit facility. We believe that, it is very essential for banks to have structural approach for the early identification of potential credit problems.

**Market Risk**

Management of market risk is a priority for the corporate management of the Bank. Market risk management policies, procedures, prudential risk limits, review mechanism and clearly defined auditing system, which address the Banks' exposure on consolidated level are tools in place to mitigate market risk. The concept of accountability of the line management has also been clearly defined.

The Asset and Liability Committee (ALCO) is functioning as the top operational unit for managing the balance sheet within the parameters laid down by the board. The Bank has also set up an independent group of middle level officers to track the magnitude of market risk on a real time basis. This group of middle level officers with adequate expertise in market risk management, financial management and general banking functionally placed under the ALCO.

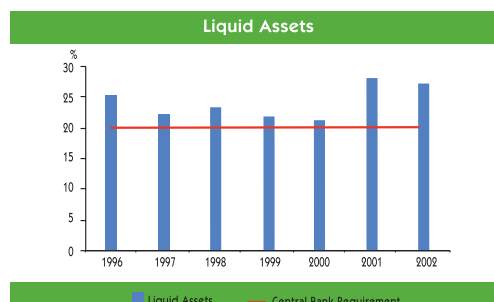
**Liquidity Risk**

The most fundamental of all banking risks relate to liquidity, which is the ability to meet banks commitments as and when they fall due.

The Bank has sound liquidity management by holding immediately available cash and liquid assets, by securing appropriately matching future profile of cash flows from maturing assets and by maintaining an adequate diversified deposit base in terms of both maturities and range of counter parties.

The most important consideration however, is not the period from issue to maturity, but the length of the un-expired part of the asset's life. The Asset and Liability Committee (ALCO) regularly reviews the liquidity position of the bank with special reference to the maturity gap analysis. As a result of this Sampath Bank has been maintaining a prudent mix of different forms of liquid assets to ensure the bank's liquidity policy and to comply with stipulated liquid assets ratio of the Central Bank of Sri Lanka.

Year	1996	1997	1998	1999	2000	2001	2002
Liquid assets % as defined by the Central Bank	25.2	21.9	23.4	21.8	21.2	27.9	25.2

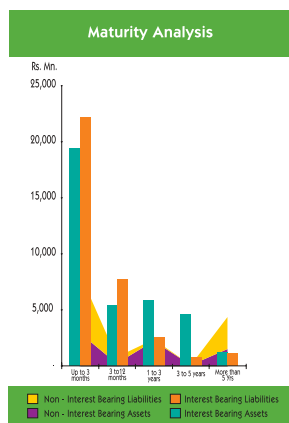




**Interest Rate Risk (IRR)**

Interest Rate Risk refers to the potential impact on Net Interest Margin (NIM) or Net Interest Income (NII) or Market value of the Portfolio, caused by unexpected changes in market interest rates.

As a result of de-regulations and volatility of interest rates, the management of interest rate risk has become one of the critical components of the market risk management in Sri Lankan banks. The impact of movements in interest rates on net interest margins is clearly seen during the period concerned.



Sampath Bank has clearly identified and quantified the interest rate risk exposure of the Bank and has developed effective risk measurement and management techniques. This interest rate risk measurement system addresses all material sources of interest rate risks including gap or mismatch and reinvestment risk exposures. Among the various types of risk measurement techniques the bank is currently applying the Maturity Gap Analysis. This serves as a basic technique, which measure the interest rate sensitivity of earnings, while the recently introduced duration analysis measures the interest sensitivity of the capital of the bank. With the structural and maturity expansion of Assets and Liabilities of the Balance Sheet, Sampath Bank is ready to apply the technique called Value At Risk (VAR).

**Foreign Exchange Risk**

Foreign Exchange Risk arises due to adverse movements in exchange rates during a period in which the Bank is in an open position, either spot or forward or a combination of both, in any foreign currency. This risk has been mainly controlled through regulator prescriptions and tools to hedge rate volatility.

The Asset and Liability Committee (ALCO) of the Bank regularly measure the sensitivity of the Rupee value of assets and liabilities, which are denominated in foreign currencies to assess risks from changes in exchange rates on maturity of assets and liabilities.

Bank manages the foreign exchange risks by placing suitable limits on foreign exchange exposures namely; aggregate

mismatch limit, party-wise exposure limit, intra day & overnight exposure limits and also other internal control guidelines. The management monitors the open position in foreign currency on a daily basis. In addition, the management is looking for a sophisticated approach like VAR that goes beyond the basic gap analysis to measure the risk associated with foreign exchange exposures of the Bank.

**Operational Risk**

Managing operational risk is becoming an important feature of sound risk management practices in the wake of the phenomenal increase in the volume of transactions, high degree of structural changes and complex supportive systems.

In the process of managing operational risks, the management assess the likely hood of a particular operational risk occurring, the magnitude of the effect on the operations of the Bank and the options available to manage and mitigate operational risk. The set of risk factors, which measures the risks in each Branch and Back office departments have been identified. Audit ratings, operational volumes, complexity and quality of operations, error rates are addressed. The management ensures the safeguard of the operating system against unauthorized users or system errors and also the active infiltration, which is the area where fraud could occur. Additionally the bank has a well-established internal control system, which includes segregation of duties, clear management reporting lines and adequate operating procedures.

Bank always endeavours to detect operational problems as they occur, rather than allow them to be pointed out by the regulatory authorities or external auditors.

**Proactive Risk Culture**

Risk culture is important today, because of the complexity of modern financial instruments and transactions.

The key indicators of the bank's effective risk culture are awareness of risk which permeates the action and words of all team members of the bank, senior management's constant demonstration to all business areas that they pay attention to the risk reports holding business areas accountable. The head of risk management team (ALCO) has a dialogue with operational level managers obtaining comments on limit Increases etc.

Existence of such a proactive risk culture is mainly because of developed risk management policies and guidelines, which will lead to enhancement of the knowledge of operations of managers of all levels. Scanning the environment and providing adequate resources are the other key elements of the proactive risk culture of the bank aimed at constantly improving the bank's already strong risk culture.



**Mr. K A D Nimal**  
*Senior Manager  
Systems Audit*



**Mr. P S Senanayake**  
*Personal Assistant to  
Deputy General Managers*



**Mr. Ranjith Amarasinghe**  
*Senior Manager  
Corporate Credit*



**Mr. Kapila Chandradasa**  
*Regional Manager*



**Mr. Sisira Herath**  
*Senior Manager  
Commercial Credit*



**Mr. Vimal Indrasoma**  
*Senior Manager Information  
Technology / Data Base  
Administration*



**Mr. Upasiri Pathirana**  
*Senior Manager  
Administration*



**Mr. E A Sarathchandra**  
*Senior Manager  
Commercial Credit*



**Mr. U L S de Silva**  
*Senior Manager  
Internal Audit*



**Mr. Kamal Abeysinghe**  
*Senior Manager  
Internal Audit*



**Mr. Jinith de Silva**  
*Senior Manager  
Recoveries*



**Mr. Indrajith Dissanayake**  
*Senior Manager  
Exports & FCBU*



**Mr. Prasad Kodikara**  
*Regional Manager*



**Mr. Gaya Manamperi**  
*Regional Manager*



**Mr. Nimal R Tillekeratne**  
*Senior Manager  
Systems & Procedures*



**Mr. G Widanapathirana**  
*Senior Manager  
Human Resource  
Development*



**CORPORATE BANKING**

***New Look***

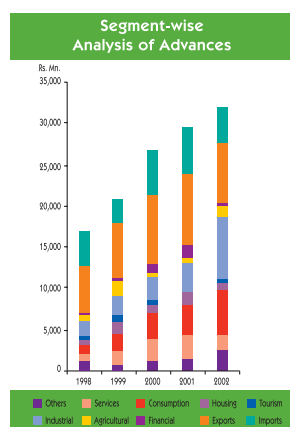
A significant component of our business volume is from the Corporate Sector. Hence, the bank recently amalgamated the Corporate Credit and International Divisions, to form the Corporate Banking Division. This move brings together the Corporate Financing and Trade Financing services, the main ingredients we offer to corporate customers. The division comprises of specialists in Trade Financing, Corporate Financing, Project Lending, Leasing, Money Market operations and other instruments used for long, medium and short term financing.

The division is sub divided in to Corporate Credit, Imports, Exports & FCBU units to offer specialization and speedy delivery channels to the corporate business loans. We have also re-designated the Executives incharge of corporate customers, as Relationship Managers, to emphasis the role they play to keep corporate customers satisfied and contended. They are now the only contact that a corporate customer needs to maintain within the Bank. However, we believe that this is not adequate hence from the Managing Director downwards Corporate Management keeps close contacts with the corporate customers.

***Corporate solutions for Corporate needs***

The Corporate Credit Division of the Bank set up a specialised Credit Marketing unit to further market the products and services offered. This unit is staffed by experienced bankers and marketing experts. The unit supports all divisions of the bank, but however, concentrates on the corporate sector.

The corporates account for 44% of the Bank's loans, and advances portfolio.



***Ancillary products & Services***

"Sampath Net" has been the foundation on which corporate solutions have been designed. This Internet based product provides flexibility that has not been available to corporate

customers before. In addition, we offer a Corporate Payment System to facilitate our corporate customers. Besides, corporate customers are provided exclusive counters at Imports, Exports and FCBU.

***Continuous Improvement***

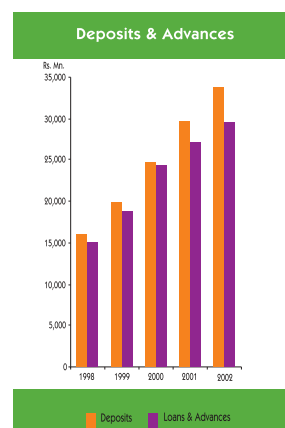
It is indeed vital that we continuously upgrade the management information systems and with the introduction of new systems upgrade, Finacle improvements are expected specially in Trade Finance area. A team comprising of credit and IT experts are also working on a system based credit appraisal specifically designed for corporate customers. A new Risk Grading System will be designed as a part of this new Credit Appraisal System. Furthermore, the bank is ready to deliver an IT based Debtors Settlement System to facilitate corporate customers in managing their debtors portfolio.

***Performance***

The after effects of September 11 attack on US and the adverse impact on global economy was evident throughout the year. The attack on Katunayake Air Port had a major impact on the economy of the country.

Due consideration was given to the economic down turn resulting in a very conservative lending policy during the year.

However, we have increased the portfolio of Corporate Banking division from Rs.12 Bn. to Rs.13.6 Bn. in 2002.



***Future Outlook***

The corporate customers are the most demanding and price sensitive among the Bank's clientele. Hence, to retain them, we will be upgrading the service levels through IT related products as well as providing a personalised service. In a market where margins get thinner everyday, strategy is to expand volumes to retain and improve our market share in this segment.



**PERSONAL BANKING**

**Personal customer as an Asset of the Bank**

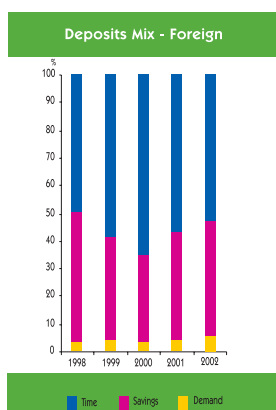
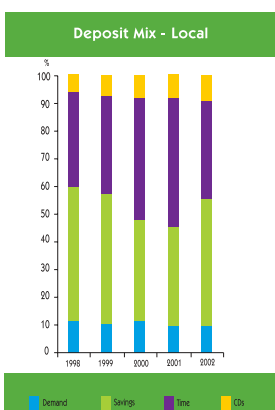
Sampath Bank is proud to state that its state-of-the-art technology based delivery channels are made available without any restriction to its personal customers. Personal Banking from Sampath Bank fulfils the needs of personal customers, small-scale businesses, proprietors and partnerships. The use of Information Technology and e-commerce as well as electronic gateways to provide services has created the platform to cater to non-customers as well during the year. As a result, the service orientation was further enhanced and the Bank enjoyed a growth in the fee based income.

The Bank provides personal banking services through its Branch network and Saving Units. The Saving Unit concept has become a popular and effective service point for catering to the needs of customers, and is a cost effective expansionary strategy adopted by the Bank.

**Packaging for the family**

Personal Banking services offer a greater portion of the Banks products, which have been designed to cater to all age groups, and market segments. They include Pubudu Minor Saving Accounts, X-set Teen Saver Accounts, Savings & Double S Accounts and Current Accounts. Sampath Sanhinda FD scheme for the elders, Fixed Deposits and CDs are medium and long term saving products offered to the market.

Personal loans for consumption and education, pawning facilities, Master Card & Visa Credit Card facilities and the Sevana Housing Loans schemes are also facilities that fall into this category.



**Innovations**

During the year the Bank launched Sampath Professional, a package catered for the busy executive lifestyles.

The Sampath Visa Platinum was launched during the latter half of the year. This is the first time a South Asian Bank has been

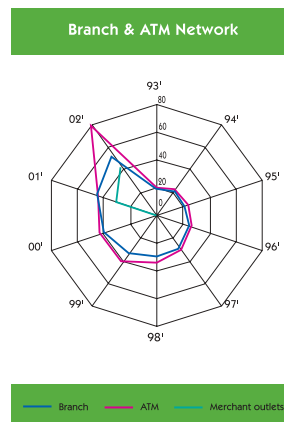
licensed by Visa International to launch the product and is available for High Net Worth Individuals.

The Bank is enhancing its IT savvy image in the personal banking sector with the web based banking services offered through Sampath Vishva – internet banking, E-Wallet the virtual wallet and mobile banking facilities. It created electronic gateways with the assistance of selected clients to provide the platform to enhance e-commerce and electronic payment gateways.

The Bank is in the process of introducing a hybrid leasing product, which is a combination of the Financial Lease and the Operational Lease. The product, which will be launched in early 2003 will open a new chapter for the leasing industry in Sri Lanka.

**Expansion & Value**

The Bank opened fully-fledged branches in Kalutara and Bandarawela during the year. It enhanced its accessibility points by establishing 6 Saving & Pawning Units as service points in Unichella (Panadura), Thambuththegama, Deraniyagala, Peradeniya, Kottawa and Alawwa.



With the accelerated expansion, the Bank has on its on-line network 44 Fully Fledge Branches and 9 Saving & Pawning Units.

As a part of its commitment to expand the accessibility points to the personal customers the bank promotes Sampath Vishwa Internet Banking and installing of concept centers in urban areas and provincial capitals.

**Performance**

Deposits grew by 14% to Rs 33.79 Bn, in 2002 compared to Rs. 29.67 Bn, in 2001. The growth in deposits is attributed to the comparatively competitive interest rates and superior customer service standards.

In Sri Lanka, the savings rate is comparatively low, compared to countries in the region such as India and Singapore and it is





less common a habit in rural and suburban areas. As such, the Bank undertook a campaign to promote the saving habits in these areas and create awareness among the schools and rural communities.

Advances were at Rs. 31.74 Bn, with a growth rate of 8%, compared to the growth rate of 11% in the previous year.

Bank was able to recover a significant amount of the previous year's Non-Performing loans with accelerated and concentrated recovery programmes and restructuring of facilities to the personal segments.

A special team of experts was deployed by the Credit Card Division of the Bank to target untapped segments.

**Business Partners**

The tie up with the Bank of Ceylon will double the number of accessibility points for Sampath customers to that of nearly 150 ATMs.

**INFORMATION TECHNOLOGY**

**Operational Excellence in a Virtual World**

The Bank implemented "e-" and virtual products using the development of Internet Technology rather than the traditional IT products. However, due to unavailability of a robust legal framework and partly due to limited accessibility of customers we have not been able to offer the full range of virtual products to our customers so far. We expect the cyber laws to be enacted in 2003 permitting us to expand our products range.

The upgrading of the IT systems at Sampath Bank has increased the service efficiency, with the streamlining of menu options to match actual teller / customer interactions.

**Security & Standards**

All the systems and processes adopted have the relevant security measures of International standards and have been audited to ensure that International standards are maintained.

**Business Opportunities**

The acquiring of technology created various opportunities for the Bank to act as an intermediary in Business to Business (B2B) transaction, as well as contribute fee-based income for the overall profitability. However, B2B transactions are presently limited to retail order handling products.

E-commerce is currently being implemented with the use of the IPG (Internet Payment Gateway), E-wallet (the virtual wallet), SampathNet and Sampath Bank Vishwa – Internet Banking.

E-channelling and the IPG has been a contributor to the fee based income from IT related products and services.

**Expansion and Network**

The Bank has 44 Online Branches and 9 On-line Saving & Pawning units with a network of 65 ATMs and over 1,000 POS machines that are linked to the global Maestro and Cirrus networks. The Bank signed a MOU with Bank of Ceylon to link the two ATM networks and enhance the number of accessibility points for all customers.

The Bank has introduced Concept Centres to selected Branches in Urban areas and Provincial Capitals. These provide Internet Banking, Phone Banking and self-service facilities on a 24-hour basis. The Bank is in the process of expanding the services offered by these centres to include automated issue of TCs and other non-cash documents.

**Expertise of the IT division**

Currently the Information Technology and Electronic Data Processing Divisions of the Bank provide support services to 53 Branches and Saving & Pawning Units as well as all the departments of the Head Office. The Divisions maintain and administer over 30 servers.

**Investment in IT for the Future**

To address the IT trend of many corporate clients and other businesses who are shifting their business to an Internet platform, the Bank invested heavily in acquiring sophisticated technology and updating its present operating system to Finacle of Infosys, India. The implementation is expected in early 2003, and will further increase the efficiency and capacity of the Bank's system.

**TREASURY OPERATIONS**

Treasury Department offers a complete range of foreign exchange products to Bank's customers. It also provides services to its clients to deal in Sri Lanka Government Treasury Bills, Treasury Bonds and other money market instruments.

Bank's foreign exchange dealers continued to provide clients with advice on exchange and interest rate trends helping them to manage their foreign exchange and interest rate exposures.

The foreign exchange and money markets were less volatile in 2002 compared to year 2001. The external value of Sri Lanka Rupee in terms of US Dollar was much stable during the year. The currency depreciation against the US Dollar was very marginal in 2002, compared to 13% depreciation in 2001. With the gradual declining of the inflation as measured by the annual average change of Colombo Consumer Price Index, from 14.2% in December 2001 to 9.6% in December 2002 the Central Bank reduced repurchase rate by 3% to remain at 9% in December 2002. By the end of December 2002 the weighted average yield of 92 days Treasury Bills stood at



9.92% per annum, compared to 12.92% prevailed in end December 2001.

Sampath Surakum Limited, the primary dealer in Government Securities, fully owned subsidiary of Sampath Bank Ltd, promotes the investment and trading in Government Securities among high networth individuals and institutional clients.

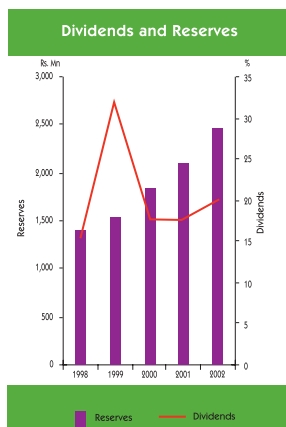
**DIVIDENDS & RETAINED PROFITS**

The dividend policy of the Bank is to achieve better than industry average returns on investment and maximise the shareholders wealth. The Bank proposed a dividend of 20% for the year 2002. In the year 2001 it was 17.5%, Rs. 2,140.6 Mn, was carried forward as retained earnings for the year, which is an increase of 18.2% over the previous year. The structure of shareholders funds is summarised below:

Ordinary Shares (Rs. 10/- each)	15%
Reserves	85%

Calculated risk management, and strategic capital investments on fixed assets and technology with the application of proper planning, policy implementation and control has increased the overall resource efficiency for the bank.

Total recruitments for the year was 62 employees, and the employee turnover was 3%.



**RESOURCE EFFICIENCY**

Considering the low economic volume and the decreased savings of the people, the Bank performed well by mobilising over Rs. 4 Bn, deposits during the year, of which 54% is composed of low cost funds in the form of Savings & Current accounts funds.

A greater portion of the financial resources of total liabilities are represented by the Deposits and the Shareholders' funds, which account for 78% and 7% respectively. Total borrowings account for 7% of total liabilities. The prudent investment of funds in the call market and the conservative lending policy adhered during the year helped the Bank earn an optimum return improving overall profitability.



**CAPITAL ADEQUACY**

The amount of minimum capital that should be maintained by the banks, against their risk assets is measured by the capital adequacy ratio, laid down by the Banking Regulations and supervisory practices committee.(The BASLE committee)

The Bank's capital adequacy is measured by the ratio of the Bank's capital to risk weighted assets, both balance sheet and off balance sheet transactions. All assets have been assigned weights from 0%-100%( 0%,10%,20%,50%,100% ). Off balance sheet items are included in the computation by converting them into balance sheet equivalents before being allocated a risk weight. Off balance sheet items are categorised as follows:

- Direct credit substitutes.
- Transaction-related contingencies.
- Short-term self liquidating Trade-related contingencies.
- Sale and Repurchase Agreements & Assets sale with recourse, where the credit risk remains with the Bank.
- Obligations under an on-going underwriting agreement.
- Other Commitments with an original maturity of upto one year, or which can be unconditionally cancelled at any time.
- Other commitments with an original maturity of over one year.
- Foreign exchange & interest rate contracts.

For the purpose of computing the capital adequacy ratio of commercial banks, capital is divided into two components.

**Tier I - Core Capital**

Core capital represents the paid-up ordinary share capital, share premium, statutory reserve fund, Publish retained reserves, general & other reserves.

**Tier II - Supplementary Capital**

Supplementary capital represents 50% of revaluation reserve, general credit loss provision and other capital instruments, which combine certain characteristics of equity and debt, such as hybrid capital instruments and subordinated term debt. Core capital together with the supplementary capital is called the base capital.

Under the guidelines of Central Bank of Sri Lanka,with effect from 1.1.2003 the Bank must maintain a ratio of base capital to risk weighted assets of at least 10% with Core capital constituting not less than 5%.

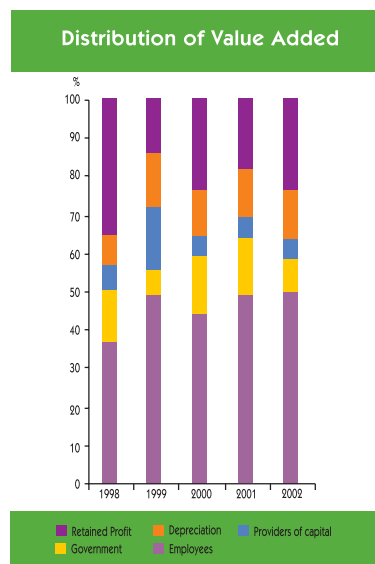
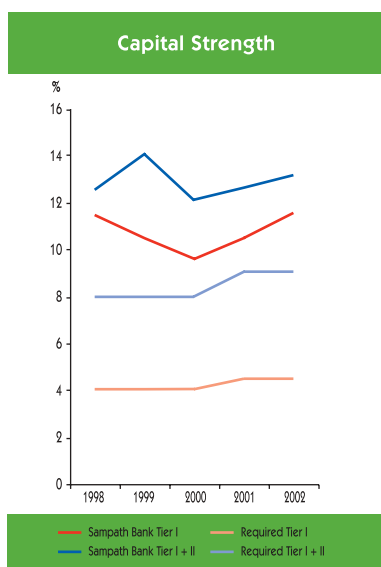
The ratios applicable for 2002 are 9% and 4.5% respectively. The present Base capital as well as the Core capital of the Bank comfortably exceed the requirements.

	31/12/2002 ( Rs.'000)		31/12/2001 ( Rs.'000)	
	Assets	Risk Weighted Assets	Assets	Risk Weighted Assets
<b>On Balance Sheet exposure</b>				
Cash and Short Term Funds	12,506,820	851,505	7,325,295	664,493
Deposit with CBSL	2,156,195	-	1,825,774	-
Commercial paper	-	-	-	-
Investments	1,992,006	623,440	1,598,111	705,701
Loans and Advances	23,660,551	17,916,935	21,669,997	17,437,423
Securities purchased under Repurchase Agreements	-	-	-	-
Other Assets	905,781	905,781	803,816	803,816
Fixed Assets	1,065,261	1,065,261	1,032,210	1,032,210
	<u>42,286,614</u>	<u>21,362,922</u>	<u>34,255,203</u>	<u>20,643,643</u>
<b>Off Balance Sheet exposure</b>				
Acceptance	1,164,886	232,977	830,314	166,063
Documentary Credits	1,724,216	344,843	1,537,521	307,504
Shipping and Performance Guarantees	5,096,380	2,255,058	5,058,967	2,184,532
Bills sent on collection	27,418	-	19,617	-
Forward Exchange Contracts	3,105,573	62,111	1,484,541	29,691
	<u>11,118,473</u>	<u>2,894,989</u>	<u>8,930,960</u>	<u>2,687,790</u>
<b>Total Risk weighted on Balance Sheet Assets and off Balance Sheet exposure</b>		<b>24,257,911</b>		<b>23,331,433</b>



Qualifying Capital

	2002 (Rs. '000)	2001 (Rs. '000)
<b>TIER 1</b>		
Paid up Capital	442,849	442,849
Share Premium	34,328	34,328
Reserves	2,315,912	1,963,258
<b>Tier 1 (Core Capital)</b>	<b>2,793,089</b>	<b>2,440,435</b>
<b>TIER 11</b>		
Credit Loss Provision - General	143,799	143,977
Debentures	200,000	300,000
Revaluation Reserve ( 50% of the Reserve )	46,634	46,634
<b>Tier 11 ( Supplementary Capital)</b>	<b>390,433</b>	<b>490,611</b>
<b>Total Qualifying Capital (Base Capital)</b>	<b>3,183,522</b>	<b>2,931,046</b>
Core Capital - TIER 1 Ratio %	11.5	10.5
Total Risk-weighted Capital - TIER 11 Ratio %	13.1	12.6





**Economic Value Addition**

Year	2002 (Rs. Mn)	2001 (Rs. Mn)	2000 (Rs. Mn)	1999 (Rs. Mn)	1998 (Rs. Mn)
Shareholders' funds	2,886.4	2,533.7	2,289.5	1,964.7	1,756.3
Accumulated provision for credit losses	1,481.5	1,071.4	854.6	642.8	460.4
	<u>4,367.9</u>	<u>3,605.1</u>	<u>3,144.1</u>	<u>2,607.5</u>	<u>2,216.7</u>
Profit attributable to shareholders	441.2	321.8	401.7	261.2	371.7
Provision for credit losses	404.1	201.0	195.0	181.0	125.1
Actual credit losses written off	(2.9)	(0.4)	(1.4)	(0.7)	(2.0)
	<u>842.4</u>	<u>522.4</u>	<u>595.3</u>	<u>441.5</u>	<u>494.8</u>
Economic cost % (12 months average Treasury Bill rate plus 2% risk premium)	14.45	19.49	16.25	14.00	14.25
Economic cost	<u>631.2</u>	<u>702.7</u>	<u>510.9</u>	<u>365.1</u>	<u>315.9</u>
<b>Economic value addition</b>	<u>211.2</u>	<u>(180.3)</u>	<u>84.4</u>	<u>76.4</u>	<u>178.9</u>

The economic value created by the Bank to its shareholders' credit during the period is reflected in the above analysis.

**Financial Value Addition**

	2002 (Rs. '000)	%	2001 (Rs. '000)	%
<b>Value Added</b>				
Income earned by providing banking services	5,443,885		5,326,151	
Cost of services	<u>3,582,212</u>		<u>3,846,406</u>	
Value added by banking services	1,861,673		1,479,745	
Non-banking income	33,000		30,800	
Provision for bad debts and diminution value of dealing securities	<u>(391,132)</u>		<u>(183,013)</u>	
<b>Financial Value Addition</b>	<u>1,503,541</u>		<u>1,327,532</u>	
<b>Value allocated</b>				
<b>To employees</b>				
Salaries, wages and other benefits	748,426	49.8	654,103	41.6
<b>To providers of capital</b>				
Dividends to shareholders	88,570	5.9	77,498	4.9
<b>To government</b>				
Income tax	69,263		110,791	
Turnover tax	-		8,738	
National security levy	<u>44,828</u>		<u>79,384</u>	
	114,091	7.6	198,913	12.7
<b>To expansion and growth</b>				
Retained Income	352,636		244,265	
Depreciation	185,014		156,426	
Deferred taxation	14,804		(3,673)	
	<u>552,454</u>	36.7	<u>397,018</u>	40.8
	<u>1,503,541</u>	100.0	<u>1,327,532</u>	100.0



**Sampath Pubudu** - Children's Savings Accounts

A Unique Savings Account for Minors. "Pubudu" is the new look Children's Savings Account with more benefits for both Child and the Parent.

Some of the special features are;

- Gifts on 1st and 5th Birthdays
- Life Insurance cover for the parent
- Critical Illness hospital cover for the child
- Permission to withdraw interest up to 50% for educational needs on 12th Birthday



**SET / Debit Card** - Sampath Electronic Teller

Sampath Bank's ATM Service with Debit Card facility. We are the pioneer bank in Sri Lanka to operate a multi point network of Automated Teller Machines. Now the "SET/Debit" card could be used in approximately 610,000 Cirrus ATMs worldwide and 27 million Maestro Point of Sale (POS) terminals. In Sri Lanka, there are approximately 150 Maestro POS terminals, and the SET/Debit card could be used at petrol stations, supermarkets, shopping malls depicting the Maestro sign. ATM services are available to our customers having Current/Savings Accounts and Master Card Accounts. This facility is available at all our branches plus off-site locations such as Liberty Plaza Shopping Mall-Colombo 03, SSS Service Station-Nawala, Bandaranaike International Airport and Uniliver Ceylon Limited premises.



**Sampath Double S** - Savings Account

A Savings Account which customers can earn high returns and bonus interest up to 50%. This scheme applies to all our new and existing savings account holders.



**X-SET** - Savings accounts for the new generation

A unique savings account for Teenagers. Globally accepted "X-SET" card and many more banking services.



**Sampath Sanhinda** - Fixed Deposits

A Special Fixed Deposit Scheme for Senior Citizens. "Sampath Sanhinda" is especially designed to keep senior citizens free of worry and help them to stay happy and content by providing stable income and health related services.

Some of the special features of this fixed deposit system are;

- Free annual medical check-up
- Free membership to Medi-Calls service
- Free Life insurance cover
- Free special tours and much more.....



**Sampath Professional** - Savings and Loan scheme

A Savings scheme and a Loan package to Professionals and Permanent Employees who are employed in approved Companies.



**Randiriya** - Pawning facility

A Pawning facility available in all branches and savings units which converts gold into ready cash in an unexpected financial crisis.



**X Press Money** - To Send and Receive Money worldwide

"X Press Money" is another valuable service offered by us to transfer money instantly from any part of the world.





**Affinity Credit Cards - Credit Cards**

Our Card Centre has issued Visa Affinity Cards to OBA members of St. Thomas College Mount Lavinia, Ananda College Colombo 10, Royal College Colombo 7, Trinity College Kandy and OGA members of Visaka Vidyalaya Colombo 04. Also, we have issued Affinity Credit Cards to the Members of The Chartered Institute of Management Accountants (CIMA), Institute of Chartered Accountants, Alumni Association of the University of Peradeniya and Ceylon Hotel School Graduates.



**Sampath Sevana - Housing Loan scheme**

Now there's no need to go looking for the traditional home loan. "Sampath Sevana" is a loan that includes many other benefits. With minimum trips to the bank, "Sampath Sevana" can help to get amazing discounts on almost everything needed for the construction of a house.



**Sahanya - Loan scheme**

A loan scheme for small and medium entrepreneurs. Enterprises where the fixed assets at original book value does not exceed Rs.35 Mn. prior to granting of the loan, are eligible to be financed by "Sahanya".



**Sahan Eliya - Leasing Scheme**

"Sahan Eliya" is a leasing scheme introduced jointly by Abans Ltd and Sampath Bank to provide consumers with easy credit facilities to purchase their requirements of home appliances from Abans on an easy payment basis.



**Sampath Thilina - Gift vouchers**

"Sampath Thilina" is the ideal gift to be given on Birthdays, Weddings, Anniversaries, New born babies and for any other special events all year through.



**Easy Cash Facility - Instant cash**

"Easy Cash" is the instant method to obtain cash without rushing to a branch or an ATM. Customers could now get cash from Super Markets and Grocery Stores when shopping at these outlets from the Sampath Bank SET / X-SET card.



**Sampathnet - Internet Banking Solution**

"Sampathnet" offer financial services via the Internet. It also offers value-added services which customers do not normally enjoy at the banking counters in the most customer friendly manner.



**Telebanking - Telephone Banking Solution**

Our "Telebanking" service is extensive and comprehensive and is designed to offer the opportunity to do routine banking from any phone.



**Internet Payment Gateway - Internet payment system**

Now consumers can purchase products & settle bills on the Internet and pay for them by Credit or Debit Card. Cyber shopping offers a wide range of conveniences made available at the press of a button.



**Sampath Web Card - A pre-paid virtual card**

This is a pre-paid virtual card to access the Internet. Once the limit is over customers could top it up again and continue shopping on line.

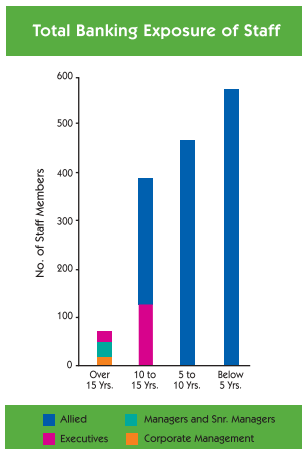




We at Sampath Bank believe that our key to success and competitive advantage is our professional team committed to continuous improvement and results. We are dedicated for maintaining a workplace that respect and value people, both for themselves and their success.



A batch of New Recruits with Corporate Management



**Best HR Practitioner**

Bank's HR management set a benchmark in the industry being judged best HR practitioner within the Service sector, Large companies for the year 2002. The award was based on a wide spectrum such as the unique culture, good recruitment practices, internal communication, industrial harmony, professionalism and commitment of staff. Our benchmark practices that paved way for winning the award were.,

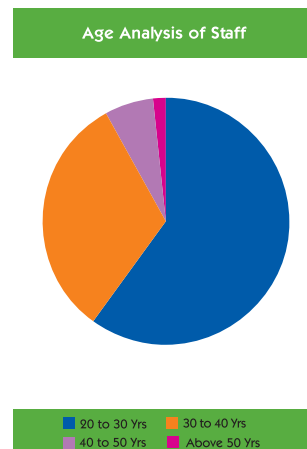


Senior Manager HRD reciving the HR Award from Minister Mahinda Samarasinghe

- High quality work life indicators such as lowest employee turnover ratio.
- Lowest sick leave average per employee and zero industrial disputes.
- The family culture, which promotes team work and respect for each other and their achievements irrespective of designations / positions.
- Employee Suggestion Scheme ( Sampath Chintana ) which provides opportunities for employee involvement in decision making process.
- The modern and pleasant working environment and benchmark ergonomics.
- Employee Share Ownership Plan ( ESOP ).
- Good and fair recruitment practices including psychometric testing and group dynamic sessions.
- Employee Benefits / Insurance / Loans and Medical schemes covering team members at all levels.
- Good Internal Communication methods including regular Department / Branch meetings / Functions / Events, laid down Grievance handling procedure and open door policy of the management.
- A very responsible Employee Association committed to Employee wellbeing as well as growth and development of the Bank.
- Fully computerized HRD environment with immediate plans for Distance Learning.
- Management concern and continuous efforts in employee development and systematic training, especially the commitment of Managers and Supervisors in coaching and training their staff at branch / departmental level.

**Employee Participation in Management**

Bank adopts a management style that promotes and encourages employee suggestions and constructive criticism for improving productivity and quality of work life.





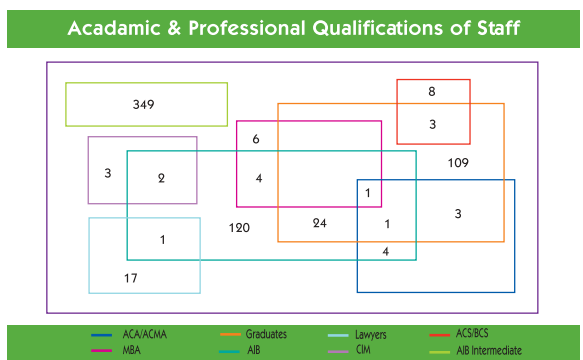
‘Sampath Chinthana’, the employee suggestion scheme was one such positive step taken towards promoting employee suggestions to management. The systematic process enables the staff member to submit his or her suggestions directly to the Corporate Management, to improve systems or processes of the bank. The management has already implemented eight of these valuable suggestions and the respective team members have been rewarded for making such productive suggestions.

The Internet – Chat system is another forum for entertaining valuable independent opinions of employees, who can voice out anonymously or by name on any management decision. The management encourages feedback from team members irrespective of grade or position.

The Bank believes that team members have the right to raise any grievance connected with their employment to the management to get them resolved in a just and fair manner. In light of this, a Grievance Handling Procedure was introduced during the year 2002 to facilitate team members to surface their grievances to the Management in a more systematic way.

**Quality of work life at Sampath Bank**

A happy workforce is a productive workforce. Bank continues to provide a wide range of employee benefits inclusive of a Share Ownership Plan ( ESOP ) in recognition of employee commitment. We are the pioneers in introducing a Share Ownership Plan for employees in the banking industry. All team members of our Bank are now in the prestigious community of Sampath Bank Shareholders.



We continue to provide our team members with most modern and pleasant working conditions in whatever part of the country they are deployed.

Bank has taken special effort in the enrichment of jobs and empowering team members. Following indicators provide ample evidence of our Quality of Work Life at Sampath Bank.

	2000	2001	2002
Sick leave average per employee (Days)	4	3	2
Employee turnover	5%	5%	3%
Loss of working hours due to industrial unrest	Nil	Nil	Nil

**Training & Development**

The Bank is committed to enhance on continuous basis, the skills, knowledge and professionalism of its team members. During the year 2002, the bank accommodated training programmes to over 1400 team members at all levels to a minimum of 40 hours per person.

The sophisticated Training Auditorium facilitated 150 Programs during the year. Team members were enrolled in 190 External Training programmes as well. 36 members were exposed to Overseas Training.



Traning Sessions at Training Centre

Modular Training Programs on Credit, Recoveries and Operations were designed after a Training Need Analysis and 521 team members were trained under these special modules.

The Induction training for new recruits was also re-structured with every new recruit being exposed to extensive training of three weeks, including at the Mock Branch, which was established to familiarize the recruits to the branch environment.



A Training Session at the Mock Branch for new recruits



The competent panel of the Faculty of Trainers was exposed to extensive "Train the Trainers" Programs and "Training Objectives" and "Lesson Planning" and all Programs & Workshops were documented.

Incorporating technology to provide training was another innovative step taken by the Sampath Bank when it launched the e-learning project; an in-house developed project in line with the objective of creating a learning culture within the organization. The project will facilitate our team members to learn on-line, at their respective work places without disrupting the daily workloads and customer care.



*Launch of Sampath e-learning project*

Sampath e-learning provides highly interactive training sessions, tracking training hours of team members, on-line evaluation, post-training tracking and even the facility to receive the feedback from the learner to the Training Centre. The 1st Module on "Customer Care" was electronically distributed to the Branches, via on-line network system.

### **HR Automation**

Competent use of technology and real time data processing is the key for smooth running and fast decision making in the organization. The bank has almost completed the process of implementing a comprehensive HR system to manage all HR functions inclusive of the recruitment & Selection process, Employee benefits, Leave Management, Personnel Database Management and Management Information systems.

# Financial Statements

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## Financial Calendar

Seventeenth Annual General Meeting to be held on	March 31, 2003
Final Dividends for 2001 paid on	April 04, 2002
Final Dividends for 2002 proposed to be paid on	March 31, 2003
Annual Report and Accounts for 2002 signed on	February 27, 2003

## Quarterly Reports in terms of Rule 8.3 of the Colombo Stock Exchange

Annual Report and Accounts for 2001 (audited)	February 06, 2002
For the three months ended 31 March 2002 (unaudited)	May 09, 2002
For the six months ended 30 June 2002 (unaudited)	August 15, 2002
For the nine months ended 30 September 2002 (unaudited)	November 15, 2002
Annual Report and Accounts for 2002 (audited)	February 28, 2003

## Financial Goals & Achievements

	Goals	Achievements				
		2002	2001	2000	1999	1998
Return on Average Assets	over 1.0%	1.1%	0.9%	1.3%	1.2%	1.8%
Return on Average Share Holders Funds	over 15.0%	16.3%	13.3%	18.9%	14.0%	23.3%
Cost / Net Income Ratio	below 65.0%	64.7%	70.6%	63.6%	65.0%	57.1%
Dividend Rate	over 17.5%	20.0%	17.5%	17.5%	40.0%	15.0%
Capital Adequacy Ratio						
Tier I	over 10.0%	11.5%	10.5%	9.6%	10.5%	11.4%
Tier I + II	over 12.0%	13.1%	12.6%	12.0%	14.0%	12.5%



Your Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31st December 2002.

#### Review of the year's Performance

The Chairman's Review deals with the year's performance and the economic outlook.

#### Principal Activities

The Company's principal business activities are banking and related financial services.

#### Corporate Governance

The Directors are responsible for the Governance of the Bank and they have instituted an effective and comprehensive system of internal controls, which are themselves regularly monitored and updated. Your directors are satisfied that the controls prevailing within the Bank are effective. A description of the Bank's Corporate Governance practices are set out in Pages 33 to 35.

#### Group

Sampath Bank had three subsidiaries as at 31.12.2002, namely; Sampath Centre Limited, Sampath Surakum Limited and S C Securities [Private] Limited. The accounts of the subsidiaries have been consolidated in the Group Accounts.

#### Principal Activities of Subsidiaries

##### Sampath Centre Ltd

The principal activity of this Company is property development and letting office space to clients and providing ancillary services to tenants. Sampath Bank owns 62.8% of the Company.

##### Sampath Surakum Ltd

The principal activity of this Company is carrying on business as a Primary Dealer for the purchase and sale of Government Securities. This is a fully owned subsidiary of the Bank.

##### S C Securities [Pvt] Ltd

The main business of this company is acting as brokers of shares and debentures traded on the Colombo Stock Exchange. Sampath Bank owns 51% of this Company.

#### Authorised Share Capital

The authorised share capital of the Company is Rs. 1,500,000,000/- divided into 150,000,000 shares of Rs 10/- each.

#### Issued Share Capital

The Issued and Paid-up capital is Rs 442,849,040 divided into 44,284,904 shares of Rs. 10/- each. During the year under review, there was no change in the Bank's share capital.

#### Debt Capital

The Bank has a listed debenture made of 500,000 unsecured subordinated redeemable debentures issued in 1999. These debentures are of a par value of Rs 1000/- each and will be redeemed in 2004. They are considered as part of the Tier II Capital.

#### Turnover/Income

The Bank's main income is interest income, which comprises over 80% of the Income figure. The Income for the year is Rs. 5,432 Mn, as against Rs. 5,269 Mn, for the previous year.

#### Profit & Reserves

The net profit attributable to the Shareholders of the Company for the year under review is Rs. 441.23 Mn. and is analysed on Page 38 under the Income Statement. Of the retained profit of Rs. 441.34 Mn, inclusive of Rs. 0.109 Mn, brought forward from the previous year. Rs. 22.06 Mn, was transferred to Reserve Fund in accordance with the Banking Act No. 30 of 1988 and a sum of Rs. 330.60 Mn, was transferred to General Reserve. With the payment of a dividend of 20% amounting to Rs. 88.6 Mn, there is left a carry forward sum of Rs. 0.110 Mn. Consequently the Reserve Fund amounts to Rs. 175.27 Mn.

#### Dividend

The Directors recommend that a dividend of 20% be declared on the paid up capital of Rs. 442,849,040 as the first and final dividend for the year ended 31st December 2002.

#### Capital Expenditure

A sum of Rs. 215.35 Mn, has been incurred on the acquisition of Premises and Equipment during the financial year. The details of the Fixed Assets of the Bank are shown in Note 18 on Page 57.

#### Donations

During the year under review, the Bank has made donations amounting to a sum of Rs. 0.7 Mn. The Bank has not made any donation for political purposes.

#### Statutory Payments

The Directors are satisfied to the best of their knowledge and belief that all statutory payments to all authorities have been paid upto date.



### Shareholding

The number of registered shareholders of the Company as at 31st December 2002 was 16,085. The Schedule indicating the shareholders' analysis is on Pages 69 to 72. The shareholders who have exceeded/violated the limits set by the Articles of Association and the Banking Act are not registered as per legal advice received.

### Top 20 shareholders

The detailed analysis of the top 20 shareholders of the Bank is given in Page 71.

### Share information

Information of share price, earning and volumes traded is given in Pages 3 and 69 to 72.

### Directorate

The Directors of the Bank during the financial year were :

1	Mr E Gunatunge	-	Chairman
2	Mr I W Senanayake	-	Deputy Chairman
3	Mr M A Abeynaike	-	Director
4	Mr S G Wijesinha	-	Director
5	Mr D J Gunaratne	-	Director
6	Dr S Kelegama	-	Director
7	Mr L J K Hettiaratchi	-	Director
8	Mr J D Bandaranayake	-	Director
9	Mr E A Gunasekera	-	Director
10	Mr W M P L de Alwis	-	Director
11	Mr A S Amarasuriya	-	Managing Director

### Re-appointments

In terms of Article No. 86 and 87 of the Articles of Association of the Company, Mr I W Senanayake, Mr L J K Hettiaratchi and Mr S G Wijesinha retire by rotation and being eligible, offer themselves for re-election, on an unanimous recommendation of the Board of Directors.

Mr Edgar Gunatunge, Chairman of the Bank who has reached the age of 70 years comes up for re-election. The Board of Directors unanimously recommends that the shareholders approve his re-election subject to section 181 of the Companies Act.

### Directors' Interest in shares &

#### Debentures – Sampath Bank Ltd

	No. of Shares as at 31.12.2002	No. of Shares as at 31.12.2001
Edgar Gunatunge	3,000	3,000
Edgar Gunatunge [Joint holding]	91,000	91,000
IW Senanayake	233,800	233,800
M A Abeynaike	31,400	31,400
S G Wijesinha	400	400
D J Gunaratne	-	-
S Kelegama	-	-
L J K Hettiaratchi	1,000	1,000
J D Bandaranayake	5,000	5,000
E A Gunasekera [Joint holding]	500	500
W M P L de Alwis	40,000	40,000
A S Amarasuriya	5,200	5,200

### Directors' Interest in contracts

Directors' interest in contracts with Sampath Bank both direct and indirect are declared in Note 31 and 32 on Pages 62 to 64. These interests have been declared at Board Meetings.

### Directors' Interest in shares & debentures of subsidiaries

None of the Directors directly hold any debentures in the Bank or any subsidiary.

Messrs. E Gunatunge, S G Wijesinha, M A Abeynaike, L J K Hettiaratchi, Dr S Kelegama and A S Amarasuriya hold 01 share each in Sampath Surakum Ltd., as subscribers.

Messrs E Gunatunge and A S Amarasuriya hold 01 share each in S C Securities [Pvt] Ltd.

### Board Sub Committees

The Board has initiated the formation of sub-committees for better functioning of the Bank. The details of these sub-committees are given in the Corporate Governance statement.

### Going Concern

The Board is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. We continue to adopt the going concern basis in preparing the accounts.

### Our Team

The Bank believes that its real potential depends on the strength and capabilities of its team members in a rapidly changing scenario. All efforts are directed at having a



motivated and competent team in order to grow and achieve results.

As at 31st December 2002 the number of employees, on the pay roll of the Bank was 1,492 as compared to 1,430 as at 31st December 2001.

#### Auditors

Messrs. Ernst & Young, Chartered Accountants have indicated their willingness to continue in office for the ensuing year. In accordance with the Companies Act No. 17 of 1982, a resolution proposing the appointment of Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company will be proposed at the Annual General Meeting.

#### New Branches

Eight new branches were opened in the year under review bringing the total number of branches to 53.

#### Meetings of Directors

All the Directors except the Managing Director of the Bank are Non-Executive Directors and they met regularly, at least once a month, for Board Meetings.

#### Annual General Meeting

In complying with the good governance practices the Annual General Meeting is held as soon as possible after the end of the financial year and completion of the audit.

The Annual General Meeting will be held at the Committee Room "B", Bandaranaike Memorial International Conference Hall, Colombo 07 on 31st March 2003. The notice of meeting can be found on Page 88.

#### Future Developments

In keeping with the Bank's Mission "To be the most innovative, trusted and best process – quality provider of financial services in the region", the Bank plans to manage and invest in a credit card operation in Bangladesh.

#### Employee Share Ownership Plan

In an effort to increase staff motivation to greater heights, the Bank has introduced an ESOP scheme since 2000. All confirmed team members are entitled to receive benefits out of this scheme.

#### Post Balance Sheet Events

##### Vanik Bangladesh

Sampath Bank plans to invest 40 Mn. Takas in the equity of Vanik Bangladesh, part of this has already been invested.

Sampath Bank together with Chinkara Group proposes to take over the management of Vanik Bangladesh.

##### Union Bank of Colombo Ltd

At the request of the Central Bank of Sri Lanka and major shareholders of Union Bank, Sampath Bank has agreed in principle to arrange for a consortium to invest in Union Bank and assist in the re-structure of the said Bank. The negotiations are on-going. In the event the arrangement is successful, Sampath Bank will be required to advise and guide the management of Union Bank.

##### Settlement of Dispute with relation to share ownership

The Directors are pleased to state that the dispute that arose as a result of certain parties who allegedly while acting in concert purchased shares in the Bank has been resolved through a settlement effected in Supreme Court, whereby the said parties agreed to dispose of the shares to independent parties.

This resolution clears the uncertainty that existed about the ownership of the Bank.

In the opinion of your Directors, no transaction or any material event of an unusual nature has arisen from the end of the financial year to the date of this report, which would affect substantially the results of the operations of the Bank or Group for the financial year in respect of which this report is made.

BY ORDER OF THE BOARD

S Sudarshan  
Company Secretary  
Sampath Bank Limited

110, Sir James Peiris Mawatha  
Colombo 02.

27th February 2003



The Directors are required by statutory provisions to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and the Group.

The Bank's financial statements for the year ended 2002 prepared and presented in this report are in conformity with the –

- (a) requirements of the Sri Lanka Accounting Standards;
- (b) provisions of the Companies Act No. 17 of 1982;
- (c) requirements of the Banking Act No. 30 of 1988 and the Banking Act [Amendment] Act No. 33 of 1995.

The Directors are of the view that in preparing these financial statements,

- (i) appropriate accounting policies have been selected and applied in a consistent manner. Material departures, if any, have been disclosed and explained;
- (ii) judgements and estimates made are reasonable and prudent;
- (iii) relevant applicable Accounting Standards have been followed at all times.

Further the Directors have the responsibility to ensure that the Bank maintains sufficient accounting records to disclose with accuracy the financial position of the Bank and the Group and to ensure the financial statements presented comply with the relevant regulations.

The Directors are also responsible for taking adequate steps to safeguard the assets of the Bank. For this purpose they have instituted an effective system of internal controls. These comprise internal checks, internal audit and a whole system of other controls required to carry on business in an orderly manner.

The Bank's auditors, M/s Ernst & Young carry out reviews and test checks on effective internal controls as they consider appropriate, to enable them to give an opinion in the Audit.

The Banking Supervision Department of the Central Bank of Sri Lanka carries out periodical examinations of records and affairs of the Bank as deemed necessary to conform to the Banking Act and its amendments. It also checks and ascertain that the financial ratios prescribed by the Central Bank of Sri Lanka are maintained.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

### Compliance

The Directors confirm that to the best of their knowledge all taxes, statutory dues, and levies payable by the Bank and its subsidiaries as at Balance Sheet date have been paid for or where relevant provided for.

BY ORDER OF THE BOARD

S Sudarshan  
Company Secretary  
Sampath Bank Limited

110, Sir James Peiris Mawatha  
Colombo 02.

27th February 2003





Your directors are at all times conscious that application of aspects of corporate governance are pre-requisites in managing of a corporate body, a banking company in particular.

The Board of Directors represents the shareholders and therefore ensures that corporate management acts in the basic interest of the shareholders. Transparency is focussed in enhancing shareholder value. Aspects of social responsibility is also given consideration in management deliberations.

### The Directors of Sampath Bank

Your Board consists of the Chairman and 09 non-executive Directors. The Managing Director is the only executive director. The Directors of the Bank are drawn from different disciplines.

The Board of Directors of Sampath Bank meet at least once a month at Board Meetings and Sub Committee Meetings and give their utmost priority to safeguard the interests of the Bank.

The names and short profiles of the Board members are given on Page 4 and 5 of the Annual Report.

### The Non Executive Directors

At Sampath Bank, the non-executive directors do not represent any shareholder groups, have no material business relationships with the Bank and do not receive any income other than board fees per each sitting.

They are not entitled to beneficial interest in shares under the Employee Share Ownership Plan [ ESOP] and do not have financial interest in the company, other than those disclosed in the notes to accounts.

### The Boards Responsibilities

The main responsibility of the Bank's Board is the stewardship of the organisation.

### Appraising Board Performance

The Board has introduced procedures for assessing their own collective performance and that of all individual directors as good corporate governance demands good board performance exceeding expectations and not only conformity.

### Board Sub Committees

In order to achieve the benefits of good corporate governance, your Board reconstituted the following sub committees.

- a. Audit Committee
- b. Nominations Committee
- c. Credit Policy Committee
- d. Credit Approval Committee
- e. Remuneration Committee
- f. Strategic Planning Committee

### Audit Committee

The Audit Committee established in 1997 has the following major objectives;

1. to ensure that the Bank complies with statutory and regulatory guidelines.
2. to ensure that proper internal controls are developed and implemented.

The Audit Committee comprises 04 non executive directors. It is chaired by Mr M A Abeynaike, a Past President of the Institute of Chartered Accountants of Sri Lanka.

The other members of the Committee are non executive directors;

1. Mr I W Senanayake
2. Mr S G Wijesinha
3. Mr L J K Hettiaratchi

The Chief Executive, the Internal Auditor, Manager – Finance, Senior Manager-Systems Control and External Auditors attend Audit Committee meetings by invitation.

The committee also reviews and recommends the Quarterly Financial Statement and Annual Financial Statements before they are submitted to the Board. The External Auditors' Management Letter and the Management Responses is considered in detail by the Audit Committee.

The Audit Committee meets at least once a quarter.

The Report of the Audit Committee is given on Page 36 of this Annual Report.

### Nominations Committee

In complying with the Best Practice for Corporate Governance, the Board has appointed a Nominations Committee comprising 03 Non Executive Directors. The Committee is chaired by Mr Edgar Gunatunge, Chairman of the Bank. The other members are Messrs. I W Senanayake - Deputy Chairman and M A Abeynaike – Chairman of the Audit Committee.

### Appointment of Directors

The nominations committee identifies suitable persons, as and when required to be nominated to the Board in order to enhance the business integrity and professionalism of the Bank and its Board of Directors.

Once identified individuals are appointed to the Board they come up for re-election by the shareholders at the subsequent Annual General Meeting.



## Retirement of Non-Executive Directors

At each Annual General Meeting, 1/3rd of the Directors are required to retire and offer themselves for re-election. In practice, this would mean that every Director stands for re-election at least once in 3 years.

## Training

The directors consider training a vital aspect and whenever possible take the opportunity even in their busy schedule to undergo training.

From among your directors Mr Alwis underwent a training course for 5 full days during 2002, on "Corporate Governance for Directors" conducted by the Task Force on Corporate Governance in Sri Lanka in association with the Commonwealth Association on Corporate Governance. The benefits of this is passed on to all directors.

## Credit Policy Committee

This Committee was established with a view to formulate and guide the Bank's Credit Policy and to monitor the Management of Credit Risks.

Chaired by veteran Banker Edgar Gunatunge, the Committee comprise Messrs. D J Gunaratne – an Attorney-at-Law and a former Chairman of Employee's Trust Fund, Ernest Gunasekera – former Head of Bankers' Trust Company, New York, Colombo Branch, Anil Amarasuriya – Managing Director of the Bank and Mrs Shanthy Gooneratne, Deputy General Manager – Credit and Operations.

## Credit Approval Committee

In order to utilise time more efficiently, for the Bank's activities, the Board created a sub-committee of the Board comprising; Mr E Gunatunge-Chairman, Mr M A Abeynaike-Chairman (Audit Committee), Mr S G Wijesinha, Mr E A Gunasekera and Mr Anil Amarasuriya, for credit approvals.

The approvals by this committee is reported to the Board of Directors.

## Remuneration Committee

The Board Committee consisting of Mr J D Bandaranayake, Mr L J K Hettiaratchi and Mr W M P L De Alwis has been formed to study and make recommendations to the bank's remuneration policies.

## Strategic Planning Committee

With veteran banker Edgar Gunatunge at the helm, this Committee comprises 4 other Directors namely, M A Abeynaike, S G Wijesinha, L J K Hettiaratchi and the

Managing Director/CEO, Anil S Amarasuriya. It is responsible for developing goals and objectives for the Bank and formulate strategies to achieve them. Setting targets and evaluation of achievements by management also comes under this committee.

In addition to the advice and direction given by the above Committees, the Bank also obtains independent professional advice from external sources whenever deemed necessary.

## The Chairman

In keeping with the best practice of Corporate Governance the role of the Chairman and the Chief Executive is separated at the Bank. At Sampath, the Chairman is a Non-Executive position and is responsible for carrying out the functions of the Board. He also ensures that there is clear division of responsibility at the apex of the Bank and the management functions are clear in line with the Bank's objectives.

## The Chief Executive

At Sampath the Chief Executive is responsible for the effective implementation of the Board policies and implementation of decisions taken by the Board, and running of the business of the Bank in an efficient manner by identifying and evaluating the risks to which the bank is exposed and setting and communicating clear goals in pursuit of growth.

The Chief Executive takes the leadership in achieving goals and objectives, and to keep the Chairman and Board informed of relevant operational matters while providing the Board with timely and relevant information and access to management when required.

## Management Structure

The Board has delegated the primary authority to implement policy and achieve the strategic objectives which it has laid down to the Corporate & Executive Management of the Bank.

The Management is responsible for working within the parameters set by the Board and control framework established by the Chief Executive for ensuing that risk and opportunities are properly identified and the bank's goals are achieved.

## Shareholder Value Enhancement

This is a key area which has the Board's attention and the Board constantly strives to enhance shareholder value. A steady growth in the rate of dividends and market capitalization of the Bank's shares is ample proof that the bank is heading in the correct direction.



### Disclosure of Information

Your Board places great emphasis on complete disclosure of both financial and non-financial information within the bank and to its stakeholders.

### Relations with Shareholders

Meetings with Sampath's principal institutional shareholders are held at the request of these shareholders, while the agenda and format of the Annual General Meeting provide a forum for questions from individual shareholders.

Individual shareholders are encouraged to make suitable suggestions through the Company Secretary which are forwarded to the Chairman.

### Depositor's Interests

The Board has instituted robust and effective control systems and procedures, with appropriate reporting lines to the Senior Management and Chief Executive. Duties have been effectively segregated to minimize possible errors and frauds. These co-opted with prudent decision making help safeguard depositors' interest.

### Financial Disclosure and Transparency

The Bank's financial statements are prepared in accordance with the Sri Lankan Accounting Standards and the Companies Act No. 17 of 1982 and Banking Act. No. 30 of 1988 and 33 of 1995. The quarterly financial statements are published in compliance with the disclosure requirements of the Colombo Stock Exchange. The Director's Report on Pages 29 to 31 in this report gives necessary disclosures.

### Internal Controls

The Board is responsible for ensuring that the bank has adequate internal controls in place. The report of the Audit Committee on page 36 of this report and the statement on Directors Responsibility on Financial Reporting on Page 32 of this report gives details of the Internal Controls.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'S Sudarshan', written over a horizontal line.

S Sudarshan  
Company Secretary  
Sampath Bank Limited

110, Sir James Peiris Mawatha  
Colombo 02.

27th February 2003



The Audit Committee comprises four Directors and its main objective is to assist the Board to discharge its responsibilities in relation to safeguarding of assets, regulatory compliance, financial reporting and audit. The committee held four meetings during the year under review. The Managing Director, Senior Manager-Internal Audit, Senior Manager-Systems Audit, Manager-Finance and a representative of the External Auditors were present at meetings by invitation.

In the performance of its functions the Committee undertook a review of,

- (a) The Bank's internal control systems.
- (b) Compliance with relevant statutory provisions and requirements of regulatory authorities.
- (c) Quarterly and annual financial statements before submission to the Board.
- (d) External Auditor's management letter and Management's response.
- (e) The Internal Audit Programme, co-ordination between the Internal and External Auditors and Internal Audit reports and had a dialogue with the External Auditors in relation to the nature and scope of the audit.

Weaknesses observed were reported to the Board and remedial measures recommended.

The Committee has recommended to the Board that Messrs Ernst & Young be reappointed as Auditors for the year ending 31st December 2003, subject to the approval of shareholders at the Annual General Meeting.

A handwritten signature in black ink, appearing to read 'Mohan A. Abeynaike', with a horizontal line underneath.

**Mohan A. Abeynaike**  
*Chairman*  
Audit Committee  
27th February 2003



■ **Chartered Accountants**

201, De Saram Place,  
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Sri Lanka.

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**Auditors' Report to the members of Sampath Bank Limited and Subsidiaries**

We have audited the Balance Sheet of Sampath Bank Limited as at 31st December 2002, the Consolidated Balance Sheet of the Bank and its Subsidiaries, Sampath Centre Limited, Sampath Surakum Limited and S C Securities Limited as at that date and the related statements of Income and Cash Flows for the year then ended, together with the Accounting Policies and Notes as set out on Pages 43 to 66.

**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 Bank maintained proper books of account for the year ended 31st December 2002 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related statements of Income and Cash Flows 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 Banking Acts No.30 of 1988 and 33 of 1995 give a true and fair view of the Bank's state of affairs as at 31st December 2002 and of its Income and Cash Flows for the year then ended.

In our opinion, the Consolidated Balance Sheet and Statements of Income and Cash Flows 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 give a true and fair view of the Bank's state of affairs as at 31st December 2002 and of its Income and Cash Flows for the year then ended of the Bank and its Subsidiaries dealt with thereby, so far as concerns the members of the Company.

**Directors' Interest in Contracts with the Bank**

According to the information made available to us, Directors of the Bank were not directly or indirectly interested in contracts with the Bank during the year ended 31st December 2002, except as stated in Note 31 to these financial statements.

Ernst & Young  
Chartered Accountants

Colombo  
28th February 2003

■ **Partners** : G A E Gunatilleke FCA A D B Talwatte FCA FCMA T K Bandaranayake FCA  
Mrs. L C Nanayakkara ACA FCMA W R H Fernando FCA FCMA  
M P D Cooray ACA FCMA H M A Jayasinghe ACA FCMA D K Hulangamuwa ACA FCMA  
A P A Gunasekera FCA FCMA A S M Ismail ACA FCMA A Herath FCA



For the year ended 31st December	Note	Bank		Change %	Group	
		2002 (Rs. '000)	2001 (Rs. '000)		2002 (Rs. '000)	2001 (Rs. '000)
Income	1	5,432,057	5,268,829	3.1	5,590,600	5,381,852
Interest income	2	4,612,265	4,484,065	2.9	4,719,987	4,575,287
Less :						
Interest expenses	3	2,834,017	3,191,070	(11.2)	2,880,919	3,271,632
Net interest income		1,778,248	1,292,995	37.5	1,839,068	1,303,655
Other income	4	864,620	872,886	(0.9)	916,586	896,878
Operating income		2,642,868	2,165,881	22.0	2,755,654	2,200,533
Less :						
Turnover Tax		-	8,738	(100.0)	-	8,939
National Security Levy		44,828	79,384	(43.5)	45,973	81,374
		2,598,040	2,077,759	25.0	2,709,681	2,110,220
Non-Interest Expenses	5					
Personnel costs		678,426	593,103	14.4	687,241	598,492
Premises, equipment & establishment expenses		686,582	583,779	17.6	636,666	508,943
Provision for retirement benefits		70,000	61,000	14.8	70,159	61,626
Other overheads		246,599	227,983	8.2	260,145	235,077
		1,681,607	1,465,865	14.7	1,654,211	1,404,138
Profit before Credit losses & Diminution in value of Investments		916,433	611,894	49.8	1,055,470	706,082
Less :						
Credit loss provisions	6.1	404,092	201,000	101.0	404,092	201,000
Add :						
Appreciation in value of Investments	6.2	12,960	17,987		12,960	17,987
Operating profit before taxation		525,301	428,881	22.5	664,338	523,069
Writing back of negative goodwill		-	-		3,309	3,311
Profit before taxation		525,301	428,881	22.5	667,647	526,380
Less :						
Provision for taxation	7	84,067	107,118	(21.5)	103,140	111,319
Profit after taxation		441,234	321,763	37.1	564,507	415,061
Minority interest		-	-		69,610	65,048
Net Profit for the Year		441,234	321,763	37.1	494,897	350,013
Earnings per share (Rs.)	8	9.96	7.27	37.1	11.18	7.90

The Accounting Policies and the Notes from pages 43 to 66 form an integral part of these Financial Statements.



As at 31st December	Note	Bank			Group	
		2002 (Rs. '000)	2001 (Rs. '000)	Change %	2002 (Rs. '000)	2001 (Rs. '000)
<b>Assets</b>						
Cash and short term funds	09	2,114,516	1,678,093	26.0	2,114,600	1,690,163
Balance with						
Central Bank of Sri Lanka		2,154,369	1,825,317	18.0	2,156,196	1,825,774
Treasury bills	10	556,156	604,793	(8.0)	619,592	757,988
Dealing securities	11	2,788,742	2,051,670	35.9	2,788,742	2,051,670
Placements and loans with Banks	12	725,203	1,258,901	(42.4)	725,203	1,258,901
Investment securities	13	3,495,832	1,413,741	147.3	4,905,809	1,704,111
Securities purchase under re-sale agreement	14	-	1,633,778	(100.0)	4,871	1,865,988
Loans and advances	15					
Bills of Exchange	15.1	1,625,184	1,903,987	(14.6)	1,625,184	1,903,987
Loans and Advances	15.2	27,040,649	24,004,952	12.6	27,038,160	23,994,403
Lease Rentals Receivable - before 31/12/2003	15.3.2	98,698	106,930	(7.7)	98,698	106,930
Lease Rentals Receivable - after 31/12/2003	15.3.3	117,734	123,204	(4.4)	117,734	123,204
Investment in subsidiary company	16	385,626	380,527	1.3	-	-
Interest and fees receivable		474,416	459,019	3.4	490,586	554,129
Corporate Tax paid in advance	22	-	24,574	(100.0)	-	23,457
Other assets	17	379,297	281,059	35.0	405,327	240,825
Goodwill on Acquisition	27.2	-	-	-	2,763	-
Property, plant and equipment	18	1,060,414	1,031,152	2.8	1,830,880	1,791,864
<b>Total assets</b>		<b>43,016,836</b>	<b>38,781,697</b>	<b>10.9</b>	<b>44,924,345</b>	<b>39,893,394</b>
<b>Liabilities</b>						
Deposits	19	33,784,557	29,668,797	13.9	33,781,475	29,656,630
Proposed dividends		92,144	79,647	15.7	92,144	79,647
Refinance borrowings		844,294	731,763	15.4	844,294	731,763
Other borrowings	20	2,036,977	2,515,294	(19.0)	2,048,970	2,555,294
Securities sold under repurchase agreements		-	-	-	1,248,124	498,577
Other liabilities	21	2,692,000	2,593,880	3.8	2,784,138	2,700,260
Current taxation	22	7,108	-	100.0	22,071	-
Deferred taxation	23	173,399	158,595	9.3	173,707	158,764
Redeemable debentures 1999-2004	24	500,000	500,000	-	500,000	500,000
<b>Total liabilities</b>		<b>40,130,479</b>	<b>36,247,976</b>	<b>10.7</b>	<b>41,494,923</b>	<b>36,880,935</b>
<b>Shareholders' funds</b>						
Issued share capital	25	442,849	442,849	-	442,849	442,849
Reserves	26					
Capital reserves	26.1	127,596	127,596	-	148,754	148,754
Statutory reserve fund	26.2	175,271	153,209	14.4	175,271	153,209
Revenue reserve	26.3	2,140,641	1,810,067	18.3	2,212,341	1,828,104
<b>Total shareholders' funds</b>		<b>2,886,357</b>	<b>2,533,721</b>	<b>13.9</b>	<b>2,979,215</b>	<b>2,572,916</b>
Negative goodwill	27	-	-	-	-	546
Minority Interest	28	-	-	-	450,207	438,997
<b>Total liabilities and shareholders' funds</b>		<b>43,016,836</b>	<b>38,781,697</b>	<b>10.9</b>	<b>44,924,345</b>	<b>39,893,394</b>
Net asset value per share (Rs.)		65.18	57.21	13.9	67.27	58.10
Commitments and contingencies	29	11,823,227	9,793,107	20.7	11,823,227	9,793,107

The Accounting Policies and the Notes from Pages 43 to 66 form an integral part of these financial statements.

Approved and signed for and on behalf of the Board

Edgar Gunatunge  
Chairman

I.W. Senanayake  
Deputy Chairman

Anil Amarasuriya  
Managing Director

S. Sudarshan  
Company Secretary

27th February 2003,  
Colombo.

# CASH FLOW STATEMENT



<i>For the year ended 31st December</i>	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
<b>Cash flow from operating activities</b>				
Interest & commission receipts	4,986,359	4,806,435	5,094,081	4,908,384
Interest payments	(2,834,017)	(3,191,070)	(2,880,919)	(3,271,632)
Receipts from other operating activities	445,265	497,074	528,359	496,924
Cash payments to employees and suppliers	(1,249,994)	(1,081,456)	(1,203,250)	(1,086,845)
Payments for other operating activities	(291,427)	(316,105)	(306,118)	(201,580)
<b>Operating profit before changes in operating assets [note (a)]</b>	<b>1,056,186</b>	<b>714,878</b>	<b>1,232,153</b>	<b>845,251</b>
<i>(Increase)/Decrease in operating assets</i>				
Short term funds	533,698	(209,374)	533,698	(209,374)
Balance with Central Bank of Sri Lanka	(329,052)	(132,000)	(330,422)	(132,370)
Securities purchased under resale agreements	1,633,778	752,420	1,861,117	592,553
Funds advanced to customers	(3,150,209)	(2,632,524)	(3,158,269)	(2,632,524)
Other assets	(113,635)	(133,709)	(100,959)	(102,216)
	<u>(1,425,420)</u>	<u>(2,355,187)</u>	<u>(1,194,835)</u>	<u>(2,483,931)</u>
<i>Increase/(Decrease) in operating liabilities</i>				
Deposits from customers	3,511,503	4,710,457	3,520,588	4,710,457
Negotiable certificates of deposit	604,257	261,244	604,257	261,244
Securities sold under repurchase agreements	-	(1,658,119)	749,547	(1,383,418)
Other liabilities	98,120	1,120,708	83,878	1,021,347
	<u>4,213,880</u>	<u>4,434,290</u>	<u>4,958,270</u>	<u>4,609,630</u>
<b>Net cash flow from operating activities before income tax</b>	<b>3,844,646</b>	<b>2,793,981</b>	<b>4,995,588</b>	<b>2,970,950</b>
Income tax paid	(37,581)	(165,191)	(42,669)	(172,834)
<b>Net cash flow from operating activities</b>	<b>3,807,065</b>	<b>2,628,790</b>	<b>4,952,919</b>	<b>2,798,116</b>
<b>Cash flow from investing activities</b>				
Investment in subsidiary companies	(5,099)	(10,527)	-	-
Acquisition of subsidiary (net of cash & cash equivalents)	-	-	-	102
Government of Sri Lanka Treasury Bills	48,637	(58,892)	138,396	(170,950)
Income from Investments	14,835	18,796	14,835	18,796
Purchase of non dealing securities	(2,806,203)	(1,909,276)	(3,925,810)	(1,907,876)
Proceeds from sales of securities	-	11,700	-	12,131
Dividends received on investments in subsidiary	33,000	30,800	-	-
Proceeds from disposal of property, plant and equipment	1,402	4,732	3,274	4,892
Purchase of property, plant and equipment	(215,354)	(273,543)	(230,911)	(275,436)
<b>Net cash flow from investing activities</b>	<b>(2,928,782)</b>	<b>(2,186,210)</b>	<b>(4,000,216)</b>	<b>(2,318,341)</b>
<b>Cash flow from financing activities</b>				
Minority Interest	-	-	(58,400)	(56,298)
Increase/(Decrease) in other borrowings	(365,786)	17,801	(393,793)	57,801
Repayment of term borrowings	-	-	-	(8,842)
Dividends paid	(76,073)	(75,349)	(76,073)	(75,349)
<b>Net cash flow from financing activities</b>	<b>(441,859)</b>	<b>(57,548)</b>	<b>(528,266)</b>	<b>(82,688)</b>
Net Increase/(decrease) in cash and cash equivalents	436,423	385,032	424,437	397,087
Cash and cash equivalents at the beginning of the year	1,678,093	1,293,061	1,690,163	1,293,076
<b>Cash and cash equivalents at the end of the year [ note (b) ]</b>	<b>2,114,516</b>	<b>1,678,093</b>	<b>2,114,600</b>	<b>1,690,163</b>





<i>As at 31st December</i>	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
<b>Note (a)</b>				
<b>Reconciliation of operating profit</b>				
Profit before provision for income tax	525,273	428,881	667,619	526,380
Profits/(Loss) on disposal of Property, Plant & Equipment	(323)	(4,224)	(2,195)	(4,235)
Income from investments	(14,835)	(18,796)	(14,835)	(18,796)
Provision for diminution in value of dealing securities	(12,960)	(17,987)	(12,960)	(17,987)
Inter company dividends	(33,000)	(30,800)	-	-
Negative Goodwill	-	-	(3,309)	(3,311)
Depreciation	185,014	156,426	190,816	161,822
Bad debt provision	404,092	201,000	404,092	201,000
Bad debts written off	2,925	378	2,925	378
Operating profit before changes in operating assets/liabilities	1,056,186	714,878	1,232,153	845,251
<b>Note (b)</b>				
<b>Reconciliation of cash and cash equivalents</b>				
Local currency in hand	763,240	891,502	763,324	903,572
Foreign currency in hand	478,455	552,882	478,455	552,882
Balances with local banks	80,765	13,225	80,765	13,225
Balances with foreign banks	792,056	220,484	792,056	220,484
Cash and cash equivalents at the end of the year	2,114,516	1,678,093	2,114,600	1,690,163

# STATEMENT OF CHANGES IN EQUITY



	(Rs. '000)						
	Share Capital	Share Premium	Revaluation Reserve	Statutory Reserve Fund	General Reserve	Retained Profit	Total
<b>Sampath Bank</b>							
Balance as at 1st January 2001	442,849	34,328	93,268	137,121	1,581,458	432	2,289,456
Adjustments	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	321,763	321,763
Dividends	-	-	-	-	-	(77,498)	(77,498)
Transfers during the year	-	-	-	16,088	228,500	(244,588)	-
<b>Balance as at 31st December 2001</b>	<b>442,849</b>	<b>34,328</b>	<b>93,268</b>	<b>153,209</b>	<b>1,809,958</b>	<b>109</b>	<b>2,533,721</b>
Adjustments	-	-	-	-	(28)	-	(28)
Net profit for the year	-	-	-	-	-	441,234	441,234
Dividends	-	-	-	-	-	(88,570)	(88,570)
Transfers during the year	-	-	-	22,062	330,601	(352,663)	-
<b>Balance as at 31st December 2002</b>	<b>442,849</b>	<b>34,328</b>	<b>93,268</b>	<b>175,271</b>	<b>2,140,531</b>	<b>110</b>	<b>2,886,357</b>

	(Rs. '000)						
	Share Capital	Share Premium	Revaluation Reserve	Statutory Reserve Fund	General Reserve	Retained Profit	Total
<b>Group</b>							
Balance as at 1st January 2001	442,849	34,328	114,426	137,121	1,581,567	(9,890)	2,300,401
Adjustments	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	350,013	350,013
Dividends	-	-	-	-	-	(77,498)	(77,498)
Transfers during the year	-	-	-	16,088	228,500	(244,588)	-
<b>Balance as at 31st December 2001</b>	<b>442,849</b>	<b>34,328</b>	<b>114,426</b>	<b>153,209</b>	<b>1,810,067</b>	<b>18,037</b>	<b>2,572,916</b>
Adjustments	-	-	-	-	(28)	-	(28)
Net profit for the year	-	-	-	-	-	494,897	494,897
Dividends	-	-	-	-	-	(88,570)	(88,570)
Transfers during the year	-	-	-	22,062	330,601	(352,663)	-
<b>Balance as at 31st December 2002</b>	<b>442,849</b>	<b>34,328</b>	<b>114,426</b>	<b>175,271</b>	<b>2,140,640</b>	<b>71,701</b>	<b>2,979,215</b>



## 1. GENERAL

Sampath Bank Limited is a Public Limited Liability Company domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Consolidated Financial Statements of the company for the year ended 31st December 2002 comprise the company and its subsidiaries (together referred to as "The Group").

The Corporate information is given on inner back cover.

### Accounting Convention

The Financial Statements are prepared under the historical cost convention in accordance with generally accepted accounting principles and the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustment has been made for inflationary factors affecting these financial statements except that certain Land and Dealing Securities are stated at valuation as explained in Note 18 and Note 11 to the accounts. 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 accrual basis. Where appropriate, the policies are explained in the succeeding notes.

The Financial Statements are presented in accordance with the format of accounts prescribed by the Central Bank of Sri Lanka.

Certain prior year's figures and phrases have been re-stated wherever necessary to confirm to the current presentation.

All values presented in the Financial Statements are in Sri Lanka Rupees Thousands, unless otherwise stated.

### Foreign Currency Translation

Monitory assets and liabilities denominated in foreign currencies are translated to Sri Lanka rupee equivalents using the year end exchange rates. Non monitory assets and liabilities are translated using the exchange rates that existed when values were determined. The resulting gains and losses are accounted for in the Income Statement.

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.

### Basis of Consolidation

The consolidated financial statements are prepared as per the Sri Lanka Accounting Standard No. 26 on Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

### Subsidiaries

Consolidated Financial Statements comprise those of Sampath Bank Limited and its subsidiary companies, i.e. Sampath Centre Ltd., S C Securities Limited and Sampath Surakum Ltd as disclosed in Note No. 16 to the Financial Statements. The Group has an interest of over 50% of these companies voting rights and has the power directly or indirectly, to govern the financial and operating policies of the companies to obtain benefits from its activities.

The Financial Statements of Sampath Bank and its subsidiary companies included in the consolidation are prepared to a common financial year, which is on 31st December.

Sampath Bank holds 62.85 % and 51% of the issued ordinary share capital of Sampath Centre Ltd and S C Securities Ltd respectively as at 31st December and Sampath Surakum Limited is a fully owned subsidiary of Sampath Bank Limited.

The total profit for the year of the subsidiary companies is included in the Consolidated Income Statement. The total classified as minority interest in the Consolidated Income Statement represents the portion of the consolidated profit after taxation of the subsidiary, applicable to the non-group shareholders.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The total assets and liabilities at the Balance Sheet date of the subsidiary companies are included in the Group Balance Sheet. The proportionate interest of the non-group shareholders in the consolidated net assets of the subsidiaries is separately disclosed as minority interest in the Consolidated Balance Sheet.

### Negative Goodwill

Negative Goodwill comprises the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

Negative Goodwill arising on consolidation as disclosed in the Note No 27.1 of the Financial Statements will be recognised as income over a period of five years commencing from the first year of consolidation.



### Goodwill

Goodwill comprises the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill arising on consolidation as disclosed in the Note No. 27.2 of the Financial Statements, is amortised to revenue over a period of five years commencing from the first year of consolidation.

### Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from Intra-group transactions are eliminated in preparing the consolidated financial statements.

## 2. ASSETS AND BASIS OF THEIR VALUATION

### Investments

#### Securities Held for Dealing Purposes

These are marketable securities acquired and held with the intention of resale over a short period of time. Such securities are recorded at market value, with any resultant gain or loss recognised in the Income Statement as per the provisions under Sri Lanka Accounting Standard No. 22, accounting for investments. Interest on Euro Bonds is accrued.

#### Investment Securities

These investments are acquired and held for yield or capital growth in the long to medium term. Such securities are recorded at cost of acquisition. Provision is made for diminution in value of these investments only if they are expected to be permanent.

Interest on Debentures, Development Bonds & Treasury Bonds issued by Government of Sri Lanka is accrued while Investments in units of Unit Trust are carried at cost.

Investments in Credit Information Bureau, Society for Worldwide Inter-bank Financial Telecommunication System (SWIFT), Fitch Ratings Lanka Limited and Lanka Clear (Pvt) Limited are stated at cost.

Investments in subsidiaries are stated at cost.

### Loans and Advances to Customers

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

Specific provisions for possible loan losses are made on the basis of a continuous review of all advances to customers, except for pawning, where a general provision has been made. This provision relates to identified bad and doubtful advances as stipulated by the Central Bank of Sri Lanka based on a classification of advances as given below.

Overdue Period	Classification	Provision required net of security
6 - 12 months	Substandard	20 %
12 - 18 months	Doubtful	50 %
Over 18 months	Loss	100 %

Beginning from the year ended 31st December 1995, a general provision is maintained in addition to the specific provision, to cover bad debts which are inherent in the loan portfolio but not yet identified. The level of general provision is determined with regard to asset growth, economic conditions and other risk factors.

### Finance Leases

#### Rental receivables

Assets leased to customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as Finance Leases. Lease rentals receivable in the Balance Sheet represents total lease payments due, net of unearned interest income not accrued to revenue, provision for bad and doubtful recoveries and the initial rentals received.

### Securities Purchased Under Resale Agreements

Securities Purchased Under Agreements to resell are classified as part of the assets accounted for accordingly. Obligation to repurchase resulting from Securities Sold Under Repurchase Agreements is accounted for as a liability and is classified under liabilities.

### Property, Plant & Equipment

#### Cost and Valuation

All items of property, Plant & Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure



that their carrying amounts do not differ materially from their fair values at the Balance Sheet date subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less accumulated depreciation.

When an assets, is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

When an asset carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset.

Any balance remaining in the revaluation surplus in respect of an asset is transferred directly to Accumulated Profits on retirement or disposal of the asset.

#### Restoration Costs

Expenditure incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance, is recognised as an expense when incurred.

#### Depreciation

The provision for depreciation is calculated by using the straight line method on the cost or valuation of Fixed Assets in order to write-off such amounts over the estimated useful lives by equal annual instalments at following rates.

Leasehold properties	over the period of lease
Freehold buildings	0.5 - 2.5 % per annum
Motor Vehicles	25 % per annum
Computer Equipment	16.67 % per annum
Furniture, Office & Household Equipment, Telephone Equipment and sundry machinery	5 - 20 % per annum
Lifts & Escalators & Air Conditioners	2.5 % per annum

Depreciation is provided from the month of purchase / build and used during the year to the month of sale. Depreciation is not provided for on Freehold Land.

Full provision is made in the year of sale and none in the year of purchase of Property, Plant & Equipment of Sampath Centre Ltd.

Leasehold Buildings and Improvements are amortised over the lease period.

### 3. LIABILITIES AND PROVISIONS

#### Commitments and Contingencies

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

#### Pensions and Retirement Benefits

##### Defined Benefit Plan

##### Gratuity

Provision is not made in the accounts for Gratuity payable to Employees who complete 5 or more years of continuous service payable under the Gratuity Act No 12 of 1983 as the Bank has its own non contributory pension scheme in force. However, if Employees who are eligible for gratuity resign before retirement age, the Bank is liable to pay gratuity to such employees. An actuarial valuation is undertaken at every three years to ascertain full liability. The last such valuation was carried out by a qualified actuary as at 31st December 2000. As per the valuation the liability amounts to Rs. 13.239 Mn. A separate fund is not maintained for this purpose.

##### Pension Fund

The Bank has a Pension Fund for all members of the permanent staff. A member is eligible for normal retirement after attainment of age 55 and completion of 10 years of service.

An actuarial valuation is undertaken at every three years to ascertain the full liability under the fund. The last such valuation was carried out by a qualified actuary as at 01st January 2001 and the fair value of the plan assets as at that date was Rs. 151.59 Mn. As per the valuation the retirement benefit expenses for the plan year ending 31st December 2001 was Rs. 55.174 Mn. The amount provided for year 2002 is RS. 70.0 Mn, approximately 16% of the years wage bill.

The assets of the fund are held separately from those of the Bank Assets, which is administered independently.

The principal assumptions, which have the most significant effect on the valuation, are the investment return, rate of increase in salaries, rate of turnover at selected ages, rate of disability, death benefits and expenses.

**Defined Contribution Plans**

Contributions to defined contribution plans covering all employees are recognized as an expense in the Income Statement as incurred.

**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. 52.763 Mn, whereas at 31st December 2001 it was Rs. 48.689 Mn.

**Trust Fund**

The Bank contributes to the Employees' Trust Fund. The total amount recognised as an expense to the current year is Rs. 13.191 Mn., whereas at 31st December 2001 it was Rs 11.947 Mn.

**Current Taxation**

Provision for current taxation is made for Sampath Bank, S C Securities Limited and Sampath Surakum Limited 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. 38 of 2000.

Sampath Centre Limited is a company approved under BOI law and the company is exempted from taxation for a period of 7 years commencing from the first year of assessment. The first year of assessment is the year in which the company commenced making profits in relation to its transaction in that year or any year of assessment not later than five years from the date of its first commercial operations, whichever is earlier. Accordingly, the company is liable for taxation from the year of assessment commencing 2006/2007.

**Deferred Taxation**

Deferred Taxation is provided on the liability method. Provision for Deferred Taxation represents income tax applicable to the difference between the written down value of assets for tax purposes on which depreciation allowances are claimed and net book value of such assets.

**Post Balance Sheet Events**

All material events occurring after the Balance Sheet date are considered and where necessary adjustments or disclosures are made to the Financial Statements.

**4. INCOME STATEMENT****Revenue Recognition****Interest Income**

Interest receivable is recognised on accrual basis. Interest ceases to be taken into revenue, when the recovery of interest or principle is in arrears for over one month for loans and over three months for overdrafts. Thereafter, interest income on advances is accounted for on a cash basis, until in the opinion of the management, the financial position of the borrower has improved to the extent that the receivables are deemed collectible.

Interest on all non-performing advances is credited to the "Interest in suspense" account.

**Lease Income**

The Bank follows the finance method of accounting for lease income.

The excess of aggregate lease rental receivable over the cost of the leased asset constitutes the total unearned lease income at the commencement of a lease. The unearned lease income is taken into income over the term of the lease commencing with the month in which the lease is executed in proportion to the declining receivable balance.

Gross earnings under finance leases in respect of lease rentals due, cease to be taken to revenue when they are in arrears for over one month. Thereafter, such income is recognised on cash basis.

Income on bills discounted is recognised proportionately over the usage of the bill.

**Dividend Income**

The Dividend Income received from the subsidiary company and the quoted public company shares are recognised on an accrual basis in the period in which they are declared.

Profit & Loss arising from the sale of dealing securities is accounted on cash basis.

**Expenses**

Interest payable is recognised on accrual basis. All other expenses have been recognised in the accounts as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Bank's profits for the year.

**Terminal Benefits**

The Bank subscribes to the Pension Fund to provide pension to all members of the fund. Provision for Pension costs is charged to the Income Statement in the year in which such costs are determined. The actual amount paid as is charged to the Pension Fund.

The actual amounts paid as retirement gratuity to those employees that were not covered by the Pension Fund as per defined benefit plan as above was charged to the provision for retirement gratuity that was in existence.

**Extraordinary Items**

Extraordinary items are those derived from events or transactions outside the ordinary course of business and which are material and are not expected to recur frequently or regularly.

The Bank enters into off Balance Sheet transactions such as forward exchange contracts and currency swaps. At the year-end losses on such transactions are dealt with through the Income statement Unrealized gains on such transactions are deferred and accounted under other liabilities.

**5 BORROWING COSTS**

Borrowing costs are recognized as expenses in the period in which they are incurred.

**6 CASH FLOW STATEMENT**

The cash flow has been prepared by using "The Direct Method", whereby gross cash receipts and gross cash payments of operating activities, finance activities and Investing activities have been recognized. Cash and Cash equivalents comprise of Cash balances, Call deposits & Short-Term Funds.

**7 COMPARATIVE FIGURES**

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

**8 SEGMENT REPORTING**

Segment information is presented in respect of the group's business in accordance with the Sri Lanka Accounting Standard No. 28 on reporting financial information by segment. These segments comprise of Banking, Leasing and Share brokering.

**9 DIRECTORS' RESPONSIBILITY STATEMENT**

The board of directors takes the responsibility for the preparation and presentation of these financial statements. Please refer Page 24 for the statement of the directors' responsibility for financial reporting.



	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
<i>For the year ended 31st December</i>				
<b>01 Income</b>				
Gross income	5,609,721	5,636,333	5,769,409	5,751,547
Turnover Tax collected from customers	-	(27,666)	-	(27,666)
Turnover Tax paid by the Bank	-	(8,738)	-	(8,939)
National Security Levy collected from customers	(132,836)	(251,716)	(132,836)	(251,716)
National Security Levy paid by the Bank	(44,828)	(79,384)	(45,973)	(81,374)
	<u>5,432,057</u>	<u>5,268,829</u>	<u>5,590,600</u>	<u>5,381,852</u>
<b>02 Interest Income</b>				
Customer advances	3,935,687	4,082,918	3,935,687	4,082,755
Treasury Bills and placement with other Banks	312,997	181,228	420,719	238,299
Other interest income	363,581	219,919	363,581	254,233
	<u>4,612,265</u>	<u>4,484,065</u>	<u>4,719,987</u>	<u>4,575,287</u>
<b>03 Interest Expenses</b>				
Customer deposits	2,496,023	2,743,884	2,506,855	2,743,421
Short term borrowings & refinance	258,617	251,092	294,687	332,117
Other interest expenses	9,861	126,714	9,861	126,714
Debentures	69,516	69,380	69,516	69,380
	<u>2,834,017</u>	<u>3,191,070</u>	<u>2,880,919</u>	<u>3,271,632</u>
<b>04 Other Income</b>				
Fee and commission income	374,094	322,370	374,094	333,097
Net foreign exchange gains	295,879	400,443	295,879	400,443
Income from investment securities ( quoted )	3,077	2,787	3,077	2,787
Income from investment securities ( unquoted )	11,393	12,850	11,393	12,850
Income from investments in subsidiaries	33,000	30,800	-	-
Gains from dealing securities - unit trusts	365	295	365	295
Profit /Loss on sale of Property,Plant & Equipment	323	4,224	2,195	4,235
Others	146,489	99,117	229,583	143,171
	<u>864,620</u>	<u>872,886</u>	<u>916,586</u>	<u>896,878</u>
<b>05 Non Interest Expenses</b>				
Non Interest Expenses include the following:				
Chairman's fees (fees received as a Director)	150	150	150	150
Fees paid to other directors	586	530	586	530
Provision for depreciation	185,014	156,426	190,816	161,822
Expenses on litigation	11,200	2,167	11,212	2,185
Auditors' remuneration	1,475	1,400	1,713	1,560
Donations	697	716	697	716
Donations in excess of Rs. 50,000/= include the following:				
Wildlife & Nature Protection of Sri Lanka	342,890			
Nawam Maha Perahara	50,000			
World Fellowship of Buddhists	125,000			
<b>06 Provisions</b>				
<b>6.1 Provision for Credit Losses</b>				
Specific provision for loans and advances	320,667	150,458	320,667	150,458
General provision for loans and advances	-	12,159	-	12,159
General provision for pawning	2,620	984	2,620	984
Specific provision for Credit Card Receivables	2,100	2,000	2,100	2,000
General provision for Housing	715	640	715	640
Provision for bills of exchange	68,906	34,567	68,906	34,567
Specific provision for leases	9,084	192	9,084	192
	<u>404,092</u>	<u>201,000</u>	<u>404,092</u>	<u>201,000</u>
<b>6.2 Diminution/ (Appreciation) in value of investments</b>				
Securities held for dealing purposes (quoted)	(17,103)	(17,987)	(17,103)	(17,987)
Securities held for dealing purposes (bonds)	1,393	-	1,393	-
Investment securities	2,750	-	2,750	-
	<u>(12,960)</u>	<u>(17,987)</u>	<u>(12,960)</u>	<u>(17,987)</u>





For the year ended 31st December	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
<b>07 Provision for Taxation</b>				
Taxation based on profits for the year	69,263	89,395	69,263	89,395
Transfers to/ (from) deferred taxation	14,804	(3,673)	14,943	(3,504)
(Over)/under provision in the previous year	-	21,396	-	21,396
	<u>84,067</u>	<u>107,118</u>	<u>84,206</u>	<u>107,287</u>
<b>Subsidiary Companies</b>				
Sampath Centre	-	-	164	173
Sampath Surakum	-	-	12,794	3,859
S C Securities	-	-	5,976	-
	<u>84,067</u>	<u>107,118</u>	<u>103,140</u>	<u>111,319</u>

7.1 Reconciliation of the Accounting Profit to

Income Tax Expense

Profit before Tax	525,301	428,881
Add: Disallowable expenses	309,432	314,466
Less: Tax deductible expenses	(660,329)	(577,795)
Assessable income	<u>174,404</u>	<u>165,552</u>
Less: Qualifying payments	(697)	(716)
Taxable income	<u>173,707</u>	<u>164,836</u>

Income Tax @ 35%	60,798	63,370
Income Tax @ 15%	25,725	25,849

Income Tax at other Tax rates

Tax credit of 5%	(17,260)	(17,668)
Surcharge @ 20%	-	17,844
Deferred tax charge/ ( credit )	14,804	(3,673)
Over/under provision in respect of previous year	-	21,396
Income Tax Expense	<u>84,067</u>	<u>107,118</u>

(a) Income tax on Sampath Bank

Income tax on profit has been computed at the rate of 35% less 5% tax bonus ( introduced in terms of Inland Revenue act no.38 of 2000) on taxable income arising from the domestic banking unit during 2002.

Income tax on profit has been computed at the rate of 15% less 5% tax bonus ( introduced in terms of Inland Revenue act no.38 of 2000) on taxable income arising from the on-shore operation of foreign currency banking unit during 2002.

The Company was liable to taxation in 2001 on the same basis stated above. In addition, a surcharge of 20% on the income tax was provided.

(b) Income tax on Sampath Centre

Sampath Centre Limited is a company approved under BOI Law and the Company is exempted from taxation for a period of seven years commencing from the first year of assessment. The first year of assessment is the year in which the company commenced making profits in relation to its transactions in that year, or any year of assessment not later than five years from the date of its first commercial operations whichever is earlier.

Accordingly they are liable for taxation from the year of assessment commencing 2006/2007.

(c) Income tax on Sampath Surakum

Income tax on profit has been computed at the rate of 35% (introduced in terms of Inland Revenue Act No.38 of 2000 ) on taxable income.

The Company was liable to taxation in 2001 on the same basis stated above In addition,a surcharge of 20% on the income tax was provided.

(D) Capital gains on the revaluation surplus

**BANK**

The revaluation surplus of Rs 93.2 Mn. arising from the revaluation of Land in 1985 would be liable to a capital gains tax, if realized by disposal.No provision has been made in the accounts for such a contingency as these properties are not held for disposal.

**GROUP -SAMPATH CENTRE LTD**

The revaluation surplus of Rs 21.1 Mn. arising from the revaluation of Land in 1998 would be liable to a capital gains tax, if realized by disposal.No provision has been made in the accounts for such a contingency as these properties are not held for disposal.



08 Earnings per Ordinary share

Earnings per Ordinary share has been calculated by dividing the profit after provision for taxation by total Number of ordinary shares of 44,284,904 in issue as at 31st December 2002.

	Bank		Group	
	2002 (Rs.'000)	2001 (Rs.'000)	2002 (Rs.'000)	2001 (Rs.'000)
Profit attributable to Ordinary shareholders	441,234	321,763	494,897	350,013
Number of Ordinary shares	44,284,904	44,284,904	44,284,904	44,284,904
Earnings per Ordinary share (Rs.)	9.96	7.27	11.18	7.90

8.1 Dividends

The Company proposed to pay a final dividend of 20% on the issued share capital as at December 2002 (2001- final dividend 17.5%)

Net dividend paid / payable to the shareholders	83,313	76,231	83,313	76,231
Dividend tax deducted at source from the shareholders	5,257	1,267	5,257	1,267
Gross cash dividend paid/ payable	88,570	77,498	88,570	77,498
Dividend per Ordinary share (Rs.)	2.00	1.75	2.00	1.75

09 Cash and short term funds

Local currency in hand	763,240	891,502	763,324	903,572
Foreign currency in hand	478,455	552,882	478,455	552,882
Balances with local banks	80,765	13,225	80,765	13,225
Balances with foreign banks	792,056	220,484	792,056	220,484
	2,114,516	1,678,093	2,114,600	1,690,163

10 Government of Sri Lanka Treasury Bills & other bills eligible for rediscounting with central bank

	556,156	604,793	619,592	757,988
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11 Securities held for Dealing purposes (Quoted)-Bank

11.1 Shares	2002	2002	2002	2002	2001	2001	2001
Name of the quoted company	No of Ordinary Shares of Rs 10/- each	Cost of Investment (Rs.'000)	% of Total Cost	Market Value (Rs.'000)	No of Ordinary Shares of Rs 10/- each	Cost of Investment (Rs.'000)	Market Value (Rs.'000)
<b>Banks, Finance &amp; Insurance</b>							
National Development Bank	161,600	15,201	18.2	14,665	2,000	131	144
DFCC Bank Ltd	65,000	11,630	13.9	10,075	-	-	-
Commercial Bank Ltd	-	-	-	-	12,000	1,233	1,524
Hatton National Bank Ltd (N.V.)	78,650	5,005	6.0	3,697	71,500	5,005	2,574
		31,836	38.1	28,437		6,369	4,242
<b>Beverages, Food &amp; Tobacco</b>							
Ceylon Cold Stores Ltd		-	-	-	10,000	887	595
		-	-	-		887	595
<b>Diversified Holdings</b>							
John Keels Holdings Ltd	150,000	12,356	14.8	11,850	10,300	471	623
Hayley's Ltd	50	6	0.0	7	45	4	5
		12,362	14.8	11,857		475	628
<b>Footwear &amp; Textile</b>							
Bata Shoe Company Ltd	4,700	100	0.1	46	4,700	100	45
		100	0.1	46		100	45



Name of the quoted company	2002 No of Ordinary Shares of Rs 10/- each	2002 Cost of Investment (Rs.'000)	2002 % of Total Cost	2002 Market Value (Rs.'000)	2001 No of Ordinary Shares of Rs 10/- each	2001 Cost of Investment (Rs.'000)	2001 Market Value (Rs.'000)
<b>Hotel &amp; Travel</b>							
Royal Palm Beach Hotels Ltd	-	-	-	-	50,000	550	525
Light House Company Ltd	2,982,133	29,821	35.7	43,241	4,402,133	44,021	37,418
		<u>29,821</u>	<u>35.7</u>	<u>43,241</u>		<u>44,571</u>	<u>37,943</u>
<b>Manufacturing</b>							
Dipped Products Ltd	27,811	2,049	2.5	1,919	9,855	925	695
Colombo Dockyard Ltd	10,000	248	0.3	305	5,000	127	129
Grain Elevators Ltd	44,900	1,179	1.4	842	15,000	638	236
Caltex Lubricants Ltd	-	-	-	-	4,000	217	306
Tokyo Cement Ltd	-	-	-	-	23,200	1,434	1,415
Royal Ceramics	50,000	1,013	1.2	875	-	-	-
		<u>4,489</u>	<u>5.4</u>	<u>3,941</u>		<u>3,341</u>	<u>2,781</u>
<b>Motors</b>							
Associated Motorways Ltd		-	-	-	960	36	29
		<u>-</u>	<u>-</u>	<u>-</u>		<u>36</u>	<u>29</u>
<b>Plantations</b>							
Kelany Valley Plantations Ltd	12,500	252	0.3	128	2,500	112	32
Bogawanthalawa Plantations Ltd	16,900	542	0.7	270	5,000	325	98
		<u>794</u>	<u>1.0</u>	<u>398</u>		<u>437</u>	<u>130</u>
<b>Trading</b>							
Richard Peiris Exports Ltd	10,000	391	0.5	260	10,000	393	250
		<u>391</u>	<u>0.5</u>	<u>260</u>		<u>393</u>	<u>250</u>
<b>Telecommunication</b>							
Sri Lanka Telecom Ltd	250,000	3,750	4.5	2,500		-	-
		<u>3,750</u>	<u>4.5</u>	<u>2,500</u>		<u>-</u>	<u>-</u>
<b>Total</b>		<u>83,543</u>	<u>100.0</u>	<u>90,680</u>		<u>56,609</u>	<u>46,643</u>
Less:							
Provision for diminution in market value b/f		(9,966)				(27,953)	
Provision for diminution in market value write back/( made) during the year		17,103				17,987	
		<u>90,680</u>				<u>46,643</u>	

11.2 Bonds

	2002		2001	
	Cost (Rs.'000)	Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Directors' Valuation (Rs.'000)
Euro bonds and other paper denominated in foreign currency	2,699,455	2,698,062	2,005,027	1,978,040
Less:				
Provision for diminution in market value b/f	-		-	
Provision for diminution in market value write back/( made) during the year	(1,393)		-	
	<u>2,698,062</u>		<u>2,005,027</u>	
	<u>2,788,742</u>		<u>2,051,670</u>	



12 Placements with other Banks & financial Institutions

	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Money at call and short notice	200,000	450,000	200,000	450,000
Placements with banks	525,203	808,901	525,203	808,901
	<u>725,203</u>	<u>1,258,901</u>	<u>725,203</u>	<u>1,258,901</u>

13 Investment securities

Quoted				
Shares	37,500	30,000	37,500	30,000
Units	15,196	14,831	15,196	14,831
Debentures	-	3,000	-	3,000
	<u>52,696</u>	<u>47,831</u>	<u>52,696</u>	<u>47,831</u>
Un-quoted				
Preference Shares	75,000	100,000	75,000	100,000
Ordinary Shares	20,860	860	20,860	860
Bonds and Debentures	483,600	372,640	483,600	372,640
Treasury Bonds	2,863,676	892,410	4,273,653	1,182,780
	<u>3,443,136</u>	<u>1,365,910</u>	<u>4,853,113</u>	<u>1,656,280</u>
Total Investment	<u>3,495,832</u>	<u>1,413,741</u>	<u>4,905,809</u>	<u>1,704,111</u>

13.1 Investment securities - Bank

Quoted - Shares/Units

	2002	2002	2002	2001	2001	2001
	No of Ordinary Shares of Rs 10/- each	Cost (Rs.'000)	Market Value Shares (Rs.'000)	No of Ordinary Shares of Rs.10/- each	Cost (Rs.'000)	Market Value Shares (Rs.'000)
<b>13.1.1 Ordinary Shares - Quoted</b>						
Asian Alliance Ltd (Holding Percentage - 15%)	3,750,000	37,500	42,187	3,000,000	30,000	30,000
<b>13.1.2 Quoted Units</b>						
Pyramid Unit Trust	564,042	5,668	4,552	564,042	5,668	3,485
Ceybank Unit Trust	971,309	8,528	8,198	913,579	8,163	6,038
Namal Optima	100,000	1,000	1,152	100,000	1,000	1,034
<b>13.1.3 Quoted-debentures</b>						
	No of Debentures of Rs 100/- each	Cost (Rs.'000)	Market Value (Rs.'000)	No of Debentures of Rs 100/- each	Cost (Rs.'000)	Market Value (Rs.'000)
Vanik Incorporation Ltd (17% redeemable un-secured debentures) (Redeemable on or before 31st August 2003)	7,500	750	-	10,000	1,000	1,000
Vanik Incorporation Ltd (15% redeemable un-secured debentures) (Redeemable on or before 21st January 2004)	20,000	2,000	-	20,000	2,000	1,760
		<u>55,446</u>	<u>56,089</u>		<u>47,831</u>	<u>43,317</u>
Less:						
Provision for diminution in market value b/f		-			-	
Provision for diminution in market value write back/( made) during the year		(2,750)			-	
		<u>52,696</u>			<u>47,831</u>	



	2002 No of Ordinary Shares of Rs 10/- each	2002 Cost (Rs.'000)	2002 Directors' Valuation (Rs.'000)	2001 No of Ordinary Shares of Rs 10/- each	2001 Cost (Rs.'000)	2001 Directors' Valuation (Rs.'000)
<b>13.1.4 Preference shares</b>						
Puttlam Cement Ltd (Cumulative redeemable preference shares @ 12.85% interest. Redeemable from four equal annual installments Commencing from 18/07/2002.)	7,500,000	75,000	75,000	10,000,000	100,000	100,000
<b>13.1.5 Un-quoted shares</b>						
Credit Information Bureau (shares of Rs.100/- each)	1,700	170	170	1,700	170	170
S.W.I.F.T	-	65	65	-	65	65
Fitch Rating Lanka Ltd	62,500	625	625	62,500	625	625
Lankaclear (pvt) Ltd	2,000,000	20,000	20,000	-	-	-
Sri Lanka Development Bonds (SLDBs) (redeemable Development Bonds)		483,600	487,049		372,640	375,995
<b>13.1.6 Government of Sri Lanka Treasury Bonds</b>						
Face Value (Rs.'000)	Year of Maturity	Market Value (Rs.'000)	Cost (Rs.'000)			
370,910	2003	381,458	366,481			
378,970	2004	403,636	379,629			
1,974,380	2005	2,135,336	1,969,701			
151,640	2006	161,832	147,856			
10	2007	11	9			
<u>2,875,910</u>		<u>3,082,273</u>		<u>2,863,676</u>	<u>3,082,273</u>	<u>892,410</u>
				<u>3,443,136</u>	<u>3,645,182</u>	<u>857,115</u>
Total Cost of Investment			<u>3,495,832</u>		<u>1,413,741</u>	

**14 Securities purchased under resale agreements**

As at 31st December	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
	-	1,633,778	-	1,865,988



15 Loans and Advances ( Net of provision for possible credit losses and interest in suspense)

15.1 Bills of exchange

	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Cheques purchased - Local	87,771	48,245	87,771	48,245
- Foreign	80,213	138,419	80,213	138,419
Bills purchased - Export	1,183,878	1,281,850	1,183,878	1,281,850
- Import	593,229	670,725	593,229	670,725
	<u>1,945,091</u>	<u>2,139,239</u>	<u>1,945,091</u>	<u>2,139,239</u>
Less:				
(a) Provision for credit losses	(247,037)	(78,131)	(247,037)	(78,131)
(b) Interest suspended	(72,870)	(157,121)	(72,870)	(157,121)
	<u>1,625,184</u>	<u>1,903,987</u>	<u>1,625,184</u>	<u>1,903,987</u>

15.2 Loans and Advances

Sri Lanka rupee loans & advances				
Overdraft	8,505,604	8,360,543	8,503,115	8,349,994
Term Loans	11,077,835	11,226,421	11,077,835	11,226,421
Trust receipts	427,463	65,210	427,463	65,210
Packing credit	1,933,776	1,114,083	1,933,776	1,114,083
Staff Loans	581,817	515,294	581,817	515,294
Pawning advances	1,018,530	250,278	1,018,530	250,278
Other Advances	30,450	15,230	30,450	15,230
	<u>23,575,475</u>	<u>21,547,059</u>	<u>23,572,986</u>	<u>21,536,510</u>
Foreign currency loans & advances				
Overdraft	992,312	698,027	992,312	698,027
Trust receipts	934,045	789,282	934,045	789,282
Packing credit	2,494,927	1,976,437	2,494,927	1,976,437
Term Loans	1,559,496	927,551	1,559,496	927,551
	<u>5,980,780</u>	<u>4,391,297</u>	<u>5,980,780</u>	<u>4,391,297</u>
Total Rupee & Foreign currency loans & advances	29,556,255	25,938,356	29,553,766	25,927,807
Less:				
Provision for credit losses	(1,208,430)	(978,854)	(1,208,430)	(978,854)
General provision for pawning	(4,550)	(1,977)	(4,550)	(1,977)
	<u>(1,212,980)</u>	<u>(980,831)</u>	<u>(1,212,980)</u>	<u>(980,831)</u>
Loans & Advances after Credit Loss Provision	28,343,275	24,957,525	28,340,786	24,946,976
Less: Interest suspended	(1,302,626)	(952,573)	(1,302,626)	(952,573)
	<u>27,040,649</u>	<u>24,004,952</u>	<u>27,038,160</u>	<u>23,994,403</u>

15.3 Receivable on Leases

15.3.1 Gross Investment in Leases				
Cost of equipment	522,569	499,799	522,569	499,799
Unearned lease income	179,822	176,682	179,822	176,682
Total rentals receivable	702,391	676,481	702,391	676,481
Initial rentals received	(26,308)	(28,687)	(26,308)	(28,687)
Lease rentals received	(370,412)	(338,672)	(370,412)	(338,672)
Lease rentals receivable	<u>305,671</u>	<u>309,122</u>	<u>305,671</u>	<u>309,122</u>
15.3.2				
Total Lease rentals receivable(refer note 15.3.1)	305,671	309,122	305,671	309,122
Lease rentals receivable after five years from Balance sheet date (refer note 15.3.4)	-	-	-	-
Lease rentals receivable after one year but before five years from Balance sheet date (refer note 15.3.3)	(155,935)	(156,243)	(155,935)	(156,243)
Lease rentals receivable within one year from Balance sheet date	149,736	152,879	149,736	152,879
Unearned Income	(39,756)	(39,574)	(39,756)	(39,574)
Provision for credit losses	(11,282)	(6,375)	(11,282)	(6,375)
	<u>98,698</u>	<u>106,930</u>	<u>98,698</u>	<u>106,930</u>
15.3.3				
Lease rentals receivable after one year but before five years from Balance sheet date	155,935	156,243	155,935	156,243
Unearned income	(25,258)	(23,377)	(25,258)	(23,377)
Provision for credit losses	(10,202)	(6,025)	(10,202)	(6,025)
Interest suspended	(2,741)	(3,637)	(2,741)	(3,637)
	<u>117,734</u>	<u>123,204</u>	<u>117,734</u>	<u>123,204</u>
There were no lease rentals receivable after 5 years				
	<u>216,432</u>	<u>230,134</u>	<u>216,432</u>	<u>230,134</u>

Securities under the Bank's control pending realization of the loans in default are classified under loans and advances.



15.4 Non Performing Advances

Net exposure on non performing loans and advances as at 31st December before setting off the value of securities obtained is given below.

	Bank 2002	As a %of total Advances (Rs. '000)	Bank total 2001	As a % of Advances (Rs. '000)
Bills of exchange	279,608		352,123	
Loans & advances	5,013,341		4,160,138	
Lease rental receivable	23,808		20,462	
	<u>5,316,757</u>		<u>4,532,723</u>	
Less: Interest in suspense included in overdrafts	(1,292,178)		(1,001,317)	
Net non performing advances	4,024,579	13.3	3,531,406	13.1
Less: Specific provision for credit losses	<u>(1,337,702)</u>		<u>(927,563)</u>	
	2,686,877	8.9	2,603,843	9.7
Less: General provision for credit losses	<u>(143,799)</u>		<u>(143,799)</u>	
	<u>2,543,078</u>	8.4	<u>2,460,044</u>	9.2

15.4.1 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. Balance on which interest is not being accrued is Rs. 5316.7 Mn.

15.4.2 In addition, as stated in accounting policies No. 4, interest has not been accrued in the profit and loss account on loans where the recovery of interest or principal is in arrears for over one month. The loans on which the interest has not been accrued as at 31st December 2002 under 15.4.1 and 15.4.2 in total amounted to Rs. 6768.7 Mn.

15.5 Movements in the provision for loan losses

	Bank Provision against advances		
	Specific (Rs. '000)	General (Rs. '000)	Total (Rs. '000)
As at 01/01/2002	927,563	143,799	1,071,362
Provisions during the year	404,092	-	404,092
Amounts written-off	(2,925)	-	(2,925)
Translation Difference on FCBU Conversion	8,972	-	8,972
As at 31/12/2002	<u>1,337,702</u>	<u>143,799</u>	<u>1,481,501</u>

The Bank has significantly strengthen efforts in minimizing its non performing advances. It has also provided for all possible credit losses under specific loan loss provisions. Therefore, it has been decided to maintain the general provisions for loan losses at 0.5% on total performing advances

15.6 Loan losses and provision for loan losses

Movement in the provision for bad and doubtful debts

	Bank 2002 (Rs. '000)	Bank 2001 (Rs. '000)
Opening balance	1,071,362	854,608
Specific provision on loans and advances	404,092	188,201
General provision on loans and advances	-	12,799
Translation Difference on FCBU Conversion	8,972	16,132
Written off during the year	<u>(2,925)</u>	<u>(378)</u>
Closing balance	<u>1,481,501</u>	<u>1,071,362</u>



15.7 Movement in Interest in Suspense & Shortfall

	Shortfall	Interest in suspense	Bank 2002 (Rs. '000) Total	Shortfall	Interest in suspense	Bank 2001 (Rs. '000) Total
Opening balance	1,188,591	1,113,331	2,301,922	954,248	649,273	1,603,521
Interest suspended during the year	529,483	424,551	954,034	391,583	551,310	942,893
Suspended interest recovered	(266,017)	(159,646)	(425,663)	(157,240)	(87,252)	(244,492)
	<u>1,452,057</u>	<u>1,378,236</u>	<u>2,830,293</u>	<u>1,188,591</u>	<u>1,113,331</u>	<u>2,301,922</u>

15.8 Concentration of Credit Risk

Analysis of Bank's advances portfolio reflecting the exposure to credit risk in various sectors of the economy is detailed below.

Purpose	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Imports	4,049,907	5,739,362	4,049,907	5,739,362
Exports	7,527,530	7,669,949	7,527,530	7,669,949
Financial	334,827	1,096,554	332,338	1,086,005
Agriculture	1,220,878	911,267	1,220,878	911,267
Industrial	7,321,588	3,316,804	7,321,588	3,316,804
Tourism	304,342	150,999	304,342	150,999
Housing & Property development	1,287,531	1,489,969	1,287,531	1,489,969
Consumption	5,348,724	3,607,415	5,348,724	3,607,415
Services	2,061,138	3,060,332	2,061,138	3,060,332
Others	2,285,538	1,281,115	2,285,538	1,281,115
	<u>31,742,003</u>	<u>28,323,766</u>	<u>31,739,514</u>	<u>28,313,217</u>

16 Investments in Subsidiary Companies

	Bank	
	2002 (Rs. '000)	2001 (Rs. '000)
Balance as at 1st January	380,527	370,000
Additions	5,099	10,527
Balance as at 31st December	<u>385,626</u>	<u>380,527</u>

16.1 Investments in Subsidiary Companies-Bank

Name	Principle Activity	% of ownership	2002		2001	
			Cost (Rs. '000)	Directors' Valuation (Rs. '000)	Cost (Rs. '000)	Directors' Valuation (Rs. '000)
Sampath Centre Ltd 22,000,000 ordinary shares of Rs.10/- each (Country of Incorporation - Sri Lanka)	Renting of Commercial Property	62.85	220,000	220,000	220,000	220,000
Sampath Surakum Ltd 15,000,000 ordinary shares of rs. 10/- each (Country of Incorporation - Sri Lanka)	Primary Dealer in Government Securities	100.00	150,000	150,000	150,000	150,000
S C Securities (pvt) Ltd 1,387,200 Ordinary Shares of Rs 10/- each (Country of Incorporation - Sri Lanka)	Share Brokering	51.00	15,626	15,626	10,527	10,527
			<u>385,626</u>	<u>385,626</u>	<u>380,527</u>	<u>380,527</u>

17 Other Assets

As at 31st December	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Deposits and Pre-payments	94,889	92,183	70,182	92,183
Other debtors	284,408	188,876	335,145	148,642
	<u>379,297</u>	<u>281,059</u>	<u>405,327</u>	<u>240,825</u>





18 Property, Plant and Equipment

Bank	Land & Buildings (Rs. '000)	Leasehold Properties & (Rs. '000)	Computer Equipment Improvements (Rs. '000)	Motor Vehicles (Rs. '000)	Sundry Equipment (Rs. '000)	2002 Total (Rs. '000)	2001 Total (Rs. '000)
<b>Cost</b>							
As at 1st January 2002	387,070	182,052	983,935	43,144	248,255	1,844,456	1,622,620
Additions	45,373	18,427	100,391	7,231	43,932	215,354	273,543
Disposals	-	(626)	(4,753)	(738)	(818)	(6,935)	(15,148)
Transfers/Adjustments	18	(311)	-	-	293	-	(36,559)
As at 31st December 2002	432,461	199,542	1,079,573	49,637	291,662	2,052,875	1,844,456
<b>Accumulated Depreciation</b>							
As at 1st January 2002	13,485	110,395	536,500	17,514	135,410	813,304	708,077
Charge to P&L account	1,731	18,815	127,098	10,380	26,990	185,014	156,426
Depreciation on disposals	-	(626)	(3,692)	(738)	(801)	(5,857)	(14,640)
Transfers/Adjustments	-	(20)	-	-	20	-	(36,559)
As at 31st December 2002	15,216	128,564	659,906	27,156	161,619	992,461	813,304
Net book value as at 31st December 2002	417,245	70,978	419,667	22,481	130,043	1,060,414	
Net book value as at 31st December 2001	373,585	71,657	447,435	25,630	112,845		1,031,152

The land at Nos. 103/15, 103/16, 105, 109 and 111 Dharmapala Mawatha, Colombo 07, purchased at a cost of Rs.26.2 Mn, in May 1989 was revalued as at 31.12.1995 by Mr. P B Kalugalagedara, Chartered Valuer at a value of Rs 120 Mn.

The properties were valued on an open market value basis.

The property is stated in the balance sheet at Rs. 120Mn. The resultant appreciation in the value of this land has been credited to the property revaluation reserve maximum capital gains tax liability of Rs.16.3 Mn, will arise on this property if it is disposed at the revalued figure of Rs. 120Mn.

Group	Land & Building (Rs. '000)	Leasehold Properties & (Rs. '000)	Computer Equipment Improvements (Rs. '000)	Motor Vehicles (Rs. '000)	Sundry Equipment (Rs. '000)	2002 Total (Rs. '000)	2001 Total (Rs. '000)
<b>Cost</b>							
As at 1st January 2002	1,091,407	182,547	989,901	45,724	324,607	2,634,186	2,400,303
Acquisition of subsidiary	-	-	-	-	-	-	10,168
Additions	45,373	18,427	103,503	8,656	44,325	220,284	275,436
Disposals	-	(626)	(4,753)	(3,318)	(818)	(9,515)	(15,162)
Transfers/Adjustments	5,689	(806)	9	-	(5,691)	(799)	(36,559)
As at 31st December 2002	1,142,469	199,542	1,088,660	51,062	362,423	2,844,156	2,634,186
<b>Accumulated Depreciation</b>							
As at 1st January 2002	23,500	110,814	542,021	20,094	145,893	842,322	722,295
Acquisition of subsidiary	-	-	-	-	-	-	9,404
Charge to P&L account	4,606	18,815	127,644	10,618	29,133	190,816	161,822
Depreciation on disposals	-	(626)	(3,692)	(3,318)	(801)	(8,437)	(14,640)
Transfers/Adjustments	-	(439)	(36)	-	(335)	(810)	(36,559)
As at 31st December 2002	28,106	128,564	665,937	27,394	173,890	1,023,891	842,322
Capital work-in-progress	-	-	-	-	-	10,615	-
Net book value as at 31st December 2002	1,114,363	70,978	422,723	23,668	188,533	1,830,880	
Net book value as at 31st December 2001	1,067,907	71,733	447,880	25,630	178,714		1,791,864

The land and buildings of Sampath Centre Limited were valued on 17th April 1998 by Mr. P B Kalugalagedara, Chartered Valuer. The properties were valued on an open market value basis. The surplus arising from the revaluation was transferred to revaluation reserve.

The carrying value of the revalued building would have been Rs.513,690,881 if valued at its cost of Rs.520,155,739 less accumulated depreciation of Rs. 6,464,858.

The original cost of land before revaluation was Rs. 76,750,000.



18.1 Freehold Land & Buildings- Bank

Location	Buildings Sq.ft	Cost of Buildings (Rs. '000)	Extent purchases	Cost of Land (Rs. '000)	Total Value (Rs. '000)	Accumulated Depreciation (Rs. '000)	Net Book Value (Rs. '000)
Maharagama No 81, Highlevel Road, Maharagama	5,400	15,879	15	12,854	28,733	62	28,671
Piliyandala No 39, Moratuwa Road, Piliyandala	8,200	4,402	35	10,693	15,095	3	15,092
Borella No 1022, Maradana Road, Borella	9,100	7,418	26	29,214	36,632	14	36,618
Kurunegala No 31, Negombo Road, Kurunegala	12,027	10,027	37	20,999	31,026	4,772	26,254
Nugegoda No 179, Highlevel Road, Nugegoda	Bare Land	-	25	33,019	33,019	-	33,019
Matara No 3, Hakmana Road, Matara	8,413	27,351	48	8,698	36,049	2,031	34,018
Ratmalana No 261, Galle Road, Ratmalana	5,480	8,604	11	4,693	13,297	-	13,297
Old Moor Street No 371, Old Moor Street, Colombo 12	8,248	3,977	24	33,928	37,905	1,454	36,451
Galle No 5, Wakwella Road, Galle	6,197	13,303	19	12,999	26,302	668	25,634
Kandy No 29, Cross Street, Kandy	Bare Land	-	26	19,486	19,486	-	19,486
Deniyaya No 117, Ihalagama Road, Deniyaya	Bare Land	-	40	3,655	3,655	-	3,655
Anuradhapura No 268, Main Street, Anuradhapura	Bare Land	-	41	10,919	10,919	-	10,919
Dharmapala Mawatha No 111, Dharmapala Mawatha, Colombo 07	Bare Land	-	119	120,173	120,173	-	120,173
Pettah No 999, People's Park, Bodhiraja Mawatha, Colombo 11	5,246	20,170	-	-	20,170	6,212	13,958
<b>Total</b>		<b>111,131</b>		<b>321,330</b>	<b>432,461</b>	<b>15,216</b>	<b>417,245</b>

19 Deposits

19.1 Type of Deposits

Local Currency Deposits

	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Demand	2,587,453	2,182,012	2,586,403	2,176,170
Savings	12,387,742	8,354,812	12,387,742	8,354,812
Call deposits	377,429	1,013,782	375,397	1,007,457
Fixed deposits	9,186,527	9,753,057	9,186,527	9,753,057
Certificates of deposits	2,476,481	1,872,224	2,476,481	1,872,224
	<b>27,015,632</b>	<b>23,175,887</b>	<b>27,012,550</b>	<b>23,163,720</b>
<b>Foreign Currency Deposits</b>				
Demand	402,159	261,733	402,159	261,733
Savings	2,782,604	2,560,332	2,782,604	2,560,332
Call deposits	61,732	157,578	61,732	157,578
Fixed deposits	3,522,430	3,513,267	3,522,430	3,513,267
Certificates of deposits	-	-	-	-
	<b>6,768,925</b>	<b>6,492,910</b>	<b>6,768,925</b>	<b>6,492,910</b>
	<b>33,784,557</b>	<b>29,668,797</b>	<b>33,781,475</b>	<b>29,656,630</b>

19.2 Analysis of Deposits

Deposits from non bank customers	33,665,359	29,492,317	33,662,277	29,480,150
Deposits from banks	28,513	26,480	28,513	26,480
Deposits from Finance Companies	90,685	150,000	90,685	150,000
	<b>33,784,557</b>	<b>29,668,797</b>	<b>33,781,475</b>	<b>29,656,630</b>



20 Borrowings

	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Call borrowings	250,000	-	250,000	-
Foreign currency borrowings	82,318	617,338	82,318	617,338
Borrowings under repurchase agreements	1,626,763	1,823,984	1,626,763	1,823,984
Other borrowings	77,896	73,972	89,889	113,972
	<u>2,036,977</u>	<u>2,515,294</u>	<u>2,048,970</u>	<u>2,555,294</u>

21 Other Liabilities

Cheques sent on clearing	508,684	386,061	508,684	386,061
Margins	366,720	365,721	366,720	365,721
Interest payable	1,241,910	1,309,549	1,247,442	1,330,904
Provision for retiring gratuity	14,851	18,054	15,195	18,745
Pension Fund	70,000	50,000	70,000	50,000
Employees Provident Fund	9	1,432	9	1,467
Other payable	489,826	463,063	576,088	547,362
	<u>2,692,000</u>	<u>2,207,819</u>	<u>2,784,138</u>	<u>2,314,199</u>

22 Current Taxation

Balance brought forward / Paid in advance	(24,574)	29,826	(23,457)	34,554
Increase/(decrease) in provision	69,263	110,791	88,197	114,823
Less: Payment of Tax	(37,581)	(165,191)	(42,669)	(172,834)
Balance carried forward	<u>7,108</u>	<u>(24,574)</u>	<u>22,071</u>	<u>(23,457)</u>

23 Deferred Taxation

Balance brought forward	158,595	162,268	158,764	162,268
Increase/(decrease) in provision	14,804	(3,673)	14,943	(3,504)
Balance carried forward	<u>173,399</u>	<u>158,595</u>	<u>173,707</u>	<u>158,764</u>

24 Redeemable Debentures 1999-2004

As at December 31st	Bank	Bank	Group	Group
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
	500,000	500,000	500,000	500,000

The debentures consists of 500,000 unsecured subordinated redeemable debentures of Rs.1,000 each issued in 1999.

They are quoted in the Colombo stock Exchange.

Number of Debentures	Allotment Date	Maturity Date	Rate of Interest
49,307	22 July 1999	22 July 2004	Fixed - 13.5% per annum payable quarterly.
423,971	22 July 1999	22 July 2004	Fixed - 14.2% per annum payable annually.
26,722	22 July 1999	22 July 2004	Floating rate is one percentage point above the simple average of the three months weighted average Treasury Bill rate at the previous four primary auctions of the Public Debt Department of the Central Bank of Sri Lanka.
<u>500,000</u>			



25 Share Capital

25.1

	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Authorized				
145,000,000 ordinary shares of Rs.10/- each	1,450,000	1,450,000	1,450,000	1,450,000
5,000,000 preference shares of Rs.10/- each	50,000	50,000	50,000	50,000
	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Issued & Fully Paid				
Balance brought forward				
44,284,904 ordinary shares of Rs.10/- each	442,849	442,849	442,849	442,849
Paid up capital	<u>442,849</u>	<u>442,849</u>	<u>442,849</u>	<u>442,849</u>

25.2 Rights Preferences & Restrictions of classes of capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Bank.

26 Reserves

26.1 Capital Reserves

	Bank			Group	
	Share Premium (Rs. '000)	Revaluation Reserve (Rs. '000)	Total Capital Reserve (Rs. '000)	Subsidiary Revaluation Reserve (Rs. '000)	Total Capital Reserve (Rs. '000)
Balance as at 1st January 2002	34,328	93,268	127,596	21,158	148,754
Additions in	-	-	-	-	-
Transfers out	-	-	-	-	-
Balance as at 31st December 2002	<u>34,328</u>	<u>93,268</u>	<u>127,596</u>	<u>21,158</u>	<u>148,754</u>

26.2 Other Reserves

	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Statutory Reserve Fund balance as at 1st January	153,209	137,121	153,209	137,121
Transfer to reserve fund	22,062	16,088	22,062	16,088
Statutory Reserve Fund balance as at 31st December	<u>175,271</u>	<u>153,209</u>	<u>175,271</u>	<u>153,209</u>

26.3 Revenue Reserves

	Bank			Group	
	General Reserve (Rs. '000)	Retained Profits (Rs. '000)	Total Revenue Reserves (Rs. '000)	Subsidiary Retained Profits (Rs. '000)	Total Revenue Reserves (Rs. '000)
Balance as at 1st January 2002	1,809,958	109	1,810,067	18,037	1,828,104
Adjustments	(28)	-	(28)	-	(28)
Net profit for 2002	-	441,234	441,234	152,964	594,198
Dividends from subsidiary company	-	-	-	-	(33,000)
<b>Appropriations</b>					
Interim dividend paid	-	-	-	-	(69,610)
Proposed final dividend	-	(88,570)	(88,570)	-	(88,570)
Dividends from subsidiary company	-	-	-	(33,000)	-
Negative goodwill written off	-	-	-	3,309	3,309
Minority interest	-	-	-	(69,610)	-
Transfer to reserve fund	-	(22,062)	(22,062)	-	(22,062)
Transfer to general reserve	330,601	(330,601)	-	-	-
Balance as at 31st December 2002	<u>2,140,531</u>	<u>110</u>	<u>2,140,641</u>	<u>71,700</u>	<u>2,212,341</u>



27 Negative Goodwill / Goodwill on Consolidation

	Group	
	2002 (Rs. '000)	2001 (Rs. '000)
Negative Goodwill Written back to profit and loss account during the year ( refer Note No 27.1 )	4,230	4,232
Goodwill written off during the year (refer Note No 27.2)	(921)	(921)
	<u>3,309</u>	<u>3,311</u>
Negative Goodwill balance as at 31st December ( refer Note No 27.1 )	-	4230
Unamortised balance of Goodwill as at 31st December (refer Note No 27.2)	(2,763)	(3,684)
Balance as at 31st December	<u>(2,763)</u>	<u>546</u>
<b>27.1 Negative Goodwill on consolidation</b>		
Balance as at 1st January	4,230	8,462
Written back to profit and loss account during the year	(4,230)	(4,232)
Balance as at 31st December	<u>-</u>	<u>4,230</u>
<b>27.2 Goodwill due to acquisition of the 51% of the ordinary share capital of S C Securities pvt Limited in 2001.</b>		
Goodwill as at 1st January	(3,684)	(4,605)
Goodwill written off during the year	921	921
Unamortised balance of Goodwill	<u>(2,763)</u>	<u>(3,684)</u>

28 Minority Interest

Balance as at 1st January	438,997	430,247
Ordinary shares-SC Securities	4,900	5,702
Profit (Loss) applicable for the year	69,610	65,048
Dividends paid	(63,300)	(62,000)
Dividends payable	-	-
Balance as at 31st December	<u>450,207</u>	<u>438,997</u>

Holders of cumulative redeemable preference shares of Sampath Centre Ltd receives a discretionary cumulative dividend of 16% p.a. on the par value of their shareholding upto 31st March 2004. Thereafter an interest of 22% p.a. will be paid until the date of redemption which is 31st December 2010.

29 Commitments and Contingencies

29.1 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.

As at 31st December	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Commitments				
Commitment for unutilized facilities(direct advances)	3,120,651	2,827,048	3,120,651	2,827,048
	<u>3,120,651</u>	<u>2,827,048</u>	<u>3,120,651</u>	<u>2,827,048</u>
Contingent liabilities				
Acceptances	1,262,981	979,163	1,262,981	979,163
Documentary credit	2,246,449	2,199,374	2,246,449	2,199,374
Guarantees	5,141,877	5,102,789	5,141,877	5,102,789
Bills sent for collection	66,347	27,240	66,347	27,240
	<u>8,717,654</u>	<u>8,308,566</u>	<u>8,717,654</u>	<u>8,308,566</u>
Forward exchange contracts (net)	3,105,573	1,484,541	3,105,573	1,484,541
	<u>11,823,227</u>	<u>9,793,107</u>	<u>11,823,227</u>	<u>9,793,107</u>



29.2 Contingent Liabilities

29.2.1 Litigation against the Bank

- (a) 5 LT applications are before the Labour Tribunal in Case Nos. A2369, 1/175/01, 1/132/01, 1/44/02, R/4457/02 on termination of employment.
  - (b) 5 actions have been filed in District Court, Colombo by constituents in Case Nos. 4801/Spl, 6019/Spl, 6026/Spl, 6040/Spl, 6127/Spl, 6143/Spl, 6243/spl seeking Injunction Orders to prevent auctioning of properties mortgaged to the Bank as security.
  - (c) 4 applications are pending before the Court of Appeal in application Nos. CA 423/94(F), CA 615/94(F), CA 294/98(F), CA 579/99(F) canvassing the judgements in the District Court.
  - (d) 2 actions have been filed by a Constituent for damages in D C Colombo Case Nos. 22350/99/MR and 22351/99/MR on the basis that the Bank wrongfully takes steps to auction the property mortgaged as security.
  - (e) 1 action has been filed by Constituents in Case Nos. 1521/WRIT in the provincial High Court and 2 actions in the District Court Kegalle Case Nos 27116/p and 915/MB in respect of the properties mortgaged as security.
  - (f) 2 actions have been filed in District Court case nos 5666/spl and 5692/spl in respect of certain wrongful purchases of shares of the Bank by some persons and institutions.
- 3 actions have been filed in the Supreme Court case nos S.C.L.A. 49/2002, S.C.L.A. 54/2002 and S.C.L.A. 55/2002 canvassing the judgement in the Court of Appeal. (These actions are in the process of being settled with no liabilities to the Bank).

29.2.2 Expenditure approved by the Board of Directors, for which provisions has not been made in these accounts, amounted to approximately;

As at 31st December	Bank		Group	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Approved and contracted for	112,223	22,851	112,223	22,851
Approved but not contracted for	81,333	42,949	81,333	42,949
	<u>193,556</u>	<u>65,800</u>	<u>193,556</u>	<u>65,800</u>

30 Post Balance Sheet Events

No circumstances have arisen since the balance sheet date which would require adjustments to, or disclosure in the financial statements.

31 Directors' interest in Contracts with the Company Banking facilities are made available to the following Directors in the ordinary course of business on commercial terms and conditions. The total of facilities granted and balances as at 31st December 2002 are given below.

31.1 Fully secured facilities in the form of International Master (credit) Cards were made available to the following directors during the year.

Name of Director	Credit Limit (Rs. Mn)	Balances as at 31/12/2002 (Rs. Mn)	Security Type	Security Value (Rs. Mn)
Mr Edgar Gunatunge	1.000	0.017	Treasury bills	0.950
Mr Denzil J Gunaratne	0.150	0.013	R F C balance	0.202
Mr S G Wijesinha	0.200	Nil	Treasury bills	0.220
Mr A S Amarasuriya	0.495	0.087	-	-
Mr E A Gunasekera	0.050	Nil	Cash Margin	0.050
Mr J D Bandaranayake	0.350	0.002	Corp Guarantee	-
Mr W M P L De Alwis	0.500	0.109	Treasury bills	-



31.2 The borrowings of Directors as at 31st December 2002 are as follows:

Name of the Director	Limit (Rs. Mn)	Balances as at 31/12/2002 (Rs. Mn)	Security Type	Security Value (Rs. Mn)
Mr D J Gunarathna	0.500	0.590	R F C balance	2.267
	1.350	1.314	R F C balance	2.267
Mr A S Amarasuriya	0.750	0.317	Immovable Property	-
Mr L J K Hettiarachchi	0.300	0.268	R F C balance	0.373

31.3 Mr. Edgar Gunatunga, Mr. M A Abeynayake and Mr. S G Wijesinha who were Directors of the Bank as at 31st December 2002 were non share holding Directors of Sampath Centre Ltd, which company has rented 93947 sq.ft. of its building premises to the Bank. During 2002 Rs.83.576 Mn. was paid by the Bank to Sampath Centre Ltd by way of rentals. The Bank has not provided any facility to Sampath Centre Ltd by way of loan or any other advances.

31.4 Mr Edgar Gunatunge, Mr M A Abeynaike, Dr Saman Kelegama, Mr L J K Hettiaratchi and Mr A S Amarasuriya who were Directors of the Bank as at 31st December 2002 were non share holding Directors of Sampath Surakum Ltd.

31.5 Mr Edgar Gunatunge, Mr I W Senanayake, Mr L J K Hettiaratchi and Mr A S Amarasuriya who were Directors of the Bank as at 31st December 2002 were non share holding Directors of S C Securities Ltd.

31.6 Transactions with Subsidiaries

*S C Securities (Pvt) Ltd*

The Bank has advanced Rs 2.000 Mn as an overdraft to the S C Securities (Pvt.)Ltd as at 31st December 2002. Rs 1.921 Mn has been recognized as interest income.

*Sampath Surakum Ltd.*

The Bank has advanced Rs 1.007 Mn as an overdraft to the Sampath Surakum Ltd as at 31st December 2002. Rs 0.018 Mn has been recognized as interest income.



32 Related Party Transactions

The bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties. These related parties, names of Directors, their relationship, accommodation granted and the balances outstanding as at 31st December 2002 are given below.

Related Party	Name of Director	Nature of Facility	Limit Approved (USD/Rs. Mn)	Balance Outstanding (USD/Rs. Mn)
Paradise Coconut	Mr.Edgar Gunatunge (Director holding 5000 shares of the company. As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Term Loan	USD 0.350	USD 0.301
		Term Loan	USD 0.062	USD 0.062
		Term Loan	3.000	2.219
		Term Loan	0.500	0.500
		Packing credit	-	5.735
		Packing credit	7.500	7.500
		Overdraft	-	3.043

The Bank has classified the advances as non performing and suspended the recognition of interest and made a provision of Rs 16.60 Mn. Interest in suspense amounts to Rs 0.569 Mn on the outstanding as at 31st December 2002.

Kahawatta Plantations Ltd	Mr.Edgar Gunatunge (Director holding 1000 shares of the company. As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Overdraft	-	2.962
		Short term loan	5.860	4.397
		Short term loan	6.370	4.777
		Long term loan	106.000	104.900
Ceylon Tea Marketing Ltd	Mr.Edgar Gunatunge (Non share holding director)	Overdraft	17.000	5.022
		Bills	80.000	18.432
		Packing credit	USD 1.070	USD 0.983
Ceylon Commodity Marketing(pvt)Ltd	Mr.Edgar Gunatunge (Non share holding director)	Bills	-	USD 0.220
Jay-Cey Tea(pvt)Ltd	Mr.Edgar Gunatunge (Non share holding director)	Bills	25.000	-
		LC-Local	8.000	5.790
		LC-import	15.000	2.596
		Guarantee	36.500	46.163
		Packing Credit	USD 1.700	USD 1.700
Jay-Cey Exports(pvt) Ltd	Mr.Edgar Gunatunge (Non share holding director)	Bills	-	5.962
		Overdraft	-	0.743
Samudra Cement Company Lanka(pvt) Ltd	Mr.Edgar Gunatunge (Director holding 25,000 shares of the company. As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Term Loan	180.000	150.000
		Imp Loan	250.000	242.659
		Overdraft	35.000	39.795
		LC	100.000	8.389
		Acceptance (one off)	60.900	-
		Shipping Guarantee	100.000	-
Asian Alliance	Mr.Edgar Gunatunge (Non share holding director)	Term Loan	9.000	9.000
		Overdraft	10.000	10.000
Korea Ceylon Footwear Manufacturing Co. Ltd	Mr.M.A.Abeynaike (Director holding 20,718 shares in the company.As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Overdraft	-	USD 0.100
		Overdraft	-	1.845
		Packing Credit	USD 0.800	USD 0.800
		Term Loan	USD 0.700	USD 0.700
		Acceptance	-	USD 0.030
		Bills purchase	-	USD 0.490
		Inbills	-	USD 0.240
		Guarantee	-	2.190

The Bank has classified the advances as non performing and suspended the recognition of interest and made a provision of Rs 83.944 mn.

Ceylon Tobacco Co. Ltd	Mr. J D Bandaranayake (Director holding 31,144 shares in the company. As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Overdraft	35.000	Credit balance
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33 Maturity Analysis

An analysis of the interest bearing assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

Maturity Period	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 31/12/2002 (Rs. '000)
<b>Interest Bearing Assets</b>						
Money at call & short notice	725,203	-	-	-	-	725,203
Sri Lanka Treasury Bills & bonds	242,379	1,067,138	2,446,050	147,865	-	3,903,432
Investment Securities	-	25,000	50,000	-	73,556	148,556
Dealing Securities	2,698,062	-	-	-	-	2,698,062
Bills of Exchange	1,625,184	-	-	-	-	1,625,184
Loans & advances	14,050,383	4,257,001	3,189,018	4,437,162	1,107,085	27,040,649
Lease rentals receivable	37,908	60,790	117,734	-	-	216,432
	<u>19,379,119</u>	<u>5,409,929</u>	<u>5,802,802</u>	<u>4,585,027</u>	<u>1,180,641</u>	<u>36,357,518</u>
<b>Non Interest Bearing Assets</b>						
Cash and short term funds	2,114,516	-	-	-	-	2,114,516
Balances with Central Bank	27,812	-	2,126,557	-	-	2,154,369
Dealing Securities	29,821	60,859	-	-	-	90,680
Interest and fees receivable	474,416	-	-	-	-	474,416
Investment in subsidiary company	-	-	-	-	385,626	385,626
Property, Plant and Equipment	-	-	-	-	1,060,414	1,060,414
Other Assets	205,957	135,790	37,550	-	-	379,297
<b>Total Assets</b>	<u>22,231,641</u>	<u>5,606,578</u>	<u>7,966,909</u>	<u>4,585,027</u>	<u>2,626,681</u>	<u>43,016,836</u>
<b>Interest Bearing Liabilities</b>						
Deposits	20,377,988	7,453,137	1,994,080	671,570	298,170	30,794,945
Refinance borrowings	1,665	5,837	16,686	16,686	803,420	844,294
Debentures	-	-	500,000	-	-	500,000
Other borrowings	1,716,333	284,937	35,707	-	-	2,036,977
	<u>22,095,986</u>	<u>7,743,911</u>	<u>2,546,473</u>	<u>688,256</u>	<u>1,101,590</u>	<u>34,176,216</u>
<b>Non Interest Bearing Liabilities</b>						
Deposits	2,989,612	-	-	-	-	2,989,612
Deferred Taxation	-	-	173,399	-	-	173,399
Proposed Dividends	3,574	88,570	-	-	-	92,144
Other Liabilities	2,247,528	436,729	-	14,851	-	2,699,108
Shareholders' Funds	-	-	-	-	2,886,357	2,886,357
<b>Total liabilities and share holders' funds</b>	<u>27,336,700</u>	<u>8,269,210</u>	<u>2,719,872</u>	<u>703,107</u>	<u>3,987,947</u>	<u>43,016,836</u>



34 Financial statistics by segments as per the provisions under Sri Lanka Accounting Standards No.28, Reporting of Financial Statement by segment.

	Banking		Leasing		Dealing/ Investment		Others		Elimination/ Unallocated		(Rs. '000) Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	Interest	4,568,846	4,430,706	-	-	121,315	91,384	469	-	(14,062)	(163)	4,676,568
Leasing	-	-	43,419	53,359	-	-	-	-	-	-	43,419	53,359
Dividends	14,835	15,932	-	-	33,000	30,800	-	-	(33,000)	(30,800)	14,835	15,932
Commissions	374,094	322,370	-	-	-	21,314	-	-	-	-	374,094	343,684
Exchange	295,879	400,443	-	-	-	-	-	-	-	-	295,879	400,443
Others	146,812	103,341	-	-	48,237	10,727	124,529	127,609	(87,800)	(104,857)	231,778	136,820
Total revenue from												
external customers	5,400,466	5,272,792	43,419	53,359	202,552	154,225	124,998	127,609	(134,862)	(135,820)	5,636,573	5,472,165
Inter segment revenue	(327,467)	(197,160)	-	-	327,467	197,160	-	-	-	-	-	-
<b>Total revenue</b>	<b>5,072,999</b>	<b>5,075,632</b>	<b>43,419</b>	<b>53,359</b>	<b>530,019</b>	<b>351,385</b>	<b>124,998</b>	<b>127,609</b>	<b>(134,862)</b>	<b>(135,820)</b>	<b>5,636,573</b>	<b>5,472,165</b>
Segment result	497,986	400,464	27,315	28,417	79,749	93,475	92,287	71,436	-	-	697,337	593,792
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	29,690	67,412
Profit from operations	-	-	-	-	-	-	-	-	-	-	667,647	526,380
Income Tax expenses	-	-	-	-	-	-	-	-	-	-	103,140	111,319
Minority Interest	-	-	-	-	-	-	-	-	-	-	69,610	65,048
Net profit for the year	-	-	-	-	-	-	-	-	-	-	494,897	350,013
Segment assets	42,800,404	38,551,563	216,432	230,134	1,580,477	779,340	772,920	759,226	(445,888)	(426,869)	44,924,345	39,893,394
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>42,800,404</b>	<b>38,551,563</b>	<b>216,432</b>	<b>230,134</b>	<b>1,580,477</b>	<b>779,340</b>	<b>772,920</b>	<b>759,226</b>	<b>(445,888)</b>	<b>(426,869)</b>	<b>44,924,345</b>	<b>39,893,394</b>
Segment liabilities	39,946,512	36,066,749	183,967	181,227	1,316,887	562,959	110,582	103,789	(63,025)	(33,783)	41,494,923	36,880,935
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>39,946,512</b>	<b>36,066,749</b>	<b>183,967</b>	<b>181,227</b>	<b>1,316,887</b>	<b>562,959</b>	<b>110,582</b>	<b>103,789</b>	<b>(63,025)</b>	<b>(33,783)</b>	<b>41,494,923</b>	<b>36,880,935</b>
Cash flows from												
Operating activities	3,736,815	2,553,450	70,250	75,340	1,046,139	(11,698)	98,715	98,917	1,000	82,107	4,952,919	2,798,116
Cash flows from												
Investing activities	(2,928,782)	(2,186,210)	-	-	(1,063,996)	(2,247)	(6,438)	(8,979)	(1,000)	(120,905)	(4,000,216)	(2,318,341)
Cash flows from												
Financing activities	(441,859)	(57,548)	-	-	9,893	(9,849)	(96,300)	(93,850)	-	78,559	(528,266)	(82,688)
Capital Expenditure	214,329	272,318	1,025	1,225	4,858	1,678	10,687	215	-	-	230,899	275,436

35 Trust Activities

The Board in its endeavor to initiate a sense of belonging, thus motivate the employees, implemented a share ownership plan in the Bank. This is in line with the Articles of the bank, which empowers the directors to create an ESOP. Approximately 14.4% of the issued share capital of the Bank have been purchased for this purpose, to be allocated to employees.

36 Assets Pledged as Security

The Bank has not pledged any of its assets other than the assets pledged for the purpose of repurchase borrowings disclosed in the financial statements.

## INCOME STATEMENT IN US \$



<i>For the year ended 31st December</i>	Bank		Change %	Group	
	2002 (US\$. '000)	2001 (US\$. '000)		2002 (US\$. '000)	2001 (US\$. '000)
Income	56,157	56,563	(0.72)	57,796	57,776
Interest income	47,682	48,138	(0.95)	48,795	49,117
Less :					
Interest expenses	29,298	34,257	(14.48)	29,783	35,122
Net interest income	18,384	13,881	32.44	19,012	13,995
Other income	8,938	9,371	(4.61)	9,476	9,628
Operating income	27,322	23,252	17.51	28,488	23,624
Less :					
Turnover Tax	-	94	(100.0)	-	96
National Security Levy	463	852	(45.62)	475	874
	26,859	22,306	20.41	28,013	22,654
Non-Interest Expenses					
Personnel costs	7,014	6,367	10.15	7,105	6,425
Premises, equipment & establishment expenses	7,098	6,267	13.26	6,582	5,464
Provision for retirement benefits	724	655	10.51	725	662
Other overheads	2,549	2,447	4.16	2,689	2,524
	17,385	15,737	10.47	17,101	15,074
Profit before Credit losses & Diminution in value of Investments	9,474	6,569	44.23	10,912	7,580
Less :					
Credit loss provisions	4,178	2,158	93.60	4,178	2,158
Add :					
Appreciation in value of Investments	134	193	(30.61)	134	193
Operating profit before taxation	5,431	4,604	17.95	6,868	5,615
Writing back of negative goodwill	-	-		34	36
Profit before taxation	5,431	4,604	17.95	6,902	5,651
Less :					
Provision for taxation	869	1,150	(24.42)	1,066	1,195
Profit after taxation	4,562	3,454	32.05	5,836	4,456
Minority interest	-	-		720	698
Net Profit for the Year	4,562	3,454	32.05	5,116	3,758
Earnings per share (US \$)	0.10	0.08	32.05	0.12	0.08

Exchange Rate 1 US \$ was Rs. 96.73 as at 31.12.2002 (Rs. 93.15 as at 31.12.2001)



As at 31st December	Bank			Group	
	2002 (US\$: '000)	2001 (US\$: '000)	Change %	2002 (US\$: '000)	2001 (US\$: '000)
<b>Assets</b>					
Cash and short term funds	21,860	18,015	21.34	21,861	18,145
Balance with					
Central Bank of Sri Lanka	22,272	19,595	13.66	22,291	19,600
Treasury bills	5,750	6,493	(11.45)	6,405	8,137
Dealing securities	28,830	22,025	30.89	28,830	22,025
Placements and loans with Banks	7,497	13,515	(44.53)	7,497	13,515
Investment securities	36,140	15,177	138.12	50,717	18,294
Securities purchase under re-sale agreement	-	17,539	(100.00)	50	20,032
Loans and advances					
Bills of Exchange	16,801	20,440	(17.80)	16,801	20,440
Loans and Advances	279,548	257,702	8.48	279,522	257,589
Lease Rentals Receivable - before 31/12/2003	1,020	1,148	(11.11)	1,020	1,148
Lease Rentals Receivable - after 31/12/2003	1,217	1,323	(7.98)	1,217	1,323
Investment in subsidiary company	3,987	4,085	(2.41)	-	-
Interest and fees receivable	4,905	4,928	(0.47)	5,072	5,949
Corporate Tax paid in advance	-	264	(100.00)	-	252
Other assets	3,921	3,017	29.96	4,190	2,585
Goodwill on Acquisition	-	-	-	29	-
Property, plant and equipment	10,963	11,070	(0.97)	18,928	19,236
<b>Total assets</b>	<b>444,710</b>	<b>416,336</b>	<b>6.82</b>	<b>464,430</b>	<b>428,270</b>
<b>Liabilities</b>					
Deposits	349,267	318,506	9.66	349,235	318,375
Proposed dividends	953	855	11.41	953	855
Refinance borrowings	8,728	7,856	11.11	8,728	7,856
Other borrowings	21,058	27,003	(22.01)	21,182	27,432
Securities sold under repurchase agreements	-	-	-	12,903	5,352
Other liabilities	27,830	27,846	(0.06)	28,783	28,988
Current taxation	73	-	100.00	228	-
Deferred taxation	1,793	1,703	5.29	1,796	1,704
Redeemable debentures 1999-2004	5,169	5,368	(3.70)	5,169	5,368
<b>Total liabilities</b>	<b>414,871</b>	<b>389,136</b>	<b>6.61</b>	<b>428,977</b>	<b>395,931</b>
<b>Shareholders' funds</b>					
Issued share capital	4,578	4,754	(3.70)	4,578	4,754
Reserves					
Capital reserves	1,319	1,370	(3.70)	1,538	1,597
Statutory reserve fund	1,812	1,645	10.17	1,812	1,645
Revenue reserve	22,130	19,432	13.89	22,871	19,625
<b>Total shareholders' funds</b>	<b>29,839</b>	<b>27,200</b>	<b>9.70</b>	<b>30,799</b>	<b>27,621</b>
Negative goodwill	-	-	-	-	6
Minority Interest	-	-	-	4,654	4,713
<b>Total liabilities and shareholders' funds</b>	<b>444,710</b>	<b>416,336</b>	<b>6.82</b>	<b>464,430</b>	<b>428,270</b>
Net asset value per share (Rs.)	0.67	0.61	9.70	0.70	0.62
Commitments and contingencies	122,229	105,133	16.26	122,229	105,133

Exchange Rate 1 US \$ was Rs. 96.73 as at 31.12.2002 (Rs. 93.15 as at 31.12.2001)



## Ordinary Shareholders as at 31st December 2002

### Voting

From	Range		Resident				Non – Resident				Total			
	To	No of Share Holders	%	No of Shares	%	No of Share Holders	%	No of Shares	%	No of Share Holders	%	No of Shares	%	
1	-	250	8,954	55.67	1,194,617	2.98	18	0.11	2,741	0.01	8,972	55.78	1,197,358	2.98
251	-	500	2,579	16.03	1,091,957	2.72	14	0.09	5,702	0.01	2,593	16.12	1,097,659	2.73
501	-	1,000	2,147	13.34	1,806,015	4.50	26	0.16	23,162	0.06	2,173	13.50	1,829,177	4.55
1,001	-	2,000	1,149	7.15	1,774,103	4.42	18	0.11	28,889	0.07	1,167	7.26	1,802,992	4.49
2,001	-	5,000	754	4.69	2,554,224	6.36	7	0.04	30,255	0.07	761	4.73	2,584,479	6.43
5,001	-	10,000	233	1.45	1,699,045	4.23	3	0.02	20,250	0.05	236	1.47	1,719,295	4.28
10,001	-	20,000	95	0.59	1,327,218	3.30	3	0.02	46,185	0.12	98	0.61	1,373,403	3.42
20,001	-	30,000	19	0.12	476,700	1.18	2	0.01	43,100	0.11	21	0.13	519,800	1.29
30,001	-	40,000	11	0.07	383,000	0.95	-	-	-	-	11	0.07	383,000	0.95
40,001	-	50,000	4	0.02	180,900	0.45	1	0.01	50,000	0.12	5	0.03	230,900	0.58
50,001	-	100,000	20	0.12	1,462,330	3.64	-	-	-	-	20	0.12	1,462,330	3.64
100,001	-	1,000,000	15	0.10	3,833,600	9.54	2	0.01	555,600	1.38	17	0.11	4,389,200	10.92
1,000,001	-	Over	9	0.06	17,425,000	43.36	2	0.01	4,167,800	10.37	11	0.07	21,592,800	53.74
<b>Total</b>			<b>15,989</b>	<b>99.41</b>	<b>35,208,709</b>	<b>87.63</b>	<b>96</b>	<b>0.59</b>	<b>4,673,684</b>	<b>12.37</b>	<b>16,085</b>	<b>100.00</b>	<b>40,182,393</b>	<b>100.00</b>

## Analysis of Shareholders

### Resident / Non – Resident

	31/12/2002			31/12/2001		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Resident shareholders	15,989	35,208,709	79.51	16,573	28,860,974	65.17
Non-Resident shareholders	96	4,973,684	11.23	100	4,825,864	10.90
<b>Total</b>	<b>16,085</b>	<b>40,182,393</b>	<b>90.74</b>	<b>16,673</b>	<b>33,686,838</b>	<b>76.07</b>

Registered shareholders	16,085	40,182,393	90.74	16,673	33,686,838	76.07
Unregistered shareholders	2	4,102,500	9.26	5	10,598,055	23.93

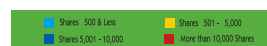
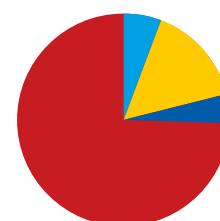
### Individuals / Institutions

	31/12/2002			31/12/2001		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Individuals (Local)	15,655	18,096,112	40.86	16,233	14,794,972	33.41
Individuals (Foreign)	80	147,444	0.33	86	150,524	0.34
Institutions (Local)	334	17,112,597	38.64	340	14,066,002	31.76
Institutions (Foreign)	16	4,826,240	10.91	14	4,675,340	10.56
<b>Total</b>	<b>16,085</b>	<b>40,182,393</b>	<b>90.74</b>	<b>16,673</b>	<b>33,686,838</b>	<b>76.07</b>

## Share Trading

	2002	2001
<b>Market</b>		
Number of Transactions	283,126	159,723
Number of Shares Traded	1,220,044,206	746,961,760
Value of Shares Traded (Rs. Mn.)	30,523.29	14,056.96
<b>Sampath Bank</b>		
Number of Transactions	3,309	2,452
Number of Shares Traded	8,369,334	6,616,332
Value of Shares Traded (Rs. Mn.)	562.77	368.22
As a % of Value of Shares Traded in Market	1.84	2.62

### Composition of Share Ownership

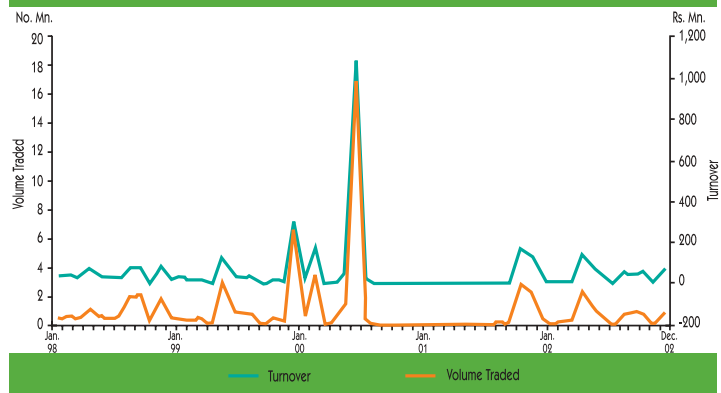




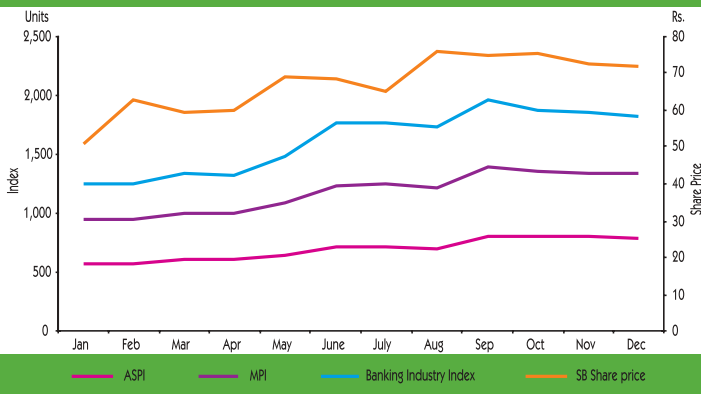
Share Price & Volume Traded



Share Trading



Sampath Share & Market Indexes



Market Capitalization

Year	Shareholders' Funds	Sampath Market Capitalisation Rs. Mn	CSE Market Capitalisation Rs. Mn	As a % of CSE Market Capitalisation
1998	1,756	2,181	116,660	1.86
1999	1,965	2,037	112,800	1.80
2000	2,289	1,837	88,830	2.06
2001	2,534	2,789	124,044	2.24
2002	2,887	3,188	162,587	1.96



Twenty Largest Shareholders as at 31st December 2002 (Registered only)

Name	No.of Shares	%
Sampath Bank Limited Account No 2	2,214,200	5.00
Distilleries Company of Sri Lanka Limited	2,213,800	5.00
Stassen Exports Limited	2,213,800	5.00
SSP Corporate Services (Pvt) Limited Account No 2	2,212,700	5.00
Corporate Services Limited Account No 2	2,210,800	4.99
Chinkara Global Funds Limited PCC	2,200,000	4.97
Varners International (Pvt) Limited	2,113,300	4.77
Sentinel International Limited	1,967,800	4.44
Mr.P.Singappuli Aratchige Don	1,790,000	4.04
Mr.B W Kundanmal	1,328,000	3.00
Hatton National Bank Limited Account No 1	1,128,400	2.55
Mr. P Madanayake	741,900	1.68
Mr. B A Mahipala	631,400	1.43
Mr. P L C Jinadasa	469,100	1.06
Mr. L P Hapangama	312,000	0.70
HSBC International Nominees Limited – Bank Julius Baer	300,000	0.68
Voyager Capital (International) Limited	255,600	0.58
Mr. I W Senanayake	221,400	0.50
Sino Lanka (Pvt) Limited	203,000	0.46
Commercial Fund Management (Pvt) Ltd/Sri Lanka Ins.	200,000	0.45
Sub Total	24,927,200	56.29
Balance held by Shareholders	15,255,193	34.45
Total No of Registered Ordinary Shares	40,182,393	90.74

Note:

*Certain Shareholders have disposed of their shares on the Colombo Stock Exchange during the financial year 2000. However, the Company has been legally advised that the transferees who have purported to purchase the shares are prohibited from holding same in terms of Section 12 (i) d and 46 (1) (d) (ii) (a) of the Banking Act No.30 of 1988 (as amended) and/or the Articles of Association of the Company.*

*Hence, the said shareholdings cannot be registered in the names of the said purported purchasers.*



**Dividend Information from 1986 to 2001**

Year	AGM Held	Dividends Paid
1986	on 07 August	1987 Not Declared
1987	on 21 May	1988 Not Declared
1988	on 26 April	1989 5.00% on Rs. 8.00
1989	on 08 May	1990 7.50% on Rs. 8.00 (Interim) 5.00% on Rs. 8.00 (Declared as Final Dividends F/Y 1990)
1990	on 18 July	1991
1991	on 29 June	1992 5.00% on Rs. 8.00
1992	on 05 July	1993 10.00% on Rs. 8.00
1993	on 30 May	1994 10.00% on Rs. 8.00
1994	on 12 May	1995 12.50% on Rs. 8.00
1995	on 17 June	1996 15.00% on Rs. 8.00
1996	on 30 May	1997 15.00% on Rs. 8.00
1997	on 03 June	1998 15.00% on Rs. 8.00
1998	on 25 June	1999 15.00% on Rs. 8.00
	EGM on 27 December 1999	31.25% on Rs. 8.00 (Interim)
1999	on 30 June	2000 7.00% on Rs.10.00 (Final)
2000	on 29 June	2001 17.50% on Rs. 10.00
2001	on 26 March	2002 17.50% on Rs. 10.00

**SAMPATH BANK DEBENTURES**

In terms of rule 8.4 of Colombo Stock Exchange (CSE)

For the year ended 31st December	2002	2001
Debt / Equity ratio	0.17	0.20
Interest cover	6.15	5.03
Interest rate of comparable government securities	10.17	13.96

(As at December 2002 the Sampath Debenture had 19 months to maturity. The government security, which as the closet maturity to the Sampath Debenture, is the 2-year Treasury bond.)

**The market prices and interest yield (1999/2004 issue)**

	Quarterly Interest 13.5% p.a		Annual Interest 14.2% p.a		Floating rate quar Int 15.49% p.a	
	2002	2001	2002	2001	2002	2001
Highest price during the year (Rs.)	1,000.00	800.00	1,025.00	900.00	900.00	} No transactions for the year
Lowest price during the year (Rs.)	775.00	800.00	930.00	870.00	900.00	
Price as at last traded date (Rs.)	1,000.00	800.00	1,025.00	870.00	900.00	
Last traded date	07/11/2002	23/05/2001	10/12/2002	20/09/2001	02/12/2002	
Current yield	13.50%	16.88%	13.85%	16.32%	13.33%	
Yield at maturity	13.50%	22.50%	12.19%	20.61%	19.47%	



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**Narahenpita**

No. 193, Kirula Road, Narahenpita, Colombo 05  
Tel : 01 552820 – 1  
Fax : 01 552822  
e-mail : narahenpita.mgr@sampath.lk

**Negombo**

No. 293, Main Street, Negombo  
Tel : 031 24345 – 4  
Fax : 031 24347  
e-mail : negombo.mgr@sampath.lk

**Nugegoda**

No. 79 A, Stanley Thillekeratne Mw, Nugegoda  
Tel : 01 816288 – 9, 856907, 856909  
Fax : 01 856908  
e-mail : nugegoda.mgr@sampath.lk

**Old moor street**

No. 371, Old Moor Street, Colombo 12  
Tel : 01 452490 – 2, 424075  
Fax : 01 424074  
e-mail : oldmoor.mgr@sampath.lk

**Panadura**

No. 373, Galle Road, Panadura  
Tel : 038 35100, 31677  
Fax : 038 35101  
e-mail : panadura.mgr@sampath.lk

**Peradeniya**

No. 901/A, Peradeniya Road, Kandy  
Tel : 08 384054  
Fax : 08 384054  
e-mail : peradeniya.mgr@sampath.lk

**Pettah**

No. 999, People's Park, Bodiraja Mw, Colombo 11  
Tel : 01 432324, 432262, 432281, 432309  
Fax : 01 432303  
e-mail : pettah.mgr@sampath.lk

**Piliyandala**

No. 32/1/1, Maharagama Road, Piliyandala  
Tel : 01 614957, 614664 – 5  
Fax : 01 614664  
e-mail : piliyandala.mgr@sampath.lk

**Ratmalana**

No. 359, Galle Road, Ratmalana  
Tel : 01 730820 – 1  
Fax : 01 730819  
e-mail : ratmalana.mgr@sampath.lk

**Ratnapura**

No. 180 – 182, Main Street, Ratnapura  
Tel : 045 24361, 32261 – 2  
Fax : 045 24361  
e-mail : ratnapura.mgr@sampath.lk

**Thambuththegama**

No. 72, New Town, Thambuththegama  
Tel : 025 25767  
Fax : 025 25767  
e-mail : thambuththegama.mgr@sampath.lk

**Thimbirigasyaya**

No. 154, Havelock Road, Colombo 05  
Tel : 01 505001 – 3  
Fax : 01 505001  
e-mail : thimbirigasyaya.mgr@sampath.lk

**Tissamaharama**

No. 25 – 27, Main Street, Tissamaharama  
Tel : 047 37056, 37008  
Fax : 047 37058  
e-mail : tissa.mgr@sampath.lk

**Unichela**

No. 124, Horana Road, Panadura  
Tel : 074-281245  
e-mail : unichela.mgr@sampath.lk

**Wattala**

No. 165, Negombo Road, Wattala  
Tel : 01 931569 - 70, 941526 - 7  
Fax : 01 931568  
e-mail : wattala.mgr@sampath.lk

**Wariyapola**

No. 52, Dayaratne Building, Kurunegala  
Road, Wariyapola  
Tel : 037 68144  
e-mail : wariyapola.mgr@sampath.lk

**Wellawatta**

No. 445, Galle Road, Colombo 06  
Tel : 01 507607 – 8  
Fax : 01 507609  
e-mail : wellawatta.mgr@sampath.lk

**Wellampitiya**

No. 268, Kolonnawa Road, Wellampitiya  
Tel : 01 533498  
e-mail : wellampitiya.mgr@sampath.lk

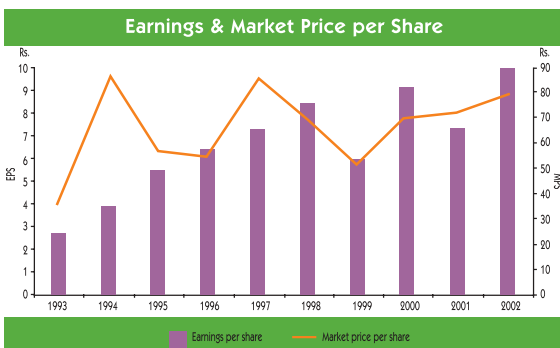
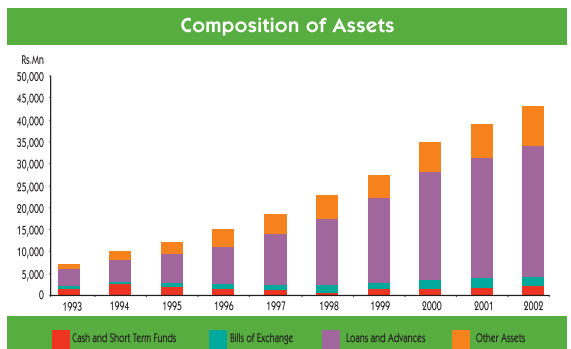
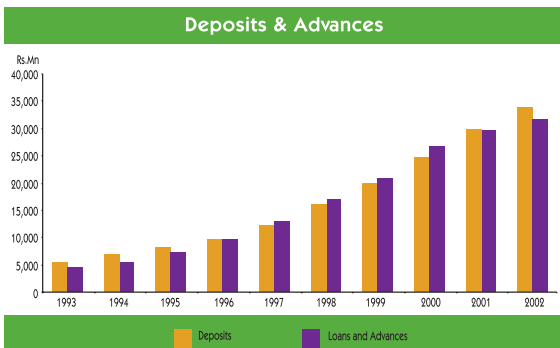
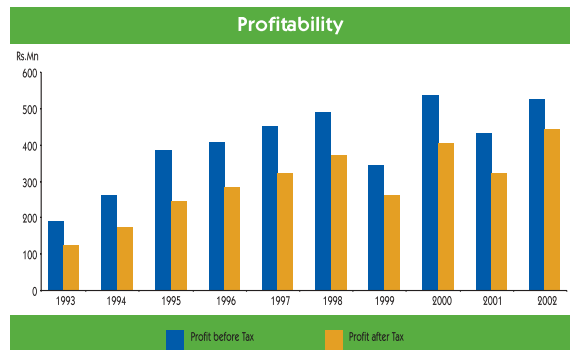
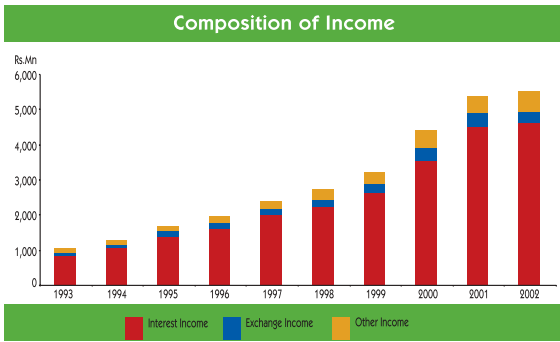
**Wennappuwa**

No. 56/4, Main Street, Wennappuwa  
Tel : 031 56925, 56927  
Fax : 031 56926  
e-mail : wennappuwa.mgr@sampath.lk



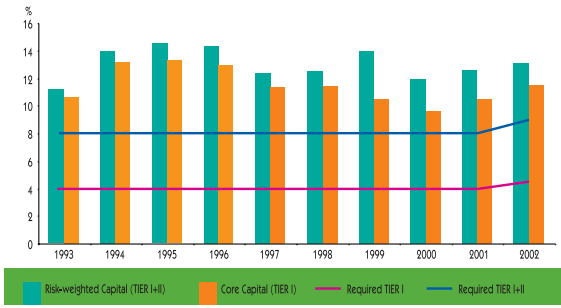
TEN YEARS AT A GLANCE

Year Ended 31st December	1993	1994	1995	1996	1997	1998	1999	2000	2001	Rs. Mn. 2002
<b>Profit Performance</b>										
Income	1,027	1,242	1,632	1,917	2,348	2,675	3,135	4,220	5,269	5,432
Interest Income	843	1,047	1,363	1,589	1,978	2,198	2,633	3,531	4,484	4,612
Interest Expenses	516	634	750	934	1,193	1,263	1,627	2,169	3,191	2,834
Net interest income	327	413	613	656	785	936	1,006	1,362	1,293	1,778
Exchange Income	93	96	160	173	178	235	234	360	400	296
Other income	105	119	147	181	230	281	316	513	472	569
Operating expenses	276	318	433	523	641	806	980	1,304	1,466	1,682
Profit before tax	188	262	382	406	449	487	342	535	429	525
Income Tax on Profit	67	90	141	124	127	115	81	134	107	84
Profit after tax	122	172	241	282	322	372	261	402	322	441
<b>Assets</b>										
Cash and Short Term Funds	1,333	2,403	1,969	1,255	1,040	518	1,236	1,293	1,678	2,115
Bills of Exchange	572	587	744	1,114	1,226	1,647	1,629	1,918	2,139	1,945
Loans and Advances	3,983	4,776	6,487	8,281	11,486	14,977	18,960	24,461	27,127	29,556
Lease Rentals Receivable	25	57	113	183	198	191	187	266	246	238
Investment in Subsidiaries	-	-	-	-	-	220	220	370	381	386
Fixed assets	160	198	308	350	491	687	893	914	1,031	1,060
Total assets	7,062	9,963	11,953	14,901	18,412	22,640	27,327	34,596	38,781	43,017
<b>Liabilities</b>										
Deposits	5,252	6,928	8,119	9,616	12,156	16,111	19,877	24,697	29,669	33,785
Refinance Borrowings	237	224	205	223	248	262	406	653	732	844
Debentures	-	-	-	-	-	-	500	500	500	500
Other Liabilities	1,042	2,152	2,671	3,893	4,570	4,510	4,578	6,457	5,347	5,002
Total Liabilities	6,531	9,304	10,995	13,732	16,974	20,883	25,362	32,307	36,248	40,130
<b>Shareholders' Funds</b>										
Share capital	354	354	354	354	354	354	443	443	443	443
Reserves	177	304	586	815	1,084	1,402	1,522	1,847	2,091	2,444
<b>Investor Information</b> (for the year ended 31st December)										
Dividend paid	35.4	44.3	53.1	53.1	53.1	53.1	141.7	77.5	77.5	88.6
Dividend cover (times)	3.4	3.8	4.5	5.3	6.0	7.0	1.8	5.2	4.2	5.0
Earnings per share (Rs)	2.7	3.9	5.5	6.4	7.3	8.4	5.9	9.1	7.3	10.0
Net assets per share (Rs)	12.0	14.9	21.2	26.4	32.5	39.7	44.4	51.7	57.2	65.2
Market price per share (Rs)-Max	35.5	87.0	56.0	54.0	85.5	70.0	51.5	70.5	72.0	79.8
Market price per share (Rs)-Min	20.0	40.0	35.5	42.5	45.8	32.0	36.0	37.0	32.5	50.0
Price as at 31 December (RS)	54.0	50.5	46.0	46.0	62.0	49.3	45.0	41.5	63.0	72.0
<b>Other Information</b> (as at 31st December)										
Export turnover ( for the year)	4,660	5,271	6,035	8,441	9,314	11,528	13,717	15,001	18,370	15,669
Import turnover ( for the year)	4,052	5,466	6,945	8,409	10,988	15,867	17,705	22,025	23,630	29,099
Number of Staff	747	817	919	981	1,131	1,246	1,332	1,355	1,430	1,492
Number of Branches	17	20	23	26	29	32	34	38	45	53
<b>Ratios</b>										
Growth of income (%)	28.5	21.0	31.4	17.5	22.5	13.9	17.1	34.6	24.9	3.1
Cost to income ratio (%)	54.1	52.3	49.2	53.2	55.5	57.1	65.0	63.6	70.6	64.7
Growth of deposits (%)	24.8	29.4	17.2	20.9	26.4	32.5	23.4	24.2	20.1	13.9
Growth of advances (%)	21.8	18.3	35.5	30.4	34.8	30.2	23.6	28.3	11.0	7.5
Rate of dividend (%)	10.0	12.5	15.0	15.0	15.0	15.0	40.0	17.5	17.5	20.0
Return on assets (after tax) (%)	1.9	2.0	2.2	2.1	1.9	1.8	1.2	1.3	0.9	1.1
Return on equity (after tax) (%)	24.9	28.9	30.3	26.7	24.7	23.3	14.0	18.9	13.3	16.3
Advance to Deposits & Refinance (%)	83.4	75.8	88.2	97.3	104.1	102.7	102.4	105.1	97.1	91.7
Fixed Assets to Shareholders' Funds (%)	30.1	30.1	32.7	29.9	34.1	39.1	45.4	39.9	40.7	36.7
Total Assets to Shareholders' Funds (Times)	13.3	15.1	12.7	12.7	12.8	12.9	13.9	15.1	15.3	14.9
(As specified in Banking Act No 30 of 1988)										
Liquid Assets to Liabilities (%)	31.0	31.6	28.1	25.2	21.9	23.4	21.8	21.2	27.9	25.2
Capital standards (%) - TIER I	10.6	13.2	13.3	12.9	11.3	11.4	10.5	9.6	10.5	11.5
- TIER II	11.2	14.0	14.5	14.3	12.4	12.5	14.0	12.0	12.6	13.1

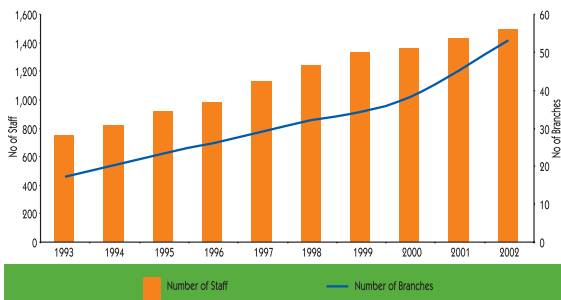




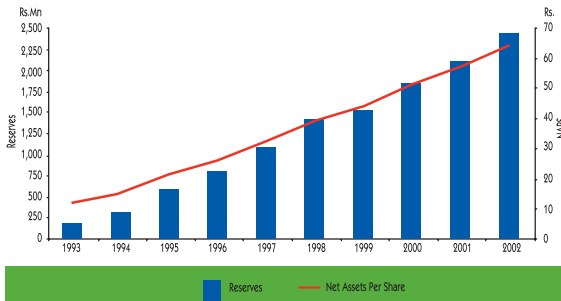
### Capital Strength



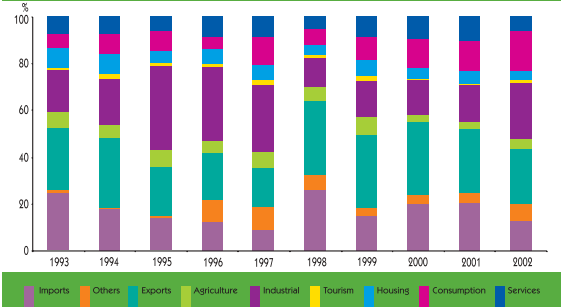
### Expansion



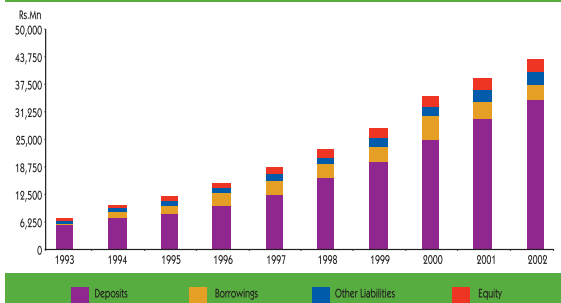
### Reserves & Net Assets per Share



### Sectoral Distribution of Advances



### Resource Structure





Our 46th Branch was ceremonially opened on 31st January 2002 at No. 253, Main Street Bandarawela with all modern banking facilities.



Our 50th branch was ceremonially opened at No. 314, Main Street, Kaluthura South, Kaluthura with all modern Banking facilities and a concept centre.



Unichella Savings and Pawning Centre at No. 124, Horana road, Panadura was the 47th addition to our branch network, and is located in the vicinity of the Modarawila Industrial Estate.



We opened our 51st Branch at Peradeniya as Savings and Pawning center affiliated to our Kandy branch.



Thambuttegama Savings and Pawning centre was opened on 29th April 2002 at No. 72, New town, Thambuttegama to serve the farmer community.



52nd Branch of ours was opened at 124/8, Highlevel Road, Kottawa, which is a fast developing suburban centre in the outskirts of Colombo.



49th branch was opened at Deranyagala on 6th June 2002.



53rd Branch was opened at Alawwa on 10th December 2002.



The US Dollar Cheque / Draft clearing system was inaugurated in Sri Lanka at Lankaclear (Pvt) Ltd., and Sampath Bank was appointed as the settlement bank. This is another step forward in the clearing and payment system in Sri Lanka and a move towards achieving the objective of Sri Lanka becoming the main financial centre in South East Asia.



Sampath Nite 2002 held at Sri Lanka Exhibition and Convention Centre is a much awaited annual event the team members are looking forward for.



Our City Branch was selected and awarded the Certificate of Commendation with no other winner or runner – up in the Service Sector – Medium Scale category at the National Productivity Awards Ceremony held at the BMICH.



Sampath family day and sports festival is an annual event organized by the Sports club with special events for the children of the Team members.



We were the Runners-up in the Mercantile rugby sevens 2002.



Our Cricketers became the runners-up in the Mercantile 'C' division 50 over league tournament 2002.



Go beyond Gold ..... we are the first Bank in Sri Lanka to Introduce Platinum credit cards.



Launch of Sampath Professional Scheme.





We were the runners-up in the five a side semi league basketball tournament organized by Mercantile Services Basketball Association.



Achievements in Badminton.....

Men's and Women's runners-up in the Mercantile 'A' division inter firm championship.

Men's and Women's runners-up in the inter bank 'A' division championship.



Launch of Visa affinity card for the members of the Alumni Association of University of Peradeniya.



We relocated our Fort branch at No. 98, Chatam Street, Colombo 01.



Hockey – Runners-up in Mercantile 'B' division league tournament.



We relocated our Maharagama Branch to No. 81, High Level Rd., Maharagama.



**Sampath Bank on a mission to protect, promote and develop co – relation and co – habitation of nature and mankind....**

Since the establishment of Sampath Bank in 1987, it has striven to foster good relations at social, community and national level, emphasizing on ethical environmental behaviour, ensuring sustainability and compatibility in all its projects, thus demonstrating its commitment to long term CSR goals.

**Creating a milieu for life**

*" Parisarayata Vinadiyak " ( A minute for the environment )*

The bank extended its fullest support to this electronic media initiative on radio channel, which sought to create awareness in the public on the importance of cultivating a true commitment to the environment they live in.

*Wild Life and Nature Protection Society of Sri Lanka*

The bank contributes each SET card issued to ensure that the unique fauna and flora in Sri Lanka's diverse natural environment is preserved and used nature to adorn the SET card.

*Tank Building*

Living in Sri Lanka's arid dry zone is a daily battle for the people. Sri Lanka's ancient kings erected man made reservoirs, to retain the rainwater that beats down during the monsoon. However, the rehabilitation of these tanks being a national priority, Sampath Bank mooted a new vision to provide uninterrupted water to the dry zone, offering a permanent solution to the people who have already suffered many a drought.



Starting from down south which was the most affected area in 2001, the project to restore and re-erect tanks began and by 2002, Team Sampath with the assistance of the farmer families had completed work on *Illukpelessa Tank* in the divisional secretariat of Thanamalwila in the Monaragala district, which benefited about 42 families and the cultivation of about 50 acres of paddy land and the *Koonkitiara Tank* in the Hambantota district. Two new waterways were directed to the tank by diverting two existing waterways, while building a totally new tank. This tank is 25 acres in capacity and will help cultivation of about 75 acres of land benefiting 50 families. The bank intends to completely restore, refurbish and or reconstruct at least two tanks per year.

**Making the World Greener**

*Islandwide Tree Planting Campaign*

With the assistance of members of Sampath team at it's



branches, and community groups, bank launched islandwide tree planting campaign to mark the opening of bank's 50th branch at Kalutara. Projects have already been completed in a fare number of locations. Much thought has been given to the project, as plants were selected on the climate, sustainability, economic value and general environmental conditions of the area.

*Bio – Diversity Care Trust*

The Biodiversity Care Trust ( BCT ) is a voluntary organization established in 1996, engaged in providing the already depleting bio-diversity of Sri Lanka a second chance of survival, working on the vision that the nation leaves behind the rich bio-diversity enjoyed by our predecessors to be enjoyed by future generations. Sampath Bank is the principal sponsor of this project and works with the BCT on its objectives of:



- Conserving and preserving the biodiversity of Sri Lanka
- Conducting scientific research into the biodiversity of Sri Lanka
- Identifying endangered species of fauna and flora in Sri Lanka
- Studying such fauna and flora under in-situ as well as ex-situ conditions
- Carryout ex-situ conservation programs of these species
- Creating awareness among the public aimed at initiating their participation
- Publishing research papers on the studies carried out

**Giving a lifeline**

Sampath Team extended their vision of a better life for all by organizing blood donation campaigns bi-annually, with the 13th project held in 2002. It is heartening to note the unstinted co-operation and support extended to the bank's project by the public in these areas.



### En route to better life

A self employment project was launched in 2002. To facilitate the process, target groups have formed their own ' Societies', bringing out the Bank's philosophy of team spirit. *Maguldamana village* in Polonnaruwa District and *Lankagama village* in Deniyaya has been initially selected for the pilot project. 60 self-employed youths benefited from this project.

### Towards Hope

The bank has continued measures of goodwill to hospitals and schools in the communities it is present, to ensure that its vision of good corporate citizenship is cascaded to all levels of society.

- Donation of Medical equipment and other necessities to Angoda Mental Hospital, Dodangoda Hospital, Cancer Society, Wariyapola Hospital and Badulla Hospital.
- Presentation of schoolbooks and school uniform materials



to winners of Dhamma School examinations conducted by YMBA, is an Annual event of 'Sampath Daham Thilina' project.

- With the assistance of 'The Books of Asia' program of the Asia foundation we donated school books to seven schools in rural areas.
- Donation of Books to the Library of Tennakoon Maha Vidyalyaya at Kandalama.
- With the assistance of " Hadawath Mituro " a society engaged in assisting the Cardiology unit of Kandy Hospital, our Kandy branch has taken the responsibility of maintaining the Ground floor of the Cardiology unit of Kandy Hospital.

### Developing the country's future

With its young, highly motivated and professional team, the bank realizes that the young generation, if given the appropriate challenges and opportunities, will blossom to carry out their duties with great responsibility and leadership. Hence, the bank has begun projects with schools in the lesser affluent areas in the island to give students guidance, direction and vision for their future.

- Leadership training programs and career guidance training projects were conducted for school children in number of schools with the assistance of leading lecturers.



- IT training programs with the aim of developing IT literacy skills of students were carried out by the team members of the IT department. The scope of the project comprises sessions on basic knowledge of IT and hands-on training with PCs in a branch of the bank in the vicinity of the schools. Training has already been conducted in five rural schools.

### Sports and the Nation

The bank has always been in the forefront of national and club level sport, having among its team some of Sri Lanka's best sportsmen and women. With the aim of utilizing these resources for the betterment of the nation, the bank has undertaken the following projects to give impetus at school level sport;

- The Bank's cricketers conducted cricket-coaching camps for schoolboy cricketers at Anuradhapura, Bandarawela and Matale Districts.
- Rugby players conducted a rugby coaching camp for the school children of the Embilipitiya area with the assistance of the bank's Embilipitiya branch.
- Donation of Sportswear to the Cricket team of Gamini Central College - Kalawana.





## 1987

- The bank was incorporated as "Investment and Credit Bank Limited". Whilst Mr. N U Jayawardena became the Chairman of the Bank Mr. Janaka De Silva was appointed as the General Manager.
- The Bank was ceremonially opened for business, supported by advanced technology, on 15th May 1987 following the soft opening on 25th March 1987.

## 1988

- Automated Teller machines were introduced to Sri Lanka for the first time.

## 1989

- Master Card was introduced to Sri Lanka.
- Uni – Banking system was introduced to the Country for the first time in Sri Lanka.

## 1990

- Branch network was increased to ten with the opening of Matara Branch.

## 1991

- Mr. Stanley William became the Chairman and Mr. Edgar Gunatunge joined the Board of Directors as the Deputy Chairman/Managing Director.

## 1993

- Mr. Dunstan De Alwis became the Chairman of the Bank.

## 1994

- The Bank was among the first to join the SWIFT network.

## 1996

- Mr. Kumar Abayanayake assumed duties as the General Manager/Chief executive Officer.
- "asiamoney" the prestigious financial magazine in Asia, voted Sampath Bank as the Best Commercial Bank of the year in Sri Lanka.
- The Bank purchased the controlling interest in the Sampath Center Ltd., a property development company owning the Head office building of the bank.

## 1997

- The Bank was awarded The Best Small-Cap Bank in South Asia by the prestigious "Asia Banking Digest".
- The Bank was honored with the award, Best Commercial Bank of the year by "asiamoney" for the second year in succession.
- Introduction of Debit Card in association with "Cirrus" and "Maestro" for the first time in South East Asia.

## 1998

- The Bank was honored with the award, Best Commercial Bank of the year by "asiamoney" for the third year in succession.
- In appreciation of the innovative steps taken, the Bank was awarded Outstanding New Business Venture Project in 1988 by "Asian Banking Digest".

## 1999

- Mr. Anil Amarasuriya assumed duties as General Manager/Chief Executive Officer.
- The "Forbes Global" Magazine listed Sampath Bank under the 300 best small companies in the world.

## 2000

- Mr. Anil Amarasuriya was appointed as Managing Director/Chief Executive Officer.
- Sampath Bank was chosen "Bank of the year 2000", in Sri Lanka by the prestigious magazine "The Banker".
- Sampath Surakum Ltd., a 100% owned subsidiary of the bank commenced operations in March and is appointed as a primary dealer to carry out activities relating to Securities issued by the Central Bank of Sri Lanka.

## 2001

- Sampath Bank became the first Sri Lankan organization to achieve the Quality Approved status of best practice for Training Through Partnership, which is presented by the Chartered Institute of Management Accountants.
- Banking hours were extended by half an hour, while introduction of dedicated savings units to serve savings customers.

## 2002

- Top award for Human Resource Management Services Sector - Large Companies was awarded to Sampath bank in the National HRM Awards 2002.
- Eight more new branches were opened during the year, including the 50th Branch at Kalutara.
- Sampath Bank launched the first Visa Platinum Credit Card in Sri Lanka, which is considered as one of the most prestigious Credit Cards in the world.
- Sampath Bank was appointed as the settlement Bank for US Dollar cheque clearing system in Sri Lanka.
- Sampath Bank and Bank of Ceylon signed a MOU to link Automated Teller Machines locally. This created more than 150 machines which almost double the amount of ATM's that customers can access.

**Acceptances**

The signature on a Bill of Exchange indicates that the person on whom it is drawn accepts the conditions of the bill. In other words a bill of exchange that has been accepted.

**ARR (Accounting rate of return)**

An accounting ratio that expresses the profit of an organization before interest and taxation, usually for a year, as a percentage of the capital employed at the end of the period.

**Capital Adequacy**

The ability of a bank to meet the needs of their depositors and other creditors in terms of available funds. As per requirement of Bank for International Settlements (BIS) and Central Bank of Sri Lanka, Local banks should maintain a stipulated minimum capital.

- **Tier I Capital**

Core capital includes selected items of capital funds. Major core capital items are share capital, share premium, statutory reserve funds, retained profits, general reserves, surpluses/losses after tax arising from the sale of fixed and long term investments.

- **Tier II Capital**

Supplementary capital includes, approved revaluation reserves, general provisions, hybrid (debt/equity) capital items and approved subordinated term debts.

- **Total Capital**

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

**Capital Gain (Capital profit)**

The gain on the disposal of an asset calculated by deducting the cost of the asset from the proceeds received on its disposal.

**Capital Reserves**

Undistributed profits of a company that for various reasons are not regarded as distributable to shareholders as dividends. This reserves is set aside for specific purposes defined under the Banking Act of 1998 and shall not be reduced or impaired without the approval of the monetary board.

**Contingencies**

A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

**Correspondent Bank**

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

**Cost Income ratio**

Operating expenses as a percentage of net income.

**Deffered Taxation**

A sum set aside for tax in the accounts of an organization that will become payable in a period other than that under review. It arises because of timing differences between tax rules and accounting conventions.

**Dividend Cover**

The number of times a company's dividend to ordinary shareholders could be paid out of its net profits after tax in the same period.

**Dividend yield**

That is the dividend expressed as a percentage of the share value

**Earning per share (EPS)**

The profit attributable to each ordinary share in the bank, based on the profit for the period, after tax and after deducting minority interest and preference share dividends.

**ESOP ( Employee share ownership plan)**

A method of giving employees shares in the business for which they work.

**Foreign Exchange Income**

Foreign Exchange Income arises from differences in exchange rates applied to valuation of assets and liabilities which they were initially recorded and at the balance sheet date.

**Guarantee**

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

**Interest cover**

A ratio showing the number of times interest charges are covered by earnings before interest and tax.

**Letter of credit (LC's)**

A letter from one banker to another, authorizing the payment of a specified sum to the person named in the letter on certain specified conditions.

**Minority interest**

The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.

**Net asset value per share**

The value of a share, calculated by dividing the amount of net assets by the number of shares in issue.

**Off Balance Sheet transactions**

A method of financing a company's activities so that some or all of the finance and the corresponding assets do not appear on the balance sheet of the company. They would be recognized as an asset or liability, which give rise to contingencies and commitments.

**Price-earnings ratio**

The current market price of the share divided by the earnings per share of the bank.

**Return on Average Assets**

An accounting ratio, expressing the amount of profit for the financial year as a percentage of average assets.

**Return on Shareholders' funds**

An accounting ratio, expressing the profit for the financial year as a percentage of average shareholders' funds.

**Return on Equity**

The net income of the bank expressed as a percentage of its equity capital.

**Risk-Weighted Assets**

The assets, shown on the balance sheet and the credit equivalent of the off balance sheet of the bank, those have had risk weighting applied to them.

**Securities sold under re-purchase agreement (REPO)**

REPO is an agreement whereby one party sells the security to another party and simultaneously agrees to re-purchase the same security at a subsequent date at an agreed price.

**Securities purchased under re-sale agreement (Reverse REPO)**

A reverse repo or re-sale agreement is the opposite of the repo transaction. In a reverse repo one party buys a security with an agreement to sell it back to the same party on a future date.

**Value Added**

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



	BANK	ADDRESS	SWIFT CODE
	Deutsche Bank Trust Company Americas	PO Box 318 Church Street Station NY 10008-0318 New York, USA	BKTRUS33
	JP Morgan Chase Bank	4, New York Plaza Floor 15, NY 10004 New York, USA	CHASUS33
	Citi Bank NA	No 111, Wall Street, 16th Floor, NY 10043 New York, USA	CITIUS33
	HSBC	No 452, Fifth Avenue NY 10018-2706 New York, USA	MRMDUS33
	Barclays Bank	No 4, Royal Mint Court London, United Kingdom	BARCGB22
	Lloyds TSB Bank PLC	St George House, 6-8, Eastcheap London, United Kingdom	LOYDGB2L
	Bank of Ceylon	No. 1, Devanshire Square London, United Kingdom	BCEYGB2L
	National Australia Bank	500, Bourke Street, Floor 24 Melbourne 3000, Australia	NATAAU33
	Bank of New Zealand	BNZ Centre No.01, Willis Street P.O. Box 2393 Wellington, New Zealand	BKNZNZ22
	Standard Chartered Bank	P.O.Box 35, Hong Kong Hong Kong	SCBLHKHHKH
	United Overseas Bank	UOB Plaza No.80, Raffles Place 048624 POB 628, Singapore 0104 Singapore	UOVBSGSG
	Overseas Chinese Banking Corporation	OCBC Centre, Floor 9 65, Chulia Street, Singapore 049513 Singapore	OCBSSGSG
	Sumitomo Mitsui Banking Corporation	1-2, Yurakucho 1-Chome Chiyoda Ku, Tokyo 100-0006 Japan	SMBCJPJT
	Bank of Tokyo Mitsubishi	7-1, Marunouchi 2-Chome Chiyoda Ku, Tokyo 100-005 Japan	BOTKJPJT
	Standard Chartered Bank	P O Box 906, Tokyo Japan	SCBLJPJT
	UBS AG, Zurich UBSWCHZH80A	45, Bahnhofstrasse 8098, Zurich Switzerland	



	ABN Amro Bank	Avari Plaza.Suit 242-243 Fatima Jinhan Road Karachchi, Pakistan	ABNAPKKA
	Bank of Ceylon	1090, Poonamalle High Road Chennai 600084, India	BCEYIN5M
	Standard Chartered Bank	P O Box 558 Mumbai, India	SCBLINBB
	Bank of Ceylon	ALIA Building, 20-02, Orchid Magu 2 Male, Maldives	
	Commerz Bank	POSTFACH 100505, 60261 Frankfurt, Germany	COBADEFF
	Deutsche Bank AG	POSTFACH 100601, D-6000 Frankfurt, Germany	DEUTDEFF
	Bayerische Hypo-und Vereins Bank	A M Tucherpark 16,D-80311 Munich, Germany	HYVEDEMM
	Banca Nazionale De Lavoro	Direzion Generale via V.Veneto 119, I-00187 Rome, Italy	BNLIITRR
	Uni Credito Italino	Milan Branch Piazza Cordusio, I-20121 Milan, Italy	UNCRITMM
	Banque Worms	B P -287-09 75427, Pcris 05 France	BWORFRPP
	Den Norske	P.O.Box 1171 Oslo, N-0107 1 Norway	DNBANOKK
	Danske Bank	2-12, Holemens Kanal Copenhagen DK 1092 Denmark	DABADKKK
	SEB Stockholm	SERGELS TORG2 S-10640, Stockholm, Sweden	ESSESESS
	Bank of Monteral	129, St.James Street West Montreal, Canada	BOFMCAT2
	Firststrand Bank Ltd	P.O.Box 7791 Johannesburg South Africa	FIRNZAJJ
	ING Bank	P O Box 1800 1000 BV Amsterdam, Netherlands	INGBNL2A



Notice is hereby given that the Seventeenth Annual General Meeting of Sampath Bank Limited will be held at the "Committee Room B" of Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07, on 31st March 2003 at 10.00 a.m. for the following purposes.

1. To receive and consider the Report of the Directors and the Statement of Audited Accounts for the year ended 31st December 2002 with the Report of the Auditors thereon.
2. To declare the recommended Dividend of 20% as the first and final Dividend for the Financial Year 2002.
3. To re-elect Mr Indulakshin Wickremasinghe Senanayake who retires at the Annual General Meeting, as a Director in terms of Article No. 87 of the Articles of Association of the Company.
4. To re-elect Mr Lakshman Jayaraj Kumar Hettiaratchi who retires at the Annual General Meeting, as a Director in terms of Article No. 87 of the Articles of Association of the Company.
5. To re-elect Mr Sunil Gamini Wijesinha who retires at the Annual General Meeting, as a Director in terms of Article No. 87 of the Articles of Association of the Company.
6. A special notice dated 14 February, 2003 has been received on that day by the Company from Mr. Ranga Wijesinghe a shareholder of the company giving notice of his intention to move the following resolution with regard to the age limit of Mr. Edgar Gunatunge under and in terms of Section 181 of the Companies Act.

"RESOLVED that the age limit of 70 years referred to in Section 181 of the Companies Act No. 17 of 1982 shall not apply to Mr. Edgar Gunatunge."

7. A special notice dated 14 February 2003 has been received on that day by the Company from Mr. Ranga Wijesinghe a shareholder of the Company.

To approve under and in terms of Section 182 of the Companies Act the appointment of Mr Edgar Gunatunge as a Director.

"RESOLVED that the appointment of Mr Edgar Gunatunge [who is 70 years] is be and is hereby approved in terms of Section 182 of Companies Act No. 17 of 1982."

8. To approve the Donations, Contributions made by the Directors during the year under Review.
9. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

**Note :**

*A member is entitled to appoint a Proxy to attend and vote on his/her behalf and a Proxy need not be a member of the Company. A Proxy Form is attached for the purpose. The instrument appointing a Proxy must be deposited at the Registered Office of the Bank at No. 110, Sir James Peiris Mawatha, Colombo 02, not less than forty eight (48) hours before the time fixed for holding of the Meeting.*

You are kindly requested to bring with you, your National Identity Card.

BY ORDER OF THE BOARD,

S Sudarshan  
Company Secretary  
28 February 2003



Seventeenth Annual General Meeting

Sampath Bank Limited  
110, Sir James Peiris Mawatha  
COLOMBO – 02

I/We, ..... of being a member/members of Sampath Bank Limited hereby appoint Mr Edgar Gunatunge of No. 3, Keppetipola Mawatha, Colombo 5, failing him Mr Indulakshin Wickremasinghe Senanayake of No. 18/1, Alfred Place, Colombo 3, failing him Mr Mohan Asoka Abeynaike of No. 2A, De Fonseka Road, Colombo 5, failing him Mr Sunil Gamini Wijesinha of No. 146/8, Havelock Road, Colombo 5, failing him Mr Denzil Jayalath Gunaratne of No. 410/8, Bauddhaloka Mawatha, Colombo 7, failing him Dr Saman Kelegama of No. 99 St. Michael's Road, Colombo 3, failing him, Mr Lakshman Jayaraj Kumar Hettiaratchi of No. 28/3, De Fonseka Road, Colombo 5, failing him Mr Jayampathi Divale Bandaranayake of 196/2, Lake Drive, Colombo 8, failing him Mr Ernest Ananda Gunasekera of No. 11, 1st Lane, Jambugasmulla Road, Nugegoda, failing him Mr Watuthantrige Mahiman Prasantha Lal de Alwis, of 40/4 Park Road, Colombo 5, failing him Mr Anil Suneetha Amarasuriya of 19/2, Havelock Road, Colombo 5, failing him .....

of .....

as my/our proxy to attend and vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held on 31 March 2003 and at any adjournment thereof.

	FOR	AGAINST
1. To receive the Audited Financial Statements and the Directors Report For the year ended 31st December 2002	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare the recommended 20% Dividend as the first and final Dividend for 2002	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr I W Senanayake as a Director under article 87 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr L J K Hettiaratchi as a Director under article 87 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr S G Wijesinha as a Director under article 87 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve a resolution that age limit of 70 years referred to in Section 181 of the Companies Act No. 17 of 1982 will not apply to Mr E Gunatunge	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve under and in terms of the Section 182 of Companies Act No. 17 of 1982 the appointment of Mr E Gunatunge as a Director	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve donations/contributions made by the Directors during the year under review	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

Mark your preference with "X"

Signed on this ..... Day of ..... 2003

Signature .....

- NOTE :**
1. Proxy need not be a member of the Company
  2. Instructions re. completion of Proxy are given in next page



INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling in legibly your full name and address, and by signing on the space provided.
2. The completed form of proxy should be deposited at the Registered Office of the Company at No. 110, Sir James Peiris Mawatha, Colombo 02, not less than 48 hours before, the appointed time for the holding of the meeting.
3. If you wish to appoint a person other than Chairman, Deputy Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided [ below names of the Board of Directors ] on the Proxy form.
4. Article 73 of the Articles of Association of Company provides that ;  

“Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company.”
5. Please indicate with an “x” in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy, at his discretion, will vote as he thinks fit.
6. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
7. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office of the Company for registration.

Name of Shareholder	.....
N.I.C. No. of Shareholder	.....
Share Certificate No./ Membership No.	.....
CDS A/C NO. [ if applicable]	.....
No. of shares	.....
Name of Proxyholder	.....
NIC No. of Proxyholder	.....