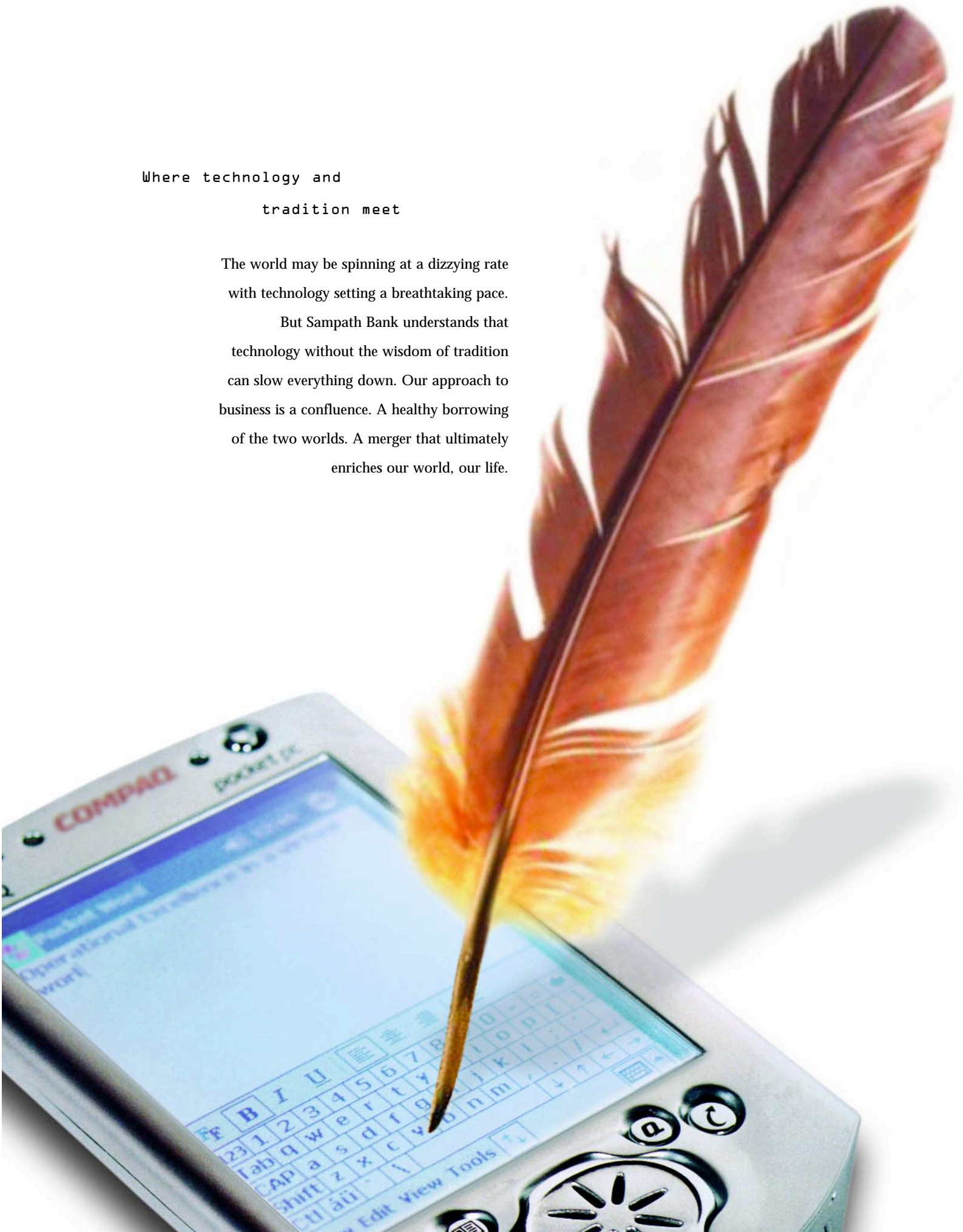


Where technology and
tradition meet

The world may be spinning at a dizzying rate
with technology setting a breathtaking pace.

But Sampath Bank understands that
technology without the wisdom of tradition
can slow everything down. Our approach to
business is a confluence. A healthy borrowing
of the two worlds. A merger that ultimately
enriches our world, our life.



Where Technology & Tradition meet..

In 1932, Wilhelm Geiger, a German Indologist wrote thus: 'It is a well known fact that for hardly any part of the continent of India is there such an uninterrupted historical tradition as for the island of Ceylon'. So it was then, as recorded in the ancient literary works of the Mahavamsa and Chulavamsa, that Sri Lanka has always been regarded as the bulwark of civilisation, drawing from traditions and history to create a race of people revered as technologically advanced from eras gone by.

Stone working technologies impacted us as far back as 5,000 BC. A shell cave in Kitulgala points to a technological revolution in early civilisation and domestication of certain plants as early as 15,000 BC are all documented substantiations of Sri Lanka's technological prowess. Ancient civilisations emerged and flourished in dry zones, prompting an emergence of one of the greatest irrigation civilisations of the ancient world, a highly advanced feat of technology and engineering. Against this backdrop of technologies, the capitals Anuradhapura and Polonnaruwa became economic superpowers while the architectural achievements of gigantic dagobas became the jewels in the crown of many kings. Akin to the Pyramids of Giza, Jetavanarama probably the largest Buddhist monument and one of the largest religious structures in the world and Abayagiri are both taller than the third Pyramid of Giza, and they celebrate these kings' technological expertise.

Sri Lanka has ever since, enjoyed the exalted position of being among the world's technological masters of a bygone era, an intrinsic part of her people, growing up fusing the values of tradition, history and culture into the plateau of technology.

It is this special brand that has given Sampath Bank the celebrated status of an indigenous bank that is global in thought and local indeed. From the very first time you hear the greeting of "Ayubowan" which embodies the very heredity of Sri Lanka, every customer at Sampath Bank has a unique experience – that of globally celebrated banking technology imbibed into a traditional, culturally rich conventional milieu.

Over the 16 years of its existence, Sampath Bank has understood that the rudiments of the virtual world without the wisdom of tradition would make for an imbalanced recipe. Therefore, business evolves on confluence, where a healthy borrowing of the two worlds would bestow an emergence of the ideal solutions for the ideal peoples living in this ideal nation.

We have been trailblazers – spearheading a path of pioneering banking technology to Sri Lanka, presenting the future while creating history. We are constantly scouring the world, looking for innovative technologies that would give our people an edge in this competitive world. But, we do not use technology as it is. No – we customize the technology of the world to suit our more diverse needs. Being a local bank, we serve a genre of customers from the elite residing in the chic echelons of Colombo to the farmer who toils in the rural outback. We transform and adapt technology so that this eclectic mix of customers live and work in an IT enabled environment, modified to suit their own personal needs – a facet of our heritage inculcated via the bank, ingratiating traditional Sri Lankan hospitality, even in banking operations.

16 years ago, we introduced the technological marvel of a network of real-time online ATMs and SET cards, pioneered the wonders of virtual banking, promulgated the use of the Internet and web based portals, enabled e-channeling for the consultation of medical specialists from even the remotest parts of the island and publicized the ease of 24 hour banking from home based comfort or our custom built kiosks to make banking simpler, easier and faster. We have been in the forefront of cutting edge technology, enhancing the knowledge of our pragmatic Team to ensure that this knowledge will permeate their personal and professional lives. It is we who inculcated the aspect of total customer service within the nucleus of a totally Sri Lankan bank that presents the future.

We have always been focused on excelling in customer service and fostering people friendly attitudes, coupled with a constant upgrading of IT conveniences for our customers from any social or economic strata, enabling us to be in the forefront of groundbreaking initiatives. While attitudinal changes have transformed the industry from a product oriented one to being more customer-focused, our philosophies have evolved on IT and service excellence.

The strong semblances of tradition have become an innate part of our culture - the cordial greeting, the welcoming smile and the courteous service continues to build relationships in the friendly warmth permeating from within. Our total commitment is to give any customer, anywhere, big or small, the best in technological innovations and conveniences that will suit their lifestyles and needs. These are the deep rooted fundamentals we are imbued in.

Sampath Bank – where technology and tradition meet

OUR MISSION

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

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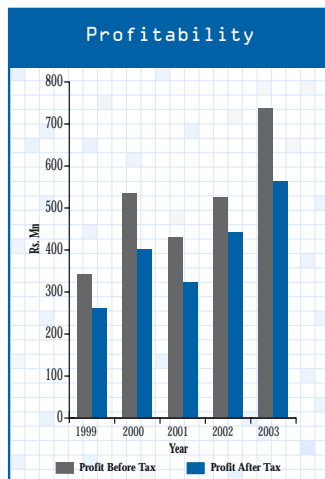


Message from the Chairman



“You would be pleased to note, that the Bank has recorded commendable growth in all areas...”

The Chief Executive's Report together with the Operations and Financial Review, provide insight into your company's performance for the year 2003. You would be pleased to note, that the Bank has recorded commendable growth in all areas. Deposits and Advances increased by 24.4% and 18.7% respectively. Post tax profit at Rs. 561.2 Mn was an increase of 27.2%. This achievement is noteworthy as it was arrived at after very liberal provisions for doubtful debts, and accounting for Rs. 116.2 Mn in respect of Value Added Tax (VAT).



This item of tax came into operation in 2003 and the commercial banks are required to pay 10% computed on total gross emoluments payable to employees and the net profit before tax. Hitherto, prevailing Business Turnover Tax and National Security Levy were abolished in 2001 and 2002. However, these two items of indirect taxation did not impact on the bank's profits as they were mainly borne by customers, whereas the VAT now brought into force, has to be borne by the Bank.

During 2003 the Bank added 10 branches (including 4 Savings & Pawning Units) to its network. In opening new branches, it is the bank's policy to open both in urban and rural areas.

During the period under review, your Bank, at the request of the Central Bank, with a view to assisting a bank that was experiencing financial and management problems, formulated and put into place a restructuring programme. By this, your Bank, together with seven names close to the Bank, invested Rs. 525 Mn in the troubled bank. Your bank's share in the investment was Rs. 150 Mn. This investment is in a new class of shares which has preference over the ordinary shares of the troubled bank. The restructuring task was unique and your Bank took pride in providing this service, which was the first of its kind in the local banking scene. Your Chairman, together with two other directors, sits in the Advisory Board of that bank, and through it has a major say in the management of the bank. The structure has been in place for four months and the bank has already shown progress.

Investment in subsidiaries and associate companies generated adequate returns. Investment of Rs. 30 Mn in Asian Alliance, which company is now four years of age, is yet to show profits, but it has to be appreciated that a new insurance company takes about five years to record profits.

Global Economic Scenario

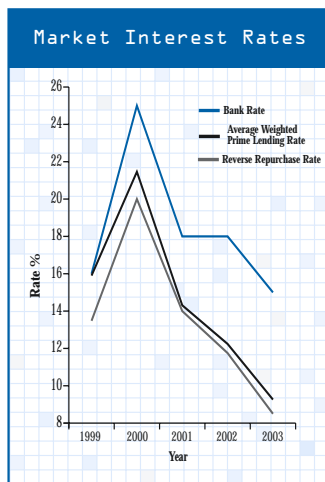
During the review period, the Bank operated in a growing global economy which recorded a growth of 2%. This scenario facilitated the country to sustain the growth of its main exports namely Tea, Clothing and Manpower. However, in the third quarter with the start of the Iraqi conflict, the growth of exports was sluggish for a temporary period. The anticipated oil price hike arising out of the conflict was avoided.

Local Economic Scenario

The cessation of hostilities between the LTTE in the North and East and the Government, which has now lasted for two years, continues to have a positive impact on the country's economy. Official figures were not published at the time of writing, but financial analysts estimate a GDP growth of over 5% for 2003. Plenty of monsoon rains during the past two years too facilitated growth. Since mid

Message from the Chairman

2002, growth rate has been relatively stable in the range of over 5%. This indicates an initial longer term sustainability of a stable economic growth trend in response to improved macro economic fundamentals. Sector-wise, as much as 79% of the GDP growth came from the services sector; mainly banking. Contributions from industry and agriculture were only 14% and 7% respectively. Low interest policy and a stable exchange rate were adopted by the Central Bank. Inflation, as measured by the Colombo Consumer Price Index, is in a declining trend currently recorded at 6.3%. Notwithstanding these factors, the cost of living has not abetted.



The cessation of hostilities and the continued peace talks brought about a further notable factor in the commitment from a large number of countries and international donor agencies to fund Sri Lanka USD 4.5 Billion by way of loans and grants. This was subject to the condition that peace negotiations will continue.

Notwithstanding the growth of the economy during the last two years and the support of the international community for the furtherance of the peace talks, Her Excellency the President, in November, under the constitutional powers vested in her, took control of three key ministries which included the Ministry of Defence. The Prime Minister who holds responsibilities in the peace negotiations refused to proceed with the peace talks until the responsibilities over the Ministry of Defence were returned to him. This situation brought about both a constitutional and economic crisis. The stock market dipped to low levels within a couple of days. Foreign investment proposals were put on hold and there was a deep sense of unease in the business community.

As I have mentioned, the growth of the economy is dependant on the establishment of peace. But with the prevailing uncertain political climate, it is not difficult to predict the prospects for 2004 being bleak. It is to be hoped that all political parties will put the interest of the country foremost and agree on a formula, to put the peace talks on track.

I thank all constituents and shareholders for their continued valuable support.

I also record my appreciation for the co-operation and assistance that I have received from my colleagues on the Board, and thank the Managing Director, his Team and all Staff for their dedicated efforts and continued commitment.

Edgar Gunatunge
Chairman

17th February 2004



Managing Director's Report on Operations



“We created history in banking once again this year by becoming the first bank in the country to clear all cheques drawn on any of our branches within just 24 hours...”

The global banking industry this year has had a smooth run, except for the fallout experienced in certain countries due to the repercussions of 9/11, the Iraq war and SARS. For the local banking industry however, this year has been a watershed in the levels of competition seen as a result of the economy growing from negative to positive. Hence in this macro economic scenario where GDP growth stood at over 5% at the end of the year, business for banks in the country saw a boom. The Government's "Regaining Sri Lanka" initiative was accelerated and public-private partnerships were encouraged. Foreign investment and donor agencies saw immense opportunity in Sri Lanka and even dubbed us 'The New Tiger of Asia'. Therefore, with infrastructure and other avenues of development opening up, banks had more opportunities for lending, which ensured better results on a bank's bottom line and I do feel, that overall, all banks did benefit from this positive facet.

However, the last two months of the year did pose a 'wait and see' attitude to most of the anticipated investments due to the uncertainty of the political situation and the peace process in the country. The pragmatism displayed earlier on in the year was put on hold. It has had a negative impact on the bank and the economy as a whole because scheduled plans have now been shelved until a semblance of stability is once again prevalent in the country.

The latest fiscal budget too did not give us banks much relief, thereby not being too customer friendly either. The continuation of the VAT component on our services will definitely have a negative impact as will the continuation of the debit tax, which we hoped would be eliminated in this year's budget. I am a firm believer that financial instruments should not be taxed, mainly because in a developing economy such as ours, it is these financial instruments that give the thrust for economic development and therefore, these instruments should be left to develop.

Growing steadily

I am proud that your bank continues to better itself each year and this year too, has displayed remarkable results. Our pre tax profit of Rs. 739.8 Mn and post tax profit of Rs. 561.2 Mn is an increase of 40.8% and 27.2% respectively over last year. We continued our philosophy of qualitative rather than quantitative lending which has in itself seen a much lower non-performing portfolio and a noteworthy rise in numbers in our loan book. With the positive economic outlook, deposits too saw an increase to Rs. 42 billion which is 24.4% above the figures of last year, with the approximate market share on deposits and advances standing at 5%. The stability of the economy permeated nearly every function of the bank with interest income being the biggest contributor to our gross profit notching Rs. 739.8 Mn and the lower interest rates encouraging more investment and development, thereby heralding a considerable increase in net interest income and commission of 31.9% and 43.0% respectively.

Evolving facets

But, what we did see as adverse in 2003 was the precariousness of the interest rate. Throughout the year, it remained disproportionate to the general market indicators. At one time, rates exceeded 20% and the banks collectively voiced that such high rates did not augur well for the industry. Now, over a short period, we have seen the reverse, when rates have been reduced drastically to under 10%. Banks simply cannot react to such volatility overnight because lending involves stipulated time periods and have to be worked on accordingly. Having to work on slim margins, we cannot reduce rates instantly.

Sampath has striven to reduce rates proportionately, but in comparison with reduction in deposits, it is not the same. I would also like to point out that banks work on certain methodologies. When deposit rates are high, we work on slimmer margins, as we cannot pass on the total margin to

Managing Director's Report on Operations

our borrowers. But when the interest rates do decrease, we maintain a slightly higher margin. Banks must make reasonable profits, but not at the expense of the depositor or by overcharging the borrower. But we must make adequate profits that can be ploughed back into the business, increasing the balance sheet net worth and giving our shareholders a reasonable rate of return. For us therefore, the biggest challenge in 2003 was management of interest margins while ensuring a reasonable rate of return, an aspect I see evolving further in the next two years as well.

We have also perceived extremely high competition within the industry, with even DFIs (Development Finance Institutions) now joining the personal and corporate banking fray. This has therefore spurred us to build on our strengths, which essentially is our revolutionary IT platform and our dynamic Sampath Team, while innovating products for niche customers in various strata of society.

The IT edge

Sampath has always been a trailblazer in IT, when it comes to banking in Sri Lanka. Constantly researching and analyzing IT practices around the world, we localise IT to make it workable solution for ourselves and our customers and are to date, the first bank to have brought virtual banking to the doorstep of even remote rural areas in the country. However, we are not in the habit of crowing from the rooftops about the IT revolutions we have put into place, but rather prefer to imbibe these processes into our everyday operations. But this year, with increased awareness among the public of the myriad services offered by competitive banks, we took it upon ourselves to create further awareness among our customers and the public of our pioneering IT services.

We are the first bank, with over 60 branches and 80 ATMs island wide, functioning on total connectivity and have even used the mobile telephony platform as a communication channel between our customers. Always functioning on the ethos of continuous improvement, through our revolutionary Sampath PayEasy, we continued to pioneer various banking processes, which have hitherto not been utilised in this part of the world.

We created history in banking once again this year by becoming the first bank in the country to clear all cheques drawn on any of our branches within just 24 hours. This I do believe will enhance and improve the speed of inter-provincial trade, an area we will try to promote more in the coming year. We also introduced the in-house developed Customer Relationship Management System, which will enable us to create a more comprehensive profile of our customers, thereby enabling our efficient Team to build stronger and better relationships with them.

Over the year, our core banking facility and switching software for ATMs and MasterCard and Visa in

compliance with international regulations was upgraded and restructured. We continued to propagate the concept of e-banking in our daily banking operations, having expanded our network of 24 hour kiosks. This has not only resulted in increased efficiency and speed but also allows our customers to become more IT savvy, operating in an IT enabled environment. Having been a pioneer in the field, we do believe that we can and will contribute positively to the Government's ICT Roadmap, e-Sri Lanka to give an IT advantage to as many areas of the country as possible.

Meeting Competition

As mentioned earlier, with the turnaround of the economy, the banking industry too saw opportunities across the country, which has seen an expansion in operations by DFIs and other commercial banks. We deem competition as healthy and enjoy working in this competitive environment. We believe that it is the stakeholders who will derive the most benefit from such healthy competition while on the other side of the coin, it eliminates complacency on our part, helping us to impart more quality oriented services to our customers.

With the intention of promoting more savings and mobilising more deposits, for the first time in our history, we opened the highest number of branches for a single year, expanding our branch network to 63, including the North and East. A concentrated effort on expanding our pawning services, which we perceived as a growing market, saw positive results with this sector breaking record, going above the forecasted Rs. 2.1 billion to Rs. 2.7 billion. Our leasing department too was rejuvenated, working on the principle of lending to credit worthy professionals picked from our existing customer base, resulting in our leasing portfolio doubling to Rs. 677.1 Mn this year.

Sampath Professional, aimed at the young upwardly mobile professional launched last year, also gathered momentum showing a marked improvement in customer expectations and perceptions of the bank. Giving professionals the recognition they deserve, we have added facilities and benefits into this innovative product over the year, which, judging by the results has been successful.

Sampath Team

The main thrust and driving force of our bank is the highly energetic and dynamic Sampath Team, whose strength of marrying technology with the more humane qualities of friendly service has been a feather in our cap. We work as one family because the Sampath Team owns 20% of the Bank and therefore are encouraged to treat the bank as their own. They continue to remain motivated by our vision and mission and are steeped in a milieu of values and principles that puts service above self for all. In 2002, we were judged the best HR practitioner in the service sector for large companies and this accolade, spurred us to



Managing Director's Report on Operations

further hone the talent and genius that is inherent in every member of our team. Our HR parameters following global HR guidelines encourage the precepts of working in a learning and excelling culture, while leadership skills becomes a natural evolution of these norms.

Our stringent recruitment processes coupled with continuous rigorous T&D programmes are designed to enable individuals to excel in their own right, while learning to function as a professional united team, firmly entrenched in the vision of becoming the best bank in all aspects of the industry. Meritocracy and gender equality remain a high priority in our operations and with "Sampath Chinthana", our team have the opportunity to create paths of excellence through innovation and originality. Constant enhancement of personal and professional goals, participatory management, productivity enhancement and the compulsory use of IT across the board for nearly all functions of the bank, including "Sampath Sandeshaya", which promotes a quick and effective internal communication channel, performance based rewards for individual and team excellence, are all methodologies that are designed to inspire, motivate and stimulate continuous improvement in our 1,579 strong Team.

Progressing Further

All our subsidiaries have performed extremely well, showing much better results than last year. Sampath Centre, the owning company of our Head Quarters building, has continued to show good results in its rental and maintenance operations, while Primary Dealer, Sampath Surakum the fully owned subsidiary of the Bank dealing in government bills and bonds, has seen a new semblance of dynamism. A few improvements to a more technology drive platform in line with scripless trading introduced by the Central Bank and an automated front and back office, has paid rich dividends. We are extremely pleased to pose a net profit of Rs. 143.9 Mn, an increase of 176.2% from last year.

With an unprecedented bullish sentiment pervading the Colombo Stock Exchange last year breaking many records, our stock broking company, SC Securities also climbed on the bandwagon of a good year, posting a profit of Rs. 25.7 Mn. We are currently in the process of making an application through the Central Bank to the Monetary Authorities for permission to purchase the remaining 49% of the company.

Our first offshore involvement in Bangladesh saw a complete turnaround in operations. It is now making reasonable profits, a trend that we are sure, will continue. Bangladesh has been quite competitive given the nature of our business operations, which is leasing and credit cards. Sourcing funds for leasing from that local market is challenging and a private label in credit cards is difficult to promote due to the increased number of players in the market. However, we have made some headway in that we

have obtained a licence from MasterCard, which we will introduce through Vanik Bangladesh, our partners, to act as a processor for other card issuers as well.

Our Corporate Finance Department was also instrumental in the restructuring of the Union Bank of Colombo, which has seen a remarkable turnaround this year, posting a comparatively good profit.

Risk Management

In the light of some global and local financial scandals that hit the headlines in the last few years, we continue to be extremely vigilant and conscious of managing risk and creating awareness of the need for good governance. While the language of responsible management is a priority, we are constantly reviewing, analysing and re-assessing risk management processes. ALCO (Asset and Liability Committee) meets regularly, at least once a week to review issues that need to be addressed and recommend the implementation of corrective measures. The Treasury has been riding the wave of success and Sampath Surakum has been very active. We always maintain that we are not in a race but aim to do well in line with our capabilities. Our ultimate goal is that the bank should remain strong while imparting adequate returns to stakeholders, which includes our Team. This is a balance we continue to uphold and sustain, keeping the bottom line at reasonable levels to give shareholders good returns while maintaining a strong balance sheet.

Responsible Citizenship

Being a totally local bank, we believe it is our duty and responsibility to play a major role in uplifting our society. Sustainable social development and protection of the environment form fundamental values in our corporate citizenship initiatives. Over the years we have partnered many organisations to hone the philosophy of environment protection and social development so that the people of this country can benefit from big business operatives as equally as from their own entrepreneurial ventures. While you will be enlightened further on our CSR projects elsewhere in this Annual Report, I have given you a synopsis of some of our links in the environment and social spheres.

With our forest cover depleting rapidly and environment protection becoming a topic that is being given more and more emphasis, we mooted the thought that important societal aspects should be inculcated in the very young, so that the future will definitely have those aspects ingratiated into its workings. We continue to sponsor radio programmes, which we have done for seven years, on the importance of conservation and preservation. We have initiated the novel concept of gifting a sapling to students who celebrate their birthdays, for them to learn about caring for the fauna and flora of our land, implemented a tree planting campaign of 1,000 trees in the Matale District, continue to donate Rs 5 from every issue of a SET

Managing Director's Report on Operations

card to the Wild Life and Nature Protection Society of Sri Lanka and have maintained our role as principal sponsor of The Biodiversity Care Trust.

The Sampath Team are always in the forefront when disaster hits the country, as they were, when floods hit the Southern Province. We took it upon ourselves to rebuild a school that had been completely destroyed. On a voluntary basis, our team members consciously seek out projects that have a bearing on communities and have over the last few years, restored and reconstructed a few tanks in farming areas, with the participation of our customers, which have proved to be a lifeline for the farming families using the resources of these tanks.

The Road Ahead

We have now seen the economy getting off the ground, a trade pact with India becoming a reality, increasing trade in the region. The leisure sector picking up and development projects under the "Regaining Sri Lanka" plan, encouraging organic growth within the country. We see immense opportunities emanating from the hugely untapped market in India through the free trade agreement, and we hope that we will see the free trade agreement with the USA too finalised. With Europe and the US emerging from a recession, there will be a demand for goods manufactured in Sri Lanka, judging by past experiences. While there is no doubt that competition will arise from China, I remain confident that we, as a country, can leverage our strengths to make our mark and create an aura of confidence in our export markets. The big quantum of aid that will be disbursed in 2004 will also see the rupee gaining strength against the dollar.

Within the bank, we will strive to continue to be the best in class in customer service levels. Our ethos of continuous improvement will gather momentum, as with increased competition within the industry, we cannot afford to remain complacent. We will continue to motivate our team to achieve higher goals, equipping them with effective T&D and technology to enable them to deliver the superior service our customers associate and expect of Sampath Bank. Innovations will take pride of place especially in the technology arena and we will remain on the path of acquiring and developing products to match or better similar practices and processes around the world. We have already completed ISO certification procedures in two areas of the bank and hope to cascade it eventually to the bank's entirety. We believe that internationally benchmarking ourselves gives us the intensity to accelerate our journey into the future. One of our beliefs is that we have to grow organically in Sri Lanka first and then venture to the SAARC countries. We see opportunities outside Sri Lanka and as a local bank, we aim to take necessary steps to benefit from such openings.

One milestone that comes to mind in the last year, is that the Bank surpassed the Rs 50 billion benchmark in total

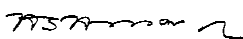
assets, which is a remarkable feat. It is now upto us, to use this as a springboard to make things happen faster and get to the next step. We will be focusing more on the bond market and corporate financing which will include the areas of restructuring, acquisitions and mergers, which we see becoming more of the norm in the coming years.

If the economy continues its upward trend as it has done in the last 12 months, we will become partners in the development processes mapped out for Sri Lanka.

Thank you

The outstanding success the bank has seen this year has been due to the collation of many factors and the unified vision of many people. The Chairman and Board of Directors of the Bank, have as always, been the inspiration that has impelled me to create a winning bank. And to create a winning bank, I have been surrounded by a dynamic and vibrant Team whose complete focus and zest for excelling in everything they do have been the vital ingredients in our success. Into this equation, the loyalty, trust and faith displayed by our customers and valued business partners have been the *raison d'être* of our celebrated status within the banking industry of this country. To each and every one of you, a heartfelt and sincere thank you, because without you, my personal mission of creating the best bank in the industry would remain unattainable.

Thank you.



Anil Amarasuriya,
Managing Director/CEO

17th February 2004



Board of Directors



Seated left to right

1. ANIL S. AMARASURIYA

Managing Director/CEO
ACA, ACMA, FSCMA

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.

Serving 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.

Serves as Executive Director in the subsidiaries of Sampath Bank Ltd namely, S C Securities (Pvt) Ltd and Sampath Surakum Ltd.

2. 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.

3. 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 24th September 1998.

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

4. 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.

5. SUNIL G. WIJESINHA

Director
MBA, FCMA, FMS

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 Sri Lanka Association for the Advancement of Quality & Productivity 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.



6. 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, and joined 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 Bible Trading & Forwarding Agency.

7. JAYAMPATHI D. BANDARANAYAKE

Director

LLB, FCIS

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.

8. DR. SAMAN KELEGAMA

Director

D. PHIL (Econ) OXFORD

Director since 1998

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

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

9. 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.

10. LAKSHMAN J. K. HETTIARATCHI

Director

LLB, 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 Organisation of Professional Associations and the Country Manager of IBM World Trade Corporation, Sri Lanka.

11. PRASANTHA LAL DE ALWIS

Director

LLB, LLM (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.

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

Visiting lecturer, University of Colombo.

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

Member of the Consumer Affairs Authority of Sri Lanka.

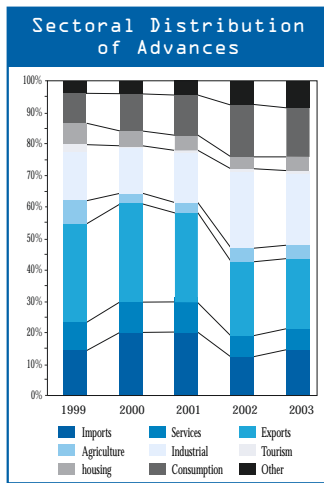


Solutions that worked in 2003

Corporate Banking

Performance

We began the year on a very positive note with much anticipated growth as predicted vis a vis national predictions, especially with regard to forecasted figures for the total industry. Having amalgamated the Corporate Credit and International Division last year to form the Corporate Banking Division, the growth in the Corporate Banking Division, which provides a significant component in our business volume, has been to our satisfaction. We have also seen growth both in the retail and personal banking sectors, though more so in personal banking.



Competition during the year has been keen and intense. Corporates have almost been inundated by innovative and revolutionary banking services touted industrywide. However, what has been most significant has been the drop in interest rates, which plummeted to 9.26% by the end of 2003. But it must be noted that the decrease in interest cost has not run in tandem with the saving on interest expenditure and this has resulted in an exertion of pressure by businesses for a reduction in interest rates. Being mindful of industry challenges and competition, the bank did, as always, meet business expectations by continuing to significantly decrease rates of interest throughout the year.

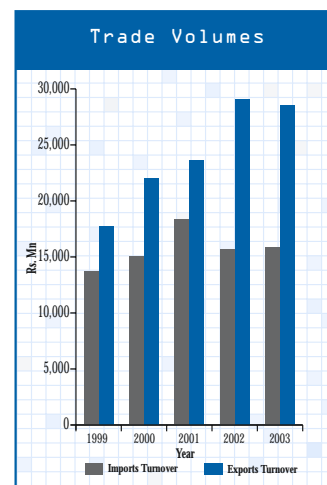
Business Relationship Improvement

With the Corporate Banking Division now amalgamated, we made some further structural changes in the international business sector. Constantly mindful of giving our customers convenience that couples global technology with a human touch, we combined Import, Export and FCBU operations under Trade Services. Comprising two departments, Trade Services and International Operations, the latter remains a back office function while Trade Services combines all customer interface operations. Our new customer services unit under this department, works on the premise of a one to one relationship, wherein a customer, irrespective of his needs, will complete all his discussions and transactions with a single customer service operative dubbed a Relationship Manager, translating into

speedier delivery channels. This initiative, while being an extremely convenient avenue for businesses involved in import, export and various other forms of trade, builds a stronger communication channel between the bank and corporate customers, giving them an individualised thoroughly personal service, which we believe is one of the strongest competitive edges we possess.

Reaching out to business

Syndicate loans requiring financing of Rs. 500 Mn and above is overlooked by the Corporate Finance Unit, which was formulated in the 2nd half of year 2003. The bank has made some headway through the CFU, disbursing a total of Rs. 2 billion this year.



Convenient Virtual Banking

Using IT's limitless possibilities to enable value additions to our customers, we have continued to add to the services of SampathNet throughout the year for our corporate customers, including the prospect of initiating Letters of Credit Online, ensuring a decrease in time lapses in this age of borderless commerce. In a corporate usability sense however, the myriad services offered by SampathNet have been slow to get off the ground from a corporate customer's point of view, due to the need of having to initiate foolproof authorisation systems at their end. But over this year, we have seen an increasing number of businesses utilise the SampathNet.

Pivoting on a constantly evolving platform of services that marry IT, convenience and customer service, the bank mooted the complete computerisation of the credit approval process for corporate customers, moving towards a paperless banking environment. The system based approval process, which from the time of origin will have instant access to the necessary personnel prompting an immediate response, includes Q&As online. While allowing our bank personnel to work in an enabling environment, this process also brings in an additional sense of accountability and a quantum leap in the time frame for a financial decision. For added convenience, the bank aims to give customers a single document with complete details,

irrespective of the number of loans or facilities obtained from the bank, which would enable extra fast expediency in their dealings with the bank.

Imparting knowledge

Focusing continuously on value added services towards its corporate customers with a view to 'helping them to help us', we organised two seminars for our customers involved in import and export. Eminent resource persons from the exchange control department, import control, customs and our own trade finance specialists, discussed the rudiments involved in international trading.

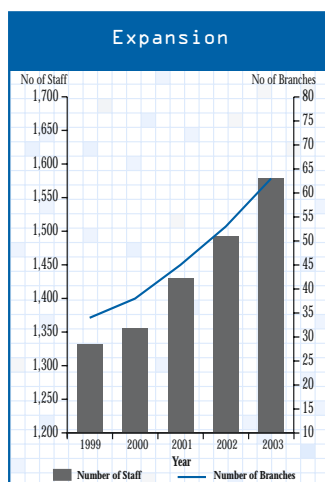
Future Outlook

Corporate customers are becoming increasingly price sensitive and with numerous DFIs (Development Finance Institutions) also venturing into commercial operations, and all commercial banks working on similar platforms of business, competition within the industry will be intense. However, we deem these surmountable challenges as we will continue to build upon the excellent customer relationships we have with our clientele and the constant infusion of globally based technologies, which we believe is a significant factor in the retention and development of our business.

Personal Banking

Performance

This year, we broke new ground in many areas in personal banking, recording an increase of 24.4% in Deposits to Rs.42 billion Advances were at Rs. 38 billion, showing a growth rate of 18.7% compared to 7.5% last year. The declining interest rates did affect us adversely with volumes decreasing, but in an overall context, the bank has been at the forefront in many initiatives with a view to combating increasing competition from DFIs and other commercial banks, whose presence around the country has now become more forceful and conspicuous.



Branch Network

For the first time in our history, we opened the highest number of branches for a single year, expanding our

network by 10 totalling to 63 with the intention of mobilising more deposits and propagating a savings culture, which is still low comparatively to other South Asian countries. Out of these 10 new branches, 04 will operate as Savings and Pawning Units concentrating on savings deposits, pawning and personal loans. After a strategic study of the country situation, we began operations in Vavuniya in the North and Ampara in the East, thus ensuring the bank's presence in most areas of the country. In 2004, the bank will be moving into Jaffna and Trincomalee, as well as Ambalangoda and Minuwangoda while initiating five more savings units, all strategically placed to enable total electronic connectivity through our diverse network.

Expanding on Pawning Operations

Seeing an increased demand for secure pawning services, we concentrated on expanding our pawning activities during this year. Even though the service has been available, with the bank netting about Rs 200 million in the year before, there was no thrust to bring this aspect of our service into the limelight. Considering the minimal risk involved, with some strident approaches during 2003, the bank was able to notch up Rs. 2.7 billion from this sector, an increase of 167%, much more than the forecasted Rs 2.1 billion.

Focus on the Professional

With our constant focus on continuous improvement and fulfilling customer demands, the launch of Sampath Professional during the latter part of 2002 to cater to young upwardly mobile professionals was more focused this year, with a marked increase in customer interest in this area. Prior to the launch of Sampath Professional, customer surveys revealed that the bank's stance did not conform to the expectations of the young professional and that prompted the bank to embark upon this initiative and also conceptualise the corporate campaign on similar lines. This year, professionals had the added facility of availing themselves of loan facilities of up to three times their monthly remuneration without the necessity of presenting guarantors.

Leasing

A focus area this year though begun as far back as 1992 is that the bank reactivated its leasing operations primarily for very select clients. The facility is intended mainly for professionals with credit worthiness, picked from our existing clientele, building on the long lasting relationships we have nurtured through the years. With the increased activity, leasing business more than doubled this year to Rs. 677.1 Mn.

Shelter for all

With shelter being a primary need, we embarked on an aggressive stance of catering to the housing needs of the land, introducing for the first time in housing loan history, a fixed rate of interest for twenty years under "Sampath Sevana". Our forecasted target for 2003 was Rs. 500 Mn and we have achieved Rs. 490 Mn, which is remarkable, considering the competitive rates of other development



and commercial banks. Under the purview of a controlling cell at the Commercial Credit Department, we accelerated the grant approval process, recruiting additional legal officers and streamlining the execution process. We aim for a challenging but achievable target of Rs 1.4 billion in 2004.

Strategic Alliances

Our valued business partnership with the Bank of Ceylon continues increasing the accessibility of ATMs to our customers. We have also formulated a partnership with SC Securities for margin trading, initiating a margin trading cell at Head Office, with plans for two more cells attached to our branches in Kandy and Matara. Not having adequately focused on margin trading activities earlier, we look forward to building on the foundation we have now secured and being more active in this area in 2004.

Constantly delighting our customers

Our entire philosophy is built on the solid foundation of customer service but with increasing challenges, we realise that we have to continue to improve with speedier services. While we are centered on continuous improvement, the constant spotlight on easy banking services through ATMs, cheque deposit machines, SampathNet, Telebanking, self updating passbook facilities, 24 hour kiosks and even information exchange through SMS, another speedy service being introduced to our customers, has given us great impetus to stay ahead of a constantly changing banking environment.

Information Technology

IT in today's context evolves at breakneck speed, and for us this heralds continuous reviews, upgrading and advancement of our IT strategies. We have secured the virtual world of e-banking across the nation, enabling even people without computers in their own homes, to access the virtual world at their convenience from our extensive branch network. e-banking has now become part and parcel of our daily banking transactions, increasing efficiency, ensuring speedier results and allowing the people of this land to benefit from an IT enabled environment, in line with the country's e-Sri Lanka ICT Roadmap of taking IT to every corner of Sri Lanka. A 30 strong team is in place to further popularise the virtual banking concept, propagating the policy of banking at customer convenience without even visiting the bank, but having our customer service intervention ready and available whenever required. In fact, due to our futuristic thinking, our IT platforms are ready for the IT revolution, in local and international trade, online share trading or in an everyday office or home environment.

Constantly upgrading

In March this year, in line with our policy of continuous improvement, we upgraded our core banking facility using Finacle to create a more efficient and faster banking service, while assisting our branches to function more effectively.

We remain to date, the first bank with over 60 branches to have total connectivity in real time, and over 80 ATMs in

similar mode. Off site ATMs akin to the drive-in ATM at Dharmapala Mawatha Colombo 7, the SLIIT campus, Nawala Road, Liberty Plaza and the BIA arrivals gate have become popular due to its practical locations and technology that allows customers to carry out any ATM transaction at any given time.

On the mobile platform, SMS messages will be employed for all banking alerts, and setting the appropriate parameters will enable any account holder to be alerted instantly, with regard to any account facility they may have with us.

Complying with all security guidelines for both MasterCard and Visa, our network is already certified to the international standards prevalent globally, with us being the only bank in Asia to be certified for verified by Visa while we plan to upgrade all of our ATMs to EMV standards and restructure the ATM switching software to a more sophisticated one.

Cheques cleared in one day

Sampath achieved yet another first by becoming the first bank in the country to clear all cheques drawn on all of its branches within one day, creating a benchmark in settlement systems through the use of our superior IT base. The one day clearing zone for settlement via Lanka Clear (Pvt) Limited which is the clearing house for all Sri Lankan banks, becomes an ideal tool for inter provincial trade. The time lapse for the clearing of in house cheques will be a maximum of six hours, while the minimum could be only a matter of minutes.

Customer Relationship Management System (CRM)

The CRM system developed in-house works on the premise of building long lasting relationships, a fundamental aspect of our corporate mission. The system will enable the bank to have comprehensive profiles of our customers wherein we can align ourselves to working towards their aspirations and needs with a more individualised personal approach.

Data Warehousing

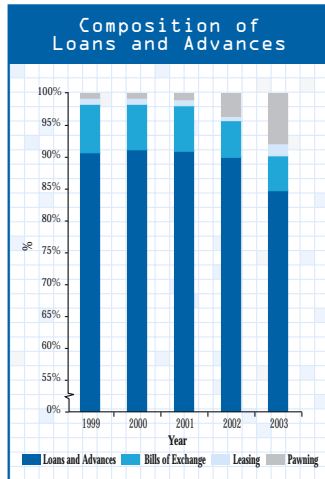
Piggybacking on the CRM system, the bank has further developed the IT system in-house to utilise the information gathered, by identifying customer paradigms and stratifying them into various areas. Although it is deemed a high investment in both time and human resources, we are the first in the local industry to formulate data warehousing to the extent where it covers all our customers across the island.

Entrepreneurial thrust

As one of the participating credit institutions in the "Sahanya" loan scheme, this year the project disbursed Rs. 625 Mn. "Sahanya" concentrates on the smaller and medium projects in the SME sector.

The bank deems it a social responsibility to empower the populace of the lesser-privileged areas and has always been in the vanguard, in encouraging the entrepreneurial spirit. "Sampath Saviya", begun in Tissamaharama,

Mahiyangana and Embilipitiya areas, aims to harness the strengths and talents collectively of villagers, empowering them with soft loans for working capital at concessionary rates of interest. This brings about a sense of achievement among those groups, while allowing the country to reap benefits from their aptitudes and flair.



We also selected a number of youth from the impoverished areas of Maguldamana in Polonnaruwa and Lankagama in Deniyaya areas, providing them loans for self-employment ventures. Despite various hardships, these youth have proved their 'never say die' spirit and the bank is happy to note a very encouraging recovery rate on its loan facilities offered to the youth in these two remote villages.

Marketing & Planning

Processes and Standardisation

The popular Japanese process management technique of 5S was implemented across some areas of the bank this year, mainly Credit Department, IT, Finance, HR and the Nawam Mawatha branch. The innovative approach has been totally inspired by the initiative of the Sampath Team with hopes to spread it bank-wide next year. It was interesting and awe inspiring to see total commitment in the team, even on weekends, working towards inculcating the 5S habit into their workplace and the pride of achievement of having achieved their goal.

The bank has also embarked on the initial phases of ISO certification for the Corporate Credit, HR and Headquarters branch with aspirations of being totally compliant next year.

We also aim to drive our planning project for 2004 through the Balanced Scorecard, using it as a tool for future planning and performance based rewards. The initial training phase has already started and is expected to take six months to complete, but we do hope that by end of 2004, the rudiments of the Balanced Scorecard will be operational in the bank.

Remedial measures

The bank formulated two departments to arrest the accumulation of bad loans on the principal that 'prevention is better than cure'. Although formed in 2002, the departments, Delinquency Monitoring System and the Credit Control Unit became more dynamic in their operations this year, and have been extremely successful in guiding our branches with advice and putting remedial measures into place.

Corporate Image

After 15 years of being among the best in the banking industry, we decided to reinforce our corporate ideals of traditional warmth and customer care, evolving on the foundation of cutting edge technology. 'Global in thought, Sri Lankan indeed' brought to the fore the reasons for our leadership and the necessity for us to continue developing and improving to stay ahead of the increasing competition. The corporate campaign was not only targeted towards the outside world of our customers and stakeholders but also infused into the Sampath Team, with whom the very essence of realising our corporate ideals rests upon. With the rest of the banking industry's focal point shifting from corporate banking to consumer banking, the piece of the pie will naturally shrink, making it even more challenging for us to remain among the leaders and therefore, reinforcing our presence in the industry was meant to fortify our strengths and capabilities.



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, published 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 present base capital as well as the core capital of the bank comfortably exceed the requirements.

	31/12/2003 (Rs. '000)		31/12/2002 (Rs. '000)	
	Assets	Risk Weighted Assets	Assets	Risk Weighted Assets
On Balance Sheet exposure				
Cash and Short Term Funds	8,574,129	443,434	12,506,820	851,505
Deposit with CBSL	3,266,542	-	2,156,195	-
Investments	3,687,107	634,331	1,992,006	623,440
Loans and Advances	34,286,279	25,459,383	23,660,551	17,916,935
Securities purchased under Repurchase Agreements	1,697,951	-	-	-
Other Assets	1,130,812	1,130,812	905,781	905,781
Fixed Assets	981,840	981,840	1,065,261	1,065,261
	53,624,660	28,649,800	42,286,614	21,362,922
Off Balance Sheet exposure				
Acceptance	1,379,797	275,959	1,164,886	232,977
Documentary Credits	3,272,397	654,479	1,724,216	344,843
Shipping and Performance Guarantees	7,861,744	4,584,459	5,096,380	2,255,058
Bills sent on collection	-	-	27,418	-
Forward Exchange Contracts	2,424,991	48,500	3,105,573	62,111
Undrawn Balances	3,552,514	14,009	-	-
	18,491,443	5,577,406	11,118,473	2,894,989
Total Risk weighted on Balance Sheet Assets and off Balance Sheet exposure		34,227,206		24,257,911

Capital Adequacy & Value Addition

Capital Adequacy

Qualifying Capital

	2003 (Rs. '000)	2002 (Rs. '000)
TIER 1		
Paid up Capital	442,849	442,849
Share Premium	34,328	34,328
Reserves	2,812,485	2,315,912
Tier 1 (Core Capital)	3,289,662	2,793,089
TIER 11		
Credit Loss Provision - General	152,989	143,799
Debentures	700,000	200,000
Revaluation Reserve (50% of the Reserve)	46,634	46,634
Tier 11 (Supplementary Capital)	899,623	390,433
Deductions	429,826	-
Total Qualifying Capital (Base Capital)	3,759,459	3,183,522
Core Capital - TIER 1 Ratio %	9.6	11.5
Total Risk-weighted Capital - TIER 11 Ratio %	11.0	13.1

Value Addition

Economic Value Addition

Year	2003 (Rs. Mn)	2002 (Rs. Mn)	2001 (Rs. Mn)	2000 (Rs. Mn)	1999 (Rs. Mn)
Shareholders' funds	3,382.9	2,886.4	2,533.7	2,289.5	1,964.7
Accumulated provision for credit losses	1,914.4	1,481.5	1,071.4	854.6	642.8
	5,297.3	4,367.9	3,605.1	3,144.1	2,607.5
Profit attributable to share holders	561.2	441.2	321.8	401.7	261.2
Provision for credit losses	490.2	404.1	201.0	195.0	181.0
Actual credit losses written off	(60.8)	(2.9)	(0.4)	(1.4)	0.7
	990.7	842.4	522.4	595.3	442.9
Economic cost % (12 months average Treasury Bill rate plus 2% risk premium)	10.13	14.45	19.49	16.25	14.00
Economic cost	536.6	631.2	702.6	510.9	365.1
Economic value addition	454.0	211.2	(180.3)	84.4	76.5

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

Financial Value Addition

	2003 (Rs. '000)	%	2002 (Rs. '000)	%
Value Added				
Income earned by providing banking services	6,015,791		5,443,885	
Cost of services	3,561,462		3,582,212	
Value added by banking services	2,454,329		1,861,673	
Non-banking income	28,600		33,000	
Provision for bad debts and diminution value of dealing securities	(488,329)		(391,132)	
Financial Value Addition	1,994,600		1,503,541	
Value allocated				
To employees				
Salaries, wages and other benefits	935,985	46.9	748,426	49.8
To providers of capital				
Dividends to shareholders	66,427	3.3	88,570	5.9
To government				
Income Tax	171,754		69,263	
Value Added Tax & Debit Tax	116,245		-	
National Security Levy	-		44,828	
	287,999	14.4	114,091	7.6
To expansion and growth				
Retained Income	496,573		352,636	
Depreciation	200,826		185,014	
Deferred taxation	6,790		14,804	
	704,189	35.3	552,454	36.7
	1,994,600	100.0	1,503,541	100.0



Share Information

Ordinary Shareholders as at 31st December 2003

Voting

Range From To	Resident				Non - Resident				Total			
	No of Share Holders	%	No of Shares	%	No of Share Holders	%	No of Shares	%	No of Share Holders	%	No of Shares	%
1 - 250	8,637	56.94	1,144,954	2.58	18	0.13	2,691	0.01	8,655	57.05	1,147,645	2.59
251 - 500	2,382	15.70	1,007,202	2.27	13	0.09	5,602	0.01	2,395	15.79	1,012,804	2.28
501 - 1,000	1,975	13.02	1,661,403	3.75	23	0.15	20,562	0.05	1,998	13.17	1,681,965	3.79
1,001 - 2,000	1,054	6.95	1,613,946	3.64	16	0.11	24,889	0.06	1,070	7.05	1,638,835	3.71
2,001 - 5,000	661	4.36	2,251,848	5.08	7	0.04	27,155	0.06	668	4.4	2,279,003	5.14
5,001 - 10,000	210	1.38	1,531,934	3.46	5	0.03	40,250	0.09	215	1.42	1,572,184	3.55
10,001 - 20,000	84	0.55	1,160,998	2.62	2	0.01	26,685	0.06	86	0.57	1,187,683	2.68
20,001 - 30,000	22	0.15	543,040	1.23	2	0.01	43,100	0.10	24	0.16	586,140	1.32
30,001 - 40,000	9	0.06	315,200	0.72	-	-	-	-	9	0.06	315,200	0.72
40,001 - 50,000	6	0.04	261,850	0.59	2	0.01	100,000	0.23	8	0.05	361,850	0.82
50,001 - 100,000	13	0.09	925,790	2.10	-	-	-	-	13	0.09	925,790	2.10
100,001 - 1,000,000	14	0.09	4,070,250	9.19	1	0.01	573,400	1.30	15	0.1	4,643,650	10.49
1,000,001 - Over	8	0.05	16,296,600	36.8	5	0.03	10,338,500	23.35	13	0.09	26,635,100	60.14
Total	15,075	99.38	32,785,015	74.03	94	0.62	11,202,834	25.30	15,169	100	43,987,849	99.33

Total no. of Shares Issued	44,284,904	100.00%
Total no. of Shares Registered	43,987,849	99.33%
Total no. of Shares Unregistered	297,055	0.67%

Note:

297,055 ordinary shares which were transferred by way of a private transfer off the trading floor of the Colombo Stock Exchange, to Sri Lanka Insurance Corporation Ltd - General Fund on 30.12.2003 have not been registered since it will result in the Sri Lanka Insurance Corporation Ltd exceeding the maximum shareholding limit permitted by the Articles of Association of Sampath Bank Ltd.

Analysis of Shareholders

Resident / Non - Resident

	31/12/2003			31/12/2002		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Resident shareholders	15,075	32,785,015	74.03	15,989	35,208,709	79.51
Non-Resident shareholders	94	11,202,834	25.30	96	4,973,684	11.23
Total	15,169	43,987,849	99.33	16,085	40,182,393	90.74

Individuals / Institutions

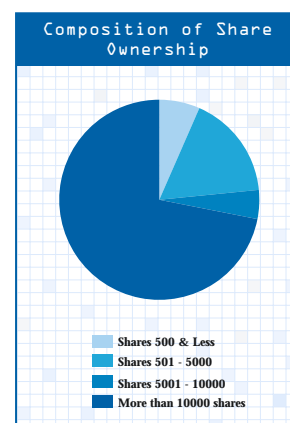
	31/12/2003			31/12/2002		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Individuals	14,865	17,247,137	38.95	15,735	18,243,556	41.19
Institutions	304	26,740,712	60.38	350	21,938,837	49.55
Total	15,169	43,987,849	99.33	16,085	40,182,393	90.74

Share Trading

	2003	2002
Market		
Number of Transactions	482,954	283,126
Number of Shares Traded	2,255,497,498	1,220,044,206
Value of Shares Traded (Rs. Mn.)	73,837.77	30,523.29

Sampath Bank

Number of Transactions	4,008	3,309
Number of Shares Traded	15,143,600	8,369,334
Value of Shares Traded (Rs. Mn.)	1,479.31	562.77
As a % of Value of Shares Traded in Market	2.00	1.84



Market Capitalisation

Year	Shareholders' Funds	Sampath Market Capitalisation Rs. Mn	CSE Market Capitalisation Rs. Mn	As a % of CSE Market Capitalisation	Market Capitalisation Rank
1999	1,965	2,037	112,800	1.80	11
2000	2,289	1,837	88,830	2.06	10
2001	2,534	2,789	124,044	2.24	08
2002	2,887	3,188	162,587	1.96	11
2003	3,383	3,698	262,838	1.41	16

Twenty Largest Shareholders as at 31st December 2003 (Registered only)

Name	No. of Shares	%
Accugain Investments Limited	2,214,200	5.00
Outlook Investments PLC	2,214,200	5.00
Sampath Bank Limited A/C No.02	2,214,200	5.00
Sri Lanka Insurance Corporation – Life Fund	2,213,800	5.00
Stassen Exports Limited	2,213,800	5.00
SSP Corporate Services (Pvt) Ltd A/C No.01	2,212,700	5.00
Corporate Services Limited A/C No.02	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 Singuppuli Aratchige Don	1,790,000	4.04
Elgin Investments Limited	1,742,300	3.93
Mr.B W Kundanmal	1,328,000	3.00
Mr.P Madanayake	657,900	1.49
Mr.B A Mahipala	625,000	1.41
Voyager Capital (International) Limited	573,400	1.29
Bank of Ceylon	439,800	0.99
Employees Trust Fund Board	395,300	0.89
Mr.P L C Jinadasa	381,000	0.86
Mr.L P Hapangama	312,000	0.70

Note:

297,055 ordinary shares which were transferred by way of a private transfer off the trading floor of the Colombo Stock Exchange, to Sri Lanka Insurance Corporation Ltd – General Fund on 30.12.2003 have not been registered since it will result in the Sri Lanka Insurance Corporation Ltd exceeding the maximum shareholding limit permitted by the Articles of Association of Sampath Bank Ltd.

Sampath Bank Debentures

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

For the year ended 31st December	2003	2002
Debt / Equity ratio	0.33	0.17
Interest cover	8.78	6.15
Interest rate of comparable government securities	7.15	10.17

(As at December 2003 the Sampath Debenture had 7 months to maturity. The government security, which had the closest maturity to the Sampath Debenture, is the 6 months Treasury bill.)

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

	Quarterly Interest 13.5% p.a		Annual Interest 14.2% p.a		Floating rate quar Interest 12.0% to 16.0%p.a	
	2003	2002	2003	2002	2003	2002
Highest price during the year (Rs.)	1,100	1,000	1,150	1,025	Not traded	900
Lowest price during the year (Rs.)	1,000	775	1,003	930	Not traded	900
Price as at last traded date (Rs)	1,025	1,000	1,050	1,025	Not traded	900
Last traded date	25.07.2003	07.11.2002	11.09.2003	10.12.2002	Not traded	02.12.2002
Current yield	13.2%	13.5%	13.5%	13.9%	Not traded	13.3%
Yield at maturity	5.0%	13.5%	9.1%	12.2%	Not traded	19.5%





from left to right

Mr. Wijyaratne Bandaranayake

Senior Deputy General Manager

Mr. Vimal Indrasoma

Assistant General Manager - Information Technology/Electronic Data Processing

Mr. Aravinda Perera

Deputy General Manager - Credit

Mrs. Shanthi Goonaratne

Deputy General Manager - Operations & Branch Credit

Mr. E A Sarathchandra

Assistant General Manager - Commercial Credit & Development Banking

Mr. Ruwan Cooray

Assistant General Manager - Treasury

Mr. Anil S Amarasuriya

Managing Director/Chief Executive Officer

Mr. Jayantha Alwis

Deputy General Manager - Information Technology/Electronic Data Processing

Mr. Ranjith Narangoda

*Deputy General Manager - Systems Development/
Electronic Banking & Card Centre*

Mr. Nimal R Tillekeratne

Assistant General Manager - Operations & Branch Credit II

Mr. Ganga Kariawasam

Assistant General Manager - Operations & Branch Credit I

Mr. Gunasena Widanapathirana

Assistant General Manager - Human Resource Development

Mr. Parama Dharmawardena

Deputy General Manager - Marketing, Finance & Planning

Managing risk is important today because of the complexity of modern financial instruments and volatility of exchange rates and interest rates. We believe that our ability of risk identification and management has a major bearing on profitability and long-term sustainability of the bank.

The proactive risk management culture in the bank is mainly due to the risk management policies and guidelines implemented by the bank that enhance the operational knowledge of managers in all operational areas. Scanning the environment and providing adequate resources are the other key elements of risk management of the bank.

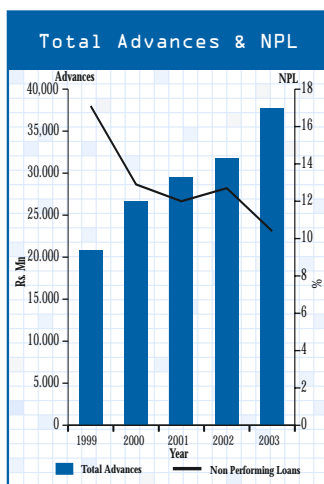
The risk management policies address different types of risks undertaken by the bank in its normal course of business.

Asset and Liability Committee (ALCO) has overall responsibility for the formulation of Asset and Liability policies and AL sub committees oversee all asset and liability operational functions on continuous basis.

Credit Risk

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

The Bank's credit risk management process consists credit policies, credit analysis, approvals, monitoring, remedial management and credit controls. The Bank has a well defined credit policy, which is being periodically reviewed by the Executive Credit Committee, with business objectives, portfolio limits, target market guidelines and risk asset acceptance criteria.



Portfolio limits have been set with a view to containing diversified risk and profitability objectives of loans and 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 within policy guidelines and meet approved credit standards. Once the facilities are disbursed, the bank continuously monitors their quality to ensure no deteriorations occurs in

this process. A risk classification system is being introduced to rate customers' credit quality periodically.

Independent Credit Control and Credit Supervision Units review the quality of credits on a continuous basis, and take immediate remedial action if deterioration signals appear on a particular credit facility. We believe that it is very essential to have a structural approach for the early identification of potential credit problems. The Internal Audit also contributed towards enhancing the credit quality, by ensuring the bank's compliance with credit policy.

Market Risk

Market risk arises from open positions in interest rates, currencies and equity instruments, all of which are exposed to market movements based on fundamentals and market speculation.

Management of market risk is a priority for the top management of the bank. The Board of Directors clearly articulate the market risk management policies, procedures, prudential risk limits, review mechanism and reporting and auditing systems, which address the banks' exposure on a consolidated basis. The accountability of line management has also been clearly defined.

The ALCO is functioning as the top operational unit in managing the balance sheet within the parameters laid down by the Board. The Bank has set up an independent group of middle level officers to track the magnitude of market risk on a real time basis. This group of officers have the necessary expertise in market risk management, financial management and general banking report to ALCO.

The main types of market risks include Liquidity risk, Interest rate risk, Foreign exchange risk and Investment risk.

Liquidity risk

The most fundamental of all banking risks relate to the ever present possibility of liquidity risk, that is the inability to meet the bank's commitments as and when they fall due.

The bank has assured its capacity to fulfil this obligation 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. So the ALCO regularly review the liquidity position of the bank with special reference to the maturity gap analysis. The ALCO is entrusted with the responsibility of managing maturity mismatch to ensure that there is sufficient available cash flow to meet possible withdrawals of deposits and other commitments, whilst enabling the bank to pursue valued business opportunities. The developed liquidity contingency plan, enables the Bank to respond quickly to unexpected disbursements.

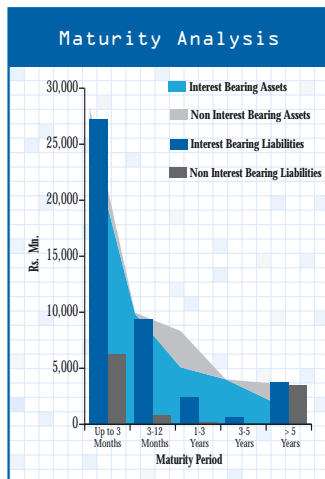


Managing risk

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 the stipulated liquid asset ratio of the Central Bank of Sri Lanka.

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, is 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 market risk management in Sri Lankan Banks. The impact of movements in interest rates on the net interest margin of the banks is clearly seen during the period under review.

Sampath Bank has clearly identified and quantified the interest rate risk exposure 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 serves as a basic technique which measures the interest rate sensitivity of the earnings while the recently introduced Duration Analysis measures the interest sensitivity of the capital of the bank.

ALCO regularly reviews the interest rate gap report of the bank, to ensure that the gap in each maturity bucket is within acceptable norms and minimises the adverse impact of the structural mismatch on future earnings, if there are movements in market interest rates. With the structural and maturity expansion of assets and liabilities of the balance sheet, Sampath Bank is confidently ready to apply the Value At Risk (VAR) technique.

Foreign Exchange Risk

Risk arises due to adverse movements in exchange rates during a period in which the bank is carrying 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 ALCO of the Bank regularly measure the sensitivity of the rupee value of assets and liabilities which are denominated in foreign currencies, to assess the un-anticipated changes in exchange rates, when the assets and liabilities are mature.

The Bank effectively manages its foreign exchange risks by placing suitable policy limits on foreign exchange exposures namely; aggregate mismatch limit, counter party exposure limits, intra day and overnight exposure limits and also other internal control guidelines. Management monitors the open position in foreign currency on a daily basis. In addition, the management is in a process of implementing sophisticated 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, Management assesses the of a particular operational risk occurring, the magnitude of the effect on operations and the bank's objectives and also the options available to manage and initiate actions to mitigate operational risk. The set of risk factors, which measures the risks in each of the branch and back office departments has been identified. These factors are audit ratings, operational data i.e. volumes, turnover complexity and data quality of operations such as error rate or measure of business risks including as revenue volatility. Management ensures the security of the system against unauthorised users or system errors and also infiltration, which is the area where fraud could occur. Additionally, the bank has well-established internal control systems, which includes segregation of duties, clear management reporting lines and adequate operating procedures.



from left to right

- Mr. Nanda Fernando**
Senior Manager - Credit Supervision
- Mr. Gaya Manamperi**
Regional Manager
- Mr. Indrajith Dissanayake**
Senior Manager - International Operations
- Mr. Kamal Abeysinghe**
Personal Assistant to DGM's
- Mr. Kapila Chandradasa**
Regional Manager
- Mr. Upul Karunaratne**
Regional Manager
- Mr. Jinith de Silva**
Senior Manager - Recoveries
- Mr. Ranjith Amarasinghe**
Senior Manager - Corporate Credit
- Mr. Upasiri Pathirana**
Chief Manager - Administration
- Mr. Mahinda Jayawardana**
Chief Legal Officer
- Mr. Kapila Karunaratne**
Senior Manager - Marketing & Business Development
- Mr. U L S de Silva**
Head of Internal Audit (Absent)
- Mr. Lalith Jayakody**
Senior Manager - Finance & Planning (Absent)





Answers to our customer's needs

In our 15 years of service to the nation, our products and services have always revolved on a constant goal of being focused unwaveringly towards giving our customers a mix of products and services that are both technologically futuristic, while also being geared to meeting the constantly changing needs of today's world. These ideals however are firmly entrenched within a total commitment to the traditional values of service that revolve on a friendly and supportive demeanour in all of us. We have, from our inception, most often remained the pioneers in technologically advanced innovative banking products and services, constantly utilising cutting edge technology in line with global innovations to present world class banking services to Sri Lanka. We believe that our main precept is to understand our clients, innovate solutions and empower them with financial tools to meet the challenges of a borderless world, which has moved towards customised products, high levels of convenience and a transformation in technology that remains unprecedented.



Sampath Easy Banking Centres

The premise of a round the clock bank was conceptualised in 14 locations to enable customers avail themselves of banking services at their convenience, day or night. Open 24 hours a day, these concept centres are unique self service units that allow customers to complete phone banking transactions, pass book updating, balance checking and even pay utility and amenity bills. In our country where telephone and internet infrastructure does not extend to personal domains, these centres enable customers to conduct their banking operations from the convenience of a simple click of a button, anytime of day or night. The Easy Banking Centres have been opened at City Branch, Maharagama, Kotahena, Wellawatta, Kalutara, Horana, Thimbirigasyaya, Narahenpita, Kandy, Peradeniya, Galle, Kadawatha, Battaramulla and Malabe.



Sampath PayEasy

Addressing the need for the growing demand of quicker and more convenient payment systems, www.payeasy.lk was another value addition in our range of technologically advanced products offered to our customers. A one stop internet portal for the payment of most utility bills including Sri Lanka Telecom, Celltell, Mobitel, Dialog GSM, Suntel, Lanka Bell, Multivision, Durdans Hospital, Asian Alliance, Dimo, LankaCom Services, Abans Electricals, M Entertainment, Lion Royal Travels and the Computer Society of Sri Lanka at present, the bank hopes to extend the range of companies in 2004 to make the service more varied and more convenient, making the concept of home banking much more of a reality. The service is open to customers of any bank, making the exercise of monthly visits to billing centres a thing of the past. While the facility is accessible for anyone with Internet access, for those without such access, the Sampath Easy Banking Centres provide the facility on a 24 hour basis. In addition, Master Card or Visa Card holders of any bank can settle their bills through Sampath PayEasy, while the headquarters branch now allows Maestro debit cardholders too to use the same service.



SampathNet

Introduced in the year 2000, we have continued to improve and innovate further value added services into this facility, which is a delivery channel for inquiries, fund transfers et al giving corporate and retail customers the convenience and flexibility of banking in their own time. The service available via the Internet and also the 24 hour Sampath Easy Banking Centres is akin to Sampath PayEasy, where even customers of other banks or Visa, Master Card or Debit Card holders can utilise the service on line.

This year, we extended the SampathNet facility to our valued corporate customers through the Corporate Payment System (CPS) enabling easy inter-banking routes for monthly payrolls and import/export needs. At present, approximately 200 companies have partnered us to become trendsetters in corporate banking solutions using CPS, giving them extra flexibility and value added services such as exclusive counters for imports, exports and FCBU.



Sampath Plus Point

Together with the bank's valued business partner Interblocks (Pvt) Limited, in introducing the first Sri Lankan Internet Payment Gateway we spearheaded yet another innovative programme for our credit and debit cardholders. Based on a loyalty programme and accumulation of points whenever goods or services are purchased from over 40 nominated merchants, customers have the additional benefit of redeeming points at their convenience. With restaurants, hospitals, hotels, clothing and appliance stores within the nominated merchant circle, the plus points accumulated have the additional reward of interest payments on the cardholder's daily Plus Point balance at the prevalent savings interest rate. And just as all services provided by the bank are IT accessible, the Plus Point balance too can be checked through any Sampath POS Terminal or by simply logging onto the bank's web page, www.sampath.lk.

Visa Platinum

Being the pioneer in introducing the Visa Gold cards to Sri Lanka, we went one step further this year and introduced the Visa Platinum credit card. Designed to be extremely exclusive, customers who are holders of the Visa Platinum card are celebrated as movers and shakers in the country and deemed by the bank as deserving to be in this elite group. The value additions for this range of cardholders are continuously enhanced to cater to the needs of such a significant section of the community, both in personal and business preferences.

Sri Lanka Cricket Visa Card

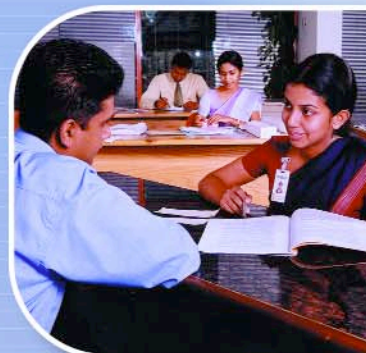
Sampath was proud to become the official credit card provider for Sri Lanka Cricket, spearheading a partnership in sport and banking. With a view to promoting Sri Lanka's most famous sport and giving additional benefits for those youth with potential and talent, the bank is now firmly entrenched within the portals of this gentleman's game to give a further boost to the nation's hopes and aspirations of competing in world class cricket.

Internet Payment Gateway

Another IT based revolution in banking, the bank further enhanced the facilities of its Internet Payment Gateway, increasing the number of merchants and having the distinction of initiating the highest number of transactions via the internet in Sri Lanka for a facility of this nature. Being an extremely secure payment procedure, the bank has deployed over 30 team members to upgrade and develop the system within the concept of promoting virtual banking across the nation.

Family SET Card

Being the pioneer in the ATM revolution in Sri Lanka introducing multi-point network Automated Teller Machines around the island 15 years ago, the bank this year introduced the Family SET card, giving family members the flexibility of operating a SET account with supplementary cards for the immediate family. With the SET facility available at 330 ATMs and 1,000 Maestro POS terminals as well as the Easy Cash Facility allowing instant cash methods at convenient points, the Family SET Card will enable members of an immediate family to have the convenience of instant cash and banking facilities operated from one account throughout the network locally and globally, without having the logistical difficulty of the SET card holder being present on site.



The Sampath Team



Time to enjoy - Sampath Family Day



They made us proud - Mercantile Cricket Champions

Sampath Team

Our young and energetic Sampath Team has always been at the helm of the driving energy of a caring and winning culture - a culture that is attuned to the present and in sync with the future. But it is the culture of being one family that stays truly motivated by an intrinsic drive to serve in the famed manner of Sri Lankan tradition, with the power of a smile, an extended hand, a sympathetic ear and a judicious word that makes us stand apart from our peers. Our teamwork revolves on the concept of one family, working together towards professional excellence, open mindedness, winning values and a commitment to service.

Having set a benchmark last year by being judged the best HR practitioner in the service sector for large companies, our overall HR and Training Policy evolves on the premise of enhancing professional competencies to create a caring culture. We have always set our standards above normal parameters, perceiving HR in a globalised context rather than a localised one. We believe in creating leaders who will go beyond their personal best to reach unprecedented levels in meeting challenges, accomplishing goals and above all else, caring for one and all through the intermingling of the proactive norms of technology and tradition to give of their very best.

We have always believed that a highly competent and supportive workforce is driven by leadership, togetherness, confidence, trust and professionalism. Having a low employee turnover ratio, lowest sick leave average per month within the industry and remarkably good industrial relations indicates the high quality of work life in this family where we inculcate the values of mutual respect, personal empowerment and organisational unity.

Recruitment practices

Our recruitment practices look for confident future leaders through their display of self confidence, communication, positive attitudes, leadership & organisational skills, IT literacy, the conduct of psychometric tests which emphasises team playing skills and the ability to face challenges in a changing environment, which are included in the major competencies. Given our strong IT platform, we want our team to be attuned to the values of change in a globalised world but yet have the ability to retain and uphold the age old traditions of our Sri Lankan culture. Having restructured our entire HR process to address changing future needs, we have now taken HR many steps further, incorporating extended socialisation, mentoring

for new recruits and group interaction sessions and involving line managers to take on the mantle of evaluating the success of the core competencies. These processes then herald the next step of further training through orientation, where adaptability, behaviour and contact with top management in an informal atmosphere allows for further assessment.

Training & Development

Enabling the bank to attract and retain the best professionals in the land, investment in T&D has been an absolute priority. This year, every employee of our 1579 strong team has been trained for an average of 72 hours per annum, internally, externally and/or internationally. While new recruits go through two years of comprehensive On-The-Job training before being deemed to join the celebrated professionals working towards success, a Training Record Book will document individual T&D methodologies worked on, in addition to periodic assessments, marketing capabilities, voluntary contributions and results from the Quarterly Induction Programmes.

Learning culture

Our people work within a learning culture which encourages constant enhancement of personal and professional knowledge. We in fact became the first bank to introduce the e-learning, a distance learning concept across all our branches, a concept developed in-house, which allowed our team to augment their personal acumen and expertise through interactive training sessions, while using this collated intelligence to help us achieve our vision. Having introduced a needs based English learning programme titled Linguaphone through our branches, we perceive a remarkable improvement in our Team, not only in business communication skills but also in overall confidence levels. The bank also continuously emphasises knowledge advancement in all its employees and encourages professional examinations to become a part of their individual learning philosophies, granting financial assistance for such needs.

Participatory Management

Working within a flatter organisational structure where the open door management policy inculcates an atmosphere of cohesive and unified decision making at all levels, the bank promotes interrelated, cross functional



Champion Rugby 7's Team



New leaves of Team Sampath

multi-level management teams to encourage participatory management. Being an equal opportunity employer and working on an ethos of meritocracy and gender equality, Sampath Chinthana allows the team to innovate and create ideas and initiatives, to deliver superior products and services, exceeding customer expectations and encouraging improved productivity throughout the team. In addition, the company based union, which includes management as its members work in tandem with the bank's policies and strategies towards the furtherance of its Vision and Mission, ensuring a cordial working environment throughout. By improving communication systems across the board via the Monthly Team Briefings using intranet facilities dubbed Sampath Sandeshaya, the quick and effective sharing of information and data among every strata of the team has become customary.

Complete Automation

A fully computerised HR system which manages all HR functions including recruitment, selection, training, employee benefits, leave, personnel data and MIS is now fully operational allowing us to use a highly competent technological base and real time data processing for quick decision making and accurate information gathering. This also assists us in our endeavours of continuous career advancement and guidance, where our HR personnel together with line managers, guide and advice individual team members on their strengths, weaknesses and future career directions within the concept of our strong philosophy of teamwork.

Performance Rewards

We work within the culture of teamwork but recognise individual excellence. We also believe that by recognising excellence, we are able to motivate and inspire the team to reach further goals. Within the bank, there are continuous performance based reviews, which include needs analysis and meeting of benchmark standards on customer satisfaction, employee satisfaction surveys, career planning and recognition. These analysis culminate in rewards based recognition that identify Customer Care Champions and the Best Branch among other tributes.

Excellence On The Field

There is no better method to create a winning team than with team sport, a facet we have nurtured since our

inception. Sport is a great unifier and helps individuals to work towards the common goal of excellence. And among our Team, we have some of Sri Lanka's best sportsmen and women, those representing the country in cricket, rugby, badminton, basketball and athletics.

We are proud that two most dynamic sportsmen of the Sampath Team, Marvan Atapattu who as Captain of the Sri Lanka one day cricket team steered the Sri Lankans with great aplomb and Pradeep Basnayake who has shown his prowess on the rugby field, was selected Captain of the National Seven-a-side Rugby Team. In addition, with the talent we have collated among every department and division, Sampath Bank emerged Champions at the Colombo Super League Basketball Tournament, Cup Champions at the Mercantile Rugby Sevens, Triple Champions of the Mercantile Hockey Knockout, League and Sevens during the year and Champions in the Mercantile 'C Division' Cricket tournament for the year 2002/2003.

Togetherness Off the Field

While every endeavour is made at all levels to focus our Team members on working together to achieve our mission, on the adage that 'All work and no play makes Jack a dull boy', becomes a prime reason to instill enjoyment whether in the workplace or in our external environs. By allowing the flourishing of sports, family outings, trips and intellectually stimulating events, we believe that holistic contentment can only be achieved if a person is fulfilled and gratified at all times. To achieve these levels of self-satisfaction, the bank continually organises events that will foster good relationships and solidarity among personnel at the bank and their families.

The Inter Branch/Department cricket tournament with the participation of 63 teams and the Annual Sampath Family Day, which creates an atmosphere of fun and frolic for the entire family are events organised by the Sports Club. 67 teams participated in the Inter Branch/Department quiz competition which was held for the ninth year and the most looked forward to event in the Sampath calendar, Sampath Nite had over one thousand team members and their spouses intermingle with the Management and Board of Directors for a night of good conversation, good music and good company.

Our Social Commitment



Managing Director presenting an artificial limb to a disabled soldier



A Blood Donation Campaign organised at the head office

Protection of the environment and sustainable social development are some of the responsibilities displayed by companies that take the concept of corporate governance a little further. It is imperative that we, as responsible corporate citizens of this land, perceive that overt management strategies such as social reporting, changes the way we conduct our business and makes us more accountable and responsible for the actions and decisions we take. Having our roots in the concept of being a truly Sri Lankan bank that has been built on traditions and cultural values which are fundamental to our people, we have, over our 16 years' of operation, partnered many organisations and mooted our own initiatives to be a socially responsible citizen working within the milieu of technology advancement. For us, corporate social responsibility is woven into the totality of our operations, because we consider it a vital aspect in everything we do.

Conservation and Preservation of the Environment

- "Parisarayata Vinadiyak" and "Ape Sampath" are Sinhala radio programmes on Sirasa FM which have been sponsored by the bank for seven years. The programmes have aired for a total of 5530 minutes and are conceptualised to educate the public on the natural resources of the country and the importance of conservation and preservation.
- A tree planting campaign to plant 1,000 trees along the Kandy-Matale Road was initiated by our Matale Branch, with the assistance of the Matale Municipal Council.
- Our Matale Branch donated ornamental plants to the V T Nanayakkara Park, maintained by the Matale Municipal Council.
- The novel concept of plant a tree on your birthday, "Upan Dinayata Pelayak" was initiated by our branches together with school authorities, to inculcate appreciation of the environment and conservation habits among students. Initially launched at our branches in Matale, Embilipitiya and Mahiyangana, students were gifted with a sapling on their birthday and encouraged to plant and nurture it.

- As general business practice, in line with our policy of contributing our mite to preserving the indigenous fauna and flora of Sri Lanka, we continue to donate Rs. 5 from every issue of the SET card to the Wild Life and Nature Protection Society of Sri Lanka, an organisation established in 1894 with a primary mandate of preventing the destruction and harmful commercial exploitation of animals, birds and plants in Sri Lanka.
- We continued our role as the Principle Sponsor of The Biodiversity Care Trust, a voluntary organisation established in 1996, which is engaged in protecting the already depleting bio-diversity of Sri Lanka. The main projects for this year included field surveys in selected areas such as the Sinharaja forest, conducting awareness programmes for school children on the importance of protecting endemic plants of Sri Lanka and planting of over 500 'Thiniya' saplings utilising the nursery, which was initiated with the aim of protecting the endemic plants.

Enhancing Literacy & Leadership

- Under the "Books of Asia" programme of the Asia Foundation, our Anuradhapura Branch sponsored the distribution of English reading material to the libraries of A/Swarnapali Balika Maha Vidyalaya and Katukaliyawa Maha Vidyalaya in Anuradhapura district to develop English literary skills of school children in those rural areas.
- Our IT/EDP and IT/Systems departments continued their social project for the third year to impart IT knowledge among the students of lesser privileged areas, focusing on rural schools that do not possess their own IT facilities. Forty students from three schools in Eheliyagoda were given comprehensive practical and theoretical training in basic computer concepts like Word Processing and Spreadsheets, e-mail and the Internet and its usage, with the help of the Eheliyagoda branch.
- "Sampath Daham Thilina" an initiative of the Sampath Bank Employees Association is a programme



Launch of 'Upan Dinayata Pelayak' Programme at Matale Branch



Restoration work at 'Uduwila Wewa'

that recognises and rewards students who excel in annual competitions held among Dhamma schools within each Shasanarakshaka Balamandalayas. Begun in 2001 as an annual programme, we organised prize distributions for eighty Shasanarakshaka Balamandalayas situated across all parts of the country. The prizes presented to students placed first to fifth in each grade comprising 32 events per grade, included books and uniform material.

- Within the concept that, given the correct tools of knowledge, the younger generation can be geared towards responsible leadership, the bank has been in the forefront of initiating projects together with universities and schools, providing students with career guidance and appropriate skills for employability. These programmes included mentoring and career guidance programmes for the University undergraduates of Moratuwa, Kelaniya and Ruhuna and the conduct of career guidance programmes and workshops for GCE A/Level students, parents and teachers of Royal College, Trinity College - Kandy, Dharmaraja College - Kandy, Nalanda Vidyalaya, Rahula College - Matara, Mahanama College and St. Aloysius College - Galle.

Helping the disadvantaged

- Our Sampath Team was in the forefront in assisting the large number of people affected by the floods in the Southern and Sabaragamuwa provinces, making lavish contributions towards essentials to be distributed in Deniyaya, Morawaka, Neluwa, Lankagama and Ratnapura areas. These included dry rations, medicine, kerosene lamps, schoolbooks and clothes.
- Most of our branches celebrated their anniversaries this year through community service projects, sharing the responsibility of looking after the communities that they function in, especially to those disadvantaged. Some of the projects included the donation of medical equipment and other necessities to hospitals, blood donation campaigns, tree planting campaigns and distributing gifts and meals to the differently abled children. The branches that undertook these worthy

initiatives were Thambuttegama, Mahiyangana, Wattala, Wennappuwa, Katugastota and Embilipitiya.

- The "557 Programme" initiated by the Ministry of Southern Region Development is aimed at overcoming the numerous difficulties faced by people and livestock in the drought stricken dry zone of the south, especially the Hambantota district. To ease the problem of accessibility to clean water, our Pettah Branch have taken it upon themselves to provide funding for the restoration of 'Uduwila Wewa' in the Tissapura Grama Sevaka division in Tissamaharama, which once renovated, will be a lifeline to 585 families comprising a population of 3,000 people in that area.
- Mederipitiya Kanishta Vidyalaya, located nine kilometers towards the border of the Sinharaja Forest in Deniyaya was completely destroyed by floods and landslides. The main school building, through which knowledge is imparted to nearly 200 students, was damaged beyond repair. Realising the trauma of both students and parents seeing a school destroyed to such an extent, and the uncertain future of their education due to this, the bank decided to rebuild the school, commencing work on the 27th of October 2003 to construct a building, housing five classrooms at a cost of over Rs 2.7 million.
- For a record 14th consecutive year, a Blood Donation Campaign was organised by the Sampath Bank Employees' Association at the Head Office premises with 125 donors comprising staff, customers and members of the public joining in towards this good cause.
- Having a high incidence of disabilities among our armed forces personnel due to the prolonged civil war experienced in the country, the bank has continuously striven to create an enabling environment for those soldiers and their supportive families to continue living life in as much normalcy as possible. In April this year, the Sampath Bank Card Centre Welfare Society organised a presentation of ten artificial limbs to disabled soldiers and presented scholarships for a monthly stipend of Rs 500 each to thirty children of these soldiers, which will continue until they complete their A/Levels.

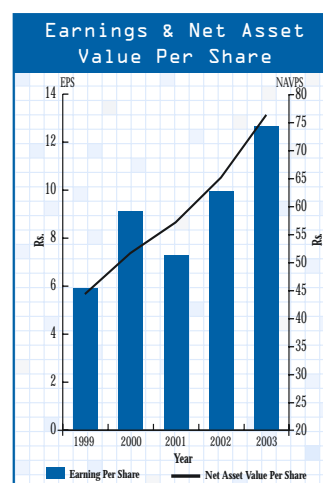
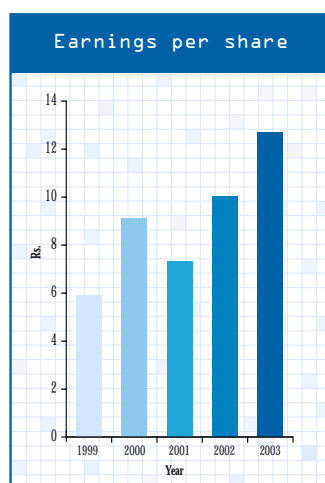
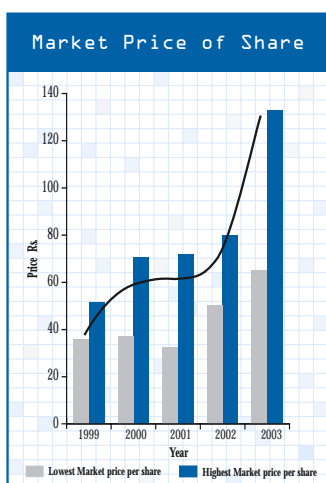


Performance Highlights

	2003 <i>(Rs. Mn)</i>	2002 <i>(Rs. Mn)</i>
For the year ended 31st December		
Gross Income	6,044.39	5,432.06
Net Profit before Tax	739.76	525.30
Net Profit after tax	561.22	441.23
Gross Dividends	66.43	88.57
Cost to Income Ratio %	60.8	64.7

	2003 <i>(Rs. Mn)</i>	2002 <i>(Rs. Mn)</i>
As at 31st December		
Customer Deposits	42,031.37	33,784.56
Customer Advances	37,662.17	31,739.26
Total Assets	54,054.49	43,016.84
Liquid Assets %	27.4	25.2
Shareholders' Funds	3,382.93	2,886.36
Net Assets per Share (Rs.)	76.39	65.18
Market Price per Share (Rs.)	83.50	72.00
Dividend Yield %	2.4	2.8
Capital Strength %		
	Tier I	11.5
	Tier I+II	13.1

	2003	2002
For the year ended 31st December		
Earnings per Share (Rs.)	12.67	9.96
Dividends per Share (Rs.)	2.00	2.00
Dividend Cover (Times)	8.4	5.0
Return on Shareholders' Funds %	17.9	16.3
Return on Average Assets (After Tax) %	1.2	1.1



Financial Statements

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Financial Calendar

Eighteenth Annual General Meeting to be held on	March 30, 2004
Dividends for 2002 paid on	April 05, 2003
Final Dividends for 2003 proposed to be paid on	April 06, 2004
Annual Report and Accounts for 2003 signed on	February 17, 2004

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

Annual Report and Accounts for 2002 (audited)	February 28, 2003
For the three months ended 31 March 2003 (unaudited)	May 08, 2003
For the six months ended 30 June 2003 (unaudited)	August 25, 2003
For the nine months ended 30 September 2003 (unaudited)	November 27, 2003
Annual Report and Accounts for 2003 (audited)	February 18, 2004

Financial Goals & Achievements

	Goals	Achievements				
		2003	2002	2001	2000	1999
Return on Average Assets	over 1.0%	1.2%	1.1%	0.9%	1.3%	1.2%
Return on Average Share Holders Funds	over 15.0%	17.9%	16.3%	13.3%	18.9%	14.0%
Cost / Net Income Ratio	below 65.0%	60.8%	64.7%	70.6%	63.6%	65.0%
Dividend Rate	over 17.5%	20.0%	20.0%	17.5%	17.5%	40.0%
Capital Adequacy Ratio						
Tier I	over 10.0%	9.6%	11.5%	10.5%	9.6%	10.5%
Tier I + II	over 12.0%	11.0%	13.1%	12.6%	12.0%	14.0%

Report of the Directors

Your Directors have pleasure in presenting the Directors' Report together with the Audited Financial Statements of your company for the year ended 31st December 2003.

Review of the year's performance

The Chairman's Review deals with the year's performance and the economic outlook. The Managing Director's Report gives a detailed description of the operation of the Bank/Group during the year under review.

Principle Activities

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

Corporate Governance

The focus on Corporate Governance is particularly intense in the financial services sector with the main emphasis on the banking sector.

Your 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. The 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 36 to 37.

Group

Sampath Bank had three subsidiaries as at 31.12.2003, namely, Sampath Centre Limited, Sampath Surakum Limited and S C Securities (Private) Limited. The bank also has one associate company, Vanik Bangladesh Ltd. The accounts of the subsidiaries and associate have been consolidated in the Group Accounts.

Authorised Share Capital

The authorised share capital of the Bank 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 July 2004. They are considered as part of the Tier II Capital.

Bond

Sampath Bank Limited has issued a deep discounted zero coupon bond with a maturity value of Rs. 3,458,108,968/- for 20 years and forms part of 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. 6,044 Mn as against Rs. 5,432 Mn for the previous year.

Profit & Reserves

The net profit attributable to the Shareholders of the Company for the year under review is Rs. 561.2 Mn and is analysed on page 40 under the Income Statement. Of the retained profit of Rs.22.3 Mn, inclusive of Rs. 0.1 Mn brought forward from the previous year, Rs. 28.1 Mn was transferred to Reserve Fund in accordance with the Banking Act No. 30 of 1988 and a sum of Rs. 444.6 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. 28.1 Mn. Consequently, the Reserve Fund amounts to Rs. 203.3 Mn.

Dividend (Interim Dividend)

Your Bank paid an Interim Dividend of 15% in November 2003.

The Directors recommend that a final dividend of 5% be declared on the paid up capital of Rs. 449,849,040/- as the final dividend for the year ended 31st December 2003, making the total dividend for the year 20%.

Capital Expenditure

A sum of Rs. 272.9 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 20 on pages 57 to 59.

Donations

During the year under review, the Bank has made donations amounting to a sum of Rs. 0.8 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 up to date.

Shareholding

The number of registered shareholders of the company as at 31st December 2003 was 15,169 compared to 16,085 as at 31st December 2002. The Schedule indicating the shareholders' analysis are on Pages 18 and 19.

Settlement of Dispute in relation to the 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, have been resolved through a settlement effected in Supreme Court, whereby, the said parties have now disposed all the shares which was in violation of the relevant regulation, to individual parties. This clears the uncertainty that existed about the ownership and control of the Bank.

Top 20 shareholders

A detailed analysis of the Top 20 shareholders of the Bank is given in Page 19.

Share Information

Information of share prices, earnings and volumes traded are given on pages 69, 30 and 18.

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. M.A. Abeynaike, Mr. J.D. Bandaranayake and Mr. W.M.P.L. De Alwis retire by rotation and being eligible offer themselves for re-election, on an unanimous recommendation of the Board of Directors.

Directors' Interest in Shares & Debentures - Sampath Bank Ltd

	No. of Shares As at 31.12.2003	No. of Shares As at 31.12.2002
Edgar Gunatunge	3,000	3,000
Edgar Gunatunge [Joint Holding]	91,000	91,000
I W Senanayake	236,800	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	5,500	5,200

Director's Interest in Contracts

Directors' interests in contracts with Sampath Bank both direct and indirect are declared in Note 33 and 34 on pages 63 and 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

In keeping with Corporate Governance, Transparency and Accountability, the Board has initiated the formation of Board Sub-Committees.

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 2003, the number of employees on the payroll of the Bank was 1579 as compared to 1492 as at 31st December 2002.

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

06 New Branches and 04 Savings Units were opened in the year under review, bringing the total number of branches to 63.

Meetings of Directors

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

Annual General Meeting

In complying with 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 30th March 2004. The notice of meeting can be found on Page 80.

The Subsidiaries

Sampath Centre Limited

The principal activity of this Company is renting office space at Sampath Centre to clients and providing ancillary



Report of the Directors

services to tenants. Sampath Bank owns 65.2% of the company.

The authorised capital of Sampath Centre Ltd is Rs. 700 Mn and issued and paid-up capital is Rs. 645 Mn. The Directors of the company are:

E. Gunatunge - Chairman
M.D. Samarawickrema
M.A. Abeynaike
A. de Costa
S. G. Wijesinha
S. P. Kannangara

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.

The authorised capital of Sampath Surakum Ltd. is Rs. 500 Mn whilst the issued and paid up capital is Rs. 150 Mn. The Directors of the company are:

E. Gunatunge - Chairman
M.A. Abeynaike
Dr. S Kelegama
L.J. K. Hettiaratchi
A.S. Amarasuriya
S.P. Kannangara
W. Bandaranayake
W. Dambawinne - Chief Executive Officer

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.

The authorised capital of the company is Rs. 50 Mn and the issued and paid-up capital of the company is Rs. 27,200,020/-. The Director's of the company are:

E. Gunatunge - Chairman
I.W. Senanayake
E.A. Gunasekera
A.S. Amarasuriya
T.T.B. Kim
R.A. Rizvi
H. Fernando - Chief Executive Officer

Associate - VANIK Bangladesh Limited

Sampath Bank invested Taka 40 Mn in the equity of Vanik Bangladesh Limited and thereby gained 20% ownership of the Company. Sampath Bank together with Chinkara Group, manages Vanik Bangladesh Limited.

Vanik Bangladesh has started making profits and two directors of the Bank, namely, M/s Edgar Gunatunge and A.S. Amarasuriya have been appointed to the Board of Vanik Bangladesh Limited.

Significant Investment

Sampath Bank also has a significant investment amounting to 15% in Asian Alliance Insurance Company Ltd. The Bank's Chairman, Mr. Edgar Gunatunge is on the Board of Asian Alliance Insurance Company Ltd.

Employee Share Ownership Plan (ESOP)

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.

Union Bank of Colombo Ltd.

At the request of the Directors of Union Bank and with the concurrence of the Central Bank of Sri Lanka, Sampath Bank agreed in principle to arrange for a consortium to invest in Union Bank and assist in the re-structure of the said Bank. With the conclusion of negotiations, Sampath Bank is advising and guiding the management of Union Bank of Colombo Ltd.

Going Concern

Your Board is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future.

Post Balance Sheet Events

Your directors are of the opinion that no transaction or any material event of an unusual nature has arisen from the end of the final year to date of this report, which would substantially affect the results of the operations of the Bank/Group for the Financial Year in respect of which the report is made.

By Order of the Board.



S. Sudarshan
Company Secretary

Sampath Bank Limited
110 Sir James Peiris Mawatha
Colombo 02

17th February 2004

Directors' Responsibility for Financial Reporting

In keeping with the statutory provisions, the Directors are required 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 2003 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 [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

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 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 and promote operational efficiency. For this purpose they have instituted a comprehensive system of internal controls. These comprise internal checks, reconciliations and a whole system of other controls required to carry on business in an orderly manner.

The Internal Audit Department under the guidance of the Audit Committee, monitors the effectiveness of the system of internal controls and recommends any modifications whenever necessary.

The Audit Committee appointed by the Board of Directors and comprising of Non-Executive Directors assist the Board in discharging the above functions.

The Bank's Auditors, M/s Ernst & Young also recommend improvements to Control Systems as they consider appropriate, on matters arising from the Audit process aimed at expressing an opinion on the financial statements.

The Bank Supervision Department of the Central Bank of Sri Lanka carries out periodic examinations of records and affairs of the Bank as deemed necessary, to conform to the Banking Act and its amendments. It also checks and ascertains 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

17th February 2004



Report on Corporate Governance

Corporate Governance is more focused on financial services, particularly in the banking sector.

The banking sector is already sensitised to public scrutiny, and is well aware of the risk of attracting adverse publicity through failings in governance and stakeholder relationships.

Governance in banks is a considerably more complex issue than in other sectors. Banks will attempt to comply with the same codes of board governance as other companies but, in addition, factors like risk management, capital adequacy funding, internal control and compliance will attract more importance on their matrix on governance.

This report also attempts to show how overall governance relates to internal control and audit. How the board committees scrutinise and question; complex financial and strategic matters taking place in our bank.

The Board of Sampath Bank

The Board of Sampath Bank consists of the Chairman and nine Non-Executive Directors. The Managing Director is the only Executive Director. The directors are of different disciplines and are committed to adopting sound corporate governance practices within the organisation.

The Board Responsibilities

The main responsibility of the Bank's Board is proper stewardship of the organisation, delivering a good return to its shareholders and protecting the interest of its constituents.

Directors with specialised knowledge and expertise contribute to creating a Board, which is exemplary, in its decision making.

Board Sub Committees

To carry out their duties and obligations in a professional manner, the board has the following sub-committees.

- Audit Committee
- Nominations Committee
- Credit Policy Committee
- Credit Approval Committee
- Remuneration Committee
- Strategic Planning committee

Audit Committee

This committee, established in 1997 is comprised of four Non Executive Directors, with Mr. M.A. Abeynaike as Chairman and three other directors, namely Mr. I.W. Senanayake, Mr. S. G. Wijesinha and Mr. L.J.K. Hettiaratchi and has the following major objectives:

- To ensure that the Bank complies with all relevant Laws and Bank policies.
- Ensuring that a sound financial reporting system is in place, is well managed and accurate information is provided to regulatory authorities, shareholders and stakeholders.
- Effective internal control management.
- Monitoring and assessing the External Audit Function
- Assisting the Board on the above matters

Nominations Committee

Comprises of three Non Executive Directors, Chaired by Mr. Edgar Gunatunge, the Chairman of the Bank, and two

directors namely, Mr. I.W. Senanayake, Deputy Chairman of the Bank and Mr. M.A. Abeynaike, Chairman of the Audit Committee.

This Committee is responsible for the identification of suitable persons with business acumen and professionalism, as and when required, for nomination to the Board.

These persons once appointed to the Board, are eligible for re-election by the shareholders at the subsequent Annual General Meeting.

Credit Policy Committee

This Committee is headed by Mr. Edgar Gunatunge, Chairman and comprises of two Non-Executive Directors, Mr. D.J. Gunaratne Mr. E.A. Gunasekera, Mr. Anil Amarasuriya-Managing Director and Mrs. Shanthi Gooneratne-Deputy General Manager-Operations and Branch Credit. They are responsible for formulating and guiding the Bank's Credit Policy and the Management of Credit Risks.

Credit Approval Committee

This Committee comprises of Mr. E. Gunatunge, (Chairman) and M/s M.A. Abeynaike, S.G. Wijesinha, E.A Gunasekera and A.S. Amarasuriya, (Managing Director).

This committee has been appointed by the Board, in the event of credit approvals which have to be granted, on an urgent basis. The committee can call for a meeting when deemed necessary.

Remuneration Committee

This committee comprises of three Non-Executive Directors headed by Mr. J.D. Bandaranayake as Chairman and M/s L.J.K. Hettiaratchi and W.M.P.L. De Alwis. This committee maintains a market oriented remuneration policy for the Bank's management and its executive staff.

Strategic Planning Committee

Mr. Edgar Gunatunge (Chairman), heads the Strategic Planning Committee, with five other directors, namely, M/s M.A. Abeynaike, S.G. Wijesinha, L.J.K. Hettiaratchi and J.D. Bandaranayake, and the Managing Director/CEO. The committee is responsible for Strategic Planning of the Bank and recommending appropriate strategies to the Board.

In addition to the guidance given by members of the relevant committees, the bank, when deemed necessary, obtains the services of professionals for advice and guidance.

The Chairman

The Non-Executive Chairman's role ensures that all Directors contribute to the sound governance of the Bank in line with their capabilities. Mr. Gunatunge who is in this position, being a veteran banker with 48 years experience in banking, is responsible with the Board of Directors for the smooth functioning of the Bank, fully alert to any obstacles that could be encountered.

The Chief Executive

The Chief Executive is responsible for creating the right balance of power needed for effective governance. This includes the fixing of targets at the start of the fiscal year, reviewing performance at mid-year and assessing results at the end of the year.

Report on Corporate Governance

The Chief Executive of the Bank, who has been with Sampath Bank since 1989, with his overseas banking experience, fits the role of Chief Executive in the bank well, in keeping with the bank's overall goals.

Ratings from customers and institutional investors, employee satisfaction surveys and comparisons of the Chief Executives' performance with that of leaders inside and outside the industry, are all useful sources of information in identifying and evaluating the risks to which the organisation is exposed, setting and communicating clear goals.

Corporate & Executive Management

The Corporate & Executive Management of the Bank is responsible for workings within the controlled environment and framework set out by the Board and the Chief Executive. They ensure risks and opportunities are identified and managed in time to achieve the goals as well as maintain agreed controls within the budget.

Shareholder Value Enhancement

This is a key area, which has the Board's attention. The staff dealing in this area provide information to current and potential investors and respond to their queries efficiently and in a very professional manner.

Depositors' Interests

The Board is responsible for ensuring that the Bank has adequate and effective control systems to safeguard depositors' interests and to minimise any possible mismanagement. This is an area where the bank differs from other companies, as the deposits outstrip the share capital by a wide margin.

Compliance Report

Compliance with the Regulatory framework has become an essential tool in regulating the financial market.

The bank, on a periodic basis, forwards a number of confirmations to the regulator, certifying compliance to rules set by them from simple declarations, to complex calculations. Thus the regulator knows that the Bank is in line with its aspirations in developing corporate integrity and sustainability of the financial sector of the country.

On the other hand, the compliance keeps the Bank in conformity with continuously changing international and local standards.

Corporate Social Responsibility

The Bank takes great pride in being a responsible corporate citizen. Please read the report on Corporate Social Responsibility as given in page 28 and 29 in the Annual Report.

Internal Controls

Your Board has ensured that the bank has adequate internal controls in place. The report of the Audit Committee is given on page 38 and the Directors' Statement on Financial Responsibilities is given on page 35. These give details of internal controls.

Team Sampath

We consider the over 1500 employees, who make up the "Team Sampath" as our key source of strength and the competitive edge.

Continuity of management, together with the maintenance of a distinctive culture to which all employees are aligned has been a major factor in our success.

As a visionary Bank, we carefully develop, promote and select management talents from inside the organisation.

We identified and promoted 159 members to higher positions (supervisory and management) during the year 2003, while recruitment from outside was restricted to entry-level positions and non mainstream/technical areas.

The rapid increase of our delivery channels created an increased number of opportunities for bright young people to join Team Sampath during the year 2003. 154 candidates out of 1,760 applicants were successful in joining our Bank, as their employer of choice. Our high standards of recruitment identified the right calibre of people from both Universities and Colleges.

Training and developing staff has been a fundamental activity during the review period. Fifty six (56) Training Modules and 243 Programmes were conducted at the Training Centre. We achieved the set individual training target of 60 hours per team member for the year, through in-house provincial level and branch/department level training. Thirty eight (38) team members were enrolled in Management Development Programmes here in Sri Lanka and abroad.

A new Performance Appraisal Scheme based on the Key Business Drivers of the Bank was developed and implemented for team members in the Executive and Managerial Grades in the year 2003. The new scheme linked the Bank's Business Strategy, with individual performance and facilitated continuous dialogue between supervisor and team member on performance, personal aspirations and development.

Financial Disclosure and Transparency

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the Companies Act No. 17 of 1982 and Banking Act No. 30 of 1988 and 33 of 1995. The Quarterly Statements are published in compliance with the disclosure requirements of the Colombo Stock Exchange. In keeping with increased transparency, the Bank has commenced sending quarterly reports to its shareholders.

The Directors Report on pages 32 to 34 gives the necessary disclosure.

By Order of the Board.



S. Sudarshan
Company Secretary

Sampath Bank Limited
110 Sir James Peiris Mawatha
Colombo 02

17th February 2004



Audit Committee Report

The Audit Committee comprises four non-executive directors. The Committee held 4 meetings during the year under review. The Managing Director, Senior Manager-Finance & Planning, Head of Internal Audit, Manager-Systems Audit and a representative of the External Auditors were present at meetings by invitation. The Company Secretary functions as the secretary to the Committee.

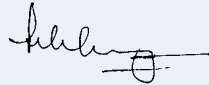
The objects of the Committee are to assist the Board of Directors to carry out its responsibilities relating to the following areas;

1. To ensure that a sound financial reporting system is in place and is well managed in order to provide information required by the Management, Regulatory Authorities and Shareholders on an accurate and timely basis.
2. The Review & implementation of Internal Controls.
3. To ensure compliance with statutory requirements and the Bank's policies.
4. To assess the independence of the External Auditor and monitor the External Audit function.
5. The management of business risks.

The Committee discharged its responsibilities in the following manner:

1. Review of the design and implementation of financial reporting systems
2. Periodic review of internal control systems and monitoring their implementation.
3. Evaluation of the adequacy of controls relating to computer security and electronic data processing.
4. Review of the resources, programmes and reports of the Internal Audit division.
5. Review of the scope of the External Audit function.
6. Review of the Management Letter issued by the External Auditors and monitoring the implementation of recommendations therein.
7. Monitoring of compliance with laws, regulations, listing rules and established policies of the Bank.

The Committee has recommended to the Board of Directors that Messrs Ernst & Young be reappointed as Auditors for the year ending 31st December 2004, subjected to the approval of shareholders at the Annual General Meeting. The Audit Committee will recommend the fees payable to the Auditors for approval by the Board.



Mohan A. Abeynaike
Chairman
Audit Committee

17 th February 2004



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P. O. Box 101
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Sri Lanka

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E-Mail : eysl@lk.ey.com

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 2003, the Consolidated Balance Sheet of the Bank and its Subsidiaries as at that date and the related statements of Income, Cash Flows and Changes in Equity for the year then ended, together with the Accounting Policies and Notes as set out on Pages 44 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 2003 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 2003 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 2003 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 2003, except as stated in Note 33 to these financial statements.

Ernst & Young
Chartered Accountants

Colombo

18th February 2004

■ Partners : G A E Gunatilleke FCA T K Bandaranayake FCA M P D Cooray ACA FCMA
Ms. Y A De Silva ACA W R H Fernando FCA FCMA A P A Gunasekera FCA FCMA
A Herath FCA D K Hulangamuwa ACA FCMA LLB (Lond)
A S M Ismail ACA FCMA H M A Jayasinghe ACA FCMA
Ms. L C G Nanayakkara ACA FCMA A D B Talwate FCA FCMA



Income Statement

For the year ended 31st December	Note	Bank		Change %	Group	
		2003 (Rs. '000)	2002 (Rs. '000)		2003 (Rs. '000)	2002 (Rs. '000)
Income	3	<u>6,044,391</u>	5,432,057	11.3	<u>6,681,034</u>	5,590,600
Interest income	4	<u>4,948,244</u>	4,612,265	7.3	<u>5,403,316</u>	4,719,987
Less : Interest expenses	5	<u>2,601,867</u>	2,834,017	(8.2)	<u>2,980,012</u>	2,880,919
Net interest income		<u>2,346,377</u>	1,778,248	31.9	<u>2,423,304</u>	1,839,068
Other income	6	<u>1,096,148</u>	864,620	26.8	<u>1,277,718</u>	916,586
Operating income		<u>3,442,525</u>	2,642,868	30.3	<u>3,701,022</u>	2,755,654
Less : National Security Levy		-	44,828	(100.0)	-	45,973
		<u>3,442,525</u>	2,598,040	32.5	<u>3,701,022</u>	2,709,681
Non-Interest Expenses	7					
Personnel costs		<u>817,985</u>	678,426	20.6	<u>829,500</u>	687,241
Premises, equipment & establishment expenses		<u>778,649</u>	686,582	13.4	<u>705,412</u>	636,666
Provision for retirement benefits		<u>118,000</u>	70,000	68.6	<u>118,242</u>	70,159
Other overheads		<u>379,764</u>	246,599	54.0	<u>408,221</u>	260,145
		<u>2,094,398</u>	1,681,607	24.5	<u>2,061,376</u>	1,654,211
Profit before Credit losses & Diminution in value of Investments		<u>1,348,126</u>	916,433	47.1	<u>1,639,647</u>	1,055,470
Less : Credit loss provisions	8.1	<u>490,225</u>	404,092	21.3	<u>490,225</u>	404,092
Diminution in Value of Investments	8.2	<u>1,896</u>	-	-	<u>1,896</u>	-
Add : Appreciation in value of Investments	8.2	-	12,960	-	-	12,960
Share of profit before tax of Associate Companies		-	-	-	<u>7,119</u>	-
Operating profit before taxation		<u>856,005</u>	525,301	63.0	<u>1,154,645</u>	664,338
Add : Writing back of negative good-will		-	-	-	-	3,309
Less : Goodwill on Consolidation		-	-	-	<u>7,265</u>	-
Value Added Tax		<u>116,245</u>	-	-	<u>128,185</u>	-
Profit before taxation		<u>739,760</u>	525,301	40.8	<u>1,019,195</u>	667,647
Less : Provision for taxation	9	<u>178,544</u>	84,067	112.4	<u>207,798</u>	103,140
Profit after taxation		<u>561,217</u>	441,234	27.2	<u>811,397</u>	564,507
Less : Minority interest		-	-	-	<u>77,346</u>	69,610
Net Profit for the Year		<u>561,217</u>	441,234	27.2	<u>734,051</u>	494,897
Earnings per share	10	<u>12.67</u>	9.96	27.2	<u>16.58</u>	11.18

The Accounting Policies and the Notes from pages 44 to 66 form an integral part of these Financial Statements.

Balance Sheet

As at 31st December	Note	Bank		Change %	Group	
		2003 (Rs. '000)	2002 (Rs. '000)		2003 (Rs. '000)	2002 (Rs. '000)
Assets						
Cash and short term funds	11	1,581,243	2,114,516	(25.2)	1,581,329	2,114,600
Balance with Central Bank of Sri Lanka		3,266,542	2,154,369	51.6	3,266,952	2,156,196
Treasury bills	12	261,469	556,156	(53.0)	285,555	619,592
Dealing securities	13	3,363,409	2,788,742	20.6	9,239,987	4,198,719
Placements and loans with banks	14	1,867,767	725,203	157.6	1,867,767	725,203
Investment securities	15	5,165,295	3,495,832	47.8	5,157,033	3,495,832
Securities purchase under re-sale agreement	16	1,697,952	-	-	1,753,681	4,871
Loans and Advances	17					
Bills of exchange	17.1	1,863,912	1,625,184	14.7	1,863,912	1,625,184
Loans and Advances	17.2	31,785,363	27,040,649	17.5	31,769,627	27,038,160
Lease rentals receivable-before 31/12/2004	17.3.2	264,687	98,698	168.2	264,687	98,698
Lease rentals receivable-after 31/12/2004	17.3.3	372,318	117,734	216.2	372,318	117,734
Investment in Associate companies	18.1	66,252	-	-	41,652	-
Investment in Subsidiary companies	18.2	385,626	385,626	-	-	-
Interest and fees receivable		546,072	474,416	15.1	676,030	490,586
Other Assets	19	435,767	379,297	14.9	479,643	405,327
Goodwill on Acquisition	29.2	-	-	-	27,217	2,763
Property, plant and equipment	20	1,130,812	1,060,414	6.6	1,897,575	1,830,880
Total assets		54,054,486	43,016,836	25.7	60,544,964	44,924,345
Liabilities						
Deposits	21	42,031,369	33,784,557	24.4	42,029,425	33,781,475
Proposed dividends		5,639	92,144	(93.9)	5,639	92,144
Refinance borrowings		1,123,059	844,294	33.0	1,123,059	844,294
Other borrowings	22	3,202,884	2,036,977	57.2	3,183,726	2,048,970
Securities sold under repurchase agreements		-	-	-	5,654,681	1,248,124
Other liabilities	23	2,914,657	2,692,000	8.3	3,009,957	2,784,138
Current Taxation	24	86,259	7,108	-	112,321	22,071
Deferred taxation	25	180,189	173,399	3.9	181,281	173,707
Other liabilities evidenced by paper	26	1,127,500	500,000	125.5	1,127,500	500,000
Total liabilities		50,671,556	40,130,479	26.3	56,427,590	41,494,923
Shareholders' funds						
Issued share capital	27	442,849	442,849	-	442,849	442,849
Reserves	28					
Capital reserves	28.1	127,596	127,596	-	148,754	148,754
Statutory reserve fund	28.2	203,332	175,271	16.0	203,332	175,271
Revenue reserve	28.3	2,609,153	2,140,641	21.9	2,853,690	2,212,341
Total shareholders' funds		3,382,930	2,886,357	17.2	3,648,625	2,979,215
Minority Interest	30	-	-	-	468,750	450,207
Total liabilities and shareholders' funds		54,054,486	43,016,836	25.7	60,544,964	44,924,345
Net asset value per share (Rs)		76.39	65.18	17.2	82.39	67.27
Commitments and contingencies	31	15,015,109	11,823,227	27.0	15,015,109	11,823,227

The Accounting Policies and the Notes from Pages 44 to 66 form an integral part of these financial statements.

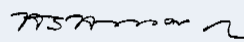
Approved and signed for and on behalf of the Board



Edgar Gunatunge
Chairman



I.W. Senanayake
Deputy Chairman



Anil Amarasuriya
Managing Director



S. Sudarshan
Company Secretary

17th February 2004,
Colombo.

Cash Flow & Reconciliation Statement

For the year ended 31st December	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Cash flow from operating activities				
Interest & commission receipts	5,483,134	4,986,359	5,938,206	5,094,081
Interest payments	(2,601,867)	(2,834,017)	(2,980,012)	(2,880,919)
Receipts from other operating activities	579,704	445,293	789,874	528,387
Cash payments to employees and suppliers	(1,513,808)	(1,249,994)	(1,445,903)	(1,203,250)
Payments for other operating activities	(496,009)	(291,427)	(536,406)	(306,118)
Operating profit before changes in operating assets [note (a)]	1,451,153	1,056,214	1,765,759	1,232,181
<i>(Increase)/Decrease in operating assets</i>				
Short term funds	(1,142,564)	533,698	(1,142,564)	533,698
Balance with Central Bank of Sri Lanka	(1,112,173)	(329,052)	(1,110,756)	(330,422)
Securities purchased under resale agreements	(1,697,952)	1,633,778	(1,748,810)	1,861,117
Funds advanced to customers	(5,955,009)	(3,150,209)	(5,941,762)	(3,158,269)
Other assets	(128,127)	(113,635)	(259,759)	(100,959)
	(10,035,825)	(1,425,420)	(10,203,651)	(1,194,835)
<i>Increase/(Decrease) in operating liabilities</i>				
Deposits from customers	8,461,394	3,511,503	8,462,532	3,520,588
Negotiable certificates of deposit	(214,582)	604,257	(214,582)	604,257
Securities sold under repurchase agreements	-	-	4,406,557	749,547
Other liabilities	222,657	98,120	225,819	83,878
	8,469,470	4,213,880	12,880,327	4,958,270
Net cash flow from operating activities before income tax	(115,202)	3,844,674	4,442,434	4,995,616
Income tax paid	(92,603)	(37,581)	(109,974)	(42,669)
Net cash flow from operating activities	(207,805)	3,807,093	4,332,460	4,952,947
Cash flow from investing activities				
Investment in Associate/Subsidiary companies	(66,252)	(5,099)	(66,252)	-
Government of Sri Lanka Treasury Bills	294,687	48,637	334,037	138,396
Income from investments	12,432	14,835	12,432	14,835
Purchase of non dealing securities	(2,246,025)	(2,806,203)	(6,704,364)	(3,925,810)
Dividends received on investments in subsidiary	28,600	33,000	-	-
Proceeds from disposal of property, plant and equipment	3,016	1,374	4,657	3,246
Purchase of property, plant and equipment	(272,949)	(215,354)	(277,312)	(230,911)
Net cash flow from investing activities	(2,246,491)	(2,928,810)	(6,696,801)	(4,000,244)
Cash flow from financing activities				
Increase in Bonds	627,500	-	627,500	-
Minority Interest	-	-	(58,803)	(58,400)
Increase/(Decrease) in other borrowings	1,444,672	(365,786)	1,413,521	(393,793)
Dividends paid	(151,148)	(76,073)	(151,148)	(76,073)
Net cash flow from financing activities	1,921,024	(441,859)	1,831,070	(528,266)
Net Increase/(decrease) in cash and cash equivalents	(533,273)	436,423	(533,271)	424,437
Cash and cash equivalents at the beginning of the year	2,114,516	1,678,093	2,114,600	1,690,163
Cash and cash equivalents at the end of the year [note (b)]	1,581,243	2,114,516	1,581,329	2,114,600

Reconciliation Statement

As at 31st December

Note (a)

Reconciliation of operating profit

Profit before provision for income tax	739,760	525,301	1,019,195	667,647
Profit/(Loss) on disposal of Property, Plant & equipment	(1,291)	(323)	(1,291)	(2,195)
Income from investments	(12,432)	(14,835)	(12,432)	(14,835)
Provision for diminution in value of dealing securities	1,896	(12,960)	1,896	(12,960)
Inter company dividends	(28,600)	(33,000)	-	-
Share of profit before tax of				
Associate Companies	-	-	(7,119)	-
Negative Goodwill/ Goodwill	-	-	7,265	(3,309)
Depreciation	200,826	185,014	207,251	190,816
Bad debt provision	490,225	404,092	490,225	404,092
Bad debts written off	60,770	2,925	60,770	2,925
Operating profit before changes in operating assets/liabilities	1,451,153	1,056,214	1,765,759	1,232,181

Note (b)

Reconciliation of cash and cash equivalents

Local currency in hand	670,365	763,240	670,452	763,324
Foreign currency in hand	561,476	478,455	561,476	478,455
Balances with local banks	47,596	80,765	47,596	80,765
Balances with foreign banks	301,805	792,056	301,805	792,056
Cash and cash equivalents at the end of the year	1,581,243	2,114,516	1,581,329	2,114,600

Statement of Changes in Equity

Sampath Bank							(Rs. '000)
	Share Capital	Share Premium	Revaluation Reserve	Statutory Reserve Fund	General Reserve	Retained Profit	Total
Balance as at 1st January 2002	442,849	34,328	93,268	153,209	1,809,958	109	2,533,721
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)	-
Balance as at 31st December 2002	442,849	34,328	93,268	175,271	2,140,531	110	2,886,357
Adjustments	-	-	-	-	1,784	-	1,784
Net profit for the year	-	-	-	-	-	561,217	561,217
Dividends	-	-	-	-	-	(66,427)	(66,427)
Transfers during the year	-	-	-	28,061	444,586	(472,647)	-
Balance as at 31st December 2003	442,849	34,328	93,268	203,332	2,586,901	22,252	3,382,930

Group							(Rs. '000)
	Share Capital	Share Premium	Revaluation Reserve Fund	Statutory Reserve	General Reserve	Retained Profit	Total
Balance as at 1st January 2002	442,849	34,328	114,426	153,209	1,810,067	18,037	2,572,916
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)	-
Balance as at 31st December 2002	442,849	34,328	114,426	175,271	2,140,640	71,701	2,979,215
Adjustments	-	-	-	-	1,784	-	1,784
Net profit for the year	-	-	-	-	-	734,051	734,051
Dividends	-	-	-	-	-	(66,427)	(66,427)
Transfers during the year	-	-	-	28,061	444,586	(472,647)	-
Balance as at 31st December 2003	442,849	34,328	114,426	203,332	2,587,010	266,678	3,648,623

Significant Accounting Policies

1 Corporate Information

1.1 General

Sampath Bank Limited is a Licensed Commercial Bank established under the Banking Act No 30 of 1988. It is a Public Limited Liability Company, listed on the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka. The registered office of the Bank is located at no 110, Sir James Peiris Mawatha, Colombo 02.

The Consolidated Financial Statements of the Company for the year ended 31st December 2003 comprise the Bank, its Subsidiary Companies i.e. Sampath Centre Ltd, S C Securities Ltd, Sampath Surakum Ltd and its Associate Vanik Bangladesh Ltd.

1.2 Principal Activities and Nature of Operations

The Bank provides a comprehensive range of financial services encompassing Corporate, Personal, Trade Finance, Treasury and Investment services.

1.3 Date of Authorisation for Issue

The financial statements of Sampath Bank Ltd for the year ended 31st December 2003 were authorised for issue in accordance with a resolution of the board of directors on 17th February 2004.

1.4 Number of Employees

The number of Employees of the Bank as at 31 st December 2003 was 1579 (2002-1492)

2 Summary of Significant Accounting Policies

2.1. General

Basis of Preparation

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 20 and Note 13 to the accounts. The accounting principles are applied consistently with due regard to prudence, materiality and substance over criteria as explained in Sri Lanka Accounting Standard No 3 on accrual basis. Where appropriate, the policies are explained in the succeeding notes.

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

All values presented in the financial statements are in Sri Lanka rupees thousands, unless otherwise stated.

Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka rupees which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka rupee equivalents using the year-end exchange rates. Non-monetary 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.

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

Comparative Figures

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

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

Borrowing Costs

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

Financial Instrument

The Bank uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks, associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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.

The 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. and the proportionate share of the profit/loss of its associate company Vanik Bangladesh Ltd.

Subsidiaries

Subsidiary companies in the Group are :

Sampath Centre Ltd
S C Securities Ltd.
Sampath Surakum Ltd.

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

Significant Accounting Policies

is separately disclosed as minority interest in the Consolidated Balance Sheet.

Associates

Associates are those enterprises in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity method; from the date that significant influence effectively commences until the date that significant influence ceases.

The related investments are carried forward in the Consolidated Balance Sheet at value adjusted to reflect the Group's share of the fair value of net assets of the associate, net of any dividends paid by such associate.

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 Note No 29.1 of the Financial Statements will be recognized 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 Note No 29.2 of the Financial Statements, is amortized 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 unrealized gains arising from Intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains resulting from transactions with Associates are eliminated to the extent of the Group's interest in Associates. Unrealised losses were eliminated in the same way as unrealised gains, except that they are only eliminated to the extent that there is no evidence of impairment in value.

2.2 Valuations of Assets and their Measurement Bases

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 recognized in the income statement as per the provisions under Sri Lanka Accounting Standard No 22 accounting for investments.

Investments in Sampath Surakum Ltd are recorded at the lower of cost and market value on an aggregate portfolio basis.

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.

Treasury bonds are carried at cost plus the relevant proportion of the discounts or premiums.

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) Ltd are stated at cost.

Investments in subsidiaries are stated at cost in the Bank's financial statements while investments in associate companies are accounted for on the equity method, in the consolidated financial statements.

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.

Interest and Fees Receivables

Interest receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful debts.

Fees and other dues from related parties are recognised at cost less provisions for bad and doubtful receivables.

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.

Finance Leases - where the Bank is the Lessee

Property, plant and equipment on finance leases, which effectively transfer to the Bank substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Capitalised leased assets are disclosed as property, plant and equipment and depreciated consistently with that of owned assets as described under property, plant and equipment.

The corresponding principal amount payable to the lessor together with the interest payable over the period of the lease is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

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.

Significant Accounting Policies

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 asset 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 as assets' 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.

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	

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 effected to leasehold buildings are amortised over the lease period.

2.3 Liabilities and Provisions

Commitments and Contingencies

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

Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material,

provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognised as an interest expense.

Retirement Benefit Obligations

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 every three years to ascertain the full liability. The last such valuation was carried out by a qualified actuary as at 31st December 2003. A separate fund is not maintained for this purpose.

Pension Fund

The Bank has a Pension Fund for all members who Joined the Bank before 01.06.2003. A member is eligible for normal retirement after attainment of age 55 and completion of 10 years of service.

An actuarial valuation is undertaken every three years to ascertain the full liability under the fund. The last such valuation was carried out by a qualified actuary as at 31st December 2003 and the fair value of the plan assets as at that date was Rs 335.567 Mn. 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 recognised 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 recognized as an expense for the current year is Rs. 69.892 Mn. (2002-Rs. 52.763 Mn.)

Trust Fund

The Bank contributes to the Employees' Trust Fund. The total amount recognized as an expense to the current year is Rs. 13.973 Mn. (2002-Rs 13.191 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, and amendments thereto.

Sampath Centre Limited is a company approved under BOI law, as such 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.

Significant Accounting Policies

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.

2.4 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 principal 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.

Interest income from investments is recognised on an accrual basis.

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 a cash basis.

Income on bills discounted is recognised proportionately over the usance 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 a cash basis.

Expenses

Interest payable is recognised on an 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 who Joined the Bank before 01.06.2003.

Provision for Pension costs is charged to the Income Statement in the year in which such costs are determined.

The actual amount paid 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 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. Unrealised gains on such transactions are deferred and accounted for under other liabilities.

2.5 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 recognised. Cash and cash equivalents comprise of cash balances, call deposits and short-term funds.

2.6 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.

2.7 Directors' Responsibility Statement

The board of directors takes the responsibility for preparation and presentation of these financial statements. Please refer page 35 for the statement of the directors' responsibility for financial reporting.



Notes to the Financial Statements

For the year ended 31st December	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
3 Income				
Gross income	6,044,391	5,609,721	6,681,034	5,769,409
National Security Levy collected from customers	-	(132,836)	-	(132,836)
National Security Levy paid by the Bank	-	(44,828)	-	(45,973)
	<u>6,044,391</u>	<u>5,432,057</u>	<u>6,681,034</u>	<u>5,590,600</u>
4 Interest Income				
Customer advances	4,045,974	3,935,687	4,045,974	3,935,687
Treasury Bills and placement with other Banks	253,531	312,997	708,603	420,719
Other interest income	648,739	363,581	648,739	363,581
	<u>4,948,244</u>	<u>4,612,265</u>	<u>5,403,316</u>	<u>4,719,987</u>
A notional tax credit on secondary market transactions				
Net interest income of the Bank from Treasury Bills & Treasury Bonds (Interest income accrued or received on a outright or reverse purchase transaction on such security, Bond or Bill less interest expenses on repurchase transaction with Securities, Treasury Bonds or Treasury Bills for which such interest income was earned) for the period 01st April 2002 to 31st December 2003 has been grossed up by Rs. 67.603 Mn for the notional tax credit, consequent to the interest income on above instruments being subjected to withholding tax..				
5 Interest Expenses				
Customer deposits	2,255,837	2,496,023	2,252,471	2,506,855
Short term borrowings & refinance	268,970	258,617	650,480	294,687
Other interest expenses	8,256	9,861	8,256	9,861
Debentures	68,804	69,516	68,804	69,516
	<u>2,601,867</u>	<u>2,834,017</u>	<u>2,980,012</u>	<u>2,880,919</u>
6 Other Income				
Fee and commission income	534,891	374,094	534,891	374,094
Net foreign exchange gains	288,354	295,879	288,354	295,879
Income from investment securities (quoted)	5,182	3,077	5,182	3,077
Income from investment securities (unquoted)	6,575	11,393	6,575	11,393
Income from investments in subsidiaries	28,600	33,000	-	-
Gains from dealing securities - Unit Trusts	676	365	676	365
Profit /Loss on sale of Property, Plant & Equipment	1,291	323	1,291	2,195
Others	230,580	146,489	440,750	229,583
	<u>1,096,148</u>	<u>864,620</u>	<u>1,277,718</u>	<u>916,586</u>
7 Non-Interest Expenses				
Non-interest expenses include the following:				
Chairman's fees (fees received as a Director)	150	150	150	150
Fees paid to other Directors	526	586	526	586
Provision for depreciation	200,826	185,014	207,251	190,816
Expenses on litigation	1,866	11,200	1,866	11,212
Auditors' remuneration	1,525	1,475	1,810	1,713
Donations	797	697	797	697
(Donations in excess of Rs. 50,000/= include the following;)				
Wildlife & Nature Protection Society of Sri Lanka	451			
Nawam Maha Perahara	50			
World Fellowship of Buddhists	125			
President's Fund	100			
8 Provisions				
8.1 Provision for Credit Losses				
Specific provision for loans and advances	359,840	320,667	359,840	320,667
General provision for loans and advances	9,190	-	9,190	-
General provision for pawning	6,010	2,620	6,010	2,620
Specific provision for Credit Card Receivables	12,000	2,100	12,000	2,100
General provision for Housing	814	715	814	715
Provision for bills of exchange	83,744	68,906	83,744	68,906
Specific provision for leases	18,627	9,084	18,627	9,084
	<u>490,225</u>	<u>404,092</u>	<u>490,225</u>	<u>404,092</u>
8.2 Diminution/ (Appreciation) in value of investments				
Securities held for dealing purposes(quoted)	39,262	(17,103)	39,262	(17,103)
Securities held for dealing purposes - Bonds	(35,366)	1,393	(35,366)	1,393
Investment securities	(2,000)	2,750	(2,000)	2,750
	<u>1,896</u>	<u>(12,960)</u>	<u>1,896</u>	<u>(12,960)</u>

Notes to the Financial Statements

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
9 Provision for Taxation				
Taxation based on profits for the year	171,754	69,263	171,754	69,263
Transfers to/ (from) deferred taxation	6,790	14,804	7,574	14,943
(Over)/under provision in the previous year	-	-	-	-
	178,544	84,067	179,328	84,206
Subsidiary Companies				
Sampath Centre	-	-	100	164
Sampath Surakum	-	-	17,550	12,794
S C Securities	-	-	10,820	5,976
	178,544	84,067	207,798	103,140
9.1 Reconciliation of the Accounting Profit to Income Tax Expense				
Profit before Tax	739,760	525,301		
Add: Disallowable expenses	430,061	309,432		
Less: Tax deductible expenses	(736,367)	(660,329)		
Assessable income	433,454	174,404		
Less: Qualifying payments	(797)	(697)		
Taxable income	432,657	173,707		
Income Tax @ 30%	164,109	60,798		
Income Tax @ 15%	7,645	25,725		
Income Tax at other Tax rates				
Tax credit of 5%	-	(17,260)		
Deferred tax charge/ (credit)	6,790	14,804		
Over/under provision in respect of previous year	-	-		
Income tax expense	178,544	84,067		

(a) Income tax on Sampath Bank

Income tax on profit has been computed at the rate of 30% (introduced in terms of Inland Revenue Act No.38 of 2000 & subsequent amendments thereto) on taxable income arising from the domestic banking unit during 2003. Income tax on profit has been computed at the rate of 15% upto 30 th June 2003 and 30% from 01 st July 2003 to 31 st December 2003 on taxable income arising from the on-shore operation of foreign currency banking unit. The Company was liable to taxation in 2002 at 30% for the Domestic Banking Unit and 10% for the on-shore operation of Foreign Currency Banking Unit, taking cognisance of the 5% bonus rate reduction.

(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 32.5% (introduced in terms of Inland Revenue Act No.38 of 2000 and subsequent amendments thereto) on taxable income. The Company was liable to taxation in 2002 at 35%.

(d) A notional tax credit on secondary market transactions (for Withholding Tax)

Any person who derived income from the secondary market transactions, involving any security or treasury Bond or Treasury Bills on which the income tax has been deducted at the rate of ten percentum at the time of issue of such security, such person is entitled to a notional tax credit at ten percentum of the grossed up amount of interest income from such secondary market transaction to an amount of one ninth of the same.

Accordingly the net interest income earned by the Bank from above transactions has been grossed up in the Financial Statements for the period 01 st April 2002 to 31 st December 2003 and the notional Tax Credit amounts to Rs. 67.603 Mn.



Notes to the Financial Statements

10 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 2003.

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Profit attributable to Ordinary shareholders	561,217	441,234	734,051	494,897
Number of Ordinary shares	44,284,904	44,284,904	44,284,904	44,284,904
Earnings per Ordinary share (Rs)	12.67	9.96	16.58	11.18

10.1 Dividends Paid & Proposed

	%	Bank 2003 (Rs. '000)			%	Bank 2002 (Rs. '000)		
		Dividend Amount	Dividend Tax	Net Dividend		Dividend Amount	Dividend Tax	Net Dividend
Interim Dividend Paid								
Out of Dividend received - free of Tax								
Out of Normal Profits	15	66,427	6,642	59,785	-	-	-	-
Gross cash dividend paid	15	66,427	6,642	59,785	-	-	-	-
Final Dividend Proposed								
Out of Dividend received - free of Tax	5	22,143	-	22,143	8	36,000	-	36,000
Out of Normal Profits	-	-	-	-	12	52,570	5,257	47,313
Gross cash dividend paid/ payable	5	22,143	-	22,143	20	88,570	5,257	83,313
Total Dividend	20	88,570	6,642	81,928	20	88,570	5,257	83,313
Dividend per Ordinary share (Rs.)	2.00				2.00			

11 Cash and short term funds

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Local currency in hand	670,365	763,240	670,452	763,324
Foreign currency in hand	561,476	478,455	561,476	478,455
Balances with local banks	47,596	80,765	47,596	80,765
Balances with foreign banks	301,805	792,056	301,805	792,056
	1,581,243	2,114,516	1,581,329	2,114,600

12 Government of Sri Lanka Treasury Bills

	261,469	556,156	285,555	619,592
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13 Securities held for Dealing purposes (Quoted)-Bank

13.1 Shares Name of the quoted company	2003	2003	2003	2003	2002	2002	2002
	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)
Banks, Finance & Insurance							
National Development Bank	225,000	42,480	37.4%	32,006	161,600	15,201	14,665
DFCC Bank Ltd	-	-	-	-	65,000	11,630	10,075
Nations Trust Bank	120,000	5,343	4.7%	3,420	-	-	-
Hatton National Bank Ltd (N.V.)	-	-	-	-	78,650	5,005	3,697
		47,823	42.1%	35,426		31,836	28,437
Diversified Holdings							
John Keels Holdings Ltd	-	-	-	-	150,000	12,356	11,850
Hayley's Ltd	55,700	10,006	8.8%	6,684	50	6	7
		10,006	8.8%	6,684		12,362	11,857
Footwear & Textile							
Bata Shoe Company Ltd	5,000	105	0.1%	61	4,700	100	46
		105	0.1%	61		100	46
Health Care							
Apollo Hospital	10,000	184	0.2%	113	-	-	-
		184	0.2%	113		-	-

Notes to the Financial Statements

13.1 Shares	2003	2003	2003	2003	2002	2002	2002
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)
Hotel & Travel							
Asian Hotel	78,000	2,448	2.2%	1,736	-	-	-
Connaissance	200,000	5,914	5.2%	5,200	-	-	-
Light House Company Ltd	33	0	-	1	2,982,133	29,821	43,241
		8,362	7.4%	6,936		29,821	43,241
Construction Engineering							
Colombo Dockyard Ltd	10,000	248	0.2%	210	10,000	248	305
		248	0.2%	210		248	305
Manufacturing							
Dipped Products Ltd	7,653	1	-	673	27,811	2,049	1,919
Grain Elevators Ltd	-	-	-	-	44,900	1,179	842
Caltex Lubricants Ltd	50,000	5,515	4.9%	3,600	-	-	-
Royal Ceramics	-	-	-	-	50,000	1,013	875
		5,516	4.9%	4,273		4,241	3,636
Plantations							
Kelany Valley Plantations Ltd	12,500	252	0.2%	175	12,500	252	128
Bogawanthalawa Plantations Ltd	17,000	543	0.5%	208	16,900	542	270
		795	0.7%	383		794	398
Trading							
Richard Peiris Exports Ltd	10,000	391	0.3%	250	10,000	391	260
		391	0.3%	250		391	260
Telecommunication							
Sri Lanka Telecom Ltd	1,500,000	40,031	35.3%	27,000	250,000	3,750	2,500
		40,031	35.3%	27,000		3,750	2,500
Total		113,462	100%	81,337		83,543	90,680
Less:							
Provision for diminution in market value b/f		7,137				(9,966)	
Provision for diminution in market value write back/(made) during the year		(39,262)				17,103	
		81,337				90,680	

13.2 Bonds

	2003 Cost (Rs.'000)	2003 Directors' Valuation (Rs.'000)	2002 Cost (Rs.'000)	2002 Directors' Valuation (Rs.'000)
Euro bonds and other paper denominated in foreign currency	3,248,099	3,282,072	2,699,455	2,698,062
Less:				
Provision for diminution in market value b/f	(1,393)	-	-	-
Provision for diminution in market value write back/(made) during the year	35,366	-	(1,393)	-
	3,282,072		2,698,062	
	3,363,409		2,788,742	

14 Placements with other Banks & financial Institutions

	Bank		Group	
	2003 (Rs.'000)	2002 (Rs.'000)	2003 (Rs.'000)	2002 (Rs.'000)
Money at call and short notice	550,000	200,000	550,000	200,000
Placements with banks	1,317,767	525,203	1,317,767	525,203
	1,867,767	725,203	1,867,767	725,203

Notes to the Financial Statements

15 Investment securities

	Bank		Group	
	2003 (Rs.'000)	2002 (Rs.'000)	2003 (Rs.'000)	2002 (Rs.'000)
Quoted				
Shares	37,500	37,500	37,500	37,500
Units	14,682	15,196	14,682	15,196
Debentures	10,000	-	10,000	-
	<u>62,182</u>	<u>52,696</u>	<u>62,182</u>	<u>52,696</u>
Un-quoted				
Preference Shares	63,604	75,000	63,604	75,000
Ordinary Shares	170,860	20,860	170,860	20,860
Debentures	5,000	-	5,000	-
Bonds	96,720	483,600	96,720	483,600
Treasury Bonds	4,766,929	2,863,676	4,758,667	4,273,653
	<u>5,103,112</u>	<u>3,443,136</u>	<u>5,094,850</u>	<u>4,853,113</u>
Total Investment	<u>5,165,295</u>	<u>3,495,832</u>	<u>5,157,033</u>	<u>4,905,809</u>

15.1 Quoted - Shares/Units/Debentures

	2003 No of Ordinary Shares of Rs 10/- each	2003 Cost (Rs.'000)	2003 Market Value Shares (Rs.'000)	2002 No of Ordinary Shares of Rs.10/- each	2002 Cost (Rs.'000)	2002 Market Value Shares (Rs.'000)
15.1.1 Ordinary Shares - Quoted						
Asian Alliance Ltd (Holding Percentage - 15%)	3,750,000	37,500	40,313	3,750,000	37,500	42,187
15.1.2 Quoted Units						
Pyramid Unit Trust	564,042	5,668	6,052	564,042	5,668	4,552
Ceybank Unit Trust	1,036,150	9,014	10,703	971,309	8,528	8,198
Namal Optima	-	-	-	100,000	1,000	1,152
15.1.3 Quoted-debentures						
	No of Debentures of	Cost (Rs.'000)	Market Value (Rs.'000)	No of Debentures of	Cost (Rs.'000)	Market Value (Rs.'000)
Vanik Incorporation Ltd (17% redeemable un-secured debentures) (Redeemable on or before 31st August 2003)	7,500 (Rs 100/- each)	750	-	7,500	750	-
Vanik Incorporation Ltd (15% redeemable un-secured debentures) (Redeemable on or before 21st January 2004)	-	-	-	20,000	2,000	-
Commercial Bank Ltd (10 % redeemable un-secured debentures) (Redeemable on or before 12 th May 2008)	5,000 (Rs 1000/- each)	5,000	5,000	-	-	-
Commercial Bank Ltd (Floating Interest rate equal to the three months Treasury Bill rate) (Redeemable on or before 12 th May 2008)	5,000 (Rs 1000/- each)	5,000	5,000	-	-	-
		<u>62,932</u>	<u>67,068</u>		<u>55,446</u>	<u>56,089</u>
Less:						
Provision for diminution in market value b/f		(2,750)			-	
Provision for diminution in market value write back/(made) during the year		2,000			(2,750)	
		<u>62,182</u>			<u>52,696</u>	

Notes to the Financial Statements

15.2 Un-Quoted - Shares/Debentures/Bonds/Treasury Bonds

	2003 No of Ordinary Shares of Rs 10/- each	2003 Cost (Rs.'000)	2003 Directors' Valuation (Rs.'000)	2002 No of Ordinary Shares of Rs 10/- each	2002 Cost (Rs.'000)	2002 Directors' Valuation (Rs.'000)
15.2.1 Preference shares						
Puttlam Cement Ltd (Cumulative redeemable preference shares @ 12.85% interest. Redeemable from four equal annual instalments commencing from 18/07/2002.)	5,000,000	50,000	50,000	7,500,000	75,000	75,000
Texpro Industries Ltd (Cumulative redeemable preference shares @ 15% interest. Redeemable over the period of 6 years commencing from 30/06/2003.)	1,360,365	13,604	13,604	-	-	-
15.2.2 Un-quoted shares						
Union Bank Ltd (Holding Percentage 16.95%)	15,000,000	150,000	150,000	-	-	-
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	2,000,000	20,000	20,000
15.2.3 Un-quoted Debentures						
Hatton National Bank Ltd (10% redeemable un-secured debentures) (redeemable on or before 22 nd July 2008.)	50,000 (Rs 100/- each)	5,000	5,000	-	-	-
15.2.4 Sri Lanka Development Bonds (SLDBs) (Redeemable Development Bonds)	-	96,720	96,811	-	483,600	487,049
15.2.5 Government of Sri Lanka Treasury Bonds						
	Face Value (Rs.'000)	Year of Maturity	Market Value (Rs'000)	Cost (Rs.'000)		
	579,700	2004	610,246	583,766		
	1,647,600	2005	1,807,865	1,650,689		
	74,100	2006	82,461	77,281		
	920,090	2007	1,038,999	1,006,639		
	900,790	2008	1,064,381	1,038,309		
	365,000	2009	419,139	410,245	4,766,929	5,023,091
	<u>4,487,280</u>		<u>5,023,091</u>		<u>2,863,676</u>	<u>3,082,273</u>
Less:						
Provision for diminution in market value b/f				-	-	-
Provision for diminution in market value write back/(made) during the year				-	-	-
				<u>5,103,112</u>	<u>5,195,762</u>	<u>3,443,136</u>
Total Cost of Investment				<u>5,165,295</u>	<u>3,495,832</u>	

16 Securities purchased under resale agreements

As at 31st December

	Bank		Group	
	2003 (Rs.'000)	2002 (Rs.'000)	2003 (Rs.'000)	2002 (Rs.'000)
	1,697,952	-	1,753,681	4,871

Notes to the Financial Statements

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

17.1 Bills of Exchange

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Cheques purchased - Local	61,323	87,771	61,323	87,771
- Foreign	121,047	80,213	121,047	80,213
Bills purchased - Export	1,423,467	1,183,878	1,423,467	1,183,878
- Import	656,540	593,229	656,540	593,229
	<u>2,262,376</u>	<u>1,945,091</u>	<u>2,262,376</u>	<u>1,945,091</u>
Less:				
(a) Provision for credit losses	(330,781)	(247,037)	(330,781)	(247,037)
(b) Interest suspended	(67,683)	(72,870)	(67,683)	(72,870)
	<u>1,863,912</u>	<u>1,625,184</u>	<u>1,863,912</u>	<u>1,625,184</u>

17.2 Loans and Advances

Sri Lanka rupee loans & advances				
Overdraft	9,840,103	8,505,604	9,824,367	8,503,115
Term Loans	13,584,161	11,077,835	13,584,161	11,077,835
Trust receipts	698,686	427,463	698,686	427,463
Packing credit	137,216	1,933,776	137,216	1,933,776
Staff Loans	625,134	581,817	625,134	581,817
Pawning advances	2,730,053	1,018,530	2,730,053	1,018,530
Other Advances	26,470	30,450	26,470	30,450
	<u>27,641,822</u>	<u>23,575,475</u>	<u>27,626,086</u>	<u>23,572,986</u>
Foreign currency loans & advances				
Overdraft	1,124,323	992,312	1,124,323	992,312
Trust receipts	1,151,604	934,045	1,151,604	934,045
Packing credit	3,146,122	2,494,927	3,146,122	2,494,927
Term Loans	1,658,804	1,559,496	1,658,804	1,559,496
	<u>7,080,852</u>	<u>5,980,780</u>	<u>7,080,852</u>	<u>5,980,780</u>
Total Rupee & Foreign currency loans & advances	34,722,675	29,556,255	34,706,939	29,553,766
Less:				
Provision for credit losses	(1,532,967)	(1,208,430)	(1,532,967)	(1,208,430)
General provision for pawning	(10,560)	(4,550)	(10,560)	(4,550)
	<u>(1,543,527)</u>	<u>(1,212,980)</u>	<u>(1,543,527)</u>	<u>(1,212,980)</u>
Loans & Advances after Credit Loss Provision	33,179,148	28,343,275	33,163,412	28,340,786
Less: Interest suspended	(1,393,785)	(1,302,626)	(1,393,785)	(1,302,626)
	<u>31,785,363</u>	<u>27,040,649</u>	<u>31,769,627</u>	<u>27,038,160</u>

17.3 Receivable on Leases

17.3.1 Gross Investment in Leases				
Cost of equipment	1,053,985	522,569	1,053,985	522,569
Unearned lease income	390,149	179,822	390,149	179,822
	<u>1,444,134</u>	<u>702,391</u>	<u>1,444,134</u>	<u>702,391</u>
Total rentals receivable				
Initial rentals received	(38,404)	(26,308)	(38,404)	(26,308)
Lease rentals received	(545,617)	(370,412)	(545,617)	(370,412)
	<u>860,113</u>	<u>305,671</u>	<u>860,113</u>	<u>305,671</u>
17.3.2				
Total Lease rentals receivable(refer note 17.3.1)	860,113	305,671	860,113	305,671
Lease rentals receivable after five years from Balance sheet date (refer note 17.3.4)	-	-	-	-
Lease rentals receivable after one year but before five years from Balance sheet date (refer note 17.3.3)	(480,166)	(155,935)	(480,166)	(155,935)
	<u>379,947</u>	<u>149,736</u>	<u>379,947</u>	<u>149,736</u>
Lease rentals receivable within one year from Balance sheet date				
Unearned Income	(89,429)	(39,756)	(89,429)	(39,756)
Provision for credit losses	(25,831)	(11,282)	(25,831)	(11,282)
	<u>264,687</u>	<u>98,698</u>	<u>264,687</u>	<u>98,698</u>
17.3.3				
Lease rentals receivable after one year but before five years from Balance sheet date	480,166	155,935	480,166	155,935
Unearned income	(93,568)	(27,999)	(93,568)	(27,999)
Provision for credit losses	(14,280)	(10,202)	(14,280)	(10,202)
	<u>372,318</u>	<u>117,734</u>	<u>372,318</u>	<u>117,734</u>
17.3.4 There were no lease rentals receivable after 5 years				
	<u>637,005</u>	<u>216,432</u>	<u>637,005</u>	<u>216,432</u>

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

Notes to the Financial Statements

17.4 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	As a % of	Bank	As a % of
	2003	total	2002	total
	(Rs. '000)	Advances	(Rs. '000)	Advances
Bills of exchange	223,674		279,608	
Loans & advances	5,048,656		5,013,341	
Lease rental receivable	32,478		23,808	
	5,304,808	14.7	5,316,757	17.7
Less: Interest in suspense included in overdrafts	(1,391,748)		(1,292,178)	
Net non performing advances	3,913,060	10.8	4,024,579	13.4
Less: Specific provision for credit losses	(1,761,430)		(1,337,702)	
	2,151,630	6.0	2,686,877	9.0
Less: General provision for credit losses	(152,989)		(143,799)	
	1,998,641	5.5	2,543,078	8.5

17.4.1 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. 5,304.8 Mn.

17.4.2 In addition, as stated in 2.4 under accounting policies, 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 2003 under 17.4.1 and 17.4.2 in total amounted to Rs. 7,030.9 Mn.

17.5 Movements in the provision for loan losses

	Specific	Bank	
	(Rs. '000)	Provision against advances	Total
	(Rs. '000)	General	(Rs. '000)
	(Rs. '000)	(Rs. '000)	(Rs. '000)
As at 01/01/2003	1,337,702	143,799	1,481,501
Provisions during the year	481,035	9,190	490,225
Amounts written-off	(60,770)	-	(60,770)
Translation Difference on FCBU Conversion	3,463	-	3,463
As at 31/12/2003	1,761,430	152,989	1,914,419

The Bank has significantly strengthened efforts in minimising 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.

17.6 Loan losses and provision for loan losses

Movement in the provision for bad and doubtful debts

	Bank	
	2003	2002
	(Rs. '000)	(Rs. '000)
Opening balance	1,481,501	1,071,362
Specific provision on loans and advances	481,035	404,092
General provision on loans and advances	9,190	-
Translation Difference on FCBU Conversion	3,463	8,972
Written off during the year	(60,770)	(2,925)
Closing Balance	1,914,419	1,481,501

Notes to the Financial Statements

17.7 Movement in Interest in Suspense & Shortfall

	Shortfall	Interest in suspense	Bank 2003 (Rs. '000) Total	Shortfall	Interest in suspense	Bank 2002 (Rs. '000) Total
Opening balance	1,452,057	1,378,236	2,830,293	1,188,591	1,113,331	2,301,922
Interest suspended during the year	2,418,467	486,111	2,904,578	529,483	424,551	954,034
Suspended interest recovered	(2,144,361)	(402,878)	(2,547,239)	(266,017)	(159,646)	(425,663)
	<u>1,726,163</u>	<u>1,461,469</u>	<u>3,187,632</u>	<u>1,452,057</u>	<u>1,378,236</u>	<u>2,830,293</u>

17.8 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	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Imports	5,225,538	4,049,907	5,225,538	4,049,907
Exports	8,308,840	7,527,530	8,308,840	7,527,530
Financial	549,404	334,827	549,404	332,338
Agriculture	1,651,253	1,220,878	1,651,253	1,220,878
Industrial	8,497,866	7,321,588	8,497,866	7,321,588
Tourism	382,099	304,342	382,099	304,342
Housing & Property Development	1,627,369	1,287,531	1,627,369	1,287,531
Consumption	5,939,127	5,348,724	5,939,127	5,348,724
Services	2,562,452	2,061,138	2,562,452	2,061,138
Others	2,918,219	2,285,538	2,902,483	2,285,538
	<u>37,662,167</u>	<u>31,742,003</u>	<u>37,646,431</u>	<u>31,739,514</u>

18 Investments in Associate & Subsidiary Companies

18.1 Investments in Associate Companies

	% of ownership	Bank 2003		Bank 2002		Group 2003		Group 2002	
		Cost (Rs. '000)	Directors' Valuation (Rs. '000)	Cost (Rs. '000)	Directors' Valuation (Rs. '000)	Cost (Rs. '000)	Directors' Valuation (Rs. '000)	Cost (Rs. '000)	Directors' Valuation (Rs. '000)
Unquoted									
Vanik Bangladesh Ltd (Incorporated Outside Sri Lanka) (4,000,000 Ordinary shares of tk 10/- each fully paid)	19.9	66,252	66,252	-	-	66,252	66,252	-	-
Less: Goodwill on acquisition of Associate	-	-	-	-	-	(31,718)	-	-	-
						34,533			
Add: Share of Profit/(Loss) applicable to the Bank									
Balance at the beginning of the year									
Current year's share of profit/(Loss) after Tax	-	-	-	-	-	7,119	-	-	-
Less: Dividend received during the year	-	-	-	-	-	-	-	-	-
Current year's retained Profit/(Loss)						7,119			
Balance at the end of year		<u>66,252</u>	<u>66,252</u>	<u>-</u>	<u>-</u>	<u>41,652</u>	<u>66,252</u>	<u>-</u>	<u>-</u>

18.2 Investments in Subsidiary Companies

	Bank	
	2003 (Rs. '000)	2002 (Rs. '000)
Balance as at 1st January	385,626	380,527
Additions	0	5,099
Balance as at 31st December	<u>385,626</u>	<u>385,626</u>

Notes to the Financial Statements

Investments in Subsidiary Companies

	Principle Activity	% of ownership	Cost (Rs. '000)	2003 Directors' Valuation (Rs. '000)	Cost (Rs. '000)	2002 Directors' Valuation (Rs. '000)
Unquoted						
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	15,626	15,626
			385,626	385,626	385,626	385,626

19 Other Assets

As at 31st December	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Deposits and Pre-payments	106,743	94,889	106,743	70,182
Other debtors	329,024	284,408	372,900	335,145
	435,767	379,297	479,643	405,327

20 Property, Plant and Equipment

	As at 01/01/2003	Additions during the year	Disposals during the year	Transfers / Adjustments	(Rs. '000) As at 31/12/2003
20.1 Bank					
At Cost / Valuation					
Land & Building	432,461	57,991	-	(18)	490,434
Leasehold Properties & improvements	199,542	24,058	-	(2,125)	221,475
Computer Equipment	1,079,573	120,359	-	-	1,199,932
Motor Vehicles	49,637	2,153	(4,535)	-	47,255
Sundry Equipment	291,662	55,032	(1,691)	985	345,988
Sub Total	2,052,875	259,593	(6,226)	(1,158)	2,305,084
	As at 01/01/2003	Additions during the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2003
<i>Finance Leases</i>					
Motor Vehicles	-	13,356	-	-	13,356
Sub Total	-	13,356	-	-	13,356
Total	2,052,875	272,949	(6,226)	(1,158)	2,318,440
Accumulated Depreciation					
	As at 01/01/2003	Charge for the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2003
Land & Building	15,216	2,442	-	-	17,658
Leasehold Properties & improvements	128,564	22,335	-	-	150,899
Computer Equipment	659,906	133,783	-	-	793,689
Motor Vehicles	27,156	8,471	(4,460)	-	31,167
Sundry Equipment	161,619	32,682	(1,199)	-	193,102
Sub Total	992,461	199,713	(5,659)	-	1,186,515
	As at 01/01/2003	Charge for the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2003
<i>Finance Leases</i>					
Motor Vehicles	-	1,113	-	-	1,113
Sub Total	-	1,113	-	-	1,113
Total	992,461	200,826	(5,659)	-	1,187,628
Net Book Value of Assets					
At Cost / Valuation	1,060,414	59,880	(567)	(1,158)	1,118,569
On Finance Leases	-	12,243	-	-	12,243
Total	1,060,414	72,123	(567)	(1,158)	1,130,812

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. Kalugalagedera, Chartered Valuer at a value, of Rs. 120 Mn.

The properties were valued on an open market value basis.

Notes to the Financial Statements

Property, Plant and Equipment

	As at 01/01/2003	Additions during the year	Disposals during the year	Transfers / Adjustments	(Rs. '000) As at 31/12/2003
20.2 Group					
At Cost / Valuation					
Land & Building	1,142,469	57,991	-	(18)	1,200,442
Leasehold Properties & improvements	199,542	24,058	-	(2,125)	221,475
Computer Equipment	1,088,660	127,578	(2,000)	-	1,214,238
Motor Vehicles	51,062	2,153	(4,535)	-	48,680
Sundry Equipment	362,423	62,791	(1,703)	985	424,496
Sub Total	<u>2,844,156</u>	<u>274,571</u>	<u>(8,238)</u>	<u>(1,158)</u>	<u>3,109,331</u>
	As at 01/01/2003	Additions during the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2003
<i>Finance Leases</i>					
Motor Vehicles	-	13,356	-	-	13,356
Sub Total	-	13,356	-	-	13,356
Total	<u>2,844,156</u>	<u>287,927</u>	<u>(8,238)</u>	<u>(1,158)</u>	<u>3,122,687</u>
Accumulated Depreciation					
	As at 01/01/2003	Charge for the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2003
Land & Building	28,106	5,272	-	-	33,378
Leasehold Properties & improvements	128,564	22,335	-	-	150,899
Computer Equipment	665,937	134,842	(370)	-	800,409
Motor Vehicles	27,394	8,827	(4,460)	-	31,761
Sundry Equipment	173,890	34,862	(1,200)	-	207,552
Sub Total	<u>1,023,891</u>	<u>206,138</u>	<u>(6,030)</u>	<u>-</u>	<u>1,223,999</u>
	As at 01/01/2003	Charge for the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2003
<i>Finance Leases</i>					
Motor Vehicles	-	1,113	-	-	1,113
Sub Total	-	1,113	-	-	1,113
Total	<u>1,023,891</u>	<u>207,251</u>	<u>(6,030)</u>	<u>-</u>	<u>1,225,112</u>
Net Book Value of Assets					
At Cost / Valuation	1,820,265	68,433	(2,208)	(1,158)	1,885,332
On Finance Leases	-	12,243	-	-	12,243
Total	<u>1,820,265</u>	<u>80,676</u>	<u>(2,208)</u>	<u>(1,158)</u>	<u>1,897,575</u>

The land and buildings of Sampath Centre Limited were valued on 17th April 1998 by Mr. P.B. Kalugalagedera, 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. 505,247,711.00 if valued at its cost of Rs. 520,855,884.00 less accumulated depreciation of Rs. 15,608,173.00

The original cost of land before revaluation was Rs. 76,750,000.00.

Notes to the Financial Statements

20.3 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	19,131	15	12,854	31,985	526	31,459
Piliyandala No 39, Moratuwa Road, Piliyandala	8,200	13,514	35	11,576	25,090	3	25,087
Borella No 1022, Maradana Road, Borella	9,100	29,341	26	29,490	58,831	15	58,816
Kurunegala No 31, Negombo Road, Kurunegala	12,027	20,375	37	20,999	41,374	5,065	36,309
Nugegoda No 179, Highlevel Road, Nugegoda	Bare Land	20	25	33,019	33,039	1	33,038
Matara No 3, Hakmana Road, Matara	8,413	27,351	48	8,698	36,049	2,714	33,335
Ratmalana No 261, Galle Road, Ratmalana	5,480	18,648	11	4,687	23,335	165	23,170
Old Moor Street No 371, Old Moor Street, Colombo 12	8,248	3,977	24	33,927	37,904	1,554	36,350
Galle No 5, Wakwella Road, Galle	6,197	13,318	19	12,999	26,317	1,000	25,317
Kandy No 29, Cross Street, Kandy	Under Construction	1,339	26	19,580	20,919	-	20,919
Deniyaya No 117, Ihalagama Road, Deniyaya	Bare Land	-	40	3,699	3,699	-	3,699
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	20,800	19	-	20,800	6,615	14,185
Total		167,814		322,620	490,434	17,658	472,776

21 Deposits

21.1 Type of Deposits

Local Currency Deposits

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Demand	3,501,854	2,587,453	3,499,910	2,586,403
Savings	17,477,304	12,387,742	17,477,304	12,387,742
Call deposits	357,757	377,429	357,757	375,397
Fixed deposits	10,158,955	9,186,527	10,158,955	9,186,527
Certificates of deposits	2,261,899	2,476,481	2,261,899	2,476,481
	33,757,769	27,015,632	33,755,825	27,012,550

Foreign Currency Deposits

Demand	642,186	402,159	642,186	402,159
Savings	3,392,534	2,782,604	3,392,534	2,782,604
Call deposits	396,906	61,732	396,906	61,732
Fixed deposits	3,841,974	3,522,430	3,841,974	3,522,430
	8,273,600	6,768,925	8,273,600	6,768,925
	42,031,369	33,784,557	42,029,425	33,781,475

21.2 Analysis of Deposits

Deposits from non bank customers	41,985,812	33,665,359	41,983,868	33,662,277
Deposits from banks	30,315	28,513	30,315	28,513
Deposits from Finance Companies	15,242	90,685	15,242	90,685
	42,031,369	33,784,557	42,029,425	33,781,475

22 Borrowings

22.1 Borrowings

Call borrowings	-	250,000	-	250,000
Foreign currency borrowings	1,123,345	82,318	1,123,345	82,318
Borrowings under repurchase agreements	1,702,638	1,626,763	1,702,638	1,626,763
Finance Leases (Note 22.2)	12,615	-	12,615	-
Other borrowings	364,286	77,896	345,128	89,889
	3,202,884	2,036,977	3,183,726	2,048,970

Notes to the Financial Statements

22.2 Details of Finance Leases - Bank

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Gross Liability to the Lessor	16,807	-	16,807	-
Less: Finance Charges	(4,192)	-	(4,192)	-
Net Liability	12,615	-	12,615	-
Repayable within one year				
Gross Liability	4,584	-	4,584	-
Less: Finance Charges	(1,956)	-	(1,956)	-
Net Liability	2,628	-	2,628	-
Repayable after one year before Five years				
Gross Liability	12,223	-	12,223	-
Less: Finance Charges	(2,236)	-	(2,236)	-
Net Liability	9,987	-	9,987	-
Repayable after Five years	-	-	-	-

23 Other Liabilities

Cheques sent on clearing	389,446	508,684	389,446	508,684
Margins	355,309	366,720	355,309	366,720
Interest payable	1,213,757	1,241,910	1,213,757	1,247,442
Provision for retiring gratuity	17,074	14,851	17,074	15,195
Pension Fund	108,000	70,000	108,000	70,000
Employees' Provident Fund	258	9	258	9
Other payable	830,813	489,826	926,113	576,088
	<u>2,914,657</u>	<u>2,692,000</u>	<u>3,009,957</u>	<u>2,784,138</u>

24 Current Taxation

Balance brought forward / Paid in advance	7,108	(24,574)	22,071	(23,457)
Increase/(decrease) in provision	171,754	69,263	200,224	88,197
Less: Payment of Tax	(92,603)	(37,581)	(109,974)	(42,669)
Balance carried forward	<u>86,259</u>	<u>7,108</u>	<u>112,321</u>	<u>22,071</u>

25 Deferred Taxation

Balance brought forward	173,399	158,595	173,707	158,764
Increase/(decrease) in provision	6,790	14,804	7,574	14,943
Balance carried forward	<u>180,189</u>	<u>173,399</u>	<u>181,281</u>	<u>173,707</u>

26 Other liabilities evidenced by paper

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Redeemable Debentures 1999-2004 (26.1)	500,000	500,000	500,000	500,000
Long Term Bond	627,500	-	627,500	-
	<u>1,127,500</u>	<u>500,000</u>	<u>1,127,500</u>	<u>500,000</u>

26.1 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>			

Notes to the Financial Statements

27 Share Capital

27.1

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
<i>Authorised</i>				
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>
<i>Issued & Fully Paid</i>				
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>

27.2 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.

28 Reserves

28.1 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 2003	34,328	93,268	127,596	21,158	148,754
Additions in	-	-	-	-	-
Transfers out	-	-	-	-	-
Balance as at 31st December 2003	<u>34,328</u>	<u>93,268</u>	<u>127,596</u>	<u>21,158</u>	<u>148,754</u>

28.2 Other Reserves

	Bank		Group	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Statutory Reserve Fund balance as at 1st January	175,271	153,209	175,271	153,209
Transfer to reserve fund	28,061	22,062	28,061	22,062
Statutory Reserve Fund balance as at 31st December	<u>203,332</u>	<u>175,271</u>	<u>203,332</u>	<u>175,271</u>

28.3 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 2003	2,140,531	110	2,140,641	71,700	2,212,341
Adjustments	1,784	-	1,784	-	1,784
Net profit for 2003	-	561,217	561,217	286,047	847,264
Dividends from subsidiary company	-	-	-	-	(28,600)
<i>Appropriations</i>					
Interim dividend paid	-	(66,427)	(66,427)	-	(66,427)
Proposed final dividend	-	-	-	-	-
Dividends from subsidiary company	-	-	-	(28,600)	-
Negative goodwill written off	-	-	-	(7,265)	(7,265)
Minority interest	-	-	-	(77,346)	(77,346)
Transfer to reserve fund	-	(28,061)	(28,061)	-	(28,061)
Transfer to general reserve	444,586	(444,586)	-	-	-
Balance as at 31st December 2003	<u>2,586,901</u>	<u>22,252</u>	<u>2,609,153</u>	<u>244,537</u>	<u>2,853,690</u>

29 Negative Goodwill / Goodwill on Consolidation

	Group	
	2003 (Rs. '000)	2002 (Rs. '000)
Negative Goodwill written back to profit and loss account during the year (refer Note No 29.2)	-	4,230
Goodwill written off during the year (refer Note No 29.2)	(7,265)	(921)
	<u>(7,265)</u>	<u>3,309</u>

Notes to the Financial Statements

	Group	
	2003 (Rs. '000)	2002 (Rs. '000)
Negative Goodwill balance as at 31st December (refer Note No 29.1)	-	-
Unamortised balance of Goodwill as at 31st December (refer Note No 29.2)	<u>(27,217)</u>	<u>(2,763)</u>
Balance as at 31st December	<u>(27,217)</u>	<u>(2,763)</u>

29.1 Negative Goodwill on consolidation

Balance as at 1st January	-	4,230
Written back to profit and loss account during the year	-	<u>(4,230)</u>
Balance as at 31st December	-	-

29.2 Goodwill on Consolidation

Goodwill as at 1st January	<u>(2,763)</u>	(3,684)
Additions	<u>(31,718)</u>	-
Unamortised balance of Goodwill	<u>7,265</u>	921
	<u>(27,217)</u>	<u>(2,763)</u>

30 Minority Interest

Balance as at 1st January	450,207	438,997
Ordinary shares-SC Securities	-	4,900
Profit/(Loss) applicable for the year	77,346	69,610
Dividends paid	<u>(58,803)</u>	<u>(63,300)</u>
Dividends payable	-	-
Balance as at 31st December	<u>468,750</u>	<u>450,207</u>

Holders of cumulative redeemable preference shares of Sampath Centre Ltd receive 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.

31 Commitments and Contingencies

31.1 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	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Commitments	-	-	-	-
Commitment for unutilised facilities(direct advances)	<u>3,524,496</u>	3,120,651	<u>3,524,496</u>	3,120,651
	<u>3,524,496</u>	3,120,651	<u>3,524,496</u>	3,120,651
<i>Contingent liabilities</i>				
Acceptances	1,391,733	1,262,981	1,391,733	1,262,981
Documentary credit	3,453,776	2,246,449	3,453,776	2,246,449
Guarantees	7,699,855	5,141,877	7,699,855	5,141,877
Bills sent for collection	<u>44,754</u>	66,347	<u>44,754</u>	66,347
	<u>12,590,118</u>	8,717,654	<u>12,590,118</u>	8,717,654
Forward exchange contracts (net)	<u>2,424,991</u>	3,105,573	<u>2,424,991</u>	3,105,573
	<u>15,015,109</u>	11,823,227	<u>15,015,109</u>	11,823,227

31.2 Contingent Liabilities

31.2.1 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, 6843/Spl, 6666/Spl, 6143/Spl, 6243/Spl and one in DC Avissawella in case no 22488/p by constituents seeking Injunction Orders to prevent auctioning of properties mortgaged to the Bank as security.
- (c) 7 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), CA 265/2003, CA 416/2003 & CA 92/2001 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.

Notes to the Financial Statements

- (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) Commercial High Court Case no. HC(civil) 11/2004(1)

The above case has been filed against the Bank in the Commercial High Court by Claremont Capital Limited (a company incorporated in the British Virgin Islands) for the recovery of a sum of Rs. 272, 232,295.16 on the allegation that the Bank had wrongfully debited the said amount from the bank account of Claremont Capital Limited. The said party has also claimed a sum of Rs. 53,411,299.34 on account of the alleged loss suffered by them up to date of institution of the action and a sum of Rs. 4,906,796.63 per month as alleged continuing losses.

The Company denies the allegations and will contest the same in Court based on legal advice.

31.2.2 Capital 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	
	2003 (Rs. '000)	2002 (Rs. '000)	2003 (Rs. '000)	2002 (Rs. '000)
Approved and contracted for	48,412	112,223	48,412	112,223
Approved but not contracted for	46,489	81,333	46,489	81,333
	<u>94,901</u>	<u>193,556</u>	<u>94,901</u>	<u>193,556</u>

32 Post Balance Sheet Events

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

33 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 2003 are given below.

33.1 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 31/12/2003 (Rs. Mn)	Security Type	Security Value (Rs. Mn)
Mr. Edgar Gunathunge	1.000	0.002	Treasury bills	0.950
Mr. Denzil J. Gunaratne	0.150	0.026	R F C balance	0.202
Mr. S.G. Wijesinha	0.200	0.001	Treasury bills	0.250
Mr. A.S. Amarasuriya	0.710	Credit Balance		
Mr. E. A. Gunasekera	0.050	Nil	Cash Margin	
Mr. J.D. Bandaranayake	0.500	0.053	Corp Guarantee	
Mr. W.M.P.L. De Alwis	0.500	Nil	Treasury bills	0.500

33.2 The borrowings of Directors as at 31st December 2003 are as follows:

Name of the Director	Limit (Rs. Mn)	Balances as at 31/12/2003 (Rs. Mn)	Security Type
Mr. D.J. Gunarathna	0.575	0.728	R F C balance
	1.350	1.232	R F C balance
Mr. A.S. Amarasuriya	0.750	0.271	Immovable Property
Mr. L.J.K. Hettiarachchi	0.373	0.338	R F C balance

33.3 Mr. Edgar Gunatunge, Mr. M.A. Abeynaike and Mr. S.G. Wijesinha who were Directors of the Bank as at 31st December 2003 were non share holding Directors of Sampath Centre Ltd, which company has rented 94,989 sq.ft. of its building premises to the Bank. During 2003 Rs.107.2 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.

33.4 Mr. Edgar Gunatunge, Mr. M.A. Abeynaike, Dr. Saman Kelegama, Mr. L.J.K. Hettiarachchi and Mr. A.S. Amarasuriya who were Directors of the Bank as at 31st December 2003 were non share holding Directors of Sampath Surakum Ltd.

33.5 Mr. Edgar Gunatunge, Mr. I.W. Senanayake, Mr. E.A. Gunasekera and Mr. A.S. Amarasuriya who were Directors of the Bank as at 31st December 2003 were non share holding Directors of S C Securities Ltd.

The Bank has advanced Rs 0.075 Mn as an Overdraft (Limit Rs 2.0 Mn) to the S C Securities (Pvt) Ltd, as at 31 st December 2003 Rs 0.4 Mn has been recognised as interest income.

Notes to the Financial Statements

34 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 2003 are given below.

Related Party	Name of Director	Nature of Facility	Limit Approved (USD/Rs. Mn)	Balance Outstanding As at 31.12.2003 (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	-	3.745
The Bank has classified the advances as non performing and suspended the recognition of interest and made a provision of Rs 27.58 Mn. Interest in suspense amounts to Rs 29.85 Mn on the outstanding as at 31st December 2003.				
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	-	0.126
		Long term loan	42.200	42.200
		Long term loan	39.800	39.800
		Long term loan	106.000	76.700
		Term Loan	28.200	28.040
Ceylon Tea Marketing Ltd	Mr. Edgar Gunatunge (Non share holding director)	Overdraft	17.000	Credit balance
		Bills	80.000	82.940
		Packing credit	USD 1.070	USD 0.817
Ceylon Commodity Marketing (pvt) Ltd	Mr. Edgar Gunatunge (Non share holding director)	Bills	-	USD 0.157
Jay-Cey Tea (pvt) Ltd	Mr. Edgar Gunatunge (Non share holding director)	Bills	25.000	2.688
		LC-Local	8.000	-
		LC-Import	15.000	-
		Guarantee	36.500	48.375
		Packing Credit	USD 1.700	USD 1.839
		Overdraft	15.000	8.318
Jay-Cey Exports (pvt) Ltd	Mr. Edgar Gunatunge (Non share holding director)	Overdraft	-	0.018
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	114.000
		Import Loan	250.000	129.200
		Overdraft	55.000	52.186
		LC	100.000	11.010
		Shipping Guarantee	100.000	6.900
Asian Alliance	Mr. Edgar Gunatunge (Non share holding director)	Term Loan	9.000	8.000
		Overdraft	15.000	Credit balance
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

Notes to the Financial Statements

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
Merchant Bank of Sri Lanka Ltd	Mr. S.G Wjesinhe (Non share holding director)	Term Loan	50.000	Limit approved but facilities not yet disbursed
Dankotuwa Porcelain Limited	Mr. S.G Wjesinhe (Director holding 500 shares in the company. As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Overdraft Packing Credit LC	10.000 USD 0.500 USD 500	Limit approved but facilities not yet disbursed

35 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 31/12/2003 (Rs. '000)
Interest Bearing Assets						
Money at call & short notice	1,867,767	-	-	-	-	1,867,767
Sri Lanka Treasury Bills & bonds	1,818,117	725,070	1,824,690	2,044,948	410,245	6,823,070
Investment Securities	-	25,000	25,000	-	251,646	301,646
Dealing Securities	3,282,072	-	-	-	-	3,282,072
Bills of Exchange	1,863,912	-	-	-	-	1,863,912
Loans & Advances	16,742,465	8,891,647	2,939,870	1,828,737	1,382,644	31,785,363
Lease rentals receivable	76,028	188,659	271,401	100,917	-	637,005
	<u>25,650,361</u>	<u>9,830,376</u>	<u>5,060,961</u>	<u>3,974,602</u>	<u>2,044,535</u>	<u>46,560,835</u>
Non Interest Bearing Assets						
Cash and short term funds	1,581,243	-	-	-	-	1,581,243
Balances with Central Bank	51,897	-	3,214,644	-	-	3,266,541
Dealing Securities	81,337	-	-	-	-	81,337
Interest and fees receivable	546,073	-	-	-	-	546,073
Investment in subsidiary company	-	-	-	-	451,878	451,878
Property, Plant and Equipment	-	-	-	-	1,130,812	1,130,812
Other Assets	356,770	46,603	32,394	-	-	435,767
Total Assets	<u>28,267,681</u>	<u>9,876,979</u>	<u>8,307,999</u>	<u>3,974,602</u>	<u>3,627,225</u>	<u>54,054,486</u>
Interest Bearing Liabilities						
Deposits	24,423,754	8,475,479	2,333,467	559,211	2,095,419	37,887,330
Refinance borrowings	4,408	13,274	35,265	35,265	1,034,847	1,123,059
Other Liabilities evidenced by paper	-	500,000	-	-	627,500	1,127,500
Other borrowings	2,829,983	357,126	13,695	-	2,080	3,202,884
	<u>27,258,145</u>	<u>9,345,879</u>	<u>2,382,427</u>	<u>594,476</u>	<u>3,759,846</u>	<u>43,340,773</u>
Non Interest Bearing Liabilities						
Deposits	3,327,681	816,359	-	-	-	4,144,040
Deferred Taxation	-	-	180,189	-	-	180,189
Proposed Dividends	5,639	-	-	-	-	5,639
Other Liabilities	2,875,841	-	-	17,074	108,000	3,000,915
Shareholders' Funds	-	-	-	-	3,382,930	3,382,930
Total liabilities and share holders' funds	<u>33,467,306</u>	<u>10,162,238</u>	<u>2,562,616</u>	<u>611,550</u>	<u>7,250,776</u>	<u>54,054,486</u>

Notes to the Financial Statements

36 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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Interest	4,875,850	4,568,846	-	-	458,438	121,315	-	469	(3,366)	(14,062)	5,330,922
Leasing	-	-	72,394	43,419	-	-	-	-	-	-	72,394	43,419
Dividends	12,432	14,835	-	-	28,600	33,000	-	-	(28,600)	(33,000)	12,432	14,835
Commissions	534,891	374,094	-	-	-	-	-	-	-	-	534,891	374,094
Exchange	288,354	295,879	-	-	-	-	-	-	-	-	288,354	295,879
Others	231,871	146,812	-	-	188,031	48,237	132,497	124,529	(110,358)	(87,800)	442,041	231,778
Total revenue from external customers	5,943,397	5,400,466	72,394	43,419	675,069	202,552	132,497	124,998	(142,324)	(134,862)	6,681,034	5,636,573
Inter segment revenue	(265,287)	(327,467)	-	-	265,287	327,467	-	-	-	-	-	-
Total revenue	5,678,110	5,072,999	72,394	43,419	940,357	530,019	132,497	124,998	(142,324)	(134,862)	6,681,034	5,636,573
Segment result	710,540	497,986	29,220	27,315	204,624	79,749	103,557	92,287	-	-	1,047,941	697,337
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	28,746	29,690
Profit from Operations	-	-	-	-	-	-	-	-	-	-	1,019,195	667,647
income Tax expenses	-	-	-	-	-	-	-	-	-	-	207,798	103,140
Minority Interest	-	-	-	-	-	-	-	-	-	-	77,346	69,610
Net profit for the year	-	-	-	-	-	-	-	-	-	-	734,051	494,897
Segment assets	53,417,481	42,800,404	637,005	216,432	6,202,990	1,580,477	761,907	772,920	(474,420)	(445,888)	60,544,963	44,924,345
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	53,417,481	42,800,404	637,005	216,432	6,202,990	1,580,477	761,907	772,920	(474,420)	(445,888)	60,544,963	44,924,345
Segment liabilities	50,130,102	39,946,512	541,454	183,967	5,756,814	1,316,887	83,511	110,582	(84,292)	(63,025)	56,427,590	41,494,923
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	50,130,102	39,946,512	541,454	183,967	5,756,814	1,316,887	83,511	110,582	(84,292)	(63,025)	56,427,590	41,494,923
Cash flows from Operating activities	(303,306)	3,736,815	95,500	70,250	4,399,731	1,046,139	111,133	98,715	29,402	1,000	4,332,460	4,952,919
Cash flows from Investing activities	(2,246,491)	(2,928,782)	-	-	(4,450,154)	(1,063,996)	(157)	(6,438)	-	(1,000)	(6,696,801)	(4,000,216)
Cash flows from Financing activities	1,921,024	(441,859)	-	-	-	9,893	(111,350)	(96,300)	21,396	-	1,831,070	(528,266)
Capital Expenditure	263,224	214,329	9,725	1,025	7,456	4,858	7,522	10,687	-	-	287,927	230,899

37 Trust Activities

The Board in its endeavour 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.

38 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>	Note	Bank		Change %	Group	
		2003 (US\$. '000)	2002 (US\$. '000)		2003 (US\$. '000)	2002 (US\$. '000)
Income	3	62,494	56,157	11.3	69,076	57,796
Interest income	4	51,161	47,682	7.3	55,866	48,795
Less: Interest expenses	5	26,901	29,298	(8.2)	30,811	29,783
Net interest income		24,259	18,384	31.9	25,055	19,012
Other income	6	11,333	8,938	26.8	13,210	9,476
Operating income		35,593	27,322	30.3	38,265	28,488
Less: National security levy		-	463	(100.0)	-	475
		35,593	26,859	32.5	38,265	28,013
Non Interest Expenses	7					
Personnel costs		8,457	7,014	20.6	8,576	7,105
Premises, equipment & establishment expenses		8,051	7,098	13.4	7,293	6,582
Provision for retirement benefits		1,220	724	68.6	1,223	725
Other overheads		3,926	2,549	54.0	4,221	2,689
		21,654	17,385	24.5	21,313	17,101
Profit before Credit losses & Diminution in Value of investments		13,938	9,474	47.1	16,953	10,912
Less: Credit loss provisions	8.1	5,068	4,178	21.3	5,068	4,178
Diminution in Value of Investments	8.2	20	-	-	20	-
Add: Appreciation in value of Investments	8.2	-	134	-	-	134
Share of profit before tax of Associate Companies		-	-		74	-
Operating profit before taxation		8,850	5,431	63.0	11,938	6,868
Writing back of negative good-will		-	-	-	-	34
Less: Goodwill on consolidation		-	-	-	75	-
Value Added Tax		1,202	-	-	1,325	-
Profit before taxation		7,648	5,431	40.8	10,538	6,902
Less: Provision for taxation	9	1,846	869	112.4	2,148	1,066
Profit after taxation		5,802	4,562	27.2	8,389	5,836
Less: Minority interest		-	-	-	800	720
Net Profit for the Year		5,802	4,562	27.2	7,589	5,116
Earnings per share (US \$)	10	0.13	0.10	27.2	0.17	0.12

Exchange Rate 1 US\$ was Rs: 96.72 as at 31.12.2003 (Rs: 96.73 as at 31.12.2002)



Balance Sheet in US\$

As at 31st December	Note	Bank			Group	
		2003 (US\$. '000)	2002 (US\$. '000)	Change %	2003 (US\$. '000)	2002 (US\$. '000)
Assets						
Cash and short term funds	11	16,349	21,860	(25.2)	16,350	21,861
Balance with Central Bank of Sri Lanka		33,773	22,272	51.6	33,777	22,291
Treasury bills	12	2,703	5,750	(53.0)	2,952	6,405
Dealing securities	13	34,775	28,830	20.6	95,533	43,407
Placements and loans with banks	14	19,311	7,497	157.6	19,311	7,497
Investment securities	15	53,405	36,140	47.8	53,319	36,140
Securities purchase under re-sale agreement	16	17,555	-	-	18,132	50
Loans and advances	17					
Bills of exchange	17.1	19,271	16,801	14.7	19,271	16,801
Loans and advances	17.2	328,633	279,548	17.5	328,470	279,522
Lease rentals receivable- before 31/12/2004	17.3.2	2,737	1,020	168.2	2,737	1,020
Lease rentals receivable- after 31/12/2004	17.3.3	3,849	1,217	216.2	3,849	1,217
Investment in Associate Companies	18.1	685	-	-	431	-
Investment in subsidiary companies	18.2	3,987	3,987	-	-	-
Interest and fees receivable		5,646	4,905	15.1	6,990	5,072
Other assets	19	4,505	3,921	14.9	4,959	4,190
Goodwill on Acquisition	29.2	-	-	-	281	29
Property, plant and equipment	20	11,692	10,963	6.6	19,619	18,928
Total assets		558,876	444,710	25.7	625,982	464,430
Liabilities						
Deposits	21	434,568	349,267	24.4	434,547	349,235
Proposed dividends		58	953	(93.9)	58	953
Refinance borrowings		11,611	8,728	33.0	11,611	8,728
Other borrowings	22	33,115	21,058	57.2	32,917	21,182
Securities sold under repurchase agreements		-	-	-	58,464	12,903
Other liabilities	23	30,135	27,830	8.3	31,120	28,783
Current Taxation	24	892	73	-	1,161	228
Deferred taxation	25	1,863	1,793	3.9	1,874	1,796
Other Liabilities evidenced by paper	26	11,657	5,169	125.5	11,657	5,169
Total liabilities		523,899	414,871	26.3	583,412	428,977
Shareholders' funds						
Issued share capital	27	4,579	4,578	-	4,579	4,578
Reserves	28					
Capital reserves	28.1	1,319	1,319	-	1,538	1,538
Statutory reserve fund	28.2	2,102	1,812	16.0	2,102	1,812
Revenue reserve	28.3	26,976	22,130	21.9	29,505	22,871
Total shareholders' funds		34,977	29,839	17.2	37,724	30,799
Minority Interest	30	-	-	-	4,846	4,654
Total liabilities and shareholders' funds		558,876	444,710	25.7	625,982	464,430
Net asset value per share (US \$)		0.79	0.67	17.2	0.85	0.70
Commitments and contingencies	31	155,243	122,229	27.0	155,243	122,229

Exchange Rate 1 US\$ was Rs: 96.72 as at 31.12.2003 (Rs: 96.73 as at 31.12.2002)

January 2003

56th Branch at Mahiyangana

We opened our 56th branch in the heritage city of Mahiyangana connecting to our island wide network of electronically linked branches.

Goes offshore to Bangladesh

With our planning to expand in the South East Asian Region, having as a first step we invested in Vanik Bangladesh Limited, a leasing company in Bangladesh. An agreement to manage the company is in force and we expect a return on our investment of Bangladesh taka 40Mn by the second quarter of 2004.



Neluwa Branch opening

We opened our 54th Branch on 9th January 2003 at Main Street, Neluwa. This was the 9th addition to our Savings and Pawning units.

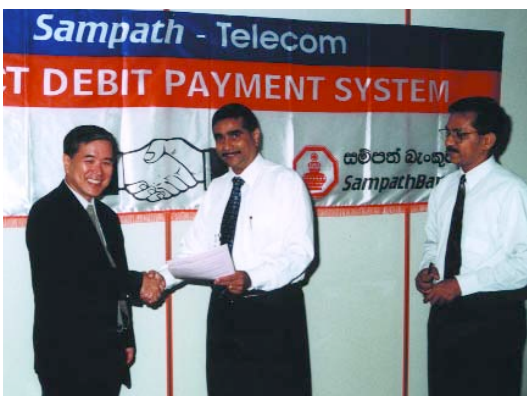
Sampath spreads to North -East

As the nation steps into a new era of peace and prosperity, we opened our 55th branch at No.25, Station Road, Vavuniya with the promise of economic resurgence.

March 2003

Sri Lanka Telecom bill payment through Sampath Direct Debit

Sampath Bank and Sri Lanka Telecom signed a Memorandum of Understanding to facilitate direct payment of SLT telephone bills of sampath customers. Sampath Bank customers having savings or current accounts could instruct the bank to deduct SLT bill charges direct from their accounts and settle to SLT.



Signing of agreement with SLT - Bill payments through Sampath Direct Debit

Sampath "PayEasy" is yet another first in Sri Lanka by Sampath Bank, the latest addition to bank's innovative financial solutions. This on line payment system was launched on 28th March 2003 with the opening of our 57th Branch at Horana.



Opening of Horana Branch by Chairman, Mr. Edgar Gunatunge

May 2003

The only company in Sri Lanka to award CIMA Quality Approved Status

CIMA's Training Through Partnership (TTP) aims to raise the standard of training support provided to CIMA students. Sampath Bank was awarded the top award which is the Quality Approved Status in Sri Lanka at The 25th National Conference of CIMA held on 29th and 30th May 2003. The CIMA Quality Approved is awarded to organizations providing training support in line with recommended and core best practice standards.

June 2003

Sampath - Jinasena Dealer Credit Card

Sampath Bank and Jinasena Engineering (Pvt) Ltd., signed an agreement for providing credit card services at Jinasena sales & service centres. This agent card arrangement provides a wide range of credit facilities to the dealers of Jinasena Engineering on purchasing Jinasena products.

July 2003

Opening of Bandaragama Savings Unit

Our 59th branch was opened at Horana Road, Bandaragama on 26th July 2003. The savings and pawning unit links Bandaragama with Sampath Bank's islandwide network providing the people of this town access to advanced banking services.

Second Branch at Kotahena

The Harbour View Savings & Pawning Unit at the Setmil Building No. 256, Srimath Ramanathan Mawatha , Kotahena is the bank's second branch providing added convenience to residents in and around Kotahena. This was the 58th branch of us which links to the chain of islandwide online branch network.



August 2003

Opening of SLIIT ATM at Malabe

We installed a new offsite ATM at the Sri Lanka Institute of Information Technology in Malabe on the new Kaduwela - Kandy road bringing modern day banking technology to the nerve centre of Information Technology in the island. This ATM enhances convenience of those living in and around Kaduwela and is another access point in the electronically linked islandwide network of ATM's.



Fifteen years of pioneering networked ATMs in Sri Lanka

On 19th August 2003 we celebrated fifteen years of pioneering multi point networked ATMs in Sri Lanka. In 1988 the first ATM transaction using SET card was conducted and at present an average of 25,000 SET card transactions take place every day, which is more than 1,000 transactions per hour or nearly 20 per minute or one in every 3 seconds.



Cell Banking SMS

Cell banking SMS is an advanced, secure mobile communication link provided to all Celltel GSM users jointly by Celltel and Sampath Bank, to provide an instant real-time transaction facility that can be activated by a simple SMS command.



Pictured here is the exchange of agreements between Celltel and Sampath Bank for the launch of Cell Banking SMS. (From left) DGM System Development, Electronic Banking and Card Centre, Ranjith Narangoda and DGM Marketing, Finance and Planning, P.R. Dharmawardena, Senior Deputy General Manager, W. Bandaranayake of Sampath Bank, Celltel's Chief Executive Officer, Dumindra Ratnayaka, Legal Officer, Nadira Siriwardena and Senior Executive ISP and VAS Madhura Hiripitiya.

Celltel, Sampath Bank launch

Capital investment in Union Bank

Sampath Bank has a 16% stake of Union Bank with a Rs.150 Mn capital investment which increased A class shares of Union Bank to Rs.525 Mn. Union Bank has issued a Bond which will have a maturity value of Rs.3.5 billion in the next twenty years.

September 2003

Opening of Kadawatha Branch

We opened yet another electronically linked branch for the people of Kadawatha on 19th September 2003, with a 24 hour personal Banking centre with the usual facilities such as Internet Banking, Telephone Banking, Cheque deposit facilities and a SET machine. Facilities are available for customers as well as non-customers to pay utility company bills through Sampath "PAY EASY" and also access information such as interest and exchange rates.



Mr. Marvan Attapattu, Captain of Sri Lanka one day cricket team accepting a deposit from a X-Set account holder.

Settlement bank for USD cheque clearing system

We were re-appointed as the Settlement bank for the Colombo based USD Cheque clearing system for another three years with effect from 1st September 2003.

We were the first to offer "Verified by Visa" in Sri Lanka

Verified by Visa is designed to benefit all parties in a credit card payment chain. Cardholders can enjoy an additional level of on-line protection. Verified by Visa uses a password to validate the identity of the cardholder every time a transaction is made. Merchants and Financial Institutions see a reduction in losses from unauthorised card usages and transaction disputes. When cardholders shop at participating on-line stores, they enter their password in the same way they would enter PIN at an ATM, which will be an added security for each transaction.

First Drive Thru' ATM

We opened our first drive thru' ATM at Dharmapala Mawatha ,Colombo 7.

This was the 6th offsite ATM of the bank.



Opening of drive Thru ATM at Dharmapala Mawatha, Colombo 7

October 2003

Sampath Plus Point Loyalty Card

"Sampath Puls Point" a loyalty programme, exclusively for our credit / debit card holders, designed to reward customers for their loyalty and for choosing Sampath Bank Cards, was launched on 1st October 2003. Card holders will earn points as they use their credit or debit cards and points earned will be calculated on the discounts and credit to loyalty account on the percentage offered by the participating merchants. Cardholders are able to accumulate and redeem plus points at any of the participating merchant outlets.

Branch at Battaramulla

Our 61st Branch was opened at no.157, Main Street, Battaramulla by the Chairman, Mr. Edgar Gunatunge.

Sampath in the East

We began our operations in the East with the opening of our 62nd branch at Ampara. People of Ampara can now do their transactions with any of our electronically linked island wide branch network.

Creating History

We created history by becoming the first bank in Sri Lanka to clear any cheque drawn on any branch anywhere in the island irrespective of its location, and collected by any commercial bank operating in Sri Lanka and presented through Sri Lanka Automated Clearing House (SLACH) within one working day.

November 2003

Sampath / Travelex money transfer agreement

We signed an agency agreement with Travelex Worldwide Money Ltd., for instant, low cost money transfer arrangements from any part of the world to Sri Lanka.

Official Credit Card provider for Sri Lanka Cricket

We joined hands with Sri Lanka Cricket in launching the first official credit card of Sri Lanka Cricket. This is a co-branded credit card under the MasterCard brand. The bank carries this concept to help Sri Lanka Cricket to raise additional funds for the development of cricket and to provide opportunities for the cricket loving public to contribute a percentage from the annual membership fee and a percentage from every transaction they make.

December 2003

63rd Branch at Pelawatta

This is the 10th Branch we opened during the year 2003. The branch was opened for public on 11th December at No. 424, Pannipitiya Road, Thalagama South, Pelawatta.



Accepting the first "Pubudu" deposit at the opening of our Pelawatta Branch.

Re-launching of "Pubudu" Children's Savings Scheme

We re-launched our existing children's savings scheme under a new name, "Pubudu Triple S" with added features.

Branch Network

Anuradhapura

No.38, Main Street, Anuradhapura
Tel : (025) 2235026 - 7
Fax : (025) 2235028
Email : anuradhapura.mgr@sampath.lk

Alawwa

No.7/5, Giriulla Road, Alawwa
Tel : (037) 2279209
Email : alawwa.mgr@sampath.lk

Ampara

No. 9, D.S. Senanayake Road, Ampara
Tel : (063) 2223840 - 1
Fax : (063) 2223444
Email : ampara.mgr@sampath.lk

Avissawella

No. 27-29, Yatiyantota Road, Avissawella
Tel : (036) 2222011 - 2
Fax : (036) 2222010
Email : avissawella.mgr@sampath.lk

Bambalapitiya

No.1-01, Majestic City, Station Road,
Bambalapitiya
Tel : (011) 2501829, 2502686, 2504598
Fax : (011) 2501829
Email : bambalapitiya.mgr@sampath.lk

Bandarawela

No.253, 255, Main Street, Bandarawela
Tel : (057) 2223720 - 1
Fax : (057) 2223722
Email : bandarawela.mgr@sampath.lk

Bandaragama

No. 55, Horana Road, Bandaragama
Tel : (038) 2293056
Email : bandaragama.mgr@sampath.lk

Battaramulla

No. 157, Main Street, Battaramulla
Tel : (011) 2861805 - 7
Fax : (011) 2861807
Email : battaramulla.mgr@sampath.lk

Borella

No. 14, Cotta Road, Colombo 08.
Tel : (011) 2691121 - 5
Fax : (011) 2686066
Email : borella.mgr@sampath.lk

City

No. 55, D.R.Wijewardena Mw, Colombo 10
Tel : (011) 2328759, 2328569, 2328131,
2328852, 011 2448757 - 8, 2448291,
2448084, 2434431, 011 2435085,
2421866, 2541332, 2433582
Fax : (011) 2434217
Email : city.mgr@sampath.lk

Dehiwala

No. 198, Galle Road, Dehiwala
Tel : (011) 2738481, 2738422
Fax : (011) 2738461
Email : dehiwala.mgr@sampath.lk

Deniyaya

No. 28-30, Main Street, Deniyaya
Tel : (041) 2273225, 2273255
Fax : (041) 2273255
Email : deniyaya.mgr@sampath.lk

Deraniyagala

No. 63, Noori Road, Deraniyagala
Tel : (036) 2249500
Email : deraniyagala.mgr@sampath.lk

Eheliyagoda

No. 2, Ratnapura Road, Eheliyagoda
Tel : (036) 2258032, 2259174
Fax : (036) 2258031
Email : eheliyagoda.mgr@sampath.lk

Embilipitiya

No. 62, Main Street, Embilipitiya
Tel : (047) 2261203 - 4
Fax : (047) 2261205
Email : embilipitiya.mgr@sampath.lk

Fort

No. 98, Chatam Street, Colombo 01
Tel : (011) 2447231 - 2, 2327379
Fax : (011) 2421453
Email : fort.mgr@sampath.lk

Gampaha

No. 8, Mangala Road, Gampaha
Tel : (033) 2226640 - 1, 2222396
Fax : (033) 2226642
Email : gampaha.mgr@sampath.lk

Galle

No. 5, Wakwella Road, Galle
Tel : (091) 2245646 - 7
Fax : (091) 2245645
Email : galle.mgr@sampath.lk

Head Quarters

No. 110, Sir James Peiris Mw, Colombo 02
Tel : (011) 2300260, 4 730630, 5 331441
Fax : (011) 5331485
Email : headq.mgr@sampath.lk

Horana

No 114, Somananda Road, Horana
Tel : (034) 2260345 - 6,
Fax : (034) 2260347
Email : horana.mgr@sampath.lk

Harbourview

Setmil Maritime Centre, No. 256,
Srimath Ramanathan Mawatha ,Colombo 15
Tel : (011) 2393017
Email : harbourview.mgr@sampath.lk

Kadawatha

No. 174/3, Ragama Road, Kadawatha
Tel : (011) 2921001 - 2 & 5
Fax : (011) 2921003
Email : kadawatha.mgr@sampath.lk

Kandy

No. 19, Dalada Veediya, Kandy
Tel : (081) 2232778, 2232780,
2233838
Fax : (081) 2232779
Email : kandy.mgr@sampath.lk

Kalutara

No. 314, Main street, Kalutara South,
Kalutara
Tel : (034) 2235600 - 1
Fax : (034) 2235602
Email : kalutara.mgr@sampath.lk

Katugastota

No. 6-8, Gohagoda Road, Katugastota
Tel : (081) 22498932 - 4
Fax : (081) 22499123
Email : katugastota.mgr@sampath.lk

Katunayake

Arrivals Lobby, Bandaranayake
International Airport, Katunayake
Tel : (011) 2253776
Fax : (011) 2253776

Kiribathgoda

No. 259, Kandy Road, Dalugama, Kelaniya
Tel : (011) 2910457, 2910514
Fax : (011) 2910515
Email : kiribathgoda.mgr@sampath.lk

Kotahena

No. 165, George R De Silva Mw, Colombo 13
Tel : (011) 2384010 - 1
Fax : (011) 2384012
Email : kotahena.mgr@sampath.lk

Kaduruwela

No. 5, Main Street, Kaduruwela
Tel : (027) 2225567 - 8
Fax : (027) 2225569
Email : kaduruwela.mgr@sampath.lk

Kalawana

No. 54/B, 54/C, Manana, Kalawana
Tel : (045) 2255793 - 4
Fax : (045) 2255795
Email : kalawana.mgr@sampath.lk

Kurunegala

No. 31, Negombo Road, Kurunegala
Tel : (037) 2223944, 2223500 - 2
Fax : (037) 2223509
Email : kurunegala.mgr@sampath.lk

Kottawa

No. 124/8, Highlevel Road, Kottawa
Tel : (011) 2782684
Email : kottawa.mgr@sampath.lk

Kuliyapitiya

No. 54, Kurunegala Road, Kuliyapitiya
Tel : (037) 2281860 - 1, 2281866
Fax : (037) 2281861
Email : kuliyapitiya.mgr@sampath.lk

Maharagama

No. 81, High Level Road, Maharagama
Tel : (011) 2851338, 2840950 - 2
Email : maharagama.mgr@sampath.lk

Mahiyangana

No. 28 & 29, New Town, Mahiyanganaya
Tel : (055) 2258180
Fax : (055) 2258181
Email : mahiyangana.mgr@sampath.lk

Main Street

No. 110 - 114, Main Street, Colombo 11
Tel : (011) 2386732 - 3
Fax : (011) 2386734
Email : mainstreet.mgr@sampath.lk

Malabe

No. 895, Athurugiriya Road, Malabe
Tel : (011) 2762222 - 3
Fax : (011) 2762224
Email : malabe.mgr@sampath.lk

Matale

No. 142 - 144, Trincomalee Street, Matale
Tel : (066) 2224094, 2223861
Fax : (066) 2223862
Email : matale.mgr@sampath.lk

Matara

No. 3, Hakmana Road, Matara
Tel : (041) 2223260 - 1
Fax : (041) 2223268
Email : matara.mgr@sampath.lk

Morawaka

Singhe Building, Morawaka
Tel : (041) 2282310 - 1
Fax : (041) 2282312
Email : morawaka.mgr@sampath.lk

Moratuwa

No. 653, Galle Road, Rawatawatta,
Moratuwa
Tel : (011) 2644737 - 8
Fax : (011) 2644739
Email : moratuwa.mgr@sampath.lk

Nawam Mawatha

No. 46/58, Millennium House, Nawam
Mawatha, Colombo 02
Tel : (011) 2305025 - 7, 2305029
Fax : (011) 2305028
Email : nawam.mgr@sampath.lk

Narahenpita

No. 193, Kirula Road, Narahenpita,
Colombo 05
Tel : (011) 2552820 - 1
Fax : (011) 2552822
Email : narahenpita.mgr@sampath.lk

Negombo

No. 293, Main Street, Negombo
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Email : negombo.mgr@sampath.lk

Neluwa

Dellawa Road, Neluwa
Tel : (091) 2237525
Email : neluwa.mgr@sampath.lk

Nugegoda

No. 79 A, Stanley Thillekeratne Mw, Nugegoda
Tel : (011) 2816288 - 9, 2856907, 2856909
Fax : (011) 2856908
Email : nugegoda.mgr@sampath.lk

Old moor street

No. 371, Old Moor Street, Colombo 12
Tel : (011) 2452490 - 2, 2424075
Fax : (011) 2424074
Email : oldmoor.mgr@sampath.lk

Panadura

No. 373, Galle Road, Panadura
Tel : (038) 2235100, 2231677
Fax : (038) 2235101
Email : panadura.mgr@sampath.lk

Peradeniya

No. 901/A, Peradeniya Road, Kandy
Tel : (081) 2384054
Fax : (081) 2384054
Email : peradeniya.mgr@sampath.lk

Pettah

No. 999, People's Park, Bodiraja Mw, Colombo 11
Tel : (011) 2432324, 2432262, 2432281, 2432309
Fax : (011) 2432303
Email : pettah.mgr@sampath.lk

Pelawatta

No. 424, Pannipitiya Road, Thalagama
South, Pelawatta, Battaramulla
Tel : (011) 2787209
Email : pelawatta.mgr@sampath.lk

Piliyandala

No. 32/1/1, Maharagama Road, Piliyandala
Tel : (011) 2614957, 2614664 - 5
Fax : (011) 2614664
Email : piliyandala.mgr@sampath.lk

Ratmalana

No. 359, Galle Road, Ratmalana
Tel : (011) 2730820 - 1
Fax : (011) 2730819
Email : ratmalana.mgr@sampath.lk

Ratnapura

No. 180 - 182, Main Street, Ratnapura
Tel : (045) 2224361, 2232261 - 2
Fax : (045) 2224361
Email : ratnapura.mgr@sampath.lk

Thambuththegama

No. 72, New Town, Thambuththegama
Tel : (025) 2225767
Fax : (025) 2225767
Email : thambuththegama.mgr@sampath.lk

Thimbirigasyaya

No. 154, Havelock Road, Colombo 05
Tel : (011) 2505001 - 3
Fax : (011) 2505001
Email : thimbirigasyaya.mgr@sampath.lk

Tissamaharama

No. 25 - 27, Main Street, Tissamaharama
Tel : (047) 2237056, 2237008
Fax : (047) 2237058
Email : tissa.mgr@sampath.lk

Unichela

No. 124, Horana Road, Panadura
Tel : (011) 4281245
Email : unichela.mgr@sampath.lk

Vavuniya

No. 25, Station Road, Vavuniya
Tel : (024) 2222959
Email : vavuniya.mgr@sampath.lk

Wattala

No. 165, Negombo Road, Wattala
Tel : (011) 2931569 - 70, 2941526 - 7
Fax : (011) 2931568
Email : wattala.mgr@sampath.lk

Wariyapola

No. 52, Dayaratne Building, Kurunegala
Road, Wariyapola
Tel : (037) 2268144
Email : wariyapola.mgr@sampath.lk

Wellawatta

No. 445, Galle Road, Colombo 06
Tel : (011) 2507607 - 8
Fax : (011) 2507609
Email : wellawatta.mgr@sampath.lk

Wellampitiya

No. 268, Kolonnawa Road, Wellampitiya
Tel : (011) 2533498
Email : wellampitiya.mgr@sampath.lk

Wennappuwa

No. 56/4, Main Street, Wennappuwa
Tel : (031) 2256925, 2256927
Fax : (031) 22256926
Email : wennappuwa.mgr@sampath.lk

Internal Directory

REGISTERED OFFICE

Sampath Bank Limited
No.110, Sir James Peiris Mawatha,
Colombo 02, Sri Lanka

Tele : (011) 4730630, 2300260
Telex : 22760 ICBANK CE 22761 SAMBK CE
e-mail : oper.mgr@sampath.lk
SWIFT : BSAMLKLX

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

No.110, Sir James Peiris Mawatha, Colombo 02.
Tele : (011) 4730402, 4730630, 2300260
Fax : (011) 2300142

HUMAN RESOURCES DEPARTMENT

Tele : (011) 4730508, 4730630, 2300260
Fax : (011) 4712026

TREASURY DIVISION

Tele : (011) 4730103, 4730630, 2300260
Fax : (011) 2300144

INTERNATIONAL BANKING DIVISION

Tele : (011) 4730174, 4730630, 2300260
(011) 5331467 (FCBU)
Fax : (011) 2300143, 2303065
Telex : 22761 SAMBK CE
SWIFT : BSAMLKLX

CARD CENTRE - OPERATIONS

Tele : (011) 2300598/9, 4730476, 2300260
Fax : (011) 2300603

CARD CENTRE - CUSTOMER SERVICES/ MARKETING/CREDIT RECOVERIES

Tele : (011) 4730630, 2300260, 4730364
(011) 2303076, 2303075, 4730355
Fax : (011) 4712013, 4712016

OPERATIONS DEPARTMENT

Tele : (011) 4730202, 4730630, 2300260
Fax : (011) 2303085

PLANNING & MARKETING DEPARTMENT

Tele : (011) 4730516, 4730630, 2300260
Fax : (011) 4712014, 4730528

DEVELOPMENT BANKING & CREDIT SUPERVISION DIVISION

Tele : (011) 4730216, 4730630, 2300260
Fax : (011) 5331484

INFORMATION TECHNOLOGY DIVISION - ELECTRONIC DATA PROCESSING

Tele : (011) 4730445, 4730630, 2300260
Fax : (011) 2303086

FINANCE DEPARTMENT

Tele : (011) 4730379, 4730630, 2300260
Fax : (011) 4730379

RECOVERIES DEPARTMENT

Tele : (011) 4730230, 4730630, 2300260, 4712007
Fax : (011) 4712019

INTERNAL AUDIT DEPARTMENT

Tele : (011) 4730397, 4730630, 2300260
Fax : (011) 4730379

MAINTENANCE DEPARTMENT

Tele : (011) 2300141, 4730630, 2300260
Fax : (011) 4712019

SERVICES DEPARTMENT

Tele : (011) 2332946
Fax : (011) 2328852

CREDIT DEPARTMENT

Tele : (011) 4730118, 4730230, 2300260
Fax : (011) 5331484

SECRETARIAT DEPARTMENT

Tele : (011) 4730420, 4730630, 2300260
Fax : (011) 2300142

TRAINING DEPARTMENT

Tele : (011) 4730510, 4730630, 2300260
Fax : (011) 4712026

LEGAL DEPARTMENT

Tele : (011) 4730234, 4730630, 2300260
Fax : (011) 4712002

INFORMATION TECHNOLOGY DIVISION- SYSTEM & IT DEVELOPMENT

Tele : (011) 4730471, 4730630, 2300260
Fax : (011) 2305509

ADMINISTRATION DEPARTMENT

Tele : (011) 4730287, 4730630, 2300260
Fax : (011) 4712025

INVESTMENT & INSURANCE DEPARTMENT

Tele : (011) 4730630, 4730601
Fax : (011) 2314940

TRAVEL DEPARTMENT

No.55, D. R. Wijewardena Mawatha, Colombo 10.
Tele : (011) 2448291, 2328569, 2434431
(011) 2433582, 2421866, 2421868
Fax : (011) 2434217

Ten years at a glance

<i>Year Ended 31st December</i>	1994	1995	1996	1997	1998	1999	2000	2001	2002	Rs. Mn. 2003
Profit Performance										
Income	1,242	1,632	1,917	2,348	2,675	3,135	4,220	5,269	5,432	6,044
Interest Income	1,047	1,363	1,589	1,978	2,198	2,633	3,531	4,484	4,612	4,948
Interest Expenses	634	750	934	1,193	1,263	1,627	2,169	3,191	2,834	2,602
Net interest income	413	613	656	785	936	1,006	1,362	1,293	1,778	2,346
Exchange Income	96	160	173	178	235	234	360	400	296	288
Other income	119	147	181	230	281	316	513	472	569	808
Operating expenses	318	433	523	641	806	980	1,304	1,466	1,682	2,094
Profit before tax	262	382	406	449	487	342	535	429	525	740
Income Tax on Profit	90	141	124	127	115	81	134	107	84	179
Profit after tax	172	241	282	322	372	261	402	322	441	561
Assets										
Cash and Short Term Funds	2,403	1,969	1,255	1,040	518	1,236	1,293	1,678	2,115	1,581
Bills of Exchange	587	744	1,114	1,226	1,647	1,629	1,918	2,139	1,945	2,262
Loans and Advances	4,776	6,487	8,281	11,486	14,977	18,960	24,461	27,127	29,556	34,723
Lease Rentals Receivable	57	113	183	198	191	187	266	246	238	677
Investment in Subsidiaries	-	-	-	-	220	220	370	381	386	452
Fixed assets	198	308	350	491	687	893	914	1,031	1,060	1,131
Total assets	9,963	11,953	14,901	18,412	22,640	27,327	34,596	38,781	43,017	54,054
Liabilities										
Deposits	6,928	8,119	9,616	12,156	16,111	19,877	24,697	29,669	33,785	42,031
Refinance Borrowings	224	205	223	248	262	406	653	732	844	1,123
Debentures	-	-	-	-	-	500	500	500	500	1,128
Other Liabilities	2,152	2,671	3,893	4,570	4,510	4,578	6,457	5,347	5,002	6,390
Total Liabilities	9,304	10,995	13,732	16,974	20,883	25,362	32,307	36,248	40,130	50,672
Shareholders' Funds										
Share capital	354	354	354	354	354	443	443	443	443	443
Reserves	304	586	815	1,084	1,402	1,522	1,847	2,091	2,444	2,940
Investor Information										
<i>(for the year ended 31st December)</i>										
Dividend paid	44.3	53.1	53.1	53.1	53.1	141.7	77.5	77.5	88.6	66.4
Dividend cover (times)	3.8	4.5	5.3	6.0	7.0	1.8	5.2	4.2	5.0	8.4
Earnings per share (Rs)	3.87	5.45	6.37	7.26	8.39	5.90	9.10	7.30	9.96	12.67
Net assets per share (Rs)	14.87	21.23	26.39	32.47	39.66	44.40	51.70	57.21	65.18	76.39
Market price per share (Rs)-Max	87.00	56.00	54.00	85.50	70.00	51.50	70.50	72.00	79.80	133.00
Market price per share (Rs)-Min	40.00	35.50	42.50	45.75	32.00	36.00	37.00	32.50	50.00	65.00
Price as at 31 December (Rs)	50.50	46.00	46.00	62.00	49.25	45.00	41.50	63.00	72.00	83.50
Other Information										
<i>(as at 31st December)</i>										
Export turnover (for the year)	5,271	6,035	8,441	9,314	11,528	13,717	15,001	18,370	15,669	15,823
Import turnover (for the year)	5,466	6,945	8,409	10,988	15,867	17,705	22,025	23,630	29,099	28,523
Number of Staff	817	919	981	1,131	1,246	1,332	1,355	1,430	1,492	1,579
Number of Branches	20	23	26	29	32	34	38	45	53	63
Ratios										
Growth of income (%)	21.0	31.4	17.5	22.5	13.9	17.1	34.6	24.9	3.1	11.3
Cost to income ratio (%)	52.3	49.2	53.2	55.5	57.1	65.0	63.6	70.6	64.7	60.8
Growth of deposits (%)	29.4	17.2	20.9	26.4	32.5	23.4	24.2	20.1	13.9	24.4
Growth of advances (%)	18.3	35.5	30.4	34.8	30.2	23.6	28.3	11.0	7.5	18.7
Rate of dividend (%)	12.5	15.0	15.0	15.0	15.0	40.0	17.5	17.5	20.0	20.0
Return on assets (after tax) (%)	2.0	2.2	2.1	1.9	1.8	1.2	1.3	0.9	1.1	1.2
Return on equity (after tax) (%)	28.9	30.3	26.7	24.7	23.3	14.0	18.9	13.3	16.3	17.9
Advance to Deposits & Refinance (%)	75.8	88.2	97.3	104.1	102.7	102.4	105.1	97.1	91.7	87.3
Fixed Assets to Shareholders' Funds (%)	30.1	32.7	29.9	34.1	39.1	45.4	39.9	40.7	36.7	33.4
Total Assets to Shareholders' Funds (Times)	15.1	12.7	12.7	12.8	12.9	13.9	15.1	15.3	14.9	16.0
<i>(As specified in Banking Act No 30 of 1988)</i>										
Liquid Assets to Liabilities(%)	31.6	28.1	25.2	21.9	23.4	21.8	21.2	27.9	25.2	27.4
Capital standards (%) - TIER I	13.2	13.3	12.9	11.3	11.4	10.5	9.6	10.5	11.5	9.6
- TIER II	14.0	14.5	14.3	12.4	12.5	14.0	12.0	12.6	13.1	11.0



Global Presence

COUNTRY	ADVISING BANK	COUNTRY	ADVISING BANK
AUSTRALIA	National Australia Bank Limited Australia and New Zealand Banking Group Limited Bank of America NA HSBC	GREECE	Standard Chartered Grindlays Bank Limited
AUSTRIA	Bank Austria Creditanstalt AG Raiffeison Zentralbank Osterreich AG	HONGKONG	Citibank National Australia Bank Limited Deutsche Bank AG HSBC Standard Chartered Grindlays Bank Limited Wachovia Bank NA
BAHRAIN	British Bank of the Middle East	HUNGARY	Central European International Bank Limited Commerzbank (Budapest) Rt.
BANGLADESH	Agrani Bank Dhaka Bank Ltd	INDIA	State Bank of India Standard Chartered Bank Bank of Ceylon Citibank ICICI Bank Limited Bank Of America
BELGIUM	K B C Bank NV ING Belgium SA/NV	INDONESIA	Standard Chartered Bank Deutsche Bank AG HSBC Citibank The Bank of Tokyo - Mitsubishi Limited. Bank Of America
BRAZIL	Deutsche Bank SA	IRAN	Bank Saderat Iran
CANADA	Bank of Montreal	IRELAND	Bank of Ireland
CHILE	Banco Del Estado De Chile Citibank	ISRAEL	Bank Leumi Le Israel BM
CHINA	Citibank Bank of China Societe Generale Commerzbank AG Deutsche Bank	ITALY	Banca Nazionale del Lavoro SpA Banca di Roma SpA Unicredito Italiano SpA
CYPRUS	Bank of Cyprus Limited	JAPAN	Deutsche Bank AG Commerzbank AG Citibank The Bank of Tokyo - Mitsubishi Limited Standard Chartered Bank The Ogaki Kyoritsu Bank Limited The Asahi Shinkin Bank The Sumitomo Trust and Banking Company Limited The Sumitomo Mitsui Banking Corporation UFJ Bank Limited Wachovia Bank NA
CZECH REPUBLIC	Ceskoslovenska Obchodni Banka AS	JORDAN	HSBC Bank Middle East
DENMARK	Den Norske Bank AS		
EGYPT	National Bank of Egypt		
FINLAND	Nordea Bank Finland plc		
FRANCE	BNP Paribas SA Credit Commercial du Sud - Quest		
GERMANY	Deutsche Bank AG Commerzbank AG Bayerische Hypo-Und Vereinsbank AG Dresdner Bank AG		

COUNTRY	ADVISING BANK
KOREA	Union de Banques Arabes ET Frankcaises Deutsche Bank AG Wachovia Bank NA
MALAYSIA	Standard Chartered Bank Malaysia Berhad HSBC Bank Malaysia Berhad Deutsche Bank Malaysia Berhad
MALDIVES	Bank of Ceylon Bank of Maldives plc
NETHERLANDS	ABN Amro Bank NV ING Bank NV
NEW ZEALAND	Bank of New Zealand ANZ Banking Group Limited HSBC
NORWAY	Den Norske Bank
OMAN	HSBC Bank Middle East
PAKISTAN	ABN Amro Bank NV
PHILIPPINES	HSBC Citibank NA, Manila Branch
POLAND	Bank Handlowy Warszawie SA
PORTUGAL	Deutsche Bank (Portugal) SA
QATAR	HSBC Bank Middle East
ROMANIA	Romanian Commercial Bank
SAUDI ARABIA	The Saudi British Bank
SINGAPORE	Oversea - Chinese Banking Corporation Limited Standard Chartered Bank Deutsche Bank AG Citibank NA ABN Amro Bank NV, Singapore Branch The Bank of Tokyo – Mitsubishi Limited JP Morgan Chase Bank United Overseas Bank Limited HSBC Bank of America NA, Singapore State Bank of India UFJ Bank Ltd, Singapore Branch Sumitomo Mitsui Banking Corporation

COUNTRY	ADVISING BANK
SOUTH AFRICA	First National Bank of Southern Africa State Bank of India ABSA Bank Limited
SPAIN	Banco Bilbao Vizcaya Argentaria SA Banca di Roma SpA
SWEDEN	Svenska Handelsbanken Skandinaviska Enskilda Banken
SWITZERLAND	UBS AG
TAIWAN	Deutsche Bank AG Wachovia Bank NA Citibank NA Standard Chartered Bank Limited
THAILAND	Thai Farmers Bank Citibank NA Standard Chartered Bank HSBC
TURKEY	OYAK Bank AS HSBC
UNITED ARAB EMIRATES	HSBC Bank Middle East ABN Amro Bank NV Standard Chartered Bank
UNITED KINGDOM	Lloyds TSB Bank plc Bank of Ceylon (London) Barclays Bank plc Citibank NA Standard Chartered Bank HSBC
UNITED STATES OF AMERICA	Deutsche Bank AG Bank of America NA Citibank NA HSBC Bank USA Wachovia Bank NA
VIETNAM	Citibank NA

Milestones



Milestones

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Address Milestones

<div style="margin-bottom: 10px;"> 1987 <ul style="list-style-type: none"> 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. </div> <div style="margin-bottom: 10px;"> 1988 <ul style="list-style-type: none"> Automated Teller machines were introduced to Sri Lanka for the first time. </div> <div style="margin-bottom: 10px;"> 1989 <ul style="list-style-type: none"> Master Card was introduced to Sri Lanka. Uni - Banking system was introduced to the Country for the first time in Sri Lanka. </div> <div style="margin-bottom: 10px;"> 1990 <ul style="list-style-type: none"> Branch network was increased to ten with the opening of Matara Branch. </div> <div style="margin-bottom: 10px;"> 1991 <ul style="list-style-type: none"> Mr. Stanley William became the Chairman and Mr. Edgar Gunatunge joined the Board of Directors as the Deputy Chairman/Managing Director. </div> <div style="margin-bottom: 10px;"> 1993 <ul style="list-style-type: none"> Mr. Dunstan De Alwis became the Chairman of the Bank. </div> <div style="margin-bottom: 10px;"> 1994 <ul style="list-style-type: none"> The Bank was among the first to join the SWIFT network. </div> <div style="margin-bottom: 10px;"> 1996 <ul style="list-style-type: none"> 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. </div> <div style="margin-bottom: 10px;"> 1997 <ul style="list-style-type: none"> 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. </div> <div style="margin-bottom: 10px;"> 1998 <ul style="list-style-type: none"> 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". </div>	<div style="margin-bottom: 10px;"> 1999 <ul style="list-style-type: none"> 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. </div> <div style="margin-bottom: 10px;"> 2000 <ul style="list-style-type: none"> 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. </div> <div style="margin-bottom: 10px;"> 2001 <ul style="list-style-type: none"> 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 unit to serve savings customers. </div> <div style="margin-bottom: 10px;"> 2002 <ul style="list-style-type: none"> 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. </div> <div style="margin-bottom: 10px;"> 2003 <ul style="list-style-type: none"> 10 new branches were opened during the year, which is the highest number of branches opened during a calendar year in the history of the bank. As a first step towards expanding in the South East Asian Region, we invested in Vanik Bangladesh Limited, a leasing and credit card company in Bangladesh. We celebrated fifteen years in introduction of Automated Teller machines (ATM"s) to the people of Sri Lanka. We began our operations in the East with the opening of our 62nd branch at Ampara. We became the first bank in Sri Lanka to clear any cheque drawn on any branch anywhere in the island irrespective of its location, and collected by any commercial bank operating in Sri Lanka and presented through Sri Lanka Automated Clearing House (SLACH), within one working day. </div>
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Glossary of Financial and Banking terms

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.

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.

Derivatives

Financial contracts whose values are derived from the values of underline assets.

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.

EMV Standard

The internationally agreed standards for chip payment cards, originally agreed by MasterCard Europe and Visa EMV standard organisation owned and managed by MasterCard and Visa.

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.

Interest rate swap

Arrangement whereby one party exchanges one set of interest payments for another.

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.

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.

Yield to Maturity

Discount rate at which the present value of future payments would equal the security's current price.



Notice of Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of Sampath Bank Limited will be held at Committee room "B" of the Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07 on Tuesday the 30th March 2004 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 2003 with the Report of the Auditors thereon.
2. To declare the recommended Dividend of 5% as the Second and Final Dividend making 20% in all, for the Financial Year 2003.
3. To re-elect Mr. Mohan Asoka Abeynaïke 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. Jayampathy Divale Bandaranayake 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. W.M. Prasantha Lal de Alwis 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. To approve the Donations and Contributions made by the Directors during the year under Review.
7. 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 Form of Proxy 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

17th February 2004

Eighteenth Annual General Meeting

Sampath Bank Limited

100, 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, Baudhdhaloka 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 Place, 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 Eighteenth Annual General Meeting of the Company to be held on 30th March 2004 and at any adjournment thereof.

	FOR	AGAINST
1. To receive the Audited Financial Statements and the Directors Report for the year ended 31st December 2003.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare the recommended ...% Dividend as the second and final Dividend for 2003.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. M.A. Abeynaike 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. J.D. Bandaranayake 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. W.M.P.L. de Alwis as a Director under Article 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve donations/contributions made by the Directors during the year under review.	<input type="checkbox"/>	<input type="checkbox"/>
7. 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 2004.

Signature

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



Form of Proxy

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 in 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