



Our Vision

“The Growing Force in
Sri Lankan Financial Services”

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Performance Highlights

For the year ended 31st December

	2004 (Rs. Mn)	2003 (Rs. Mn)	Change %
Gross Income	6,953.21	6,044.39	15.0
Net Profit before Tax	965.04	739.76	30.5
Net Profit after Tax	621.40	561.22	10.7
Gross Dividends	66.40	66.40	-
Cost to Income Ratio %	60.1	60.8	1.0

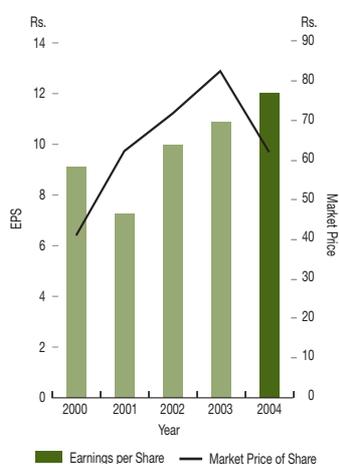
As at 31st December

Customer Deposits	52,907.65	42,031.00	25.9	
Customer Advances	47,943.74	37,662.00	27.3	
Total Assets	67,483.46	54,054.00	24.8	
Liquid Assets %	24.1	27.4	(12.0)	
Shareholders' Funds	3,917.54	3,382.93	15.8	
Net Assets Value per Share (Rs.)	75.82	65.48	15.1	
Market Price per Share (Rs.)	62.75	83.50	(25.0)	
Dividend Yield %	2.4	2.8	(14.0)	
Capital Strength %				
	Tier I	9.1	9.6	(5.2)
	Tier I+II	13.3	11.0	21.0

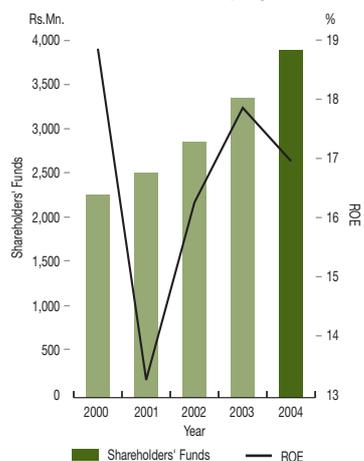
For the year ended 31st December

Earnings per Share (Rs.)	12.03	10.86	11.0
Dividends per Share (Rs.)	1.50	1.50	-
Dividend Cover (Times)	9.4	8.4	12.0
Return on Shareholders' Funds %	17.0	17.9	(5.0)
Return on Average Assets (After Tax) %	1.0	1.2	(17.0)

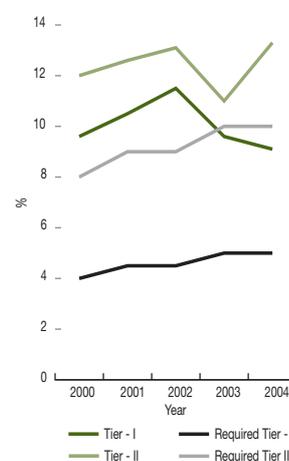
Earnings per Share & Market Price of Share



Shareholders' Funds & Return on Equity



Capital Strength





Financial Calendar

Nineteenth Annual General Meeting to be held on	March 30, 2005
Final Dividends for 2003 was paid on	March 31, 2004
Interim Dividends for 2004 was paid on	September 10, 2004
Final Dividends for 2004 proposed to be paid on	April 06, 2005
Annual Report and Accounts for 2004 signed on	February 22, 2005

Quarterly Reports (in terms of Rule 8.3 of CSE)

Annual Report and Accounts for 2003 (audited)	February 18, 2004
For the three months ended 31 March 2004 (unaudited)	May 13, 2004
For the six months ended 30 June 2004 (unaudited)	July 29, 2004
For the nine months ended 30 September 2004 (unaudited)	November 25, 2004
Annual Report and Accounts for 2004 (audited)	February 24, 2005

Financial Goals & Achievements

	Goals	Achievements				
		2004	2003	2002	2001	2000
Return on Average Assets	over 1.0%	1.0%	1.2%	1.1%	0.9%	1.3%
Return on Average Shareholders' Funds	over 15.0%	17.0%	17.9%	16.3%	13.3%	18.9%
Cost / Net Income Ratio	below 65.0%	60.1%	60.8%	64.7%	70.6%	63.6%
Dividend Rate	over 17.5%	20.0%	20.0%	20.0%	17.5%	17.5%
Capital Adequacy Ratio						
Tier I	over 7.5%	9.1%	9.6%	11.5%	10.5%	9.6%
Tier I + Tier II	over 12.0%	13.3%	11.0%	13.1%	12.6%	12.0%



Chairman's Report



I send my greetings to all shareholders and other stakeholders of the company.

Bank's Performance during 2004

It is with pride that I state that the Bank recorded a satisfactory growth in all areas in the accounting period under review. Deposits recorded a growth of 25.9% and advances a growth of 27.3%. The post tax profit at Rs. 621 Mn. is an improvement of 10.7% compared with the profit for 2003. The growth, profits in particular, was achieved notwithstanding the drop in interest margins due to fierce competition for both deposits and advances amongst banks. In 2004 an interim dividend of 15% was paid and now the directors recommend a final dividend of 5%, making a total of 20% per the year.

No doubt the shareholders would have noted perhaps with gratitude that from the first time in the history of the Bank, in November 2004, a bonus of 1 for every 6 shares was issued by capitalizing the amount of Rs.73.8 million out of reserves for the purpose.

The Bank continues with the policy in making liberal provision against doubtful debts.

We are still considered the leader in information technology amongst the indigenous banks. During the accounting period the Bank expended approximately Rs.245 million in IT upgrades.

Subsidiary Companies

Sampath Centre Ltd in which the bank has invested Rs.220 million represents 62.85% of the equity of the company. The building complex owned by the company

enjoyed a 100% occupancy. A profit of Rs.94.66 million was recorded. The company's tax holiday will end in 2006/2007.

S C Securities (Pvt) Ltd in which the company has an investment of Rs.15.6 million represents 51% of its equity. A profit of Rs.2.8 million was recorded as against Rs.25.7 million made in 2003. A sluggish stock market during the second half of the period resulted in the drop in profits.

Sampath Surekum Ltd in which company the bank has invested Rs.150 Mn represents 100% equity in the company. This company recorded a drop in profit due to adverse movement in Government Bond rates.

Vanik Bangladesh Ltd

The Bank investment is Rs.66.3 Mn representing 16.6% equity of the Company. The company is recording profits and the return on our investment is satisfactory.

In my last report I made reference with a view to assist a troubled bank we had made an investment of Rs.150 Mn in that bank. This bank is now making steady, but slow progress. It made a modest profit during the review period.

Branch Expansion

5 new branches and 3 Personal Banking Centres were opened during the review period and the total is at 71 by end 2004. All branches are profit centers and their progress is monitored monthly by both the Board and the Management. I am happy to report branch profits are very satisfactory.



Human Resources

Sampath team members now total at 1702 against 1579 in 2003. Pre arranged training programmes both abroad and local are an ongoing exercise. During the review period a salary enhancement of 17.5 percent was put in place. It is with pride that I state that the staff are a dedicated lot, very loyal to the Bank.

With a view to enhance efficiency, the Bank adopted a 3 year Corporate Strategy commencing 2004 and the Balanced Score Card methodology is used as an integrated management tool in achieving strategic goals of the Bank.

The Balanced Score Card not only manages financial resources, but also integrates the Customers, Internal Processes and People & their Learning aspects into the overall strategy, giving Management a holistic view on the performance.

Balanced Score Card is used at branches and departments as a management and measurement tool, as well as a communication device. It has been extended to reflect all departmental activities and align them with the overall strategy of the Bank and provide a conscious involvement in the process of business decision-making.

Implementation of Balanced Scorecard from Corporate to Operational level has given operational excellence in facing new business challenges in a globalised environment.

Global Economic Scenario

The world economy has witnessed a gradual strengthening in the first half of 2004 global trade has risen, financial markets have been buoyant, industrial production has increased, and investment growth has been positive in almost all regions. In part, the more favourable outlook may have been caused by one-off factors, such as a surge in consumption in the US due to the impact of tax cuts and the rebound from the slowdown related to the SARS epidemic in Asia. Global growth in 2004 is forecast at 4.6 per cent, up from a rate of 3.9 per cent achieved in 2003. A recovery is underway in most regions. However, the fastest growth is to be founding emerging Asia, particularly China and India. The international oil price escalation (reaching a peak value of US\$ 55 per barrel) in the third quarter of 2004 was mostly due to the increasing demand for oil in growing economies such as China and India.

Local Economic Scenario

As 2004 began, the news on the economic front was promising. Besides the resumption of GDP growth at an annual rate of 5.9 per cent in 2003, inflation and interest rates were low and improvements were recorded in both the current account and foreign exchange reserves. The recovery was fuelled by improved consumer spending, a relative boom in the tourism sector and significantly improved inflows of foreign capital. Politically, however, the

country was in the midst of yet another period of destabilization with the dissolution of Parliament and the resulting fresh elections in April 2004.

The improvements on the macroeconomic front and a two-year ceasefire failed to persuade the electorate to return the incumbent United National Front (UNF) to office. "Peace" appeared to have receded as the most critical factor for voters after a period of relative calm to be overtaken by the "economy". Support for the incumbent government may have shrunk on two counts: a perceived failure to translate the truce swiftly into economic benefits for rural Sri Lanka and the perception that the government was conceding too much in gorging ahead with its peace initiative.

The uncertainty that prevailed after UPFA government assumed office in early April was muted after the policy statement was released in July and the budget was presented in November. It was clear that sinking back into populism and initiating anti-market leftist populism by the UPFA were unfounded and the future direction is on a market friendly mixed economy.

On the macroeconomic front there were some noteworthy developments. The international oil price hike made a severe dent on the trade balance; consequently the government had to impose various taxes on non-essential imports in late 2004 to address the situation. Part of the burden of adjustment of the trade balance was taken over by the exchange rate which was increasingly depreciating to reach a level close to Rs.105 per US\$ by mid December 2004. The rupee depreciated by 7 percent against the US Dollar in 2004. The depreciating rupee contributed to cost-push inflation by the higher prices of imports. An inflation rate of about 7 percent is expected in 2004.

Pressure on the interest rate started during the second half of the year due to rising imports, rising inflation and domestic liquidity concerns. Treasury Bill rate increased to 8.1 percent in July from 7.7 percent in June and since fallen slightly and remained stable. This is a result of the purchase of Treasury Bills by the Central Bank and prudent monetary policy management. The fiscal deficit in 2004 is expected to be about 8.7 percent of GDP.

The massive inflow of foreign aid to meet relief and reconstruction needs after Tsunami disaster have removed the pressure on the exchange rate by the end of 2004. In the short term, commercial bank interest rates are likely to fall further with more inflow of aid, absence of pressure on the exchange rate, write-off of some debt, and concessionary funds being made available.

The year saw an excellent performance in the tea sector (export of more than 300 Mn Kgs) and in tourism where domestic arrivals exceeded half a million. Apparel exports performed better than 2003 despite the MFA coming to an end in January 2005. Despite a continued robust growth of



Chairman's Report

5.7 percent in the first half of 2004, indications are that the economy is likely to experience a slowdown in growth in 2004. Growth in the 2nd Quarter of 2004 was slower than the growth recorded in the corresponding quarter of 2003 and in the first quarter of 2004. Forecast of 6 percent growth for the year has been revised downward to a projected 5.0 – 5.5 percent. The slowdown in economic activities in the run up to the elections and disruption to administrative functioning as a new government settled into office has clearly contributed to the slow down.

Outlook for 2005

In my 2003 report I made reference that it was difficult to predict growth in view of the then prevailing uncertain political climate. I am afraid to state that this situation remains unchanged and therefore, I do not wish to forecast the outlook for 2005. At the time of writing Tsunami struck. Fortunately there were no casualties amongst the staff but the Galle Branch was severely affected.

Acknowledgments

I record my appreciation to the Managing Director and all members of Team Sampath for their unstinted commitment, and my colleagues in the Board for their guidance and co-operation.

Edgar Gunatunge

Chairman

22nd February 2005

Managing Director's Review



The year began on a note of uncertainty both in Sri Lanka and in the world and ended on a note of trepidation as well. Politically Sri Lanka was poised for uncertain times with an election called for, change of Government and peace talks in abeyance. Globally, consternation increased with the world economy remaining subdued mainly due to the escalation of crude oil prices. As a result, consumer price inflation increased in major economies including the USA, Japan, Germany and other Euro bloc countries. The domestic demand in those countries remained sluggish due to the increase in price levels and also due to weak consumer confidence. The subsequent US elections also played a role in the continuing sense of apprehension.

The last week of the year however brought with it one of the most difficult periods in Sri Lanka's history when the Tsunami struck not only Sri Lanka but the entire region around it. Called the worst natural disaster in our living times, the Tsunami left in its wake a wave of destruction and despair. The uncertainty therefore of the numbers dead and those missing, the loss of livelihood, homes and property and the colossal damage to infrastructure all amounted to a massive reconstruction and rehabilitation process that had to be mounted urgently to get back to normalcy, seeing Sri Lanka close the year on a very sombre and solemn note.

Economic Overview

The operating environment prevailing through the year was not conducive to banking and financial business in Sri Lanka, both from external economic factors as well as the domestic political and economic situation. However, the economy expected to grow at about 5.2% in 2004. The value of imports increased by about 20% in US Dollar terms

but exports grew only by 12%, widening the trade balance to about 49% over that of last year. Although the unit values of major imports to Sri Lanka increased considerably, values of exports remained static.

Throughout the year, in the absence of a significant increase of direct capital inflows into the country, the Sri Lankan rupee depreciated against major international currencies. The Rupee depreciated about 8.7% against the US Dollar during the year. But, unprecedented aid flowing into the country post Tsunami, saw the Rupee appreciate remarkably during the first few days of 2005.

Although the short term rates on government paper remained static, the prime lending rates of commercial banks increased by about 1.25% during the year. During the fourth quarter of the year, the banking industry experienced tight liquidity conditions evidenced by the upward movement in fixed deposit rates. It also became imperative for the Banks to adjust deposit rates in line with the increase in inflation as measured by the Colombo Consumer Price Index (CCPI). The point to point change of the CCPI was 13% whereas the annual average inflation stood at 7% per annum. However, it has been observed that there is a noticeable demand for credit from the private sector, mainly for consumption and trading activities.

Operational Review

Despite the subdued environment we were forced to operate in, your bank has done relatively well this year, showing good results with a pre tax profit of Rs.965.04 Mn. and a post tax profit of Rs.621.40 Mn., which is an increase of 10.7%. Our concentration on a qualitative loan book has seen a growth of 27.3%, with remarkable NPL reduction



Managing Director's Review

and Non-performing advances being contained. The approximate market share of deposits and advances is 6%, despite considerable competition and a piece of pie contracting in a customer sense. Our Earning Per Share stood at Rs.12.03 at the end of the year, an increase from Rs.10.86 over last year auguring well for our shareholders and potential stakeholders.

We rolled out a new Vision this year to be 'The Growing Force in Sri Lankan Financial Services'. This is in line with the ambitious targets we have set for ourselves in assets and deposits, which will be linked to branch expansion. We will be looking for organic growth coming from within the bank and will be reacting more aggressively to meet the targets set for ourselves. We do believe that we are now firm in our foothold of being leaders in the banking industry in this country, having pioneered a plethora of 'IT Firsts' that has led to an entire banking revolution within the country. Our methodologies and processes have been commended on local and international platforms and we know that we must now collate the synergy that we already have, in our bid to meet our Vision.

In our focus towards continuous improvement to give our customers service excellence, a premise we do not take lightly, while our IT platforms continue to grow unabated, we do believe that our Team has been the secret panacea that has given us the impetus to move forward in sometimes compelling and competitive circumstances. Our Team is young and energetic, adaptable to change and are blessed with a 'gung ho' attitude which in all circumstances allows us to pursue our Vision and Mission stridently. They are committed to constant improvement, new ideas and ideals and remain unafraid of challenges. They seek new opportunities within the knowledge based culture we permeate across the Bank and this has resulted in our winning accolades from all spheres of competencies.

As is the theme in this Annual Report, Sampath has grown rapidly but with stability and has remained a leader in the country's financial services industry showing immense resilience even during times of great economic upheaval and uncertainty.

The Year 2005 will see us go in for a Rights Issue with expectations of raising Rs.1 billion. Having raised this money post December 2004, Tier 1 and Tier 2 will be increased further with the capital increase which will in turn support our branch expansion from 71 as it stands now to 100, an absolute necessity for us to meet the competition posed. This will also lead us to aggressively look for opportunities outside the shores of Sri Lanka, an analysis that has already begun in looking outward at the SAARC region.

We have continued our stance of transparency, responsibility and accountability which have remained the hallmark factors for our rapid growth since our inception. We have continuously worked on our risk management procedures and this year began working towards internal

grading of risks. A streamlined documentation process instigated, studied and analysed by ALCO committees are summarised for Board perusal periodically.

Subsidiary/Associate Overview

We will increase our shareholding in Vanik Bangladesh in 2005, to a 32% stake in that company no sooner we receive regulatory approval. Vanik Bangladesh turned the corner this year, showing a profit of Takas 40 million. This has not only proved that the turnaround of the company is permanent considering the steady growth it has shown during the year but also that the growth can be sustained.

Similarly, Union Bank of Colombo of which we hold a 16% stake began making profits which we remain optimistic about. While there needs to be more concerted work done with this Bank, we do believe strongly in its abilities and promise, considering the results it has shown in such a short time and the sharp changes made, we are positive that we can turn it around soon to its full potential.

Given the volatile environment that primary dealer companies were working in during this year, Sampath Surakum did not show favourable results as it did last year, though we are looking forward to better times this year.

Our stock broking arm too did suffer a similar fate, showing volumes though not increasing market share.

Process Improvements

While the Japanese process management technique of 5S continued to be integrated into our processes, the ISO certification process which began last year at select departments in the Head Office was extended to 25 branches this year, with plans of the entire bank being ISO standardised by the end of 2005. We also began 'Six Sigma' in September, which is the most modern quality improvement technique now practiced widely in the USA and Europe, on a selected initiative among departments and hope to spread it across the Bank next year.

A process begun in 2003 but improved in this year, our process of centralised branches and back office operations of departments continued. Our aim is to simplify processes as much as possible, by centralising all back office operations at Head Office to ensure speed and efficiency.

An accelerated centralised credit approval system for all branches is also being implemented to improve internal efficiency in credit related areas. The process improvements we have initiated, especially in line with the credit approval system which has been tested at Head Office, will soon be integrated into the branches in 2005, moves towards a paperless environment and utilises IT to its maximum, ensuring a process of accountability and transparency at every level coupled with a faster and more efficient service.



Balanced Scorecard

The Balanced Scorecard, a highly tested and well-proven tool practiced by the majority of the Fortune 500 companies, was integrated into the operations of the Bank and the Group operations. A performance measurement tool that assimilates management techniques and a rewards based system to drive performance, given the highly stimulating work milieu we give our Team, is the ideal motivational factor for Team members to achieve higher levels of performance and thereby higher rewards. It is our aim to further enhance our performance levels and through the Balanced Scorecard methodology, we will create a performance-oriented culture where teams and people are rewarded for their performance.

It is envisaged that the Balanced Scorecard will help us to focus on courses of action that would instigate 'breakthrough performance'. It will be an integrating device for a variety of corporate programmes in quality, a re-engineering, re-design and customer service impetus, enable strategic operational indicators to be translated into performance measures and targets, breakdown corporate level measures to enable improvement of organisational effectiveness and overturn the traditional philosophy that organisations are a compilation of isolated, independent functions and departments.

Performance will be measured using 23 different measurement indicators in the four broad perspectives of Financial, Customer, Internal Process and People & Learning. The Bank's overall Scorecard is arrived through dissemination of this information obtained from over 70 Branch level scorecards and over 30 Departmental scorecards.

Treasury Overview

The Treasury Department has made a significant contribution to the Bank both in terms of profits and also in providing the 'best in class' service to its customers by providing market information and executing transactions at competitive prices.

Over the year, the Bank has become a major player in the inter-bank money and foreign exchange market. Acting with immense responsibility, maintaining high ethics and transparency especially in an unsettled market, we have continued to create an aura of confidence within the industry. The Bank was a net lender of large quantities in the inter bank segment due to sound growth in its deposit base and also due to the influx of funds from the very successful Rs.1,500 million debenture issue.

The activities in the secondary market for Sri Lanka Government Debt Securities were subdued due to high interest rate speculation. The depletion of external resources, short fall in government budgeted income and increasing domestic price levels caused great concern

among investors in making medium to long term investment decisions.

With the cutting edge software introduced into the Dealing Room, we are now poised to enhance our service levels and work more efficiently, with international operations being totally streamlined into 'Trade Service', similar to a 'one stop shop'.

More Accolades

Giving the Bank even more credence in our disclosures, compliance, good governance, transparency and risk management, the Institute of Chartered Accountants of Sri Lanka adjudged Sampath as being one of the more outstanding companies within the corporate sector in the Annual Report Awards held last year. We walked away proudly with being the Joint Overall Second Runner Up in the Overall category, Runner up in the Banking Institutions category and Second Runner Up in the category recognising Good Corporate Governance disclosures.

Sampath Bank won two prestigious awards i.e. first runner up in overall category and the award for best HR practice in the service sector large category at the National HRM awards for year 2003. Our revolutionary e-Learning concept introduced last year, again another first in corporate HR practices in Sri Lanka, was among the two awards that we won at the National HRM Awards.

We became the 1st Runner-up in the Banking & Insurance Sector and Runner-up for the Best Capacity Builder at the National Business Excellence Awards 2004.

Sampath continued in its No 12 position this year as well among the LMD 50 Leaderboard, chronicling Sri Lanka's Top 50 companies, akin to the Global Fortune 500 companies. In addition to this, in the very first annual Brand League conducted in Sri Lanka which named Sri Lanka's most valuable brands, a joint project by LMD, Brand Finance – the world's leading independent brand valuation company and Sting Consultants, Sampath emerged in 7th place in the Brand Value Table and 8th in the Brand Power Index. Brand Value works on the primary variables of profitability, growth and risk and Brand Power is about building a brand that works, a brand with the ability to cut through the highly competitive and maturing marketplace to determine who can secure lucrative and sustainable cash flows.

Post Tsunami Responsibilities

While you will see a complete detailed report of our Corporate Social Responsibility activities on the platforms of social, economic and environmental sustainability, given the havoc wrecked by the Tsunami on Sri Lanka and the vast numbers of orphaned children, Sampath put its best foot forward to become a 'foster parent' to the 1/3rd of victims who are children. Having lost the love and care of



Managing Director's Review

parents in a mere instant, we realise the mental and physical trauma that these children will face and deem it our responsibility that they be given as much of that love and care that they would have been showered with had their parents or guardians been alive.

The outpouring of sympathy and goodwill was harnessed by the Bank from around the world through the initiation of the 'Tsunami Children's Trust Fund' with the objectives of providing financial strength to children to induce confidence and a sense of self worth and stability, enlighten the public on the distress suffered by children and assist in giving them solace, develop and implement benevolent schemes including 'Foster Parent Schemes' to safeguard and nurture them and to raise funds through aid/grants/donations for developing and uplifting the quality of life of these children.

Chaired by Edgar Gunatunge the Chairman of Sampath Bank and partnered by a panel of distinguished Trustees, namely the Deputy Chairman of Sampath Bank I W Senanayake, Lakshman J K Hettiaratchi Director of Sampath Bank, Manil Jayasinghe Partner of Ernst & Young, the Director General of SLRC Nishantha Ranatunga, Chairman of the National Child Protection Authority Prof. Harendra de Silva and Professor Emeritus of the University of Colombo, Prof. J B Dissanayake, Sampath is now poised to take the objectives of the Trust further, enabling the Tsunami orphans to chart a new course in their lives.

Looking Ahead

While the Tsunami rehabilitation and reconstruction will take its toll on the economy albeit in the short term, Sampath remains optimistic about the operational climate, which we expect to be a business friendly one. The first fiscal budget presented by the UPFA government seems ambitious, including the increase of revenue as a percentage of the GDP and the development of the Uva Wellassa area. However, implementation remains the key to the effective carrying out of this budget and the next year will showcase the practicality of the endeavours.

The absence of any tangible moves to renew peace talks however remains a bugbear in taking the economy forward and I sincerely hope that moves are made urgently to take the process ahead. Peace is a priority and considering that the absence of war has brought in lucrative investments and overwhelming tourism results, complete peace will herald a complete turnaround for the economy, results of which can be reaped by the entire nation.

In appreciation

The Chairman and Board of Directors have always been a guiding light to my ideals of creating the best bank and

taking those ideals beyond the shores of Sri Lanka. The leadership and guidance I have received from them remains invaluable.

Team Sampath who has never feared challenge or competition and has always displayed extraordinary skills and talent have been the wind beneath my wings and I am sincerely thankful for the absolute co-operation and support I have received in my quest to giving our stakeholders only the best there is.

The loyalty, trust and faith of our customers and valued business partners have been a constant source of inspiration to us and we look forward to your continued partnership in the years ahead, taking us towards our Vision of being the Growing Force in Sri Lankan Financial Services.

Anil Amarasuriya
Managing Director

22nd February 2005

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Our entire philosophy undoubtedly has always been on the lines of giving our customer greater convenience using the most sophisticated technology blended with traditions of Sri Lankan hospitality and warmth, vital ingredients for leadership in the banking industry that gives us a competitive edge over our vision being 'The Growing Force in Sri Lankan Financial Services'.



Personal Banking



Sri Lankans value the benefits we have given them by coupling technology with a human touch, methods of saving time with our quick access, quick transaction approaches.

Enhancing Relationships

Our excellent customer service has always been the strongest influence in the Bank continuing to be the growing force in financial services. With intense competition fighting for a share of a contracting market, we however have seen steady growth. Sri Lankans value the benefits we have given them by coupling technology with a human touch, methods of saving time with our quick access, quick transaction approaches. This aspect can be seen with our Avurudu Ganudenu scheme, which was pioneered by us three years ago and witnessed thousands of customers flock to the bank at the allotted auspicious time to perform the first transaction for the New Year, with an assurance of prosperity and plenty in the coming year. Our Team, renowned for their relationship building abilities, have ensured over these years, that the customers obtain service that befits the occasion touching their lives with the friendly warmth that is traditionally Sri Lankan.

From January this year we introduced a unique Branch/Head Office relationship scheme where each department in the head office became a foster sibling to a branch where in a given weekend, the department would venture to the branch and embark on a customer relationship building process and promote the branch. This gave the Head Office a closer integration into the diverse customer profiles that we have within our branch portfolio, because we believe that the mindset of our team has to be one of ownership towards the Bank and marketing is everybody's job. Total team effort has been brought to the fore with this programme.



Communicating Effectively

Our marketing activities too have been market driven. We are a growing force that is firm in our leadership stance



Response at the Bank branch openings is overwhelming. The Bank opened 69th branch at Homagama in November 2004.

rather than believing in following trends and modes. Our communication strategy hedges very strongly on arresting competition and creating future trends in banking. One of our boldest communication strategies was to advertise at peak time to ensure maximum exposure on national television and we have seen the fruition of this decision. We do believe that the market is not expanding for

all players to share but we have, with our pragmatic decisions maintained our market leadership status.

Helping our Expatriates

As an incentive to Sri Lankans employed abroad, Sampath initiated an incentive scheme for all NRFC account holders to repatriate their foreign currency earnings to Sri Lanka, paying interest on deposits at very competitive rates. NRFC account holders also have the added advantage of accessing their accounts using Telephone Banking, Internet Banking, Mobile Phone banking or their SET cards through the Cirrus or Maestro global ATM network, with the assurance that if the need arises, they would have the option of obtaining housing loans in foreign currency as well. The incentives dispense of the need for Sri Lankan expatriates to hold funds in bank accounts overseas. Upto six accounts can be linked to each SET card permitting transfers between accounts, balance inquiries, statement requests and cash and payment facilities. Accounts can be operated in the form of Savings or Fixed Deposits in US Dollars, Sterling Pounds, Euros, Japanese Yen, Singapore Dollars, Australian Dollars or Canadian Dollars. Interest earnings on NRFCs are exempt from income tax. Funds can also be remitted from NRFC accounts for authorised purposes without any prior approval from the Exchange Control Department.

Leasing for growth

The excellent growth we saw in this segment of our business in the last year can be solely attributed to the speedy approval system we implemented and the competitive rates introduced during the year. The new dedicated Leasing Units tremendously improved the

service that we offered and specifically, the “Leasing Nivasa” commissioned at our Thimbirigasyaya Branch has seen immense development in this product portfolio. We are very focused on our leasing client portfolio being judged on quality lending for professionals, thereby being decisive on credit worthiness and nurturing the aspect of long lasting relationships.



Mr. Prasantha Lal De Alwis - Director Sampath Bank, accepts the first deposit at the opening of Yakkala PBC.

Spreading across the country

Our branch network this year has expanded from 63 to 71 and we are proud to mention that with this expansion, our presence is seen in all parts of the country. After 18 years, Sampath very strategically ventured into the geographic location of Trincomalee. We also opened in Kegalle, Minuwangoda, Athurugiriya, Homagama, Yakkala, Gregory’s Road and Nittambuwa. Our expansions have always been thoroughly studied and analysed before final decisions are made and these were no exceptions.

Our expansion process is market driven. We believe that people must be ready for the banking revolution that we bring with us and even though many in the industry were quick to set up in the North and East as soon as the CFA came into existence, our thought process was one of being sure and stable. We believe that now is the right time to venture into these areas. We find that we are reaping the benefits of our judicious decisions. Our ATM network was expanded to 95 with another off site location being added at the highly populated Colombo Dockyard premises for further convenience to be imparted to our customers, while our strategic alliance with Bank of Ceylon continues.



The Bank identified key locations to install ATMs off-site. The latest such addition was declared open at Colombo Dockyard premises.

Response to Customers' Needs



Sampath has continued to combine its pioneering technological stance with the needs of our customers to constantly provide products and services that are timely, appropriate, convenient and technologically savvy. While keeping in mind that not all of Sri Lanka is IT literate, we provide the opportunities for those with IT literacy to take full advantage of IT services available around the world. At the same time, the legendary Sampath hospitality gives our customers who prefer to interact with the friendly smile and the welcoming tones of the Sampath Team, a wide and varied portfolio of products and services that will still keep them ahead of international banking modes.

Continue to add value

SMSAlertz

A great advantage to Sampath Savings and Current Account holders, SMS Alertz was introduced as a speedy communication tool giving our customers updates on their day to day transactions. SMS Alertz gives facilities of immediate updates on credit/debit, ATM and credit card transactions, import bills received, enables utility bill payments, information on standing orders, expiry of overdraft limits and loan instalments. The facility has also been extended to immediate remittances to mobile phone service providers.

Set Plus

A boon to those customers who have jewellery in their possession but do not use it as a mode of investment, in April, we introduced Set Plus to enable customers the facilities of safekeeping jewellery at Sampath Bank and obtaining a credit facility of 80% of the value of jewellery

secured. The funds can be credited to a current account linked to a SET card allowing customers the ease of withdrawing the money from any ATM outlet located worldwide, for the value of the credit facility.

Lending a helping hand

Sevana Housing

We believe that shelter is a primary need for our people and given that owning a home is a priority for the middle income earner albeit a very costly and almost improbable exercise in the current context, our Sevana Housing Loan scheme is aimed at facilitating this segment of society to make shelter for them, a reality. A process improvement introduced for Sevana during the latter part of the year was where once the appropriate documents are forwarded to the Bank, loans were disbursed within ten working days. Furthering our mission of giving customers the best available option, we also implemented a unique scheme where loans can be obtained for twenty years at a fixed interest rate, even though common sense dictates that interest rates are subject to volatility, especially over long periods of time.

Sampath Saviya

With Sri Lanka's national policies objectively looking at uplifting the micro and small entrepreneurs in recognition of their ability to contribute to rural economic development, Sampath Saviya introduced last year intends to assist micro enterprises based in the rural sector. Covering all districts and working through our branches, our focus is on entrepreneurs who have the spark and spirit but are unable to transform those unquantifiable resources into action due



to lack of meeting the commercial criteria needed by banks or financial institutions. We have embarked on projects in carpentry, agriculture, cottage industry and small service providers, dress making and confectionery, providing a maximum loan facility of Rs.200,000 and disbursing nearly 250 facilities within a short period totalling over Rs.5 million. We would also like to emphasise that given the two way confidence building process we have established between these micro enterprises and the Bank, our rate of payback has been exceptional.

Sampath Sahanya

The refinancing segment of our business has seen growth this year as evidenced in another part of this report and our success could be attributed to having the lowest rate in the market. Despite facing the vagaries of a volatile market, we have been the only institution to offer our customers a single digit interest rate, seeing us exceeding Rs.1 billion in advances and introducing a number of value added facilities. With a further credit line expected next year, we aim to develop this area of our business in turn helping to uplift a sector that finds it difficult to compete effectively given the unpredictable nature of the business environment.

Safety of funds enroute

Foreign Remittance Channels

We have also given much emphasis on remittance business due to the large volume of foreign exchange remittances that should be channelled through the formalised process. Having signed up with leading exchange houses and banks especially in the Middle East given our high concentration of Sri Lankan expatriates in those countries, we are also in the process of discussing with a major agency in India for an Internet based product, covering the entire world. We have among our portfolio, 'EZRemit' for the Middle East, 'Express Money', 'Travellex' for UK, Germany and other parts of Europe and 'Placid' for the USA and Canada.

Plastic Takes Over

Our pioneering Visa Platinum card introduced last year for top level individuals on selective invitation continued to gather momentum within the year. While having plans to expand that clientele, we will remain carefully discerning in choosing those who would be eligible for this prestigious facility.

The 'Plus Point', loyalty programme for all our credit card holders begun last year was further improved with points automatically collated on usage here and abroad and next year we aim to add further value to the initiative, also enabling customers to view their accumulated points in their monthly credit card statements.

One of the biggest feathers in our cap this year has been the breakthrough we managed in penetrating the emerging credit card market of Bangladesh obtaining the license for Mastercard, providing third party processing for Visa, the latter becoming operational in early 2005.

Adding Value to Visa Platinum/Visa Gold

The value additions over the year for Visa Platinum includes a Concierge Service, Free Accident Cover for USD 250,000, Supplementary Gold cards for spouse and children plus a range of attractive discounts at world famous destinations and outlets including luxury golf holidays, cruises, hotels, resorts, gourmet restaurants and retail outlets. Some of the value additions were also extended to Visa Gold cardholders as well which included complimentary travel insurance cover.

Corporate Card

Giving our corporate clientele further value addition, we also introduced a Corporate Card in October, an exclusive product designed by Mastercard International, for executives where company expenses are charged on the card while travelling and settled directly by the executive's company.

Sri Lanka Cricket Card

Sri Lanka Cricket Classic Visa Card, another first by Sampath was enhanced this year with the Pre-paid card, again a pioneering concept, designed for customers who would like to own a card but would prefer a pre-paid credit limit to the traditional 'Buy Now Pay Later' concept of existing cards. Given our stance of constantly giving customers newer and better facilities, we extended all facilities that are given to normal credit card holders to pre-paid cardholders as well.

Remittance Card

Another first in our books was the Remittance Card, which facilitates speed and convenience in remitting money. The unique concept works on the remittance being credited to a cardholders account in Sampath Bank and encashment enabled at any ATM, Branch or Singer outlet. Piloted in Ampara successfully in October, the facility will be extended islandwide next year.



After 18 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.

Performance

The year has been fraught with problems for our corporate banking sector with political instability and election uncertainty being the overriding factors in the first half of the year. Oscillating national policies also put a dampening effect on the general development plans of most businesses. However, the latter part of the year saw a gathering momentum, which helped the Bank achieve our targets even though we did face the challenge of shrinking margins, which continued until July/August this year. Credit growth overtook deposit growth due to investor sentiment and despite an overall negativity that prevailed, investors generally stood by their decisions and a strong corporate performance can be seen if the Profit and Loss Accounts are studied, displaying better figures than last year. The corporate sector especially has shifted to concentrate their banking to core banks, moving away from the earlier trend of a banking spread. Our years of relationship building has stood us in good stead in this aspect as we have been fortunate in retaining our corporate customers mainly due to our quality attitudes to service, our reach, rates and flexibility.

Two major IT projects that were implemented and strengthened this year were the Call Center and the Customer Relationship Management Programmes. The Customer Relationship Management programme is aimed at enabling relationship managers to build relationships with customers, giving them an online profiling foundation that is now spread across all corporate customers.



Qualitative Credit

Credit quality too saw a step up this year with the Bank implementing a risk grading system, in line with mandatory requirement guidelines of the Central Bank. Risks associated with the credit proposals are assessed and graded, resulting in the improvement of the quality of the credit portfolio. This has become an imperative process to adopt as our large loan portfolio plays to the volatility of the economy and hence we improved on the system of tracking and monitoring the existing advances, before input into the NPLs. With the Delinquency Monitoring System acting as a preventive and precautionary measure, we can identify unhealthy loans early, a process that has helped us to reduce our NPL ratio this year to 9% from 13% shown last year, an extremely critical showing at this juncture.

At corporate level, we have established a Credit Marketing Unit headed by a Credit Marketing Manager to initiate new business, which has been most successful bringing in Rs.2.6 billion in new business. The highly successful mentoring scheme, which recognises the specialty of credit expertise, has seen intensive training imparted to our credit personnel, enabling them to make a better contribution towards the Bank and have better relationships with customers.

Corporate Lines

By Restructuring the International Unit and bringing it under the Corporate Credit Division has paid dividends. The



Trade services awareness seminar and annual customer get together was held at Trans Asia Hotel on 10th November.

surveys carried out during the year have shown a great improvement in service levels resulting in customer satisfaction. Our observations over the year with regard to international trade has been that given our high standing in the international arena, we have lesser requests for confirmation of our Letters of Credit from the global banks we deal with. We feel that the 'Sampath Risk' is now acceptable among our international counterparts.

The value addition implements we have employed have also assisted in this image-building endeavour.

We invited our corporate customers to a trade services seminar in October to create more awareness of the processes and newer methodologies prevalent within the Bank and the industry, in a global context.

Strategic Relationship Building

We have always been mindful of the need for strategic alliances in working within a small but competitive banking environment in Sri Lanka and continue to seek partners who are aligned with our goals of giving our customers

service that is excellent in all spheres. This philosophy also works in the converse when in March 2004 Deutsche Bank sought the services of Sampath in a partner bank agreement to provide their corporate customers the facility of increased accessibility to Deutsche Bank's cash management services in Sri Lanka via our extensive branch network. Deutsche opined that Sampath's superior IT capabilities, branch spread and unmatched service were the overarching reasons for choosing Sampath as their partner above all competitors.



Mr. Anil Amarasuriya MD/CEO signs the partner bank agreement with Deutsche Bank's chief country officer, Mr. Stefan Mahrdt.

In September this year, we entered into an agreement with Diesel and Motor Engineering Company Limited (DIMO) to expand their business on Direct Credit Settlement Systems (DCSS), a credit line designed for the corporate trading sector. Launched mainly for the benefit of regional dealers, when DIMO receives purchase orders from their dealers, the DIMO requests credit from the Bank for the intended purchase via Internet through our DCSS. After processing the papers the dealer obtains the goods in double quick time. While the Bank pays the full amount within 34 days to DIMO, dealers settle their dues within 64 days to the Bank according to the agreements. The entire process helps DIMO reduce cost of collection, controls default rates and enables the outsourcing of credit administration to the Bank, also assuring DIMO a larger share of a very competitive market. During this year we entered in to agreements under DCSS with Hemas Pharmaceuticals (Pvt) Ltd, Hemas Healthcare (Pvt) Ltd and Tokyo Cement Company Lanka (Pvt) Ltd.

Sri Lanka Insurance (SLI), the country's largest insurance provider signed an MOU with Sampath to facilitate SLI customers to make their payments through any Sampath branch island wide, utilising our state of the art electronic banking channels including PayEasy, Sampathnet, Teleshopping, Mobile Banking, Direct Debit with standing orders, Credit Card batch authorisation system and Internet Payment Gateway facilities.

Perceiving the extensive island wide reach that Singer Sri Lanka enjoys, Sampath also entered into a strategic alliance with this massive blue chip conglomerate to enable encashment of remittance payments through the unique Remittance Cards introduced in October this year.

Share Information

Ordinary Shareholders as at 31st December 2004

Voting

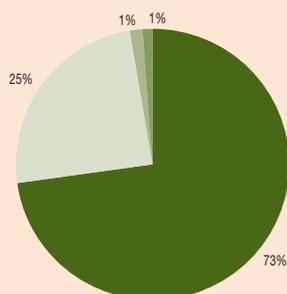
Range		Resident				Non – Resident				Total			
From	To	No of Share Holders	%	No of Shares	%	No of Share Holders	%	No of Shares	%	No of Share Holders	%	No of Shares	%
1	- 250	11,163	60.08	1,216,558	2.35	20	0.11	2933	0.01	11,183	60.19	1,219,491	2.36
251	- 500	2,328	12.53	865,378	1.67	13	0.07	5609	0.01	2341	12.60	870,987	1.69
501	- 1,000	2,087	11.23	1,472,091	2.85	18	0.10	15,520	0.03	2105	11.33	1,487,611	2.88
1,001	- 2,000	1,597	8.60	2,163,496	4.19	19	0.10	25,057	0.05	1616	8.70	2,188,553	4.24
2,001	- 5,000	826	4.45	2,563,142	4.96	10	0.05	32,078	0.06	836	4.50	2,595,220	5.02
5,001	- 10,000	270	1.45	1,826,123	3.53	7	0.04	51,723	0.10	277	1.49	1,877,846	3.63
10,001	- 20,000	114	0.61	1,530,790	2.96	2	0.01	33,582	0.06	116	0.62	1,564,372	3.03
20,001	- 30,000	31	0.17	757,189	1.47	1	0.01	25,900	0.05	32	0.18	783,089	1.52
30,001	- 40,000	12	0.06	412,096	0.81	-	-	-	-	12	0.06	412,096	0.80
40,001	- 50,000	10	0.05	446,730	0.86	1	0.01	50,000	0.10	11	0.06	496,730	0.96
50,001	- 100,000	12	0.06	864,184	1.67	-	-	-	-	12	0.06	864,184	1.67
100,001	- 1,000,000	24	0.13	6,805,909	13.18	1	0.01	398,316	0.77	25	0.14	7,204,225	13.94
1,000,001	- Over	8	0.04	18,405,197	35.63	5	0.03	11,413,965	22.09	13	0.07	29,819,162	57.72
Total		18,482	99.46	39,328,883	76.13	97	0.54	12,054,683	23.33	18,579	100.00	51,383,566	99.46

Total no. of Shares Issued	51,665,721	100.00%
Total no. of Shares Registered	51,383,566	99.46%
Total no. of Shares Unregistered	282,155	0.54%

Note:

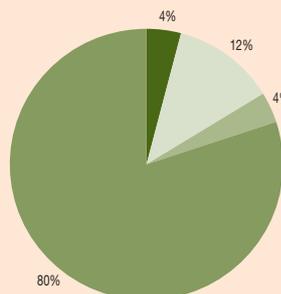
- 297,055 Ordinary shares which were transferred by way of a private transfer off the trading floor of the Colombo Stock Exchange, to Sri Lanka Insurance Corporation Limited - General Fund on 30.12.2003 have not been registered since it will result in the Sri Lanka Insurance Corporation Limited exceeding the maximum shareholding limits permitted by the Articles of Association of Sampath Bank Ltd.
- Since 14,900 Ordinary shares of Sri Lanka Insurance Corporation Limited Life Fund shareholding have been sold on 01st October 2004 the balance of 282,155 Ordinary shares remain as unregistered.
- 47,025 Ordinary shares accrued on the Bonus Issue of the Company's allotment on 25th November 2004 on the 282,155 Ordinary shares referred to in Note "b" above. These shares are held in Trust by Trustees. These shares cannot be registered in favour of Sri Lanka Insurance Corporation - Life Fund or Sri Lanka Insurance Corporation - General Fund since they exceed the above mentioned thresholds. Accordingly the Registered shareholding of Sri Lanka Insurance Corporation Limited - General Fund is 17,902 ordinary shares as at 31.12.2004.

Composition of Share Ownership (Shareholders)



■ Shares 500 & Less
■ Shares 501 - 5,000
■ Shares 5,001 - 10,000
■ More than 10,000 shares

Composition of Share Ownership (Value)



■ Shares 500 & Less
■ Shares 501 - 5,000
■ Shares 5,001 - 10,000
■ More than 10,000 shares



Analysis of Shareholders

Resident / Non – Resident

	31/12/2004			31/12/2003		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Resident shareholders	18,482	39,328,883	76.13	15,075	32,785,015	74.03
Non-Resident shareholders	97	12,054,683	23.33	94	11,202,834	25.30
Total	18,579	51,383,566	99.46	15,169	43,987,849	99.33

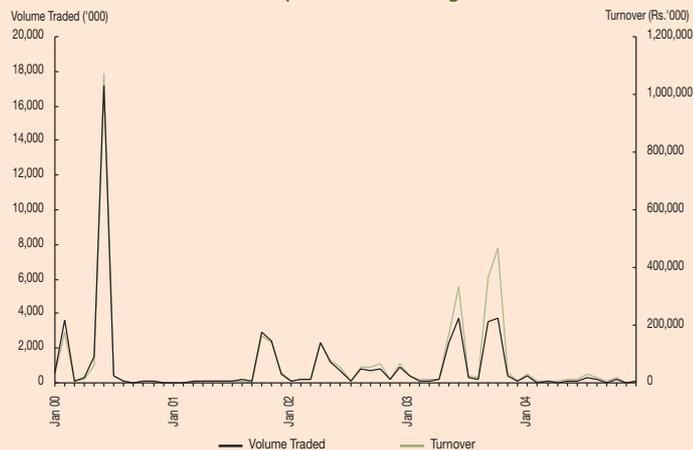
Individuals / Institutions

	31/12/2004			31/12/2003		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Individuals/Public	18,216	19,645,855	38.03	14,865	17,247,137	38.95
Institutions	363	31,737,711	61.43	304	26,740,712	60.38
Total	18,579	51,383,566	99.46	15,169	43,987,849	99.33

Share Trading

	2004	2003
Market		
Number of Transactions	645,083	482,954
Number of Shares Traded	2,752,035,439	2,255,497,498
Value of Shares Traded (Rs. Mn.)	59,052.26	73,837.77
Sampath Bank		
Number of Transactions	2,013	4,008
Number of Shares Traded	1,652,140	15,143,600
Rank	94	29
Value of Shares Traded (Rs. Mn.)	142.79	1,479.31
Rank	77	13

Sampath Share Trading



Market Capitalisation

Year	Shareholders' Funds Rs. Mn	Sampath Market Capitalisation Rs. Mn	CSE Market Capitalisation Rs. Mn	As a % of CSE Market Capitalisation	Market Capitalisation Rank
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
2004	4,070	4,323	382,066	1.13	21

Share Information

Record of Scrip Issues

Year	Issue	Basis	No. of Shares	Share Capital (Rs.)
2004	Bonus	1 for 6	7,380,817	73,808,170

Twenty Largest Shareholders as at 31st December 2004 (Registered only)

Name	No. of Shares 2004	%	No. of Shares 2003	%
Accugain Investments Limited	2,583,233	5.00	2,214,200	5.00
Outlook Investments PLC	2,583,233	5.00	2,214,200	5.00
Sampath Bank Limited A/C No.02	2,583,233	5.00	2,214,200	5.00
Stassen Exports Limited	2,582,766	5.00	2,213,800	5.00
SSP Corporate Services (Pvt) Ltd A/C No.01	2,581,483	5.00	2,212,700	5.00
Corporate Services Limited A/C No.02	2,579,266	4.99	2,210,800	4.99
Chinkara Global Funds Limited PCC	2,566,666	4.97	2,200,000	4.97
Sri Lanka Insurance Corporation Limited – Life Fund	2,565,383	4.97	2,213,800	5.00
Varners International (Pvt) Limited	2,465,516	4.77	2,113,300	4.77
Sentinel International Limited	2,295,766	4.44	1,967,800	4.44
Mr. P Singuppuli Aratchige Don	2,088,333	4.04	1,790,000	4.04
Elgin Investments Limited	2,046,450	3.96	1,742,300	3.93
Mr. B W Kundanmal	1,549,333	3.00	1,328,000	3.00
Mr. B A Mahipala	729,333	1.41	625,000	1.41
Waldock Mackenzie Ltd/Mr. P Madanayake	729,166	1.41	-	-
Bank of Ceylon	460,600	0.89	439,800	0.99
Mr. K D D Perera	449,166	0.87	-	-
Employees Trust Fund Board	431,000	0.83	395,300	0.89
Voyager Capital (International) Limited	398,316	0.77	573,400	1.29
Mr. P L C Jinadasa	381,000	0.74	381,000	0.86
	34,649,242	67.07	29,049,900	65.60
Total no of Shares Unregistered	282,155	0.54	297,055	0.67
Balance held by 18,559 shareholders	16,734,324	32.39	14,937,949	33.73
Total no of Shares	51,665,721	100.00	44,284,904	100.00

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 Limited - General Fund on 30.12.2003 have not been registered since it will result in the Sri Lanka Insurance Corporation Limited exceeding the maximum shareholding limits permitted by the Articles of Association of Sampath Bank Ltd.
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Price / Volume Chart



Debenture Information



Sampath Bank Debentures

In terms of rule 8.4 of Colombo Stock Exchange (CSE) we give following information

	Highest		Lowest		Year End	
	2004	2003	2004	2003	2004	2003
(a) Market Values						
Debentures - 1999/2004						
Quarterly Interest - 13.50%	(Matured	1,100	(Matured	1,000	(Matured	1,025
Annual Interest - 14.20%	on	1,150	on	1,003	on	1,050
	21/07/2004)	Not traded	21/07/2004)	Not traded	21/07/2004)	Not traded
Floating rate	-	-	-	-	-	-
Debentures - 2004/2009						
Fixed - 10.00%	100	-	100	-	100	-
Fixed - 9.75%	Not traded	-	Not traded	-	Not traded	-
Floating rate	103	-	100	-	100	-

	2004		2003	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
(b) Interest Rates				
Debentures - 1999/2004				
Quarterly Interest - 13.50%	13.50%	14.20%	13.50%	14.20%
Annual Interest - 14.20%	14.20%	14.20%	14.20%	14.20%
Floating rate	-	-	-	-
Debentures - 2004/2009				
Fixed - 10.00%	10.00%	10.00%	-	-
Fixed - 9.75%	9.75%	9.99%	-	-
Floating rate	-	-	-	-

Debentures - 1999/2004

Floating rate is one percentage point above the simple average of the 3 months weighted average Treasury bill rate at the previous four public auctions of the Public debt department of the Central Bank of Sri Lanka.

Debentures - 2004/2009

Floating rate is equivalent to the 3 months Treasury bill rate net of WHT plus 2% per annum payable quarterly

(c) Interest rate of comparable government securities

	2004	2003
6 Months Treasury Bill	-	7.15%
5 Year Treasury Bond	9.40%	-

(d) Current Yield & Yield to maturity

	Quarterly Interest 13.50%		Annual Interest 14.20%		Floating	
	2004	2003	2004	2003	2004	2003
Debentures - 1999/2004						
Current yield	Not traded	13.2%	Not traded	13.5%	Not traded	Not traded
Yield to maturity of last trade		5%		9.1%		
	Fixed 10.00%		Fixed 9.75%		Floating	
	2004	2003	2004	2003	2004	2003
Debentures - 2004/2009						
Current yield	10.00%	-	9.75%	-	9.00%	-
Yield to maturity of last trade	10.22%	-	9.94%	-	-	-

(e) Ratios

	2004	2003
Debt to Equity Ratio (%)	56.00	33.30
Interest Cover (Times)	9.79	11.75
Quick Asset Ratio (%)	79.20	87.40



Our People Factor

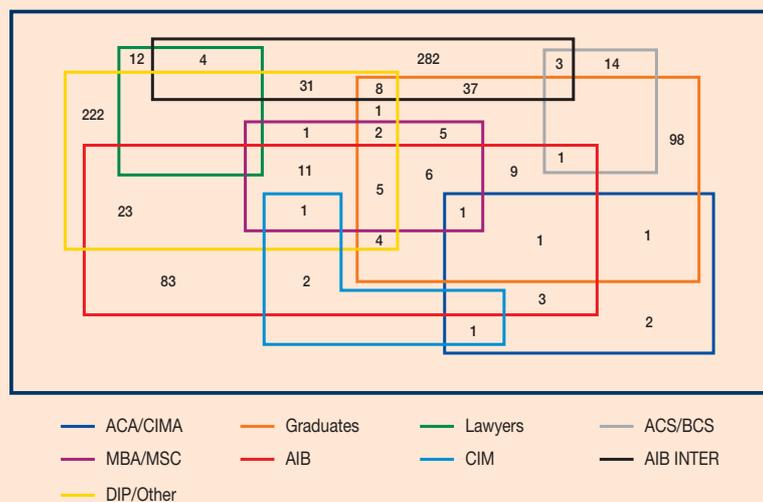


The fundamental reason we have set ourselves the lofty goal of being and continuing to be the growing force in Sri Lanka's financial industry is due to our people being the best there is in the country. The constant tributes and praises we have received in 17 years amply demonstrates the fact. They are our mind, body and soul and it is their confidence and trust in Sampath Bank that gives them the impetus to continue to give of their best not only to the Bank but also to all our stakeholders, touching lives with their humaneness, their gracious and responsive demeanours and coupling these human aspects with ultra efficiency that can only be pursued in a milieu that remains constantly cutting edge. Each person who walks through the portals of Sampath Bank experiences the Sampath touch, the truly Sri Lankan Bank that is in sync with global needs, wants and changes. This also spurs the Sampath Team towards upward mobility, both in personal and professional advancements and we in turn, align our visions, goals and values to meet those aspirations which are continuously on an upward spiral, reaching out to attain the next level of excellence. We salute our highly professional talented geniuses that make up our Team and recognise them for their integrity and brilliance, their commitment and loyalty that keeps Sampath at the zenith of the banking industry in Sri Lanka.

Recognising HR Excellence

We were acknowledged by our peers as being among the top contenders at the National HRM Awards 2003, emerging overall Runners up. It was indeed heartening to note that our philosophy of a contented workforce, enhancing productivity and imparting excellence in customer service was recognised in a national context. Our open door policy and open ended management techniques which integrate mutual respect, equality and empowerment of individuals has enabled us to maintain our superior customer service that has now become legendary in the banking industry.

Academic & Professional Qualifications of Staff





Enhancing Capabilities

Our overall Training and Development Policy evolves on the premise of developing professional competencies that can be integrated into a caring culture. Our standards are always above the norm and adhere to global parameters rather than local ones, which have held us in good stead towards achieving internationally standardised HR excellence. Each individual is deemed a leader and it is leadership qualities of these individuals that are honed and sharpened throughout their career with the Bank. This enables them to achieve goals beyond their deemed personal best and aim towards meeting challenges, accomplishing goals and being proactive within our IT enabled environment. The learning culture is constantly upgraded so that a Team member is always striving towards the next rung in the ladder.

Training and Development over the year has been an all-encompassing initiative with each and every one of our 1,702 members undergoing a minimum of 60 hours of training on average annually. Our T&D budget in itself is impressive as we expend a total of Rs.21 Million on training our personnel in Job Mastery Programmes, specific Credit Control, Mentoring, highlighted as a vital component in T&D this year shifting to newer methodologies and action based proactive learning processes, Management Development through the Postgraduate Institute of Management and Career Planning being included among the wide and varied curricular. It must be mentioned that Credit T&D took a different turn this year with our previous analysis showing that credit in itself is an expert area that needs specified training. Hence, our Credit personnel were given enhanced developmental training to enable them to perform their tasks more efficiently and for a longer period of time as it is a specialised area of work. For credit personnel at branches,

we initiated a Credit Mentoring Programme as well where a senior and junior colleague will work with each other for a period of six months. Due to this clear cut thought process, in the current context, credit officers cannot be transferred to any non-credit area without the explicit approval of DGM Credit.

We also encourage and provide incentives for our Team to collate and maximise knowledge via professional examinations, which is an imperative step towards fulfilling professional career goals and in contributing further towards the Bank's mission.

Our policies are also directed towards enabling the differently abled and are proud to mention that we were one of the first banks in the country to recognise the excellent abilities that remain untapped among this marginalised segment of society. Recruiting the differently abled began as far back as 15 years ago. Having now recruited a number of these differently abled individuals into various aspects of banking operations, one department is totally manned by differently abled individuals who have proved without doubt that their productivity and aptitude surpass the accepted standards and have been extremely successful in their work.

Cross functional teams and regular small group meetings as well as team briefings are a daily part of our operations where SWOT analyses provide solutions to problems and collective improvements and enrichments for ongoing initiatives, encouraging a two way dialogue within the Bank. Six Sigma, one of the fastest developing productivity and quality improvement programmes very popular in the USA and Europe was also initiated, and ten of our Team have already obtained the Green Belt Certification, with 12 more in line for the beginning of 2005.

Training Record for the year 2004

Type of Training conducted	Internal Training		External Training		Overseas Training	
	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants
Branch Operations	59	1,142	5	19	3	9
Credit Operations	41	865	10	32	3	3
Treasury & Trade Services	12	235	20	77	3	14
Information Technology	16	347	19	45	6	8
Marketing & Planning	8	146	6	47	-	-
Legal	2	25	12	36	-	-
Corporate Management	2	26	5	17	5	12
Customer Service & Care	8	161	12	34	1	1
Leadership Management	9	164	20	40	2	6
Product Improvements	9	127	14	23	-	-
Personal Development	11	182	16	68	2	3
Communication Skills	13	252	7	16	-	-
	190	3,672	146	454	25	56

In addition to the training modules, 29 e-learning modules were logged on 7,168 times by team members and Video Presentations were also conducted for 1,547 hours.

Our People Factor

Beside Germany, our international T&D exposure was concentrated mainly on Asia and South Asia with 56 team members attending a variety of programmes, workshops and seminars in Thailand, Singapore, India and Hong Kong on strategic management, general management, corporate finance, advance auditing, international trade, financial modelling and the International Bankers workshop being attended.

e-Learning for the Future

Our unique e-Learning concept has become a groundbreaking milestone in the education spectrum in the country. Never before has technology been used so effectively for educational purposes. This is an example that can be improved and developed to make equality of education a reality for all parts of the country. As a first step,

we have used our e-Learning programme, which was developed in-house to allow our Team to augment their personal knowledge and acumen through interactive training sessions and dissemination of information.

Considered a learning format that makes sense, e-Learning is perceived as a concept that reduces costs, retains employees and gains employee buy ins. Cutting down on travel time and expenditure which can amount to a saving of as much as 40% to 60%, employee productivity also is enhanced due to lesser time away from their given job. We introduced e-Learning initially to frontline staff in November 2002 with the first module being on Customer Care and this has now been extended to 29 more modules during the last year. E-Learning modules include product knowledge, case studies to banking law and best practices and are centrally tracked with post training evaluation.

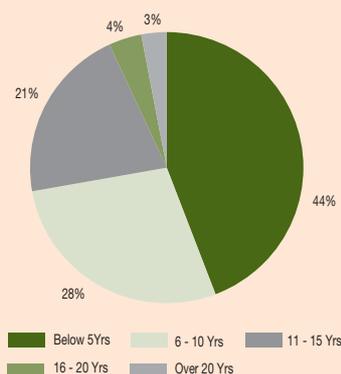
Total Banking Exposure of Staff as at 31st December 2004

No of years of Service	Corporate Management	Managers & Senior Managers	Executive Staff	Staff Assistants	Allied	Total
Below 5 Yrs	-	1	8	568	175	752
6 - 10 Yrs	1	1	19	443	13	477
11 - 15 Yrs	-	-	205	146	5	356
16 - 20 Yrs	1	7	48	7	3	66
Over 20 Yrs	11	19	21	-	-	51
Total	13	28	301	1,164	196	1,702

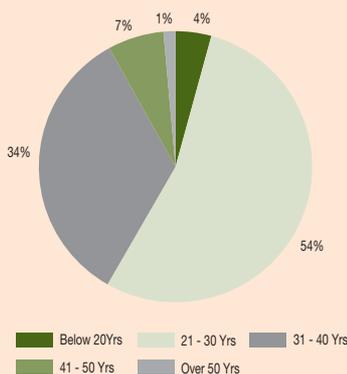
Staff Age Analysis as at 31st December 2004

Age	Corporate Management	Managers & Senior Managers	Executive Staff	Staff Assistants	Allied	Total
Below 20 Yrs	-	-	-	48	24	72
21 to 30 Yrs	-	-	8	772	140	920
31 to 40 Yrs	-	4	218	332	19	573
41 to 50 Yrs	6	17	70	11	9	113
Above 50 Yrs	7	7	5	1	4	24
Total	13	28	301	1,164	196	1,702

Total Banking Exposure of Staff as at 31.12.2004



Staff Age Analysis as at 31.12.2004





Imbibing IT for Progress

A fully computerized HR system which manages all HR functions including recruitment, selection, training, employee benefits, leave, personal data and MIS is now fully operational, enabling real time data processing for quick and accurate decision making and information gathering. This has undoubtedly been a boon to our endeavours of having a highly efficient HR department in line with expected global standards. On line career planning guidance was also implemented this year to allow employees and superiors alike to identify and stipulate the imperatives required for career charting, while the Employee HR manual is also available on line for quick and easy access to any employee.

Sharing of information is a vital aspect of our internal communication process and Sampath uses IT to make this process simpler, faster and more effective. Information is shared on a daily basis irrespective of grades, levels or functions through the 1,000 linked PCs via the Intranet, giving instant feedback and follow up wherever necessary.

Recruiting the Best

Our sights have always been set to obtain only the crème de la crème. In recruiting therefore, the practices applied are designed to identify future leaders through their display of confidence, communication abilities, positive outlook, organisational skills, IT and language literacy and teamwork capabilities. Psychometric tests emphasising team playing skills and ability to face challenges are also employed to identify the appropriateness of the individual to become a member of the Sampath Team.

Rewarding Excellence

We believe that excellence must be rewarded and our incentives are far beyond the norm in the local banking industry. This year we implemented a Performance Based Rewards system, which includes a bonus structure that has been conceptualised in line with the Balanced Scorecard. In this process, five corporate level people measurements are enumerated and they are on innovation, skill levels, employee retention, motivation and leadership. We have also included a career planning and advancement initiative to match individual goals with corporate goals enabling us to match and map career development plans. Employee benefits include a Share Ownership Plan (ESOP) in recognition of employee commitment within the Bank to become shareholders, inculcating a sense of ownership. We are also proud to be the only corporate to give paternity leave in view of the importance of family togetherness when a new entrant is heralded.

An Ethos of Togetherness

Family oriented events and excursions also give the Team an opportunity to interact with the extended Sampath Family, which we deem important in relationship building. The Sampath Family day organised at Shalika Grounds in April

as part of the Sinhala and Tamil New Year festivities, saw a day of fun filled unity and togetherness within. 'Sampath Tharu 04', was a talent show organised by Team members in August for the second time, showcasing their little seen musical and dramatic talents with the participation of over 175 team members. It was indeed a night to remember with the stars of the show pledging all revenue earned from the show to be utilised for the benefit of socio-cultural events in the country, yet another aspect of the caring and altruistic nature that we aim to inculcate within the Bank.



'Sampath Tharu 2004' organised by Team members, in progress at BMICH

Extra curricular activities are also encouraged with team sports in particular taking precedence. We have seen the Sampath Team excel in a number of sports and other activities. The Inter Branch/Department six a side cricket tournament saw the participation of an unprecedented 93 teams while the quiz competition, both events organised by the Sports Club, had 64 teams participating, fostering good spirited competition and camaraderie among the Team.

Our Achievers bringing Pride and Glory

It is no secret therefore that while our Team is considered the best in the land, individually too we find that our Team members achieve and conquer at various levels and in varied spheres, keeping the Sampath flag flying.

Individual Triumphs

- The Association of Chartered Bankers of Sri Lanka Trust awarded a Lifetime Award to Parama Dharmawardena, DGM Marketing, Finance & Planning recognising his contribution as a senior banker to the banking profession. He is just among three recipients of this prestigious award for 2004.
- Janaki Sooriyaarachchi displayed her literary skills when she won two awards at the State Literary Awards 2004 in the Children's Literature category for the best storybooks in English and Sinhala.
- National Champion, Thilini Jayasinghe won a Silver Medal for Badminton at the SAF Games held in Islamabad Pakistan and also emerged the Champion at the National Sports Festival held in Badulla.
- Also in badminton, Tharanga Nishanthi was adjudged the Women's Singles Runner up in the Mercantile A Division Individual Open Tournament while Thushan de Silva and Chinthaka Gunaratne were Runners Up in the Men's Doubles.

Our People Factor

- V G N Tharanga won a Gold Medal in the Men's 110 mtrs hurdles event at the National Sports Festival 2004 and the Mercantile Athletics Championships.
- Heshan Premachandra and Chamath Dhanawansa represented the champion Western Province Basketball Team while Chameera Ratnayake represented the Uva Province Basketball team which were Runners Up at the National Sports Festival.
- Prabha Bandara won two Gold Medals for Individual Medley and Dolphin events at Peterite invitation swimming championship.

Team Efforts

- Basketball: The A team became Champions in both Mercantile A Division Basketball tournament organised by the Mercantile Basketball Association and Colombo Super League Basketball Tournament organised by the Colombo District Basketball Association. Our B Team also emerged champions in the Mercantile C Division five-a-side Basketball tournament organised by the Mercantile Basketball Association.
- Rugby: Our team were the champions at the Mercantile Rugby Sevens for the second consecutive year.

- Cricket: Champions at the MCA Premier Knockout Cricket Championship organised by the Mercantile Cricket Association.
- Football: Runners up in the Mercantile D Division Football Tournament organised by the Mercantile Football Association.



Champion Cricket Team with the Managing Director and President of the Sports Club

- Badminton: The A Team became Runners Up in the Mercantile Inter Firm A Division Badminton Tournament while the B Team were Runners up in the Mercantile Inter Firm C Division Tournament. Our Men's team also emerged Runners Up at the Inter Bank Badminton Tournament.

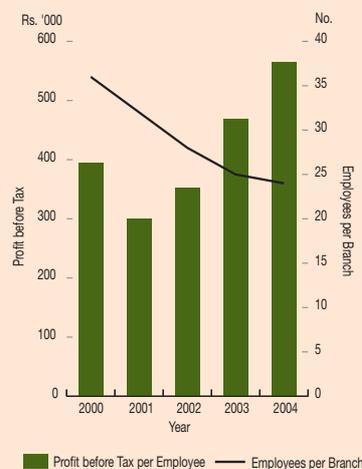
Staff Productivity

	2000	2001	2002	2003	2004
Assets per employee (Rs.'000)	25,532	27,120	28,832	34,233	39,647
Turnover per employee (Rs.'000)	3,114	3,684	3,641	3,828	4,085
Profit before tax per employee (Rs.'000)	395	300	352	469	565
Employees per branch (No.)	36	32	28	25	24

Assets & Turnover per Employee



Profit & Employees per Branch



Corporate Social Responsibility



The desired impact...



...the development...



...of the dump.

Working with the people for the people and giving back to the people has always been a priority for us at Sampath Bank. Long before Corporate Social Responsibility (CSR) became the buzzword among corporate circles, we believed that the community we serve in, the nation we live in and the environment we share, all form a fundamental aspect of our existence and therefore should be cared for to ensure sustainability and a united co-existence among all elements. While we remain glad that these issues have now become foremost items on the corporate agenda thereby bringing to the fore issues that did not seem important earlier, we will continue the path that we mapped out for our social responsibility causes, not only looking at uplifting the economy, community and the country, but also in empowering mankind to be sustainable.

In a CSR sense, this year could be deemed the most challenging. While the community became more aware of the role that corporates play in their lives, corporates themselves were charting courses of action that would be beneficial to the community they serve in. However, it is only this year that the true aspect of CSR will really be felt. It was at the latter end of 2004, that the Tsunami arrived and took with it lives and livelihoods, presenting Sri Lanka with a humanitarian disaster of unimaginable proportions. Even with foreign aid pouring in and the State trying its best to cope in these unprecedented circumstances, it is up to the business world to take on the mantle and help rebuild a shattered nation.

And this is where Sampath has taken its obligations very seriously. Giving back a livelihood to those who have nothing left to live for; to give back a reason to live



Corporate Social Responsibility

when all tears have been shed for entire families lost and to give back hope to those whose whole existence seems hopeless. Although the problems that are to be encountered in the next year may seem insurmountable, Sampath remains firm and resolute that we can contribute our might to rebuild a nation that was just emerging from twenty years of civil war, only to be faced with the biggest natural disaster that history has ever recorded.

We will stand tall and strong in the face of adversity as we have always done, lending a shoulder to lean on and a lending a hand to rebuild a nation that has in it, people who are struggling to cope but in the long run have shown immense resilience in the face of challenge. This was amply displayed when even with Sampath's Galle Branch completely destroyed, the Sampath Team remained absolutely steadfast in the face of challenge, taking on the Herculean task of putting the branch back on its feet just 48 hours later to be of service to the people in that area - a matter to be saluted, given the colossal destruction that the Galle region specifically faced after the Tsunami struck.

Rebuilding Lives

The two phase relief plan mooted by Sampath worked on immediate relief initially and sustainability thereafter.

Immediate relief became important in the wake of homes and lives being frittered away and thousands relegated to refugee camps, seeing every team member pooling together their resources including contributing a minimum of two days salary to the 'Sampath Sahana Seva Fund', which was opened as a special account for fund raising. Our pioneering technology aspects were also brought to the fore with a payment gateway becoming operational

over www.sampath.lk for expatriate Sri Lankans, foreign donors and other interested parties to channel their contributions towards relief. The Sampath Payment Gateway also came to the assistance of other national disaster relief efforts, including providing payment gateways to the Prime

Minister's Office, Rupavahini Corporation, MTN Networks, Sarvodaya, M Entertainments, Sri Lanka Cricket, Rotary Club, NDB Bank and Central Bank, enabling contributions via internationally used credit cards. These contributions alone notched up a handsome Rs.50 million towards relief efforts at the close of the year and posed to gather further momentum in 2005.



Team Sampath for the rebuilding of Tsunami affected Panadura.

Dry rations, water, medicine, baby food, clothes and other essential items were brought in by customers and well wishers to the 71 branches which were converted into collection centres, with the Sampath Team also pitching in with necessary needs, later distributed to the displaced people.

We also began a unique relief collection method by donating a large number of tills to the State Media to be used on their collection round of relief funds.

The culture of teamwork that we constantly tout was more than evident when a voluntary 'Clean up brigade' of 200 Team members ably led by the Managing Director, began the difficult task of tackling the rubble left over by the Tsunami in the Panadura area.

Something that we have always emphasised on is sustainability and this is probably the best time in our nation that sustainability can be highlighted and underlined as the need of the hour. Our second phase of rehabilitation therefore is the reconstruction of a small village town, which had been inundated by the Tsunami, destroying everything in its path leaving nothing for the villagers to go back to. We will also rebuild the school and the hospital, ensuring that students can attend school as soon as possible by giving them school supplies and stationery as the initial step. We remain committed to this cause as we have seen the physical and mental destruction that the Tsunami has wrecked in Sri Lanka and being a bank that has prided itself on being first in a number of areas, we believe it is our responsibility now to take those 'firsts' and transform them into rebuilding a nation that needs the assurance of stability and security, now more than ever.

Social Commitment

Assistance to Kewulgama

The historic village of Kewulgama is believed to have had the privilege of providing refuge to the most sacred Tooth Relic protecting it from enemies. But the village today is forgotten and steeped in poverty. Our Kandy branch initiated the provision of basic needs to this village situated around ten kms away from Hunnasgiriya town housing 100 families that live in abject poverty. Their livelihood is mainly farming, a vocation that has been severely affected by the continued drought. Their lives are further hampered as they have no basic infrastructure including water, electricity and transport. About sixty children attend Kewulgama Junior School located in a dilapidated tiny building. The Team identified the urgent



Kandy team identified the basic needs of Kewulgama village.



needs of providing water and toilet facilities to the school children who have had no toilet facilities, built two water tanks, laid water lines to obtain water from a small spring atop a hill 3,000 meters away and constructed toilets with the participation of the community. They also presented school supplies, equipment, nutritional food, library books, sports goods and uniforms. The Branch conducted a health clinic with the assistance of three doctors and an eye clinic, distributing free medicine and spectacles among 27 villagers.

Reconstruction of Mederipitiya Junior School, Deniyaya



Mederipitiya Junior School which was destroyed by floods, rebuilt...

Floods too caused havoc during the year where some schools in the more difficult areas were completely inundated and remained unusable. We allocated a grant of Rs.2.7 million towards the complete reconstruction of Mederipitiya Junior School in Deniyaya comprising five classrooms with the option of converting the classrooms into an assembly hall.

Gunasekera Children's Home, Nawala Rajagiriya

The home tells of the harrowing tales of twenty girls between the ages of 5 and 17 years who are all victims of sexual, physical and mental abuse in their tender years, some orphaned and all insecure. All have been referred to this home by the Department of Probation and Child Care, but the home itself is dilapidated and Sampath donated a significant contribution towards the construction of a new home, which is presently managed by the Gunasekera Children's Home Welfare Society.

Donation of Water Tanks



Medirigiriya; severely affected by drought, received 40 drinking water storage tanks, with the initiative of Kaduruwela Team.

Medirigiriya, one of the hardest hit by severe drought this year, saw our Kaduruwela branch identify the problem of drinking water storage for the residents, donating forty tanks to alleviate this problem. These water tanks were installed at temple premises in the area, while one was gifted to the Home for the elders.

Annual Blood Donation Campaign

For the 15th consecutive year, the Sampath Bank Employees Association organised its Annual Blood Donation Campaign at the head office with the participation of nearly 100 donors comprising staff, customers and the public. Our Katugastota branch also organised their annual blood donation campaign to mark the 6th anniversary of the branch.



Annual blood donation campaign at Katugastota Branch in progress.

Dialysis Unit for Nagoda

The General Hospital in Nagoda Kalutara was assisted by the Bank under the auspices of the Kalutara Bodhi Trust through sponsorship for the setting up of a dialysis unit, a dire need and life saving device for hundreds of kidney patients.

Assistance to the community

The Tissamaharama, Anuradhapura, Matara, Mahiyanganaya, Morawaka, and Embilipitiya branches celebrated their anniversaries through community service projects donating medical equipment, maintenance of hospital wards, caring for senior citizens, presentation of school supplies and organising medical camps.

Mid day Meals for Dhamma School students

The bank provides mid-day meals for students in Sri Seelarathana Daham School, Sri Visuddharamaya Daham School and Galapitagala Vihara Daham School in the Kalutara District.

Enabling the Differently Abled

Sampath could also be considered the very first bank to absorb the differently abled into its Team since 1988. Currently, the Central Cash Department is manned by hearing impaired young persons, whom we deem as very productive leaders with high integrity. We believe in equality and these individuals perform their tasks efficiently proving beyond any doubt that the differently abled can be integrated into society like any other and perform admirably even in the most challenging environments.



Corporate Social Responsibility



Donation of Wheel Chairs

Eight Wheel Chairs were donated to the Government Hospital of Vavuniya by our Vavuniya Branch to mark the first anniversary of the branch.

Vauniya branch celebrated the 1st anniversary by donating wheel chairs to the Government Hospital in Vauniya.

Environmental Commitment

Our commitment to the environment has always been unabated as we believe that man and nature must live in harmony for the long term sustenance of both. Therefore, while continuing our responsibility via novel programmes such as 'Upandinayata Pelayak' encouraging children to plant a tree on their birthday gifting over 5,000 plants for this project and assisting the Wildlife and Nature Protection Society of Sri Lanka by contributing Rs.5 for every SET card issued, Sampath this year extended its environmental projects to more spheres.

Community Participation for Garbage Clearance

The Manampitiya Gallella area has been a waste dump for over twenty years, posing a threat to the wild elephants, other animals and even human beings residing in and around that region. Some animals have died by consuming polythene in this garbage dump. Together with the Thamankaduwa Pradeshiya Sabha, our Kaduruwela Branch partnered the Youth Corps of Polonnaruwa for a massive clean up campaign of the garbage dump and implemented a streamlined garbage waste collection in a different location. Considering the large elephant population in the Polonnaruwa area, this was a timely project which has resulted in the preservation of the dwindling numbers of this massive pachyderm, already facing extinction due to man made disasters such as these.



Rebuilding ponds in Kumana National Park; a nature protection measure, jointly with Green World Organisation.

Reconstruction of the natural ponds in Kumana National Park

The bank partnered the Green World Organisation, a volunteer organisation in nature protection by contributing towards the reconstruction of seven ponds in the Kumana National Park, which will be beneficial to the animals within the park.

Environmental Art Competition

To enhance knowledge on the environment and the importance of its preservation and conservation, the Morawaka Branch organised an art competition with the participation of nearly 250 of Year 1 and 2 students of the schools in the Morawaka Educational Zone to mark The World Environment Day.

Knowledge Commitment

Our emphasis on creating a learning culture is not only prevalent within the Bank. It extends beyond to all of Sri Lanka where we will assist as many student groups as possible to enhance their knowledge and know how to gain a sustainable knowledge base that would help them in the future.

Teaching English to Rural Children

Realising the importance of English in today's world, we have identified twenty schools in remote areas that have had no English teachers over the years. This project will reach children from poverty stricken families enabling them to have the services of English language teachers for General English from Grades 5 to 10 for a minimum of forty teaching hours monthly. Initially launched in



An English Teacher receives documents pertaining to the "English to Rural Children Programme".

Tissamaharama educational zone providing assistance for English teaching to Nedigamwila Primary School, Uduwila Kanishta Vidyalaya and Weerahela Kanishta Vidyalaya. We aim to increase the reach of this programme, providing schools with necessary funding and other teaching aids. We extended this project to Deniyaya, Morawaka and Mahiyangana areas covering six more schools.

Enhancing IT knowledge in Under-developed Schools

The aim of this project is to give basic IT knowledge and facilities to students of under developed schools enabling them to use this opportunity towards their future career development. We have concentrated on the more difficult provinces of Sabaragamuwa, Wayamba, North Central and Southern, providing Internet exposure and training through our branches to students who would otherwise have no opportunity to learn about the basics of IT and its uses. The project was initiated at Padeniya Sunanda Central College situated 5 kms away from our Wariyapola Branch where we conducted training classes and hands on sessions on weekends for a period of two months. A basic knowledge on Introduction to Computers, Microsoft Word & Excel, Internet and its benefits, E-commerce and Card usage is given in the training. Selected students receive 20 lecture hours and 24 practical hours. Four schools from



Morawaka, Mahiyangana and Kegalle areas were selected during this year.

Workshop for advanced level students

A one day workshop for A/level Commerce students numbering over 400 from a number of schools in the region was held by the Tissamaharama University Students Foundation, with our Tissamaharama branch, being the main sponsor. Our training center also stepped in to assist, conducting a training session on Banking.

Inter-School Quiz Competition



Inter School Quiz competition held in Deniyaya in progress.

Team members of our Deniyaya, Morawaka, Neluwa and Matara Branches organized an Inter School Quiz Competition to enhance the general knowledge of the school children in the Deniyaya and Morawaka areas. A career guidance training session was also conducted for the benefit of the large number of school children. Teachers too participated in this event.

Sampath Daham Thilina

This is a programme that recognises and rewards students who excel in annual competitions held among Daham Schools. This programme was carried out in 54 'Shasanarakshaka Balamandalayas' in this year. Books and uniform materials were presented to students placed first to fifth in each grade comprising 32 different events per grade.

Developing Sports

For the seventh consecutive year, the Bank assisted the Sabaragamuwa Rugby Union with the provision of rugby balls for its Schools Rugby Development Programme in the Sabaragamuwa province for students in the age groups of 13, 15, 17 and 19.

Cultural Commitment

Just as preserving the environment remains vital, Sampath also lays emphasis on the significance of preserving our national heritage. With a civilisation spanning eons and a cultural history over 3,000 years old, the Bank has remained in the forefront of supporting projects in the sphere of culture and the arts.

Sponsorship of "The Grandeur of Sinhala Buddhist Art Vol II" by Gamini Jayasinghe

This book, produced for university students in Art and Archaeology, unfolds the magnificence of traditional paintings and opens out research to ancient Buddhist paintings in Sri Lanka. Volume II features 33 ancient temples in seven districts.

Website of Dr Mahagamasekera

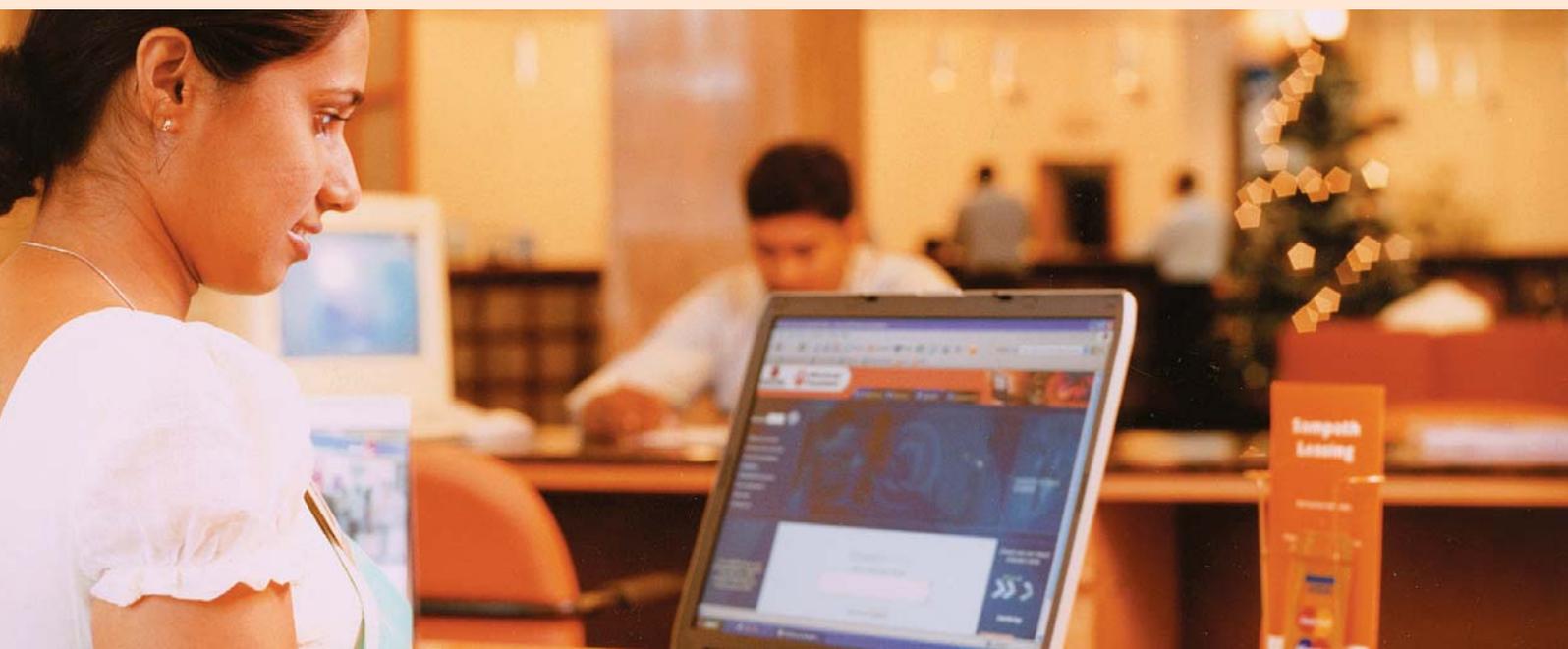
Sampath Bank was the main sponsor of the development and launch of the website www.mahagamasekera.org for a doyen in Sinhala culture, the late Dr Mahagamasekera, commemorating his 25th death anniversary, enabling Sri Lankans both young and old to absorb the greatness of this cultural icon.

Assistance to the World Fellowship of Buddhists

In support of creating further awareness of religion and the importance of imbuing religious precepts into our daily lives, the Bank made a significant contribution to the World Fellowship of Buddhists in support of their Socio Economic and Rehabilitation activities.



Integrating IT into Daily Lives



In most areas of IT and technology within the banking sector, it is Sampath Bank that has always taken the bold step of introducing cutting edge technology to Sri Lanka even at times when such technology was only being used by developed economies. We believe that by having the options of these technological advancements available, our people will be compelled to grow and develop on par with their counterparts from rest of the world. We are No 1 in IT in any Sri Lankan Bank and continue to strive to maintain that leadership role and to be customer focused in product & process development, by applying the latest technology. We also believe that by leading IT within the banking industry, we are creating a precedence for others, providing opportunities within the market evidenced by over 10,000 customers already using internet based facilities in varied forms, which is a four fold increase in three years.

Today's customer profile in most parts of the country can be construed as a busy businessman working in multiple business ventures who travels both internally and externally and depends heavily on communication facilities. It is this profile that we have addressed through the mobile and Internet platforms. IT options introduced this year to our customers included SMSAlertz, which is a boon to customers in their daily transactions which is very popular even in areas such as Ampara, SET Plus and e-factoring.

With customers having the added advantage of withdrawing a total of Rs.40,000 per day from our 95 ATM machines set around the country. We also revamped Sampathnet now catering to 10,000 customers and PayEasy, which has seen more customers using the facilities in all parts of the country. We achieved the milestone of 1,000 Sampath Vishwa (virtual branch) customers this year, and increased our Easy Banking centres to 15 opening up in Kandy and Galle as well. Our final goal is for Sri Lankans to feel that the Bank is their PC or mobile, ATM at their reach, any time of the day or night for whatever banking transaction they have to perform.

Two major IT projects that were implemented and strengthened this year were the Call Center and the Customer Relationship Management Programmes. Aimed at enhancing telephone banking, the Call Centre introduced a multi-language tri-lingual programme and by March 2005, we aim to have a fully-fledged Call Centre in operation.

In moving fast toward a paperless environment, internally we introduced e-Leave for our employees allowing leave applications online, e-Learning which was begun last year and enhanced this year enabling different e-learning modules to take place throughout the entire network and e-Survey giving impetus to the Balanced Scorecard initiative where we have now conducted an impressive three surveys since the process was begun.

Considering the rising numbers in credit card frauds, Sampath also introduced a highly effective Fraud Monitoring System, monitoring card transactions on a 24/7 basis, advising customers of unnatural trends in their transactions thereby averting possible frauds that could have ensued. Next year will see us going in for IP telephony where voice and data will travel on the same network drastically reducing the costs expended on communication at present.

More Firsts in Technology

Taking yet another step in pioneering technology into the banking industry, for the first time in Sri Lanka we introduced the Cheque Imaging and Truncation (CIT) system that clears cheques much faster and improves productivity with better controls for cheque clearing. All cheques are cleared within 24 hours, certainly a boon in this era when geographical borders and time zones are non-existent. While we believe the entire industry will be CIT compliant by the end of 2005, we have already focused on passing some of the benefits of CIT to our customers bringing Sri Lanka on par with most countries in Western Europe and the US that use this process.

Risk Management



Risk Management is one of the critical success factors in banking and is one of Sampath Bank's core competencies and forms an essential element in the Bank's overall strategy. The Board of Directors recognises that a critical factor in the Bank's continued profitability and stability is its effective risk management capabilities and risk return management. In this respect, Sampath Bank will continue to enhance its risk management capabilities and also continuously promote a proactive risk management culture in the Bank.

Risk Exposure and Risk Management Practice

The main aim of Sampath Bank's risk management practice is to protect the Bank against extraordinary or exceptional losses that could arise from taking risks beyond its risk appetite. The Bank's philosophy on risk management is that all risks must be understood, monitored, controlled and managed. In addition, risk management processes must be closely aligned to the Bank's business strategy to enable the Bank to maximise its risk-adjusted return on capital.

The Bank's primary business activity is commercial banking, essentially a customer-driven activity where substantial risk comprises credit risks of its corporate, commercial and retail customers. To a lesser extent, commercial banking activities also expose the Bank to market risk arising from re-pricing, maturity and currency mismatches of assets and liabilities. These mismatches give rise to interest rate, liquidity and foreign exchange risks.

Compared to the commercial banking business, the current extent of treasury and investment banking activities, which include sales and trading in money markets, foreign exchange and other treasury products and debt instruments, is relatively less significant. However, these activities also expose the Bank to credit risk and market risks, including interest rate, currency and equity risks.

In the course of conducting its businesses, the Bank handles a large number of financial transactions. It is inherently exposed to operational risks arising from failure of internal processes and systems, deficiencies in people and management or operational failure arising from external events.

Risk Organisation

Sampath Bank believes that risk management is most effective when it is a shared responsibility between risk takers and risk controllers, with the Board of Directors providing general oversight. The risk organisation is structured to display a segregation of duties and reporting lines between risk taking and risk-controlling units. These principles are applied across the major risk areas, including

credit, market and operational risks. The Bank has, in recent years, been building its resources and capabilities in risk management to keep pace with business developments. As banking products invariably contain a varying mix of risks from different risk categories, the management of risk must be looked at holistically.

The Bank's Asset and Liability Management Committee (ALCO) and Executive Credit Committee are entrusted with the primary responsibility of managing credit, market and operational risks. The Division is staffed with officers dedicated to risk policy setting, risk measurement methodology and model development, as well as the measurement and monitoring of the Bank's risk profiles and concentrations. In the case of credit risk, dedicated officers are also involved in transaction approval and remedial loan management. In the case of market risk, there are four ALCO Sub committees reporting to ALCO through the ALCO Officer of the Bank. These sub committees are mainly responsible for interest rate, liquidity and funding risk, capital planning, and foreign exchange risk. Besides the Risk Management Division, other functions in the Bank that support the risk management framework include Legal and Compliance, Internal Audit, Operations, Finance and the respective business units where risk is taken or generated.

Credit Risk Management

The Executive Credit Committee reviews and recommends credit risk policies for the approval of the CEO or the Board. It is also responsible for ensuring that sound credit risk methodologies and effective Credit Risk Management (CRM) processes are established.

The credit management committee includes representatives from Corporate, Commercial, Trade Finance and other major units where credit risk is generated, as well as independent credit risk controlling and supervision units. This joint effort in setting risk policy seeks to ensure understanding of and commitment to the credit risk management process. Dedicated CRM units perform the roles of developing risk policies, guidelines and procedure and putting in place the monitoring, reporting and control systems.

Credit Approval Process

The foundation of the credit approval structure is a designation process that delegates lending authority to individual relationship managers according to their own credit skills, knowledge, experience, training and track record.

Credit extensions to corporate and institutional customers are generally required to meet pre-defined target return and risk acceptance criteria.



Risk Management

In the business of lending to mass markets, principally in the consumer and small business sectors where transactions are numerous and are of smaller amounts, loans are underwritten under pre-approved credit programmes by branch managers and relationship managers who report to the members of Branch Credit Committee. These programmes focus on credit extensions to individual customers with similar characteristics and/or product needs.

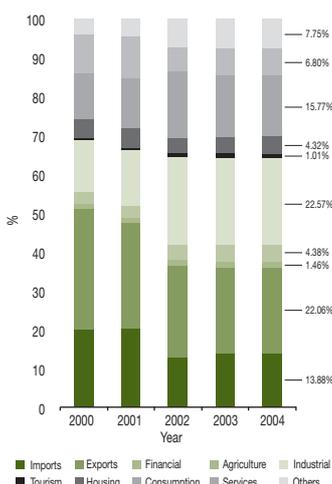
Credit Portfolio Management

The Bank has in place a credit risk grading system, in line with mandatory requirement guidelines of the Central Bank. Risks associated with the credit proposals are assessed and graded, resulting in the improvement of the quality of the credit portfolio. This has become an imperative process to adopt as our large loan portfolio plays to the volatility of the economy and hence we improved on the system of tracking and monitoring the existing advances, before input into the NPLs. With the Delinquency Monitoring System acting as a preventive and precautionary measure, we can identify unhealthy loans early, a process that has helped us to reduce our NPL ratio this year.

Credit Concentration

The Bank seeks to spread its risk exposure among the growing economic sectors of the major markets in which it operates. Limits are set on specific customer or industry segments in order to avoid over-concentration of credit risks. Prudent limits have also been placed on exposures to single customer groups.

Sectoral Distribution of Advances



Special Credit Control and Supervision Unit

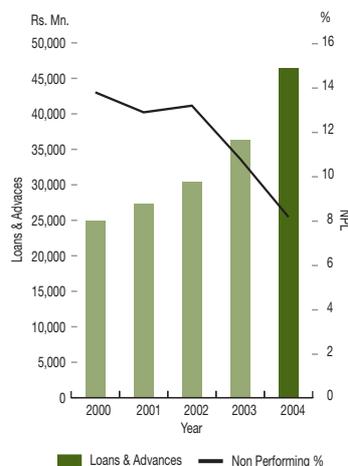
The Credit Control Unit (CCU) continues to manage all NPLs due from corporate and personal banking customers. These NPLs are managed directly by active account management through the oversight and supervision of the relevant branch management. The CCU

is target driven, with the express objective of efficient NPL reduction and maximising loan recovery.

The unit maintains its focus through a systematic loan management process that formulates work plans to achieve timely NPL resolutions and its senior management team is actively involved in all stages of the process to ensure that the agreed plans for NPL resolutions are achieved within agreed timeframes.

The results for the year show an overall reduction of NPLs standing at Rs.3,799 Mn. and a resulting NPL ratio of 8.2%.

Total Advances & NPL



Market Risk Management

Market risk is defined as the uncertainty in the future values of the Bank's on and off balance sheet financial items, resulting from movements in factors such as interest rates, equity prices and foreign exchange rates.

The ALCO serves as the primary oversight and decision-making body that provides strategic directions for the management of market risk and liquidity risk of the Bank. The key elements in the market risk management framework are principles and policies, risk limits and risk measures.

Principles and Policies

The Board and the Chief Executive Officer approve the market risk principles and policies. The principles provide guidance on the oversight and management of the Bank's market risk, while the policies facilitate a common understanding of market risk definition and adoption of common methodologies. Controls are in place to ensure that all business activities conform to the Bank's risk management principles and policies.

Risk Limits

On a daily basis, all trading risk positions are monitored against authorised limits by ALCO support units



independent of the businesses. Under the market risk corporate governance framework, limits are approved at various business activity levels, with defined exception escalation procedures. All exceptions are to be promptly reported to the relevant senior management for ratification. Only authorised activities may be undertaken.

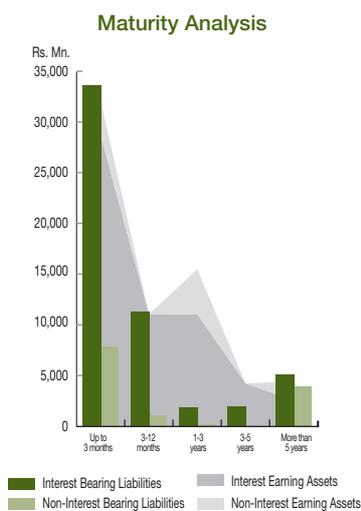
Risk Measures

The interest rate gap and maturity gap reports are the primary measures for the Bank's trading activities. With the treasury management system, the overall trading risk will be determined by aggregating the Value at Risk (VAR) measures for the interest rate risk, foreign exchange risk and equity risk arising from the trading activities.

Interest Rate Risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the level of interest rates and shift in the composition of the Assets and Liabilities of the Bank.

The Bank has in place an interest rate risk management committee, which regularly reviews the interest rate outlook, assesses the vulnerability of net interest income due to movements in interest rates and develops strategies to mitigate interest rate risk. A system is also in place to measure the Bank's re-pricing mismatch profile; in-depth analyses of current and projected balance sheet positions and the likely impact on the Bank's net interest income are performed. The Bank Treasury actively monitors and manages the re-pricing mismatches with the aid of daily re-pricing gap and sensitivity reports, against defined sensitivity limits for the Bank's interest earning assets and interest bearing liabilities.



The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set by ALCO. Deposit rates and

lending rates are frequently reviewed and adjusted based on market and competitive factors.

Foreign Exchange Risk

Foreign currency exchange risk arises from exchange rates movements, which may affect the profit of the Bank from its foreign exchange open positions taken from time to time. This risk principally managed by setting determined limits on open foreign exchange positions, the monitoring of the open positions against these limits and the setting and monitoring of cut loss mechanism.

To manage market risk arising from trading activities, Sampath Bank uses a daily market-to-market trading position and compares against pre-determined market risk limits. The market risk limits are set taking into consideration the risk appetite of the Bank, which has traditionally been prudent. Trading positions and the respective limits are reported on a regular basis to the management of the Bank. Further, the ALCO Sub Committee on Forex Risk, reviews all issues relating to Forex and report their analysis to ALCO on a monthly basis.

The Bank's policy is to protect its capital by ensuring that, where appropriate and practical, exposures arising from changes in exchange rates are minimised. Hedging is performed to protect the real economic value rather than to avoid the short-term accounting impact.

Value of the Portfolio

The changes in the level of interest rate also have an impact on the market value of the Bank's assets, namely investment and dealing securities. The market value of investment and dealing securities affected by interest rate changes will decrease or increase, with the rise and fall of interest rates. This change in market value investment and dealing securities may result either in unrealised capital gain or loss from holding these securities depending on whether the market yield is below or above the purchase yield. The effect of changes in the level of interest rates on the market value of investment and dealing securities are monitored closely and market-to-market valuations are regularly reported to ALCO.

Liquidity Risk Management

The objective of liquidity management is to ensure that the Bank has sufficient funds to meet its contractual and regulatory financial obligations at all times. Liquidity risk relates to the ability of the Bank to maintain sufficient liquid assets to meet its financial obligations when they fall due, at reasonable cost.

The Bank's liquidity policy is to ensure that all contractual and behavioural commitments can be met by readily available sources of funding. In addition, a level of liquid assets is maintained in relation to cash flows to provide further sources of funding in the event of a crisis. The Bank



Risk Management

frequently accesses the wholesale financial markets to ensure the availability of funds.

The daily position statement and the maturity gap report are the primary tools used for monitoring the liquidity position of the Bank. These systems assess the liquidity base on the contractual and behavioural cash flows of assets, liabilities and off balance sheet commitments, taking into consideration the realisable cash value of eligible liquefiable securities.

The stipulated liquid asset requirement is further supplemented with the Bank's internal liquidity risk management policies set by ALCO. These policies ensure that liquidity surpluses are within the limits set, so that the Bank will not have excessive liquidity surpluses resulting in loss of income. Liquidity risk management activities are being carried out through a combination of cash flow management, maintenance of high quality long term and short term marketable securities that can be readily converted to cash, diversification of the funding base and proactive management of the Bank's customer deposits.

Sampath Bank has also established liquidity contingency funding plans to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risk that may arise due to unforeseen adverse changes in the market place.

Operational Risk Management

Operational risk is the potential loss caused by a breakdown in internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The Bank has an overall framework with the required environment and organisational components for managing operational risk in a structured, systematic and consistent manner.

The goal of operational risk management is to minimise unexpected and catastrophic losses and manage expected losses. This enables new business opportunities to be pursued in a risk controlled manner and increases risk adjusted profitability through calculated risk-and-reward decision making.

Considering the rising number credit card frauds, Sampath also introduced a highly effective Fraud Monitoring System that monitors credit card transactions on a 24/7 basis, advising customers of unnatural trends in their transactions thereby averting possible frauds that could have ensued.

Operational risk management comes under the oversight of the Operational Risk Management and Disaster Recovery Committee, which includes senior representatives from risk management, strategic business units and relevant support functions. Strategic business units are supported by the Operational Risk Management Committee of the Bank,

which has established the operational risk framework, including policies and methodologies to provide independent oversight of operational risk monitoring and control. The operational risk management programmes are actively implemented through the Operational Risk coordinators in the business units.

There are also regular reviews by the Internal and External Auditors to assess the overall management of operational risk so as to ensure that key business processes are appropriately controlled and continue to function effectively.

A comprehensive strategy has been formulated to provide a group-wide integrated solution encompassing the rollout of qualitative and quantitative tools and methodologies, which will position the Bank to qualify for the more proactive risk management approaches recommended by the Basel Committee and the Central Bank of Sri Lanka.

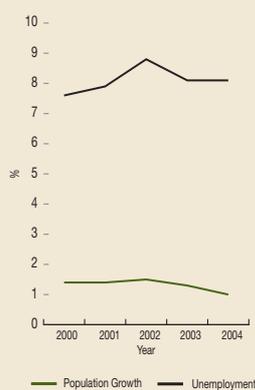
A well-established and comprehensive loss event and incident reporting system that is aligned to both emerging regulatory and industry standards, to monitor and manage operational losses is in place. A risk and control assessment programme is being progressively rolled out to reinforce our risk assessment capabilities from both institutional and regulatory compliance perspectives. Business continuity and disaster recovery programmes are in place as an integral part of the Bank's strategy to mitigate risks and to manage the impact of unforeseen events. In addition, operational risk training programmes are conducted on an ongoing basis to cultivate a pro-active risk management culture within the Bank.

Talking Figures

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Country Profile

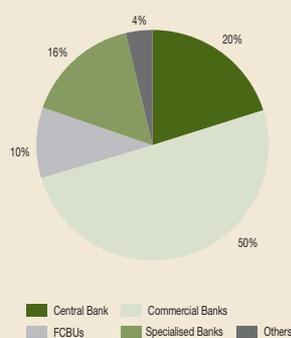
Population Growth & Unemployment



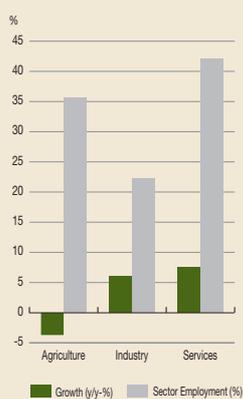
Deposits & Advances Rates of Commercial Banks



Assets of the Banking & Financial Sector



Sectoral Productivity



Country Statistics

Land Area (Sq. Km.)	65,610
Population (Mn.)	19.6
Population Growth (%)	1.0
Population Density (Per Sq.Km.)	310
Life Expectancy (Years)	72.5
Literacy (%)	91.6

Economic Indicators

Internal	2002	2003	2004(p)	2005(f)
Gross Domestic Product (Rs.Bn.)	1,585	1,763	1,988	2,246
GDP Growth (%)	4.0	5.9	5.2	4.2
GDP per Capita (Rs. '000)	83.38	91.56	102.19	114.59
GDP per Capita (USD)	872	949	982	1134
GDP per Capita Growth (%)	3.7	8.8	3.5	15.4
Inflation				
CCPI- (point to point % chng)		5.0	13.8	
(annual avg % chng)		6.3	7.6	
SLCPI- (point to point % chng)		6.6	15.6	
(annual avg % chng)		3.1	6.6	

External

Trade Balance (USD Bn.)	(1.4)	(1.5)	(2.2)	(2.4)
Current Account Balance (USD Bn.)	(0.2)	(0.1)	(0.7)	(0.8)
External Reserves (USD Bn.)	4.9	5.8	4.6	

(Month of same year Imports)

Exchange Rates

	2002	2003	2004
Year End USD	96.7	96.3	104.4
EURO	101.3	121.6	142.0
GBP	155.5	172.2	200.4
YEN	0.81	0.90	1.0

Monetary & Financial Indicators

M2 Growth (%)	13.4	15.3	15.0
Banking Density (per 10,000 people)	0.61	0.69	0.70*
No. of ATMs (No.)	635	708	756*
Credit Cards Issued (Total '000)	321	393	507

*June'04

Share Market Indicators

ASPI (Year End)	815	1,062	1,506
MPI (Year End)	1,375	1,898	2,073
Market Capitalization (Rs.Bn.)	162.6	262.0	382.0
Net foreign purchases (Rs.Bn.)	2.44	0.209	(0.101)

(p) - Provisional

(f) - Forecast

AWDR - Average Weighted Deposit Rate

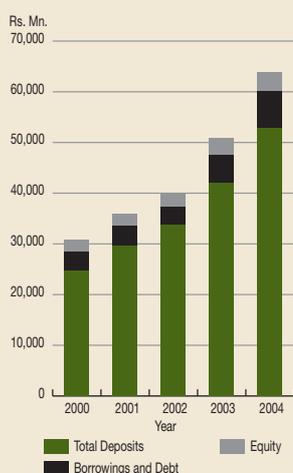
AWPLR - Average Weighted Prime Lending Rate

M2 - Broad Money Supply

Sources of Financing

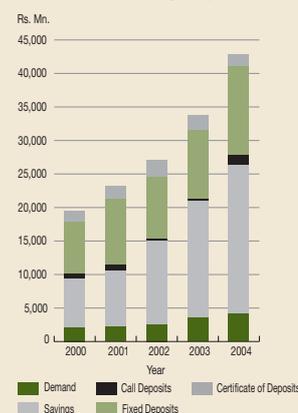


Financing Mix



Total deposits of the bank grew by Rs.10.9 Bn depicting a growth of 26% and there is considerable movement from high cost deposits to low cost deposits. The main contributor to this growth was the 27% increase in savings deposits. Total shareholders' funds at the close of 2004 accounts amounted to Rs.3.9 Bn together with retained earnings of the year. Bank enhanced the issued share capital to Rs.516 Mn through a bonus issue at a rate of one for six shares in the last quarter of the year. Rs. 1.5 Bn. Debenture issue has also contributed considerably to increase the debt financing of the Bank during the year.

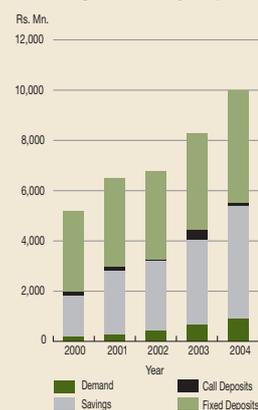
Local Currency Deposits



Deposits

	<i>Rs. Mn.</i>				
	2000	2001	2002	2003	2004
Local Currency Deposits					
Demand	2,139	2,182	2,587	3,502	4,140
Savings	7,261	8,355	12,388	17,477	22,204
Call Deposits	629	1,014	377	358	1,495
Fixed Deposits	7,850	9,753	9,187	10,159	13,154
Certificate of Deposits	1,611	1,872	2,476	2,262	1,907
	19,489	23,176	27,016	33,758	42,900
Foreign Currency Deposits					
Demand	172	262	402	642	891
Savings	1,665	2,560	2,783	3,393	4,495
Call Deposits	129	158	62	397	103
Fixed Deposits	3,242	3,513	3,522	3,842	4,519
	5,208	6,493	6,769	8,274	10,008
Total Deposits	24,697	29,669	33,785	42,031	52,908

Foreign Currency Deposits



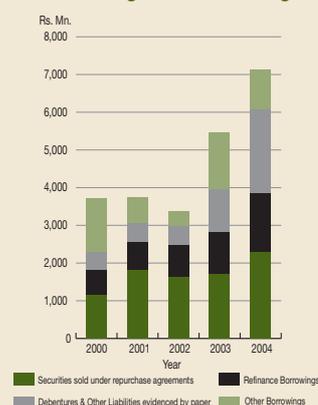
Borrowings / Debt Financing

Securities sold under repurchase agreements	1,151	1,824	1,627	1,703	2,291
Refinance Borrowings	653	732	844	1,123	1,564
Debentures & other liabilities evidenced by paper	500	500	500	1,128	2,196
Other Borrowings	1,425	691	410	1,500	1,062
	3,729	3,747	3,381	5,454	7,113

Equity Financing

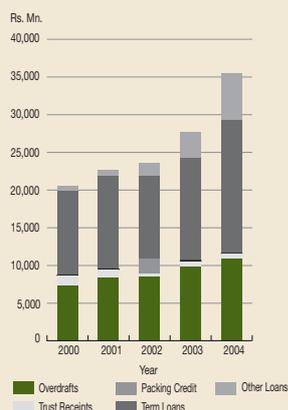
Share Capital	443	443	443	443	517
Reserves	1,847	2,091	2,444	2,940	3,401
	2,290	2,534	2,887	3,383	3,918
Total Deposits, Borrowings & Equity	30,716	35,950	40,053	50,868	63,939

Borrowings / Debt Financing

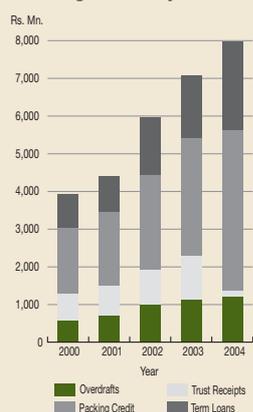


Utilisation of Funds

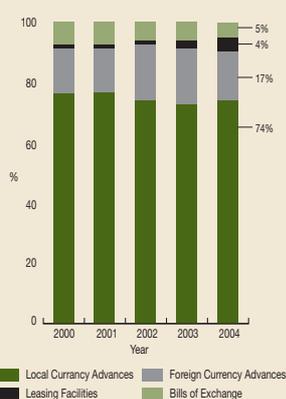
Local Currency Advances



Foreign Currency Advances

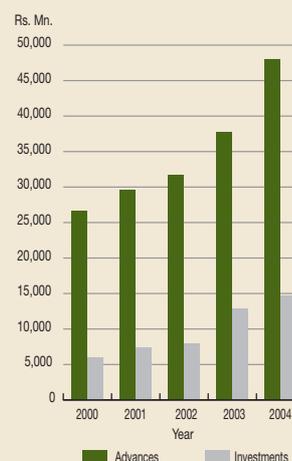


Composition of Advances



Advances recorded a 27% growth making the total at Rs.47.9 Bn by end of the year. We overhauled the three existing products of Leasing, Pawning and Sevana Housing Loan and were seen over 100% growth over the year. We perceive that the reasons for our monumental growth in these areas, because of our strategies of simplifying processes and ensuring efficiency and speed in all transactions. Investments were increased by 31.7% to Rs.14.6 Bn. The major contributor to the investments was in Government Securities.

Utilisation of Funds



Advances

	2000	2001	2002	2003	2004
Rs. Mn.					
Local Currency Advances					
Overdrafts	7,394	8,361	8,506	9,840	10,881
Trust Receipts	1,294	1,114	427	699	626
Packing Credit	43	65	1,934	137	110
Term Loans	11,180	12,415	11,078	13,584	17,618
Other Loans	628	781	1,631	3,382	6,330
Total	20,539	22,736	23,576	27,642	35,565
Foreign Currency Advances					
Overdrafts	581	698	992	1,124	1,198
Trust Receipts	692	789	934	1,152	170
Packing Credit	1,768	1,976	2,495	3,146	4,235
Term Loans	881	928	1,559	1,659	2,380
Total	3,922	4,391	5,980	7,081	7,983
Leasing Facilities	266	246	238	677	1,972
Bills of Exchange					
Cheques purchased					
Local	86	48	88	61	82
Foreign	121	138	80	121	63
Bills purchased					
Export	1,192	1,282	1,184	1,423	1,742
Import	519	671	593	657	537
Total	1,918	2,139	1,945	2,262	2,424
Total Advances	26,645	29,512	31,739	37,662	47,944
Investments					
Treasury Bills and Bonds	3,647	3,131	3,420	6,726	7,166
Dealing Securities	680	2,052	2,789	3,363	3,541
Placements and loans with banks	1,050	1,259	725	1,868	2,881
Other Investments	529	903	1,018	850	1,043
Total Investments	5,906	7,345	7,952	12,807	14,631

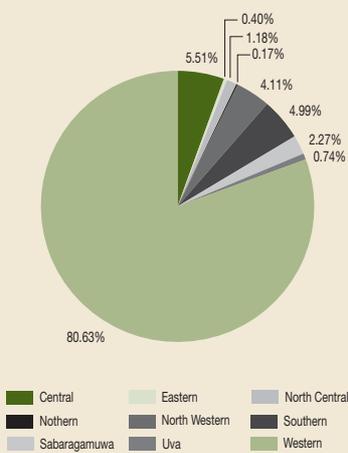
Provincial Presence



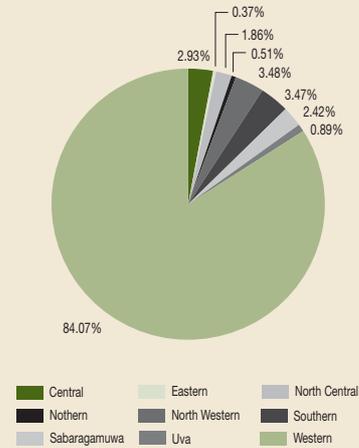
Provincial Distribution of Deposits & Advances

Province	No of Service Centres	Deposits/Repo	%	No of Service Centres	Advances	%
Central	4	3,066	5.51	4	1,414	2.93
Eastern	2	225	0.40	2	180	0.37
North Central	3	659	1.18	3	897	1.86
Northern	1	96	0.17	1	244	0.51
North Western	6	2,284	4.11	6	1,677	3.48
Southern	6	2,773	4.99	6	1,671	3.47
Sabaragamuwa	6	1,262	2.27	6	1,166	2.42
Uva	2	407	0.74	2	430	0.89
Western	42	44,825	80.63	52	40,518	84.07
Total	72	55,596	100.00	82	48,196	100.00

Provincial Distribution of Deposits



Provincial Distribution of Advances



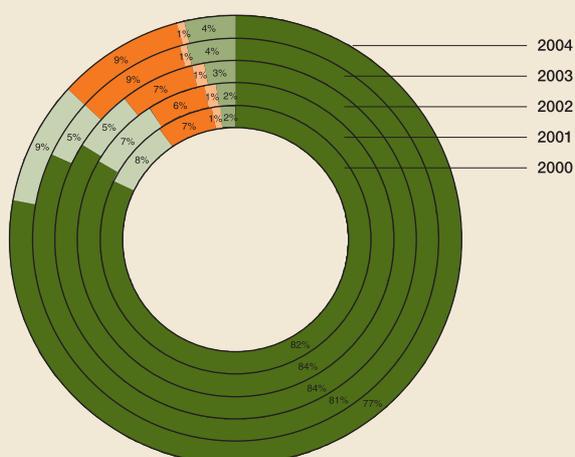
Provincial Cash Access Points

Province	District	No of ATM's and Easy Cash Centres
Central	Kandy	9
	Matale	1
Eastern	Ampara	1
	Trincomalee	1
North Central	Anuradhapura	2
	Polonnaruwa	1
Northern	Vavuniya	1
North Western	Kurunegala	5
	Puttalam	1
Southern	Matara	4
	Hambantota	2
Sabaragamuwa	Galle	5
	Ratnapura	5
Uva	Kegalle	1
	Polonnaruwa	1
Western	Badulla	1
	Colombo	86
	Gampaha	17
	Kalutara	6
Total		150

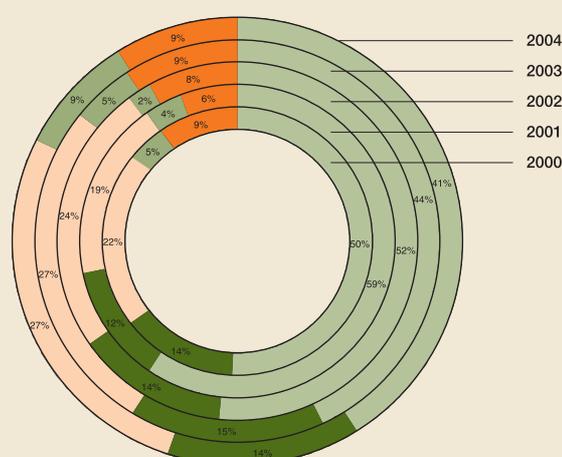
Sources & Utilisation of Income

	Rs. Mn.				
For the year ended 31st December	2000	2001	2002	2003	2004
Sources of Income					
Interest Income	3,531	4,484	4,612	4,948	5,412
Foreign Exchange Profit	360	400	296	288	617
Fees & Commission Income	279	322	374	535	630
Investment Income	36	64	60	41	43
Others	86	103	147	232	251
Total	4,292	5,373	5,489	6,044	6,953
Utilisation of Income					
To Depositors/ Borrowers/Debenture Holders					
Interest Paid	2,169	3,191	2,834	2,602	2,859
To Employees					
Salaries & Other Payments	592	654	748	936	974
To Suppliers/Depreciation set aside/Provision for Credit Losses					
Depreciation	152	156	185	201	224
Credit Losses	195	201	404	490	561
Other Expenses	577	656	748	959	1,118
To Government					
TT/NSL	72	88	45	-	-
VAT	-	-	-	116	251
Income Tax	134	107	84	179	344
To Shareholders					
Dividends	77	77	89	66	89
Retained Profit	324	243	352	495	533
Total	4,292	5,373	5,489	6,044	6,953

Sources of Income



Distribution of Income



■ Interest ■ Free & Commission ■ Others
■ Foreign Exchange ■ Investments

■ To Depositors ■ To Suppliers ■ To Shareholders
■ To Employees ■ To Government



Capital Strength

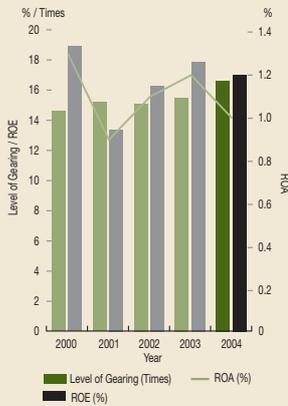


Capital Strength

	2000	2001	2002	2003	Rs.Mn. 2004
Total Risk weighted Assets	22,951	23,331	24,258	34,227	41,833
Core Capital	2,196	2,440	2,793	3,290	3,824
Base Capital	2,774	2,931	3,184	3,759	5,565
Tier - I	9.6	10.5	11.5	9.6	9.1
Tier - II	12.1	12.6	13.1	11.0	13.3

Capital adequacy ratio improved from 11% to 13.3% as at end December 2004 mainly due to increase in supplementary capital by issuing five year long term debentures worth of Rs.1.5 Bn and this was well above the statutory requirement of the Central Bank of Sri Lanka.

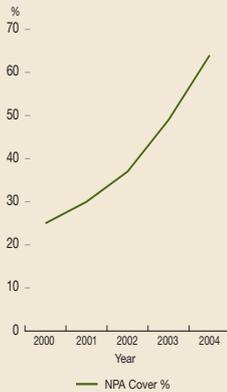
Risk & Return



Risk & Return

	2000	2001	2002	2003	2004
ROA (%)	1.3	0.9	1.1	1.2	1.0
Level Of Gearing (Times)	14.6	15.2	15.1	15.5	16.6
ROE (%)	18.9	13.4	16.3	17.9	17.0

NPA Cover



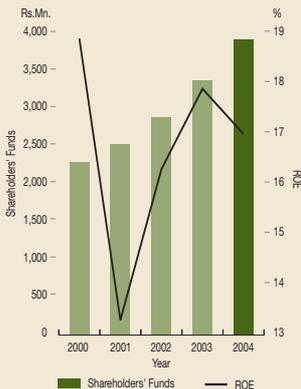
NPA Cover

	2000	2001	2002	2003	Rs.Mn. 2004
NPA (Net)	3,444	3,531	4,025	3,913	3,799
Cr Loss Provision	855	1,071	1,482	1,914	2,447
NPA Cover %	24.83	30.33	36.82	48.91	64.41

Prudent credit evaluation, close monitoring and streamlining of the recovery process is vital for a bank in order to maintain NPA ratio at a minimum level. If a bank continuously improve its NPA ratio and the NPA cover, that is an indication of the Quality of Assets and the higher earning on assets of that bank.

We were able to reduce the NPA ratio and the quantum of the NPA in a condition of escalating loan portfolio during the past few years. Sufficient provisions have been made for credit losses complying with the statutory requirements. By the end of the financial year 2004, cumulative loan loss provision stood at Rs 2,445 Mn positioning the NPA cover ratio at a healthy 64 %.

Shareholders' Funds & Return on Equity



Shareholders' Funds

Total shareholders' funds at the close of 2004 accounts amounted to Rs.3.9 Bn together with retained earnings of the year. Bank enhanced the issued share capital to Rs.516 Mn through a bonus issue at a rate of one for six shares in the last quarter of the year.

Quarterly Statistics

For the three months ended	2003				2004			
	December	September	June	March	December	September	June	March
Assets and Liabilities (Rs. Mn.)								
Total Assets	54,054	50,328	47,513	44,725	67,753	63,963	59,558	56,211
Loans & Advances	34,286	30,607	30,499	29,370	44,203	40,199	36,386	35,394
Deposits	42,031	39,198	37,770	35,853	53,066	48,697	46,085	44,440
Shareholders' funds	3,383	3,300	3,167	3,030	4,107	3,847	3,684	3,534
Average Assets	52,191	48,920	46,119	43,871	65,858	61,761	57,885	55,133
Income, Revenue and Expenses (Rs. Mn.)								
Net Interest Income	638	651	523	535	724	667	586	576
Other Income	410	195	257	234	482	352	379	328
Total Revenue	1,049	845	780	769	1,206	1,019	965	904
Non Interest Expenses	(644)	(532)	(468)	(451)	(634)	(574)	(557)	(542)
Provision for Credit Losses	(160)	(120)	(120)	(90)	(159)	(150)	(137)	(115)
Appreciation/(Depreciation) in value of Investments	(18)	8	16	(8)	(12)	-	(1)	4
Provision for Taxation	(53)	(41)	(39)	(46)	(150)	(78)	(67)	(49)
Value Added Tax	(27)	(27)	(32)	(31)	(91)	(57)	(52)	(52)
Net Profit After Tax	148	133	136	144	159	160	151	151
Financial Measures								
Profitability								
Return on Assets	1.13	1.09	1.18	1.31	0.97	1.04	1.04	1.10
Return on Average shareholders' funds	17.70	16.47	17.61	19.46	16.01	17.01	16.68	17.48
Productivity								
Non- Interest Expenses to Total Revenue	61.38	62.95	59.97	58.66	52.59	56.37	57.69	59.99
Capital								
Risk Weighted Capital Ratio								
Tier - I	9.60%	10.38%	11.20%	11.78%	9.10%	9.07%	9.29%	9.60%
Tier - 1 + II	11.00%	12.41%	12.77%	13.43%	13.30%	12.97%	13.28%	10.97%
Asset Quality								
Provision of Credit Losses to Average Loans	0.25	0.20	0.20	0.15	0.19	0.20	0.19	0.16
Share Information								
Market Price Per Share (Rs.)								
High	133.00	116.75	100.00	78.50	105.00	95.00	95.00	92.00
Low	65.00	65.00	64.00	65.00	60.25	70.00	70.00	68.00
Closing	83.50	116.00	91.00	66.25	62.75	87.00	85.00	85.00
Net Asset Value per Share	76.40	74.52	71.52	68.43	79.48	86.87	83.20	79.81
Earning per Share	13.35	12.02	12.32	13.00	12.32	14.46	13.59	13.65

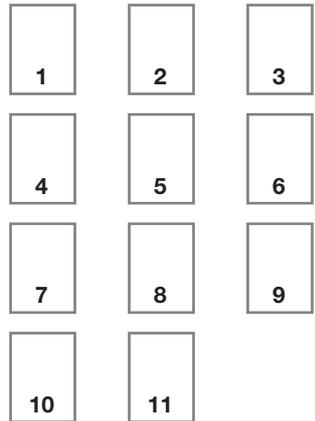
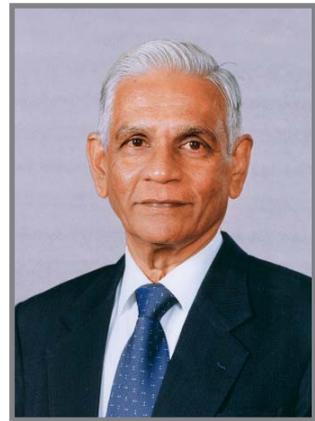
Ten years at a glance



Year Ended 31st December	1995	1996	1997	1998	1999	2000	2001	2002	2003	Rs. Mn. 2004
Profit Performance										
Income	1,632	1,917	2,348	2,675	3,135	4,220	5,269	5,432	6,044	6,953
Interest Income	1,363	1,589	1,978	2,198	2,633	3,531	4,484	4,612	4,948	5,412
Interest Expenses	750	934	1,193	1,263	1,627	2,169	3,191	2,834	2,602	2,859
Net interest income	613	656	785	936	1,006	1,362	1,293	1,778	2,346	2,553
Exchange Income	160	173	178	235	234	360	400	296	288	617
Other income	147	181	230	281	316	513	472	569	808	924
Operating expenses	433	523	641	806	980	1,304	1,466	1,682	2,094	2,308
Profit before tax	382	406	449	487	342	535	429	525	740	965
Income Tax on Profit	141	124	127	115	81	134	107	84	179	344
Profit after tax	241	282	322	372	261	402	322	441	561	621
Assets										
Cash and Short Term Funds	1,969	1,255	1,040	518	1,236	1,293	1,678	2,115	1,581	1,932
Bills of Exchange	744	1,114	1,226	1,647	1,629	1,918	2,139	1,945	2,262	2,424
Loans and Advances	6,487	8,281	11,486	14,977	18,960	24,461	27,127	29,556	34,723	43,548
Lease Rentals Receivable	113	183	198	191	187	266	246	238	677	1,972
Investment in Associates & Subsidiaries	-	-	-	220	220	370	381	386	452	452
Fixed assets	308	350	491	687	893	914	1,031	1,060	1,131	1,183
Total assets	11,953	14,901	18,412	22,640	27,327	34,596	38,781	43,017	54,054	67,483
Liabilities										
Deposits	8,119	9,616	12,156	16,111	19,877	24,697	29,669	33,785	42,031	52,908
Refinance Borrowings	205	223	248	262	406	653	732	844	1,123	1,564
Other Liabilities evidenced by paper	-	-	-	-	500	500	500	500	1,128	2,196
Other Liabilities	2,671	3,893	4,570	4,510	4,578	6,457	5,347	5,002	6,390	6,899
Total Liabilities	10,995	13,732	16,974	20,883	25,362	32,307	36,248	40,130	50,672	63,566
Shareholders' Funds										
Share capital	354	354	354	354	443	443	443	443	443	517
Reserves	586	815	1,084	1,402	1,522	1,847	2,091	2,444	2,940	3,401
Investor Information										
<i>(for the year ended 31st December)</i>										
Dividend paid	53.1	53.1	53.1	53.1	141.7	77.5	77.5	88.6	66.4	66.4
Dividend cover (times)	4.5	5.3	6.0	7.0	1.8	5.2	4.2	5.0	8.4	9.4
Earnings per share (Rs)	5.50	6.40	7.30	8.40	5.90	9.10	7.30	10.00	10.86	12.03
Net assets per share (Rs)	21.20	26.40	32.50	39.70	44.40	51.70	57.20	65.20	65.48	75.82
Market price per share (Rs) - Max	56.00	54.00	85.50	70.00	51.50	70.50	72.00	79.80	133.00	105.00
Market price per share (Rs) -	35.50	42.50	45.80	32.00	36.00	37.00	32.50	50.00	65.00	60.25
Price as at 31 December (Rs)	46.00	46.00	62.00	49.30	45.00	41.50	63.00	72.00	83.50	62.75
Other Information										
<i>(as at 31st December)</i>										
Export turnover (for the year)	6,035	8,441	9,314	11,528	13,717	15,001	18,370	15,669	15,823	17,240
Import turnover (for the year)	6,945	8,409	10,988	15,867	17,705	22,025	23,630	29,099	28,523	30,459
Number of Staff	919	981	1,131	1,246	1,332	1,355	1,430	1,492	1,579	1,702
Number of Branches	23	26	29	32	34	38	45	53	63	71
Ratios										
Growth of income (%)	31.4	17.5	22.5	13.9	17.1	34.6	24.9	3.1	11.3	15.0
Cost to income ratio (%)	49.2	53.2	55.5	57.1	65.0	63.6	70.6	64.7	60.8	60.1
Growth of deposits (%)	17.2	20.9	26.4	32.5	23.4	24.2	20.1	13.9	24.4	25.9
Growth of advances (%)	35.5	30.4	34.8	30.2	23.6	28.3	11.0	7.5	18.7	27.3
Rate of dividend (%)	15.0	15.0	15.0	15.0	40.0	17.5	17.5	20.0	20.0	20.0
Return on assets (after tax) (%)	2.2	2.1	1.9	1.8	1.2	1.3	0.9	1.1	1.2	1.0
Return on equity (after tax) (%)	30.3	26.7	24.7	23.3	14.0	18.9	13.3	16.3	17.9	17.0
Advance to Deposits & Refinance (%)	88.2	97.3	104.1	102.7	102.4	105.1	97.1	91.7	87.3	88.0
Fixed Assets to Shareholders' Funds (%)	32.7	29.9	34.1	39.1	45.4	39.9	40.7	36.7	33.4	30.2
Total Assets to Shareholders' Funds (Times)	12.7	12.7	12.8	12.9	13.9	15.1	15.3	14.9	16.0	17.2
(As specified in Banking Act No 30 of 1988)										
Liquid Assets to Liabilities (%)	28.1	25.2	21.9	23.4	21.8	21.2	27.9	25.2	27.4	24.1
Capital Funds to Liabilities including Contingent Liabilities (%)										
Capital standards (%) - Tier I	13.3	12.9	11.3	11.4	10.5	9.6	10.5	11.5	9.6	9.1
- Tier II	14.5	14.3	12.4	12.5	14.0	12.0	12.6	13.1	11.0	13.3



Board of Directors





1. EDGAR GUNATUNGE

Chairman
Hony, FIB

Chairman since 24th September 1998.

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

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

Appointed Chairman in September 24th 1998.

Counts 50 years banking experience, and serves on the boards of several public companies.

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. 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.

Served Sampath Bank since May 1989.

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

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

Vice Chairman of the Sri Lanka Bank's Association and Bankers' Club.

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 board of many public and private companies including the Colombo Stock Exchange and several Councils and Chambers.

Founder President of the Sri Lanka Association for the Advancement of Quality & Productivity of Sri Lanka and a Past President of the Japan Sri Lanka Technical & Cultural Association (JASTECA).

Conferred with the prestigious APO National Award 9000 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. 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. 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 to both domestic and international journals on the Sri Lankan economy.

8. LAKSHMAN J. K. HETTIARATCHI

Director
LL.B, FCMA, MBCS, CITP,
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.

9. ERNEST A. GUNASEKERA

Director
ACIB (Lond)

Director since July 2001. Banker with 45 years experience in Commercial Banking.

Former Director and Head, Bankers Trust Company of New York, Colombo with responsibility for Sri Lanka, Bangladesh, Nepal and Maldives.

10. JAYAMPATHI D. BANDARANAYAKE

Director
LL.B., F.C.I.S. and F.I.P.M.

Also serves on the Board of the following companies:-

Ceylon Tobacco Company

Coca Cola Beverages Sri Lanka

James Finlay

Hayleys Limited

Currently Chairman of the Employers' Federation of Ceylon and Deputy Vice Chairman of the Ceylon Chamber of Commerce and a Member of the Strategic Management Agency Enterprises.

A Graduate of Law and a Fellow of the Institute of Personnel Management Sri Lanka and the Institute of Chartered Secretaries (UK).

11. PRASANTHA LAL DE ALWIS

Director
LL.B, LLM (Colombo), Attorney-at-Law

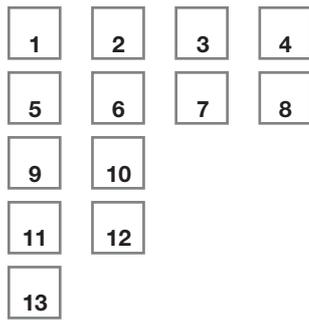
Director of Sampath Bank since January 2002.

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.

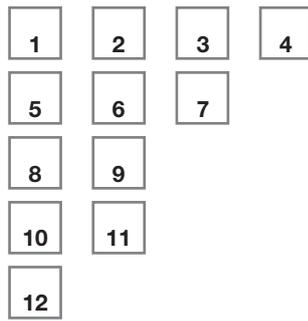
Visiting lecturer, Faculty of Law, University of Colombo.

Corporate Management



1. **Anil S Amarasuriya**
Managing Director / Chief Executive Officer
2. **Wijyaratne Bandaranayake**
Senior Deputy General Manager
3. **Aravinda Perera**
Deputy General Manager - Corporate Banking & Finance
4. **Jayantha Alwis**
*Deputy General Manager - Information Technology /
Electronic Data Processing*
5. **Ranjith Narangoda**
*Deputy General Manager - Systems Development /
Electronic Banking & Card Centre*
6. **Nimal R Tillekeratne**
Assistant General Manager - Operations & Branch Credit
7. **Vimal Indrasoma**
*Assistant General Manager - Information Technology /
Electronic Data Processing*
8. **Gunasena Widanapathirana**
Assistant General Manager - Human Resource Development
9. **Kapila Chandradasa**
Assistant General Manager - Branch Credit
10. **Nanda Fernando**
Assistant General Manager - Operations
11. **Kapila Karunaratne**
Assistant General Manager - Marketing & Business Development
12. **Upul Karunaratne**
*Assistant General Manager - Commercial Credit &
Development Banking*
13. **Lalith Jayakody**
Assistant General Manager - Finance & Planning

Senior Management



1. **Ranjith Amarasinghe**
Senior Manager - Corporate Credit
2. **Indrajith Dissanayake**
Senior Manager - International Operations
3. **Gaya Manamperi**
Senior Regional Manager
4. **Jinith de Silva**
Senior Manager - Recoveries
5. **Kamal Abeysinghe**
Personal Assistant to DGM's
6. **Mahinda Jayawardana**
Chief Legal Officer
7. **Janaka Jayakody**
Senior Manager - Investments
8. **Jagath Dheerathilaka**
Senior Manager - Card Centre
9. **K L G Pradeep**
Senior Manager - Kandy Branch
10. **Saman Herath**
Regional Manager
11. **Rohana Dissanayake**
Senior Manager - Operations
12. **Wije Dambawinne**
Senior Manager - Forex

Capital Adequacy & Value Addition

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 01.01.2003 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.

	31/12/2004 (Rs. '000)		31/12/2003 (Rs. '000)	
	Assets	Risk Weighted Assets	Assets	Risk Weighted Assets
On Balance Sheet exposure				
Cash and Short Term Funds	11,657,840	629,254	8,574,129	443,434
Deposit with CBSL	4,471,541	-	3,266,542	-
Commercial paper				
Investments	3,880,863	550,445	3,687,107	634,331
Loans and Advances	44,045,898	33,573,095	34,286,279	25,459,383
Securities purchased under Repurchase Agreements	-	-	1,697,951	1,697,951
Other Assets	1,476,661	1,476,661	1,130,812	1,130,812
Fixed Assets	1,188,981	1,188,981	981,840	981,840
	<u>66,721,784</u>	<u>37,418,436</u>	<u>53,624,660</u>	<u>28,649,800</u>
Off Balance Sheet exposure				
Acceptance	1,762,369	352,475	1,379,797	275,959
Documentary Credits	4,217,397	843,478	3,272,397	654,479
Shipping and performance Guarantees	6,289,268	3,133,515	7,861,744	4,584,459
Bills sent on collection	-	-	-	-
Forward Exchange Contracts	1,429,478	28,590	2,424,991	48,500
Undrawn Balances	4,345,158	56,371	3,552,514	14,009
	<u>18,043,670</u>	<u>4,414,429</u>	<u>18,491,443</u>	<u>5,577,406</u>
Total Risk weighted on Balance Sheet				
Assets and off Balance Sheet exposure		41,832,865		34,227,206



Capital Adequacy

Qualifying Capital

	2004 (Rs. '000)	2003 (Rs. '000)
TIER 1		
Paid up Capital	516,657	442,849
Share Premium	34,328	34,328
Reserves	3,273,174	2,812,485
Tier 1 (Core Capital)	3,824,159	3,289,662
TIER 11		
Credit Loss Provision - General	212,344	152,989
Debentures	1,912,079	700,000
Revaluation Reserve (50% of the Reserve)	46,634	46,634
Tier 11 (Supplementary Capital)	2,171,057	899,623
Deductions	430,404	429,826
Total Qualifying Capital (Base Capital)	5,564,812	3,759,459
Core Capital - TIER 1 Ratio %	9.1	9.6
Total Risk-weighted Capital - TIER 1+11 Ratio %	13.3	11.0

Value Addition

Economic Value Addition

Year	2004	2003	2002	2001	Rs. Mn. 2000
Shareholders' funds	3,917.5	3,382.9	2,886.4	2,533.7	2,289.5
Accumulated provision for credit losses	2,447.1	1,914.4	1,481.5	1,071.4	854.6
	6,364.6	5,297.3	4,367.9	3,605.1	3,144.1
Profit attributable to shareholders	621.4	561.2	441.2	321.8	401.7
Provision for credit losses	560.7	490.2	404.1	201.0	195.0
Actual credit losses written off	(45.0)	(60.8)	(2.9)	(0.4)	(1.4)
	1,137.1	990.7	842.4	522.4	595.3
Economic cost %(12 months average Treasury Bill rate plus 2% risk premium)	9.25	10.13	14.45	19.49	16.25
Economic cost	588.7	536.6	631.2	702.6	510.9
Economic value addition	548.4	454.0	211.2	(180.3)	84.4

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

Financial Value Addition

	2004 (Rs. '000)	%	2003 (Rs. '000)	%
Value Added				
Income earned by providing banking services	5,674,872		6,015,791	
Cost of services	2,746,149		3,561,462	
	2,928,723		2,454,329	
Value added by banking services	2,928,723		2,454,329	
Non-banking income	30,800		28,600	
Provision for bad debts and diminution value of dealing securities	(551,539)		(488,329)	
Financial Value Addition	2,407,984		1,994,600	
Value allocated				
To employees				
Salaries, wages and other benefits	974,382	40.5	935,985	46.9
To providers of capital				
Dividends to shareholders	66,427	2.8	66,427	3.3
To government				
Income Tax	371,119		171,754	
Value Added Tax & Debit Tax	251,449		116,245	
	622,568	25.9	287,999	14.4
To expansion and growth				
Retained Income	534,606		496,573	
Depreciation	223,529		200,826	
Deferred taxation	(13,528)		6,790	
	744,607	30.8	704,189	35.4
	2,407,984	100.0	1,994,600	100.0



Milestones

1987

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

1988

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

1989

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

1990

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

1991

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

1993

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

1994

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

1996

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

1997

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

1998

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

1999

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

2000

- Mr. Anil Amarasuriya was appointed as Managing Director/Chief Executive Officer.
- Sampath Bank was chosen “Bank of the year 2000”, in Sri Lanka by the prestigious magazine “The Banker”.

- Sampath Surakum Ltd., a 100% owned subsidiary of the bank commenced operations in March and appointed as primary dealer to carry out activities relating to securities issued by the Central Bank.

2001

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

2002

- Top award for Human Resource Management Services Sector - Large Companies was awarded to Sampath Bank at 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.

2003

- 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, the Bank invested in Vanik Bangladesh Limited, a leasing and credit card company in Bangladesh.
- The Bank celebrated fifteen years in introduction of Automated Teller Machines to the people of Sri Lanka.
- The Bank began operations in the East with the opening of 62nd branch at Ampara.
- The Bank became the first 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.

2004

- The first ever Cheque Imaging & Truncation (CIT) site in Sri Lanka was launched by us on 25th of October.
- 5 new branches and 3 Personal Banking Centres were opened during the year.
- A Five-year Debenture issue worth of Rs. 1.5 Bn. was launched on 27th of May.
- We were awarded A+(sri) National rating by Fitch Rating (Lanka) Limited.
- The Bank’s virtual Banking Solution, “Sampath Vishwa” opened its 1000th account, while total “Sampath Net” users reached 10,000 during the year.
- The Bank won two prestigious awards i.e. first runner up in overall category and the award for best HR practice in the service sector large category at the National HRM Awards 2004.

Financial Statements

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Report of the Directors

Your Directors have pleasure in presenting the Report of the Directors together with the Audited Financial Statements of your company for the year ended 31st December 2004.

Review of the year's performance

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

Principal Activities

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

Group

Sampath Bank had three subsidiaries as at 31.12.2004, 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 Share capital of the Bank increased from Rs.442,849,040 divided into 44,284,904 shares of Rs.10 each to Rs.516,657,210 divided into 51,665,721 shares of Rs.10 each on the 25th November 2004, by capitalising part of revenue reserves and allotting 7,380,817 shares in the proportion of one (01) bonus share for every six (06) shares held.

Debt Capital

The Bank had a listed debenture of 500,000 unsecured subordinated redeemable debentures of Rs.1000 each issued in 1999. These were duly redeemed in July 2004.

On 27th May 2004, the Bank issued 10,000,000 unsecured, subordinated, redeemable five year debenture of Rs.100 each with an option to issue another 5,000,000 debentures in the event of over subscription. The full total of 15,000,000 debentures was over-subscribed on the opening day.

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. The present paid up value of this bond is Rs.695.6 Mn. and this forms part of the Tier II Capital.

Turnover/Income

The Bank's main income is interest income, which comprises over 80% of the Income figure. The Income for the year is Rs. 6,953 Mn, as against Rs.6,044 Mn for the previous year.

Profit & Reserves

The net profit attributable to the Shareholders of the Company for the year under review is Rs.621.4 Mn and is analysed on page 62

under the Income Statement. Of the retained profit of Rs. 22.2 Mn, inclusive of Rs. 0.1 Mn brought forward from the previous year, Rs. 31.1 Mn was transferred to Statutory Reserve Fund in accordance with the Banking Act No. 30 of 1988 and a sum of Rs.498.0 Mn, was transferred to General Reserve. With the payment of an interim dividend of 15% amounting to Rs. 66.4 Mn. for 2004 and a dividend of 5% amounting to Rs. 22.1 Mn. as the final dividend for the year 2003, there is left a carry forward sum of Rs.25.9 Mn. Consequently, the Statutory Reserve Fund amounts to Rs.234.4 Mn.

Dividend (Interim Dividend)

Your Bank paid an Interim Dividend of 15% in September 2004.

The Directors recommend that a final dividend of 5% be declared on the paid up capital of Rs.688,876,280 as the final dividend for the year ended 31st December 2004, making the total dividend for the year 20%.

Capital Expenditure

A sum of Rs.278.7 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 81 to 83.

Donations

During the year under review, the Bank has made donations amounting to a sum of Rs.1.3 Mn. The Bank has not made any donation for political purposes or to political parties.

Statutory Payments

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

Shareholding

The number of registered shareholders of the company as at 31st December 2004 was 18,579 compared to 15,169 as at 31st December 2003. The Schedule indicating the shareholders' analysis is on Pages 18 to 20.

Unregistered Shares

282,155 shares bought by the Sri Lanka Insurance Corporation through the Colombo Stock Exchange are treated as unregistered as the Company Secretary is prevented from registering same in terms of the Bank's Articles of Association.

Top 20 shareholders

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

Share Information

Information of share price, earnings and volumes traded is given on pages 2 and 19.

Directorate

There was no change in the directorate of the Bank during the year.

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. E.A. Gunasekera, Mr. D.J. Gunaratne and Dr. S. Kelegama 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 31.12.2004	No. of Shares As at 31.12.2003
Edgar Gunatunge	3,000	3,000
Edgar Gunatunge <i>(Joint Holding)</i>	106,782	91,000
I W Senanayake	276,266	236,800
M A Abeynaike	36,633	31,400
S G Wijesinha	466	400
D J Gunaratne	-	-
S Kelegama	-	-
L J K Hettiaratchi	1,166	1,000
J D Bandaranayake	5,833	5,000
E A Gunasekera	583	500
<i>(Joint Holding)</i>		
W M P L De Alwis	103,133	40,000
A S Amarasuriya	6,416	5,500

Note : Mr. S.G. Wijesinha, Mr. M.A. Abeynaike and Mr. L.J.K. Hettiaratchi held 47,025 number of shares as Trustees.

These shares were the bonus shares that accrued from the shares purchased by the Sri Lanka Insurance Corporation, but could not be registered under the name of Sri Lanka Insurance Corporation in view of the thresholds specified in the Articles of Association of the Company. Additionally 7,198 bonus fraction remaining as at 31st December 2004 are also held by the Directors in Trust.

Directors' Interest in Contracts

Directors' interests in contracts with Sampath Bank both direct and indirect are declared in Notes 32 and 33 on pages 87 and 88. 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 Members

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 2004, the number of employees on the payroll of the Bank was 1,702 as compared to 1,579 as at 31st December 2003.

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

05 New Branches and 03 Savings Units were opened during the year under review, bringing the total number of branches to 71 at the end of 2004.

Meetings of Directors

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

Annual General Meeting

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

The Annual General Meeting will be held at the Committee Room "B", Bandaranaike Memorial International Conference Hall, Colombo 07 on 30th March 2005. The notice of meeting can be found on Page 98.

The Subsidiaries

Sampath Centre Limited

The principal activity of this Company is renting office space at Sampath Centre building complex to clients and providing ancillary services to tenants. Sampath Bank owns 62.85% 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:



Report of the Directors

1. Mr. E. Gunatunge - Chairman
2. Mr. M.D. Samarawickrema
3. Mr. M.A. Abeynaike
4. Mr. A. de Costa
5. Mr. S. G. Wijesinha
6. Mr. S. P. Kannangara

There was no change in the directorate of the company during the year.

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:

1. Mr. E. Gunatunge - Chairman
2. Mr. M.A. Abeynaike
3. Dr. S Kelegama
4. Mr. L.J. K. Hettiaratchi
5. Mr. A.S. Amarasuriya
6. Mr. S.P. Kannangara
7. Mr. W. Bandaranayake
- Mr. W. Dambawinne - Chief Executive Officer

There was no change in the directorate of the company during the year.

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 Directors of the company are:

1. Mr. E. Gunatunge - Chairman
2. Mr. I.W. Senanayake
3. Mr. E.A. Gunasekera
4. Mr. A.S. Amarasuriya
5. Mr. T.T.B. Kim
6. Mr. R.A. Rizvi
- Mr. H. Fernando - Chief Executive Officer

On 20th January 2005 Mr. T.T.B. Kim and Mr. R.A. Rizvi resigned from the directorate of S.C. Securities (Pvt) Ltd.

Associate - VANIK Bangladesh Limited

Sampath Bank invested Taka 40 Mn in the equity of Vanik Bangladesh Limited and thereby gained 16.59% 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 are in the company's Board.

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 the Company.

Employee Share Ownership Plan (ESOP)

In an effort to increase staff motivation to greater heights, the Bank has introduced an ESOP scheme since year 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 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.

The Bank recorded a modest profit for 2004.

Sampath Bank also holds 16.95% of the Capital of Union Bank of Colombo.

Going Concern

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

Tsunami

On 26th December 2004 a Tsunami struck the coastal areas of Sri Lanka causing massive damage. The Bank's Galle Branch suffered damage, however, it was made operational in 48 hours. A detailed effect of it on the bank's profit and on the economy are given in the Chairman's Report.

Post Balance Sheet Events

Rights Issue:

The Bank had a Rights Issue of shares in the proportion of one (01) for every three (03) shares at an issue price of Rs.60. The Issue was fully subscribed and closed on 17th January 2005. A sum of Rs.1,033,314,420 was raised as share capital (Rs.172,219,070) and share premium (Rs.861,095,350). The new issued and paid up capital of the bank is Rs.688,876,280.

Subsidiary for Leasing:

The Bank is taking steps to incorporate a separate subsidiary for Leasing activities of the Bank.

By order of the board.

S. Sudarshan
Company Secretary

Sampath Bank Limited
110 Sir James Peiris Mawatha
Colombo 02

22nd February 2005

Directors' Responsibility for Financial Reporting



In complying with the statutory provisions, the Directors of the company are required to ensure that proper books of accounts of all transactions are kept and financial statements for each financial year, give a true and fair view of the state of affairs of the Bank and the Group and of the profit/loss for the year.

Accordingly, your Directors 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 Bank's financial statements for the year ended 2004 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.

Your Directors are of the view that in preparing these financial statements;

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

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 Bank's Auditors, M/s Ernst & Young also carries out reviews and sample checks on the system of internal control and recommends 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 Audit Committee appointed by the Board of Directors and comprising of Non-Executive Directors assist the Board in discharging the above functions.

The Banking 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.

M/s Ernst & Young, Chartered Accountants, the Auditors of the Company have examined the Financial Statements made available to them by the Board of Directors, together with all financial records, related data, minutes of shareholder meetings, Directors meetings and Audit Committee meetings and express their opinion as reported by them in the Report on page 61.

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.

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

By order of the board.

S. Sudarshan
Company Secretary

Sampath Bank Limited
110 Sir James Peiris Mawatha
Colombo 02

22nd February 2005



Report on Corporate Governance

Your Board considers Good Corporate Governance as central in achieving the groups/banks objective of maximizing shareholder value while being a model corporate citizen.

Good Corporate Governance is important for Corporates. This is more so in the case of banks as a bank's failure will have a huge impact on society. As a result of this Corporates have to be alive, wholeheartedly, in practicing Good Corporate Governance.

At Sampath, your Board is aware of its responsibilities and is guided by transparency, accountability and social responsibility, while increasing shareholder value.

The Board of Sampath Bank

The Board of Sampath Bank consists of the Chairman, 09 Non-Executive Directors and the Managing Director who 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 meets at least once a month and meets more often on need basis.

The details of the Directors are given in page 47 of the Annual Report.

Board Sub Committees

The Board has initiated the formation of the following Board Sub-Committees.

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

In order to carry out its duties and functions in an exemplary manner.

Audit Committee

Mr. M.A. Abeynaike, a Non-Executive Director, heads the Audit Committee. He is a Past President of the Institute of Chartered Accountants of Sri Lanka and one time Member of the Securities & Exchange Commission of Sri Lanka. It also comprises 03 other Non-Executive Directors, namely, M/s I W Senanayake, S.G. Wijesinha and L.J.K. Hettiaratchi.

The Managing Director, Head of Internal Audit, Assistant General Manager-Finance & Planning, Manager-Systems Audit and External Auditors attend these meetings by invitation.

The Report of the Audit Committee is given in page 60.

Nominations Committee

This Committee is headed by Mr. Edgar Gunatunge the Chairman of the Bank and includes the Deputy Chairman of the Bank, Mr. I. W. Senanayake, and the Chairman of the Audit Committee, Mr. M.A. Abeynaike.

The Nominations Committee identifies suitable persons as and when required to be nominated to the Bank's Board. Once an identified individual is appointed to the Board, these directors 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 comprise of two Non Executive Directors, Mr. D.J. Gunaratne (a lawyer by profession), Mr. E.A. Gunasekera, (a banker), Mr. Anil Amarasuriya - Managing Director and Mr. Aravinda Perera - Deputy General Manager - Corporate Banking & Finance. 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 credit approvals have to be granted, on an urgent basis. The committee can call for a meeting when deemed necessary.

Remuneration Committee

Headed by Mr. J.D. Bandaranayake as Chairman (who is also the Deputy Managing Director of Ceylon Tobacco Company) the Committee comprises two Non-Executive Directors namely, 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 of the Bank 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, Mr. Anil Amarasuriya. The committee is responsible for Strategic Planning and direction of the Bank and recommending appropriate strategies to the Board.

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

The Chairman

The Chairman of the Bank is Mr. Edgar Gunatunge who is a banker with over 50 years of banking experience. As the Non Executive Chairman he ensures that all directors contribute to the sound governance of the Bank in line with their capabilities.

He ensures that there is a clear division of responsibility at the apex of the bank and the management functions are clear in line with the Bank's objectives

The Chief Executive

Mr. Anil Amarasuriya who is the Chief Executive of the Bank, has been with Sampath Bank since 1989. His overseas experience, in the banking field is of immense value to his role as the Chief Executive of the Bank.



The Chief Executive is responsible for the effective running of the bank and the implementation of the Boards policies. The Chief Executive identifies and evaluates the risks to which the Bank is exposed and sets clear goals in pursuit of growth. He takes the leadership in achieving the goals and objectives and keeps the Chairman and the Board informed of relevant operational matters while providing the Board with true and relevant information as and when required.

The Management

Even though the Board of Directors is responsible ultimately for the operation and financial soundness of the Bank, the day to day running of the Bank is entrusted to the Corporate and Senior Management headed by the Chief Executive. They ensure that the risks and opportunities are identified, targets achieved on time, within the agreed budget.

Shareholder Value Enhancement

This is a key area, which has your Board's constant attention. The market capitalisation of the Bank's shares and the steady growth rate of the dividends is ample proof of the right direction of the Bank.

Depositors' Interest

In most instances in banks, depositors' funds exceed the shareholders investment. This area is of vital importance. Your Board ensures that the Bank has adequate and effective control systems to support depositors' interest and minimize any possible mismanagement.

Rating

The Bank has obtained A+(sri) Rating from Fitch Ratings Lanka Ltd.

Compliance Report

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

The Bank, on periodical basis, forward a number of confirmations to the regulator certifying the compliance to rules set by them from simple declarations, to complex calculations, to make the regulator know that the Bank is in line with their aspirations in developing the corporate integrity and sustainability of the financial sector of the country. On the other hand, 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. The report on Corporate Social Responsibility is given in pages 27 to 31 of 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 60 and the Directors' Statement on Financial Responsibilities is given on page 57. These give details of internal controls.

Team Sampath

Sampath is the acknowledged leader and trendsetter in the technological sphere in the banking industry in the country. All team members at the Bank are a band of highly talented, nurtured and hardworking group of people. A detailed description of how we look after our team is given on pages 22 to 26 of the Annual Report.

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 Banking Amendment Act No 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, in addition to publishing its quarterly accounts in the newspapers dispatches them to all its shareholders.

By order of the board.

S. Sudarshan
Company Secretary

Sampath Bank Limited
110 Sir James Peiris Mawatha
Colombo 02

22nd February 2005



Audit Committee Report

The Audit Committee comprises four non-executive directors. The Committee held 6 meetings during the year under review. The Managing Director, Assistant General 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 object of the Committee is to assist the Board of Directors to carry out its responsibilities relating to the following areas;

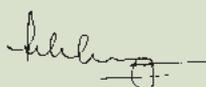
1. To ensure that a sound financial reporting system is in place and is well managed in order to provide information required by the Management, Regulatory Authorities and Shareholders on an accurate and timely basis.
2. The Review & Implementation of Internal Controls.
3. To ensure compliance with statutory 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 as detailed here under.

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 2005, subject to the approval of shareholders at the Annual General Meeting. The Audit Committee will also recommend the fees payable to the Auditors for approval by the Board.



Mohan A. Abeynaike
Chairman
Audit Committee

17th February 2005

Auditors' Report



■ Chartered Accountants
201 De Saram Place
P. O. Box 101
Colombo 10
Sri Lanka

■ Telephone : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
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 2004, 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 62 to 90.

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 2004 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 2004 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 Group's state of affairs as at 31st December 2004 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 2004, except as stated in Note 32 to these financial statements.

Ernst & Young
Chartered Accountants

Colombo
24th February 2005

■ 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 Talwatte FCA FCMA

Income Statement

<i>For the year ended 31st December</i>	Page	Note	Bank			Group		
			2004 (Rs.'000)	2003 (Rs.'000)	Change %	2004 (Rs.'000)	2003 (Rs.'000)	Change %
Income	72	3	<u>6,953,207</u>	6,044,391	15.0	<u>7,559,947</u>	6,681,034	13.2
Interest Income	72	4	<u>5,411,926</u>	4,948,244	9.4	<u>5,964,674</u>	5,403,316	10.4
Less : Interest Expenses	72	5	<u>2,859,234</u>	2,601,867	9.9	<u>3,348,222</u>	2,980,012	12.4
Net Interest Income			2,552,692	2,346,377	8.8	2,616,452	2,423,304	8.0
Foreign Exchange Profit			617,241	288,354	114.1	617,241	288,354	114.1
Fee & Commission Income			630,294	534,891	17.8	630,294	534,891	17.8
Other Income	72	6	<u>293,746</u>	272,903	7.6	<u>347,738</u>	454,473	(23.5)
Operating Income			4,093,973	3,442,525	18.9	4,211,725	3,701,022	13.8
Less : Non-Interest Expenses	72	7						
Personnel costs			844,348	817,985	3.2	856,652	829,500	3.3
Premises, equipment & establishment expenses			873,381	778,649	12.2	850,796	705,412	20.6
Provision for retirement benefits			130,034	118,000	10.2	130,034	118,242	10.0
Other overheads			<u>459,844</u>	379,764	21.1	<u>461,503</u>	408,221	13.1
			2,307,607	2,094,398	10.2	2,298,985	2,061,376	11.5
Profit before Credit losses & Diminution in value of Investments			<u>1,786,366</u>	1,348,126	32.5	<u>1,912,740</u>	1,639,647	16.7
Less : Credit loss provisions	72	8.1	560,708	490,225	14.4	560,708	490,225	14.4
Diminution in value of Investments	72	8.2	9,168	1,896	383.6	9,168	1,896	383.6
Share of profit before tax of Associate Companies			-	-	-	12,342	7,119	73.4
Operating profit before Taxation, Goodwill & Value Added Tax			<u>1,216,490</u>	856,005	42.1	<u>1,355,206</u>	1,154,645	17.4
Less : Goodwill on Consolidation			-	-	-	7,265	7,265	-
Value Added Tax			251,449	116,245	116.3	251,449	128,185	96.2
Profit before taxation			965,041	739,760	30.5	1,096,492	1,019,195	7.6
Less : Provision for taxation	73	9	<u>343,640</u>	178,544	92.5	<u>349,905</u>	207,798	68.4
Profit after taxation			621,401	561,217	10.7	746,587	811,397	(8.0)
Less : Minority interest			-	-	-	60,379	77,346	(21.9)
Net Profit for the Year			621,401	561,217	10.7	686,208	734,051	(6.5)
Earnings per share (Rs.)	74	10	12.03	10.86	10.7	13.28	14.21	(6.5)
Dividend per share - Gross	74	10.1						
Interim Paid			1.50	1.50		1.50	1.50	
Final Proposed			0.50	0.50		0.50	0.50	
Dividend per share - Net	74	10.1						
Interim Paid			1.35	1.35		1.35	1.35	
Final Proposed			0.50	0.50		0.50	0.50	

The Accounting Policies and the Notes from pages 67 to 90 form an integral part of these Financial Statements.

Balance Sheet



As at 31st December	Page	Note	Bank			Group		
			2004 (Rs.'000)	2003 (Rs.'000)	Change %	2004 (Rs.'000)	2003 (Rs.'000)	Change %
Assets								
Cash and short term funds	74	11	1,931,673	1,581,243	22.2	1,928,444	1,581,329	22.0
Balance with Central Bank of Sri Lanka			4,471,541	3,266,542	36.9	4,471,835	3,266,952	36.9
Treasury bills	74	12	292,673	261,469	11.9	302,632	285,555	6.0
Dealing securities	74/75	13	3,541,268	3,363,409	5.3	4,468,361	6,595,527	(32.3)
Placements and loans with banks	76	14	2,881,093	1,867,767	54.3	2,881,093	1,867,767	54.3
Investment securities	76/77	15	7,464,314	5,165,295	44.5	8,324,775	7,801,493	6.7
Securities purchased under re-sale agreement	77	16	-	1,697,952	(100.0)	10,979	1,753,681	(99.4)
Loans and Advances		17						
Bills of exchange	78	17.1	2,210,154	1,863,912	18.6	2,210,154	1,863,912	18.6
Loans and Advances	78	17.2	39,829,438	31,785,363	25.3	39,826,604	31,769,627	25.4
Lease receivable within one year	78	17.3.2	629,409	264,687	137.8	629,409	264,687	137.8
Lease receivable from one to five years	78	17.3.3	1,319,688	372,318	254.5	1,319,688	372,318	254.5
Investment in Associate companies	80	18.1	66,252	66,252	-	53,994	41,652	29.6
Investment in Subsidiary companies	81	18.2	385,626	385,626	-	-	-	-
Interest and fees receivable			802,342	546,072	46.9	888,140	676,030	31.4
Other Assets	81	19	474,688	435,767	8.9	533,135	479,643	11.2
Goodwill on Consolidation	86	29.1	-	-	-	19,952	27,217	(26.7)
Property, plant and equipment	81/83	20	1,183,302	1,130,812	4.6	1,939,191	1,897,575	2.2
Total assets			67,483,461	54,054,486	24.8	69,808,386	60,544,964	15.3
Liabilities								
Deposits	83	21	52,907,645	42,031,369	25.9	50,405,460	42,029,425	19.9
Unclaimed dividends			15,902	5,639	182.0	15,902	5,639	182.0
Refinance borrowings			1,564,099	1,123,059	39.3	1,564,099	1,123,059	39.3
Other borrowings	83/84	22	3,353,333	3,202,884	4.7	3,342,233	3,183,726	5.0
Securities sold under repurchase agreements			-	-	-	3,915,446	5,654,681	(30.8)
Other liabilities	84	23	3,152,850	2,914,657	8.2	3,250,954	3,009,957	8.0
Current Taxation	84	24	209,872	86,259	143.3	230,374	112,321	105.1
Deferred Taxation	84	25	166,661	180,189	(7.5)	167,325	181,281	(7.7)
Other liabilities evidenced by paper	84/85	26	2,195,563	1,127,500	94.7	2,195,563	1,127,500	94.7
Total liabilities			63,565,925	50,671,556	25.4	65,087,356	56,427,590	15.3
Shareholders' funds								
Issued share capital	85	27	516,657	442,849	16.7	516,657	442,849	16.7
Reserves	85	28						
Capital reserves	85	28.1	127,596	127,596	-	148,754	148,754	-
Statutory reserve fund	85	28.2	234,402	203,332	15.3	243,461	203,332	19.7
Revenue reserve	86	28.3	3,038,881	2,609,153	16.5	3,339,167	2,853,690	17.0
Total shareholders' funds			3,917,536	3,382,930	15.8	4,248,039	3,648,625	16.4
Minority Interest	86	30	-	-	-	472,991	468,750	0.9
Total liabilities and shareholders' funds			67,483,461	54,054,486	24.8	69,808,386	60,544,964	15.3
Net asset value per share (Rs)			75.82	65.48	15.08	82.22	70.62	16.4
Commitments and contingencies	86/87	31	16,732,841	15,015,109	11.4	16,732,841	15,015,109	11.4

The Accounting Policies and the Notes from Pages 67 to 90 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

22nd February 2005,
Colombo.

Cash Flow & Reconciliation Statement

<i>For the year ended 31st December</i>	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Cash flow from operating activities				
Interest & commission receipts	6,042,220	5,483,134	6,594,968	5,938,206
Interest payments	(2,859,234)	(2,601,867)	(3,348,222)	(2,980,012)
Receipts from other operating activities	911,126	579,704	995,919	789,874
Cash payments to employees and suppliers	(1,575,813)	(1,513,808)	(1,548,858)	(1,445,903)
Payments for other operating activities	(759,713)	(496,009)	(761,372)	(536,406)
Operating profit before changes in operating assets [note (a)]	1,758,586	1,451,153	1,932,435	1,765,759
<i>(Increase)/Decrease in operating assets</i>				
Short term funds	(1,013,326)	(1,142,564)	(1,013,326)	(1,142,564)
Balance with Central Bank of Sri Lanka	(1,204,999)	(1,112,173)	(1,204,883)	(1,110,756)
Funds advanced to customers	(10,308,089)	(5,955,009)	(10,320,992)	(5,941,762)
Other assets	(295,190)	(128,127)	(265,601)	(259,759)
	(12,821,604)	(8,337,873)	(12,804,802)	(8,454,841)
<i>Increase/(Decrease) in operating liabilities</i>				
Deposits from customers	11,231,650	8,461,394	8,731,408	8,462,532
Negotiable certificates of deposit	(355,373)	(214,582)	(355,373)	(214,582)
Other liabilities	238,193	222,657	240,996	225,819
	11,114,470	8,469,470	8,617,031	8,473,769
Net cash flow from operating activities before income tax	51,452	1,582,750	(2,255,336)	1,784,687
Income tax paid	(233,555)	(92,603)	(245,808)	(109,974)
Net cash flow from operating activities	(182,103)	1,490,147	(2,501,144)	1,674,713
Cash flow from investing activities				
Dividends received	30,800	28,600	-	-
Income from investments	12,085	12,432	12,085	12,432
Investment in Associate/Subsidiary companies	-	(66,252)	-	(66,252)
Government of Sri Lanka Treasury Bills	(31,204)	294,687	(17,077)	334,037
Securities Purchased under re-sale agreements	1,697,952	(1,697,952)	1,742,702	(1,748,810)
Securities Sold under re-purchase agreements	-	-	(1,739,235)	4,406,557
Purchase of Investments	(2,308,188)	(1,671,359)	(532,450)	(1,663,097)
Purchase of non dealing securities	(177,859)	(574,667)	2,127,166	(5,041,268)
Proceeds from disposal of property, plant and equipment	4,630	3,016	4,738	4,657
Purchase of property, plant and equipment	(278,702)	(272,949)	(284,609)	(277,312)
Net cash flow from investing activities	(1,050,486)	(3,944,444)	1,313,320	(4,039,055)
Cash flow from financing activities				
Increase in Bonds	68,063	627,500	68,063	627,500
Minority Interest	-	-	(56,138)	(58,803)
Proceeds from issue of Debentures	1,500,000	-	1,500,000	-
Redemption of Debentures	(500,000)	-	(500,000)	-
Increase/(Decrease) in other borrowings	591,488	1,444,672	599,546	1,413,521
Dividends paid	(76,532)	(151,148)	(76,532)	(151,148)
Net cash flow from financing activities	1,583,019	1,921,024	1,534,939	1,831,070
Net Increase/(Decrease) in cash and cash equivalents	350,430	(533,273)	347,115	(533,271)
Cash and cash equivalents at the beginning of the year	1,581,243	2,114,516	1,581,329	2,114,600
Cash and cash equivalents at the end of the year [note (b)]	1,931,673	1,581,243	1,928,444	1,581,329

Cash Flow & Reconciliation Statement



	Bank		Group	
	2004 (Rs.'000)	2003 (Rs.'000)	2004 (Rs.'000)	2003 (Rs.'000)
As at 31st December				
Note (a)				
Reconciliation of operating profit				
Profit before provision for income tax	965,041	739,760	1,096,492	1,019,195
Profit/(Loss) on disposal of Property, Plant & Equipment	(1,947)	(1,291)	(1,947)	(1,291)
Income from investments	(12,085)	(12,432)	(12,085)	(12,432)
Provision for Diminution in value of dealing securities	9,168	1,896	9,168	1,896
Inter company dividends	(30,800)	(28,600)	-	-
Share of profit before tax of				
Associate Companies	-	-	(12,342)	(7,119)
(Negative Goodwill)/ Goodwill	-	-	7,265	7,265
Depreciation	223,529	200,826	240,204	207,251
Bad debt provision	560,708	490,225	560,708	490,225
Bad debts written off	44,972	60,770	44,972	60,770
Operating profit before changes in operating assets/liabilities	<u>1,758,586</u>	<u>1,451,153</u>	<u>1,932,435</u>	<u>1,765,759</u>
Note (b)				
Reconciliation of cash and cash equivalents				
Local currency in hand	843,841	670,365	840,612	670,452
Foreign currency in hand	195,287	561,476	195,287	561,476
Balances with local banks	109,445	47,596	109,445	47,596
Balances with foreign banks	783,100	301,805	783,100	301,805
Cash and cash equivalents at the end of the year	<u>1,931,673</u>	<u>1,581,243</u>	<u>1,928,444</u>	<u>1,581,329</u>

Statement of Changes in Equity

								(Rs. '000)
	Note	Share Capital	Share Premium	Revaluation Reserve	Statutory Reserve Fund	General Reserve	Retained Profit	Total
Sampath Bank								
Balance as at 1st January 2003		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	561,216
Interim Dividend Paid - 2003	10.1	-	-	-	-	-	(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
Adjustments		-	-	-	-	1,775	-	1,775
Net profit for the year		-	-	-	-	-	621,401	621,401
Final Dividend Paid - 2003	10.1	-	-	-	-	-	(22,143)	(22,143)
Interim Dividend Paid - 2004	10.1	-	-	-	-	-	(66,427)	(66,427)
Transfers during the year		-	-	-	31,070	498,070	(529,140)	-
Bonus issue of ordinary shares		73,808	-	-	-	(73,808)	-	-
Balance as at 31st December 2004		516,657	34,328	93,268	234,402	3,012,938	25,943	3,917,536

								(Rs. '000)
		Share Capital	Share Premium	Revaluation Reserve	Statutory Reserve	General Reserve	Retained Profit	Total
Group								
Balance as at 1st January 2003		442,849	34,328	114,426	175,271	2,140,640	71,703	2,979,217
Adjustments		-	-	-	-	1,784	-	1,784
Net profit for the year		-	-	-	-	-	734,051	734,051
Interim Dividend Paid - 2003	10.1	-	-	-	-	-	(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	266,680	3,648,625
Adjustments		-	-	-	-	1,775	-	1,775
Net profit for the year		-	-	-	-	-	686,209	686,209
Final Dividend Paid - 2003	10.1	-	-	-	-	-	(22,143)	(22,143)
Interim Dividend Paid - 2004	10.1	-	-	-	-	-	(66,427)	(66,427)
Transfers during the year		-	-	-	40,129	498,070	(538,199)	-
Bonus issue of ordinary shares		73,808	-	-	-	(73,808)	-	-
Balance as at 31st December 2004		516,657	34,328	114,426	243,461	3,013,047	326,120	4,248,039

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 2004 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, Issuing of Credit cards, Off shore banking, Telebanking, Internet banking, Pawning & Leasing.

Subsidiaries

The following Subsidiaries have been consolidated.

Sampath Centre Ltd - Renting of Commercial property
Sampath Surakum Ltd - Primary Dealer in Government Securities

S C Securities - Share Brokering

Associate

The Principal activities of the Bank's Associate Vanik Bangladesh Ltd is Leasing & Issuing of Credit Cards.

1.3 Date of Authorisation for Issue

The financial statements of Sampath Bank Ltd for the year ended 31st December 2004 were authorised for issue in accordance with a resolution of the board of directors on 22nd February 2005.

1.4 Number of Employees

The number of Employees of the Bank as at 31 st December 2004 was 1,702 (2003 - 1,579).

2 Summary of Significant Accounting Policies

2.1. General

Basis of Preparation

The balance sheet, statements of income, changes in equity and cash flows, together with accounting policies and notes, (the "Financial Statements"), of the Bank as at 31st December 2004 and for the year then ended, comply with the Sri Lanka Accounting Standards.

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 Financial Statements.

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 (Rs.'000), 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 spot foreign 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

The accounting policies, which have been consistently applied by the Bank, are, unless otherwise stated, consistent with those used in the previous year.

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.



Significant Accounting Policies

The Group has an interest of over 50% of these companies voting rights and has the power directly or indirectly, to govern the financial and operating policies of the companies to obtain benefits from its activities.

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

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

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

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

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

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.

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 29.1 of the Financial Statements, is amortised to revenue over a period of five years commencing from the first year of consolidation.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from Intra-group transactions are eliminated in preparing the consolidated financial statements. 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 recognised 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 re-sell are classified as part of the assets accounted for accordingly. Obligation to repurchase resulting from securities sold under repurchase agreements is accounted for as a liability and is classified under liabilities.

Property, Plant & Equipment

Cost and Valuation

All items of Property, Plant & Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the balance sheet date. Subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less accumulated depreciation.

When an 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 an 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	2.0 - 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 recognised 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



Significant Accounting Policies

before retirement age, the bank is liable to pay gratuity to such employees.

Provision is made in the accounts from the first year of service for gratuity payable to employees who joined the Bank on or after 01.06.2003, as they are not in pensionable service of the Bank.

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 2004. A separate fund is not maintained for this purpose.

The principal assumptions, which have the most significant effect on the valuation, are the investment return (7%), rate of increase in salaries (7.5%), rate of turnover at selected ages, rate of disability, death benefits and expenses.

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 M/s. Piyal S. Goonetilleke & Associates as at 31st December 2004. The valuation is done on an ongoing basis and uses a accrued benefit valuation method.

The results revealed that the actuarial present value of the promised retirement benefit is Rs.884.2 Mn and that the fair value of the plan assets is Rs.469.0 Mn. resulting in a past service deficit of Rs.415.2 Mn in the pension fund due to the changes in actuarial assumptions that took place since the previous actuarial valuation as at December 31,2003.

However since Pension Fund is solvent on discontinuance basis (i.e. assuming that the fund is terminated on the valuation date) the Actuary recommended the amortisation of the past service deficit by regular contributions over the full working lifetime of the current employees by incorporating it into the ongoing contribution rate.

The amount recognised as expense for the current year is Rs.118.7 Mn (2003 – Rs.87.6 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 (7%), rate of increase in salaries (7.5%), 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 at 12% and 8% respectively. The total amount recognised as an expense for the current year is year is Rs. 68.538 Mn. (2003 – Rs.59.892 Mn)

Trust Fund

The Bank contributes to the Employees' Trust Fund at 3%. The total amount recognised as an expense to the current year is Rs.16.635 Mn. (2003 – Rs.13.973 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.

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.

Deferred tax assets are recognised for all deductible timing differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible timing differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred Taxation is not provided for Sampath Centre Ltd as the Company enjoys a tax holiday period.

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.

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.

Income on Discounting of Bills of Exchange

Income on discounting of Bills of Exchange is recognised proportionately over the period of the instrument.

Gains or losses arising from the sale of securities

Gains or losses arising from the sale of dealing securities, investment securities, shares, euro bonds & units are accounted for on the date of transaction.

Gains or Losses on Disposal of Property, Plant and Equipment

Gains or losses of a revenue nature arising from the disposal of property, plant and equipment are accounted for on the date of transaction.

Fees and Commission Income

Fees and commission income are recognised in the income statement on a cash basis.

Rental Income

Rental income is recognised on an accrual basis.

Credit card Receivable

Income on credit cards is recognised on an accrual basis.

Other Income

Other income is recognised on an accrual basis.

Expenses

Interest Expenses and Other 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.

Off-Balance Sheet Transactions

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 57 for the statement of the directors' responsibility for financial reporting.

Notes to the Financial Statements

For the year ended 31st December	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
3 Income				
Gross income	6,953,207	6,044,391	7,559,947	6,681,034
	<u>6,953,207</u>	<u>6,044,391</u>	<u>7,559,947</u>	<u>6,681,034</u>
4 Interest Income				
Customer advances	4,459,468	4,045,974	4,459,468	4,045,974
Treasury Bills and placement with other Banks	275,136	253,531	827,884	708,603
Other interest income	677,322	648,739	677,322	648,739
	<u>5,411,926</u>	<u>4,948,244</u>	<u>5,964,674</u>	<u>5,403,316</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 an 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 January 2004 to 31 st December 2004 has been grossed up by Rs.64.670 Mn (2003 - Rs.67.603 Mn) for the notional tax credit, consequent to the interest income on above instruments being subjected to withholding tax.(note 9)

5 Interest Expenses				
Customer deposits	2,400,460	2,255,837	2,399,336	2,252,471
Short term borrowings & refinance	316,225	268,970	806,337	650,480
Other interest expenses	32,784	8,256	32,784	8,256
Debentures	109,765	68,804	109,765	68,804
	<u>2,859,234</u>	<u>2,601,867</u>	<u>3,348,222</u>	<u>2,980,012</u>
6 Other Income				
Income from investment securities (quoted)	4,382	5,182	4,382	5,182
Income from investment securities (unquoted)	6,575	6,575	6,575	6,575
Income from investments in subsidiaries	30,800	28,600	-	-
Gains from dealing securities - Unit Trusts	1,128	676	1,128	676
Profit /(Loss) on sale of Property, Plant & Equipment	1,947	1,291	1,947	1,291
Others	248,914	230,580	333,706	440,750
	<u>293,746</u>	<u>272,903</u>	<u>347,738</u>	<u>454,473</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	831	526	831	526
Provision for depreciation	223,529	200,826	240,203	207,251
Expenses on litigation	2,870	1,866	2,870	1,866
Auditors' remuneration	1,935	1,525	2,220	1,810
Non-Audit fees	262	279	-	-
Donations	1,251	797	1,251	797
(Donations in excess of Rs.50,000/= include the following;)				
Wildlife & Nature Protection Society of Sri Lanka	413			
Kalutara Bodhi Bharakara Mandalaya	200			
World Fellowship of Buddhists	125			
Anuradhapura Jaya Sri Maha Bodhi Ranveta Aramudala	300			

8 Provisions				
8.1 Provision for Credit Losses				
Specific provision for loans and advances	447,116	359,840	447,116	359,840
General provision for loans and advances	59,355	9,190	59,355	9,190
General provision for pawning	125	6,010	125	6,010
Specific provision for Credit Card Receivables	8,000	12,000	8,000	12,000
General provision for Housing	1,036	814	1,036	814
Provision for bills of exchange	40,760	83,744	40,760	83,744
Specific provision for leases	4,316	18,627	4,316	18,627
	<u>560,708</u>	<u>490,225</u>	<u>560,708</u>	<u>490,225</u>
8.2 Diminution/(Appreciation) in value of investments				
Securities held for dealing purposes (Quoted)	(3,077)	39,262	(3,077)	39,262
Securities held for dealing purposes (Bonds)	12,245	(35,366)	12,245	(35,366)
Investment securities	-	(2,000)	-	(2,000)
	<u>9,168</u>	<u>1,896</u>	<u>9,168</u>	<u>1,896</u>



	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
9 Provision for Taxation				
Taxation based on profits for the year	371,119	171,754	371,119	171,754
Transfers to/ (from) deferred taxation	(13,528)	6,790	(13,956)	7,574
(Over)/under provision in the previous year	(13,951)	-	(13,951)	-
	<u>343,640</u>	<u>178,544</u>	<u>343,212</u>	<u>179,328</u>
Subsidiary Companies				
Sampath Centre			224	100
Sampath Surakum			5,282	17,551
S C Securities			1,187	10,820
Associate Company				
Vanik Bangladesh			-	-
	<u>343,640</u>	<u>178,544</u>	<u>349,905</u>	<u>207,798</u>
9.1 Reconciliation of the Accounting Profit to Income Tax Expense				
Profit before Tax	965,041	739,760		
Add: Disallowable expenses	634,648	430,061		
Less: Tax deductible expenses	(306,392)	(736,367)		
Assessable income	<u>1,293,297</u>	<u>433,454</u>		
Less: Qualifying payments	(1,251)	(797)		
Taxable income	<u>1,292,046</u>	<u>432,657</u>		
Income Tax @ 30%	338,130	164,109		
Income Tax @ 20%	32,989	-		
Income Tax @ 15%	-	7,645		
Income Tax at other Tax rates				
Deferred tax charge/(credit)	(13,528)	6,790		
Over/under provision in respect of previous year	(13,951)	-		
Income tax expense	<u>343,640</u>	<u>178,544</u>		
9.2 Applicable rates of Tax				
(A) Income tax on Sampath Bank				
(a) Domestic operation of the Bank	30%	30%		
(b) Foreign Currency Banking unit of the Bank				
(1) On-shore operation				
01/01/2003 to 30/06/2003	-	15%		
From 01/07/2003 to 31/12/2004	30%	30%		
(2) Off-shore operation				
01/01/2004 to 31/03/2004	-	-		
01/04/2004 to 31/12/2004	20%	-		
(B) Income tax on Sampath Surakum	32.5%	32.5%		
(C) Income tax on S C Securities	32.5%	32.5%		
(D) 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.

(E) 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 January 2004 to 31 st December 2004 and the notional Tax Credit amounts to Rs.64.670 Mn.

Notes to the Financial Statements

10 Earnings per Ordinary share

Basic earning per share is calculated by dividing the net profit for the year attributable to Ordinary Shareholders by the Weighted average number of Ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the previous year are adjusted for events that have changed the number of Ordinary shares outstanding, without a corresponding change in resources. The weighted average number of shares outstanding have been diluted for the subsequent bonus issue.

	2004 (Rs. '000)	Bank 2003 (Rs. '000)	Group 2004 (Rs. '000)	2003 (Rs. '000)
Amount used as the Numerator				
Profit attributable to Ordinary shareholders	621,401	561,217	686,209	734,051
Amount used as the Denominator				
Number of Ordinary shares	51,665,721	51,665,721	51,665,721	51,665,721
Earnings per Ordinary share (Rs)	12.03	10.86	13.28	14.21

10.1 Dividends Paid & Proposed

	%	Gross Dividend	Bank 2004 (Rs. '000) Dividend Tax	Net Dividend	%	Gross Dividend	Bank 2003 (Rs. '000) Dividend Tax	Net Dividend
Final Dividend paid - 2003								
Out of Dividend received - free of Tax	5	22,143	-	22,143	-	-	-	-
Out of Normal Profits	-	-	-	-	-	-	-	-
Interim Dividend Paid - 2004								
Out of Dividend received - free of Tax	-	-	-	-	-	-	-	-
Out of Normal Profits	15	66,427	6,642	59,785	15	66,427	6,642	59,785
Gross cash dividend paid	20	88,570	6,642	81,928	15	66,427	6,642	59,785
Final Dividend Proposed - 2004								
Out of Dividend received - free of Tax	5	25,833	-	25,833	5	22,143	-	22,143
Out of Normal Profits	-	-	-	-	-	-	-	-
Gross cash dividend payable	5	25,833	-	25,833	5	22,143	-	22,143
Dividend per Ordinary share (Rs.)								
Interim Paid		1.50		1.35		1.50		1.35
Final Proposed		0.50		0.50		0.50		0.50
		2.00		1.85		2.00		1.85

In accordance with Sri Lanka Accounting Standard No 12 (Revised) on events after Balance Sheet date, above proposed final dividends have not been recognised as a liability as at the year end.

11 Cash and short term funds

	2004 (Rs. '000)	Bank 2003 (Rs. '000)	Group 2004 (Rs. '000)	2003 (Rs. '000)
Local currency in hand	843,841	670,365	840,612	670,452
Foreign currency in hand	195,287	561,476	195,287	561,476
Balances with local banks	109,445	47,596	109,445	47,596
Balances with foreign banks	783,100	301,805	783,100	301,805
	1,931,673	1,581,243	1,928,444	1,581,329

12 Government of Sri Lanka Treasury Bills

	292,673	261,469	302,632	285,555
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13 Securities held for Dealing purposes (Quoted)-Bank

Name of the quoted company	2004				2003		
	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							
NDB	225,000	42,481	29.1	36,000	225,000	42,481	32,006
NDB Bank	19,400	581	0.4	504	-	-	-
Nations Trust Bank	120,000	5,343	3.7	2,250	120,000	5,343	3,420
		48,405	33.2	38,754		47,823	35,426
Diversified Holdings							
Hayley's Ltd	247,580	33,757	23.1	31,195	55,700	10,006	6,684
		33,757	23.1	31,195		10,006	6,684

Notes to the Financial Statements



Shares Name of the quoted company	2004 No of Ordinary Shares of Rs.10/- each	2004 Cost of Investment (Rs.'000)	2004 % of Total Cost	2004 Market Value (Rs.'000)	2003 No of Ordinary Shares of Rs.10/- each	2003 Cost of Investment (Rs.'000)	2003 Market Value (Rs.'000)
Footwear & Textile							
Bata Shoe Company Ltd	5,000	105	0.1	65	5,000	105	61
		105	0.1	65		105	61
Health Care							
Apollo Hospital	10,000	184	0.1	125	10,000	184	113
		184	0.1	125		184	113
Hotel & Travel							
Asian Hotel	321,200	10,119	6.9	9,475	78,000	2,448	1,736
Connaissance	-	-	-	-	200,000	5,914	5,200
Light House Company Ltd	33	-	-	2	33	-	1
		10,119	6.9	9,477		8,362	6,936
Construction Engineering							
Colombo Dockyard Ltd	10,000	248	0.2	225	10,000	248	210
		248	0.2	225		248	210
Manufacturing							
Dipped Products Ltd	-	-	-	-	7,653	1	673
Grain Elevators Ltd	47,500	671	0.5	523	-	-	-
Caltex Lubricants Ltd	-	-	-	-	50,000	5,515	3,600
		671	0.5	523		5,516	4,273
Plantations							
Kelany Valley Plantations Ltd	2,500	51	-	43	12,500	252	175
Bogawanthalawa Plantations Ltd	17,000	543	0.4	255	17,000	543	208
		594	0.4	298		795	383
Power & Energy							
Lanka IOC Limited	100,000	3,801	2.6	4,325	-	-	-
		3,801	2.6	4,325	-	-	-
Trading							
Richard Peiris Exports Ltd	10,000	391	0.3	320	10,000	391	250
		391	0.3	320		391	250
Telecommunication							
Sri Lanka Telecom Ltd	2,010,000	47,739	32.6	31,658	1,500,000	40,031	27,000
		47,739	32.6	31,658		40,031	27,000
Total		146,014	100	116,965		113,462	81,337
Less:							
Provision for diminution in market value b/f		(32,126)				7,137	
Provision for diminution in market value write back/(made) during the year		3,077				(39,262)	
		116,965				81,337	

13.2 Bonds

	2004 Cost (Rs.'000)	2004 Directors'/ Market Valuation (Rs.'000)	2003 Cost (Rs.'000)	2003 Directors'/ Market Valuation (Rs.'000)
Euro bonds and other paper denominated in foreign currency	3,402,575	3,424,303	3,248,099	3,282,072
Less:				
Provision for diminution in market value b/f	33,973	-	(1,393)	-
Provision for diminution in market value write back/(made) during the year	(12,245)		35,366	-
	3,424,303	3,424,303	3,282,072	3,282,072
Total for Bank	3,541,268	3,541,268	3,363,409	3,363,409
Add: Treasury Bonds Sampath Surakum Ltd	927,093	-	5,876,578	-
Total for Group	4,468,361	4,468,361	9,239,987	9,239,987

Notes to the Financial Statements

14 Placements with other Banks & Financial Institutions

	Bank		Group	
	2004 (Rs.'000)	2003 (Rs.'000)	2004 (Rs.'000)	2003 (Rs.'000)
Money at call and short notice	750,000	550,000	750,000	550,000
Placements with banks	2,131,093	1,317,767	2,131,093	1,317,767
	<u>2,881,093</u>	<u>1,867,767</u>	<u>2,881,093</u>	<u>1,867,767</u>

15 Investment securities

	Bank		Group	
	2004 (Rs.'000)	2003 (Rs.'000)	2004 (Rs.'000)	2003 (Rs.'000)
Quoted				
Shares	37,500	37,500	37,500	37,500
Units	15,460	14,682	15,460	14,682
Debentures	10,000	10,000	10,000	10,000
	<u>62,960</u>	<u>62,182</u>	<u>62,960</u>	<u>62,182</u>
Un-quoted				
Preference Shares	38,604	63,604	38,604	63,604
Ordinary Shares	170,860	170,860	170,860	170,860
Debentures	5,000	5,000	5,000	5,000
Bonds	313,800	96,720	313,800	96,720
Treasury Bonds	6,873,090	4,766,929	7,733,551	4,758,667
	<u>7,401,354</u>	<u>5,103,113</u>	<u>8,261,815</u>	<u>5,094,851</u>
Total Investment	<u>7,464,314</u>	<u>5,165,295</u>	<u>8,324,775</u>	<u>5,157,033</u>

Investment securities - Bank & Group

15.1 Quoted - Shares/Units/Debentures

	2004 No of Ordinary Shares of Rs.10 each	2004 Cost (Rs.'000)	2004 Market Value Shares (Rs.'000)	2003 No of Ordinary Shares of Rs.10 each	2003 Cost (Rs.'000)	2003 Market Value Shares (Rs.'000)
15.1.1 Ordinary Shares - Quoted						
Asian Alliance Ltd (Holding Percentage - 15%)	3,750,000	37,500	38,438	3,750,000	37,500	40,313
15.1.2 Quoted Units						
Pyramid Unit Trust	564,042	5,668	5,082	564,042	5,668	6,052
Ceybank Unit Trust	1,108,238	9,792	13,875	1,036,150	9,014	10,703
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 (Rs.100 each)	750	-
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	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 12th May 2008)	5,000 (Rs.1000 each)	5,000	5,000	5,000 (Rs.1000 each)	5,000	5,000
		<u>63,710</u>	<u>67,395</u>		<u>62,932</u>	<u>67,068</u>
Less:						
Provision for diminution in market value b/f		(750)			(2,750)	
Provision for diminution in market value write back/(made) during the year		-			2,000	
		<u>62,960</u>			<u>62,182</u>	



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

	2004 No of Ordinary Shares of Rs.10 each	2004 Cost (Rs.'000)	2004 Directors' Valuation (Rs.'000)	2003 No of Ordinary Shares of Rs.10 each	2003 Cost (Rs.'000)	2003 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	25,000	25,000	5,000,000	50,000	50,000
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	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	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	50,000 (Rs.100/- each)	5,000	5,000
15.2.4 Sri Lanka Development Bonds (SLDBs) (Redeemable Development Bonds)		313,800	314,410		96,720	96,811

15.2.5 Government of Sri Lanka Treasury Bonds

Face Value (Rs.'000)	Year of Maturity	Market Value (Rs'000)	Cost (Rs.'000)				
1,644,820	2005	1,722,299	1,645,020				
220,690	2006	235,814	229,218				
1,826,060	2007	1,982,968	1,973,104				
1,850,790	2008	2,028,905	2,078,336				
815,000	2009	868,901	894,717				
50,000	2013	45,270	52,695	6,873,090	6,884,157	4,766,929	5,023,091
6,407,360		6,884,157					
				7,401,354	7,413,031	5,103,112	5,359,366
Total for Bank				7,464,314	7,480,426	5,165,295	5,426,434

Add:

Subsidiaries - Sampath Surakum Ltd
Government of Sri Lanka Treasury Bonds

Face Value (Rs.'000)	Year of Maturity	Market Value (Rs'000)	Cost (Rs.'000)				
5,000	2005	5,339	5,167				
150,000	2007	166,420	158,771				
220,000	2008	241,618	233,061				
450,000	2009	484,635	463,462	860,461	898,012	2,636,198	2,777,860
825,000		898,012					
Total for Group				8,324,775	8,378,438	7,801,493	8,204,294

16 Securities purchased under resale agreements

As at 31st December	Bank		Group	
	2004 (Rs.'000)	2003 (Rs.'000)	2004 (Rs.'000)	2003 (Rs.'000)
	-	1,697,952	10,979	1,753,681

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	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Cheques purchased - Local	81,968	61,323	81,968	61,323
- Foreign	62,984	121,047	62,984	121,047
Bills purchased - Export	1,741,858	1,423,467	1,741,858	1,423,467
- Import	536,949	656,540	536,949	656,540
	<u>2,423,759</u>	<u>2,262,376</u>	<u>2,423,759</u>	<u>2,262,376</u>
Less:				
(a) Provision for credit losses	(200,020)	(330,781)	(200,020)	(330,781)
(b) Interest suspended	(13,585)	(67,683)	(13,585)	(67,683)
	<u>2,210,154</u>	<u>1,863,912</u>	<u>2,210,154</u>	<u>1,863,912</u>

17.2 Loans and Advances

Sri Lanka rupee loans & advances				
Overdraft	10,881,259	9,840,103	10,878,425	9,824,367
Term Loans	17,618,124	13,584,161	17,618,124	13,584,161
Trust receipts	625,958	698,686	625,958	698,686
Packing credit	110,348	137,216	110,348	137,216
Staff Loans	791,454	625,134	791,454	625,134
Pawning advances	5,513,638	2,730,053	5,513,638	2,730,053
Other Advances	24,964	26,470	24,964	26,470
	<u>35,565,745</u>	<u>27,641,822</u>	<u>35,562,911</u>	<u>27,626,086</u>
Foreign currency loans & advances				
Overdraft	1,197,877	1,124,323	1,197,877	1,124,323
Trust receipts	170,324	1,151,604	170,324	1,151,604
Packing credit	4,234,827	3,146,122	4,234,827	3,146,122
Term Loans	2,379,685	1,658,804	2,379,685	1,658,804
	<u>7,982,713</u>	<u>7,080,852</u>	<u>7,982,713</u>	<u>7,080,852</u>
Total Rupee & Foreign currency loans & advances	<u>43,548,458</u>	<u>34,722,675</u>	<u>43,545,624</u>	<u>34,706,939</u>
Less:				
Provision for credit losses	(2,213,837)	(1,532,967)	(2,213,837)	(1,532,967)
General provision for pawning	(10,774)	(10,560)	(10,774)	(10,560)
	<u>(2,224,611)</u>	<u>(1,543,527)</u>	<u>(2,224,611)</u>	<u>(1,543,527)</u>
Loans & Advances after Credit Loss Provision	<u>41,323,847</u>	<u>33,179,148</u>	<u>41,321,013</u>	<u>33,163,412</u>
Less: Interest suspended	(1,494,409)	(1,393,785)	(1,494,409)	(1,393,785)
	<u>39,829,438</u>	<u>31,785,363</u>	<u>39,826,604</u>	<u>31,769,627</u>

17.3 Receivable on Leases

17.3.1 Gross Investment in Leases				
Cost of equipment	2,678,970	1,053,985	2,678,970	1,053,985
Unearned lease income	797,074	390,149	797,074	390,149
	<u>3,476,044</u>	<u>1,444,134</u>	<u>3,476,044</u>	<u>1,444,134</u>
Total rentals receivable	3,476,044	1,444,134	3,476,044	1,444,134
Initial rentals received	(74,095)	(38,404)	(74,095)	(38,404)
Lease rentals received	(944,633)	(545,617)	(944,633)	(545,617)
	<u>2,457,316</u>	<u>860,113</u>	<u>2,457,316</u>	<u>860,113</u>
17.3.2 Total Lease rentals receivable (refer note 17.3.1)	2,457,316	860,113	2,457,316	860,113
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)	(1,667,438)	(480,166)	(1,667,438)	(480,166)
	<u>789,878</u>	<u>379,947</u>	<u>789,878</u>	<u>379,947</u>
Lease rentals receivable within one year from Balance sheet date	789,878	379,947	789,878	379,947
Unearned Income	(156,153)	(89,429)	(156,153)	(89,429)
Provision for credit losses	(4,316)	(25,831)	(4,316)	(25,831)
	<u>629,409</u>	<u>264,687</u>	<u>629,409</u>	<u>264,687</u>
17.3.3 Lease rentals receivable after one year but before five years from Balance sheet date	1,667,438	480,166	1,667,438	480,166
Unearned income	(329,641)	(93,568)	(329,641)	(93,568)
Provision for credit losses	(18,109)	(14,280)	(18,109)	(14,280)
	<u>1,319,688</u>	<u>372,318</u>	<u>1,319,688</u>	<u>372,318</u>



17.3.4 There were no lease rentals receivable after 5 years

-	-	-	-
<u>1,949,097</u>	<u>637,005</u>	<u>1,949,097</u>	<u>637,005</u>

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

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 2004 (Rs. '000)	As a % of total Advances	Bank 2003 (Rs. '000)	As a % of total Advances
Bills of exchange	81,466		223,674	
Loans & advances	5,192,704		5,048,656	
Lease rental receivable	33,302		32,478	
	<u>5,307,472</u>	11.4	<u>5,304,808</u>	14.7
Less: Interest in suspense included in overdrafts	(1,507,994)		(1,391,748)	
Net non performing advances	<u>3,799,478</u>	8.2	<u>3,913,060</u>	10.9
Less: Specific provision for credit losses	(2,234,712)		(1,761,430)	
	<u>1,564,766</u>	3.4	<u>2,151,630</u>	6.0
Less: General provision for credit losses	(212,344)		(152,989)	
	<u>1,352,422</u>	2.9	<u>1,998,641</u>	5.5

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.5,307.5 Mn.

17.4.2 In addition, as stated in 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 2004 under 17.4.1 and 17.4.2 in total amounted to Rs.7,191.0 Mn.

17.5 Movements in the provision for loan losses

	Bank Provision against advances		
	Specific (Rs. '000)	General (Rs. '000)	Total (Rs. '000)
As at 01/01/2004	1,761,430	152,989	1,914,419
Provisions during the year	501,353	59,355	560,708
Amounts written-off	(44,972)	-	(44,972)
Translation Difference on FCBU Conversion	16,901	-	16,901
As at 31/12/2004	<u>2,234,712</u>	<u>212,344</u>	<u>2,447,056</u>

As per the amendment to the directions issued by the Central Bank of Sri Lanka under section 46 (A) of the Banking Act No. 30 of 1988, as amended by Banking (Amendment) Act No. 33 of 1995 the extent up to which securities can be discounted for provisioning purposes has been revised as follows.

Category	% of Forced Sale Value of Immovable Property that can be considered as the Value of Security
At the time of 1 st provisioning	75%
1 to 2 years in the loss category	60%
2 to 3 years in the loss category	50%
3 to 4 years in the loss category	40%
Over 4 years in the loss category	Reviewed regularly and discounted further at the discretion of the management

As per the above amendment, an additional provision made by the Bank during the year is Rs.328.43 Mn.

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 (2004 - Rs.212.4 Mn & 2003 - Rs.153.0 Mn)

Notes to the Financial Statements

17.6 Loan losses and provision for loan losses

Movement in the provision for bad and doubtful debts

	Bank	
	2004 (Rs. '000)	2003 (Rs. '000)
Opening balance	1,914,419	1,481,501
Specific provision on loans and advances	501,353	481,035
General provision on loans and advances	59,355	9,190
Translation Difference on FCBU Conversion	16,901	3,463
Written off during the year	(44,972)	(60,770)
Closing balance	2,447,056	1,914,419

17.7 Movement in Interest in Suspense & Shortfall

	Bank 2004 (Rs. '000)			Bank 2003 (Rs. '000)		
	Shortfall	Interest in suspense	Total	Shortfall	Interest in suspense	Total
Opening balance	1,726,163	1,461,469	3,187,632	1,452,057	1,378,236	2,830,293
Interest suspended during the year	2,447,334	182,190	2,629,524	2,418,467	486,111	2,904,578
Suspended interest recovered	(2,289,986)	(135,665)	(2,425,651)	(2,144,361)	(402,878)	(2,547,239)
	1,883,511	1,507,994	3,391,505	1,726,163	1,461,469	3,187,632

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	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Imports	6,652,296	5,225,538	6,652,296	5,225,538
Exports	10,577,450	8,308,840	10,577,450	8,308,840
Financial	699,410	549,404	699,410	549,404
Agriculture	2,102,104	1,651,253	2,102,104	1,651,253
Industrial	10,818,087	8,497,866	10,818,087	8,497,866
Tourism	486,425	382,099	486,425	382,099
Housing & Property development	2,071,698	1,627,369	2,071,698	1,627,369
Consumption	7,560,721	5,939,127	7,560,721	5,939,127
Services	3,262,093	2,562,452	3,262,093	2,562,452
Others	3,713,454	2,918,219	3,710,621	2,902,483
	47,943,738	37,662,167	47,940,905	37,646,431

18 Investments in Associate & Subsidiary Companies

18.1 Investments in Associate Companies

	% of ownership	Bank 2004		Bank 2003		Group 2004		Group 2003	
		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)	16.6	66,252	66,252	66,252	66,252	34,533	66,252	66,252	66,252
Less: Goodwill on acquisition of Associate	-	-	-	-	-	-	-	(31,718)	-
						34,533		34,533	
Add: Share of Profit/(Loss) applicable to the Bank									
Balance at the beginning of the year	-	-	-	-	-	7,119	-	-	-
Current year's share of profit/(Loss) after Tax	-	-	-	-	-	12,342	-	7,119	-
Less: Dividend received during the year	-	-	-	-	-	-	-	-	-
Current year's retained Profit/(Loss)	-	-	-	-	-	12,342	-	7,119	-
						19,461		7,119	
Balance at the end of year		66,252	66,252	66,252	66,252	53,994	66,252	41,652	66,252



18.2 Investments in Subsidiary Companies

	2004 (Rs. '000)	Bank 2003 (Rs. '000)
Balance as at 1st January	385,626	385,626
Additions	-	-
Balance as at 31st December	<u>385,626</u>	<u>385,626</u>

Name	Principle Activity	% of ownership	Cost (Rs. '000)	2004 Directors' Valuation (Rs. '000)	Cost (Rs. '000)	2003 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
			<u>385,626</u>	<u>385,626</u>	<u>385,626</u>	<u>385,626</u>

19 Other Assets

As at 31st December	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Deposits and Pre-payments	99,894	106,743	99,894	106,743
Other debtors	374,794	329,024	433,241	372,900
	<u>474,688</u>	<u>435,767</u>	<u>533,135</u>	<u>479,643</u>

20 Property, Plant and Equipment

	As at 01/01/2004	Additions during the year	Disposals during the year	Transfers / Adjustments	(Rs. '000) As at 31/12/2004
20.1 Bank					
At Cost/Valuation					
Land & Building	490,434	50,333	-	(546)	540,221
Leasehold Properties & improvements	221,475	28,036	(403)	(2,274)	246,834
Computer Equipment	1,199,932	117,393	(1,215)	(5,644)	1,310,466
Motor Vehicles	47,255	243	(7,675)	-	39,823
Sundry Equipment	345,988	69,509	(1,887)	361	413,971
SUB TOTAL	<u>2,305,084</u>	<u>265,514</u>	<u>(11,180)</u>	<u>(8,103)</u>	<u>2,551,315</u>
Finance Leases					
Motor Vehicles	13,356	13,188	-	-	26,544
SUB TOTAL	<u>13,356</u>	<u>13,188</u>	<u>-</u>	<u>-</u>	<u>26,544</u>
TOTAL	<u>2,318,440</u>	<u>278,702</u>	<u>(11,180)</u>	<u>(8,103)</u>	<u>2,577,859</u>
Accumulated Depreciation					
	As at 01/01/2004	Charge for the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2004
Land & Building	17,658	3,359	-	(5,920)	15,097
Leasehold Properties & improvements	150,899	30,575	(403)	(1,992)	179,079
Computer Equipment	793,689	140,020	(733)	(3,284)	929,692
Motor Vehicles	31,167	5,377	(7,181)	4,250	33,613
Sundry Equipment	193,102	39,173	(1,856)	518	230,937
SUB TOTAL	<u>1,186,515</u>	<u>218,504</u>	<u>(10,173)</u>	<u>(6,428)</u>	<u>1,388,418</u>

Notes to the Financial Statements

	As at 01/01/2004	Charge for the year	Disposals during the year	Transfers / Adjustments	As at 31/12/2004
Finance Leases					
Motor Vehicles	1,113	5,026	-	-	6,139
SUB TOTAL	1,113	5,026	-	-	6,139
TOTAL	1,187,628	223,530	(10,173)	(6,428)	1,394,557
Net Book Value of Assets					
At Cost/Valuation	1,118,569	47,010	(1,007)	(1,675)	1,162,897
On Finance Leases	12,243	8,162	-	-	20,405
Total	1,130,812	55,172	(1,007)	(1,675)	1,183,302

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

The properties were valued on an open market value basis.

20.2 Group

	As at 01/01/2004	Additions during the year	Disposals during the year	Transfers / Adjustments	(Rs.'000) As at 31/12/2004
At Cost/Valuation					
Land & Building	1,200,442	50,333	-	(546)	1,250,229
Leasehold Properties & improvements	221,475	28,036	(403)	(2,274)	246,834
Computer Equipment	1,214,238	117,988	(1,215)	(5,644)	1,325,367
Motor Vehicles	48,680	243	(7,675)	-	41,248
Sundry Equipment	424,496	74,821	(2,446)	361	497,232
SUB TOTAL	3,109,331	271,421	(11,739)	(8,103)	3,360,910
Finance Leases					
Motor Vehicles	13,356	13,188	-	-	26,544
SUB TOTAL	13,356	13,188	-	-	26,544
TOTAL	3,122,687	284,609	(11,739)	(8,103)	3,387,454
Accumulated Depreciation					
Land & Building	33,378	14,859	-	(5,920)	42,317
Leasehold Properties & improvements	150,899	30,575	(403)	(1,992)	179,079
Computer Equipment	800,409	141,238	(733)	(3,284)	937,630
Motor Vehicles	31,761	5,377	(7,181)	4,250	34,207
Sundry Equipment	207,552	43,128	(2,307)	518	248,891
SUB TOTAL	1,223,999	235,177	(10,624)	(6,428)	1,442,124
Finance Leases					
Motor Vehicles	1,113	5,026	-	-	6,139
SUB TOTAL	1,113	5,026	-	-	6,139
TOTAL	1,225,112	240,203	(10,624)	(6,428)	1,448,263
Net Book Value of Assets					
At Cost / Valuation	1,885,332	36,244	(1,115)	(1,675)	1,918,786
On Finance Leases	12,243	8,162	-	-	20,405
Total	1,897,575	44,406	(1,115)	(1,675)	1,939,191

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.494,830,593/= if valued at its cost of Rs.520,855,884/= less accumulated depreciation of Rs.26,025,291/=.

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



20.3 Freehold Land & Buildings- Bank

Location

Location	Buildings Sq.ft	Cost of Buildings (Rs.'000)	Extent purchase	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	20,445	15	12,855	33,300	1,127	32,173
Piliyandala No 39, Moratuwa Road, Piliyandala	8,200	23,420	35	11,577	34,997	1,318	33,679
Borella No 1022, Maradana Road, Borella	9,100	33,802	26	29,214	63,016	1,802	61,214
Kurunegala No 31, Negombo Road, Kurunegala	12,027	34,277	37	20,999	55,276	2,078	53,198
Nugegoda No 179, Highlevel Road , Nugegoda	Bare Land	20	25	33,020	33,040	2	33,038
Matara No 3, Hakmana Road, Matara	8,413	28,966	48	8,698	37,664	3,478	34,186
Ratmalana No 261, Galle Road, Ratmalana	5,480	20,270	11	4,687	24,957	1,135	23,822
Old Moor Street No 371, Old Moor Street, Colombo 12	8,248	3,977	24	33,927	37,904	304	37,600
Galle No 5 , Wakwella Road, Galle	6,197	13,696	19	12,999	26,695	1,345	25,350
Kandy No 29, Cross Street, Kandy	Under Construction	3,550	26	19,580	23,130	141	22,989
Deniyaya No 117, Ihalagama Road, Deniyaya	Bare Land	-	40	3,945	3,945	-	3,945
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	20,958	19	-	20,958	2,367	18,591
Katugastota No 187, Madawela Road, Katugastota	Bare Land	-	24	14,247	14,247	-	14,247
Total		203,381		336,840	540,221	15,097	525,124

21 Deposits

21.1 Type of Deposits

Local Currency Deposits

	Bank		Group	
	2004 (Rs.'000)	2003 (Rs.'000)	2004 (Rs.'000)	2003 (Rs.'000)
Demand	4,140,263	3,501,854	4,140,145	3,499,910
Savings	22,203,719	17,477,304	22,203,719	17,477,304
Call deposits	1,494,900	357,757	330,500	357,757
Fixed deposits	13,154,336	10,158,955	11,816,669	10,158,955
Certificates of deposits	1,906,526	2,261,899	1,906,526	2,261,899
	42,899,744	33,757,769	40,397,559	33,755,825
Foreign Currency Deposits				
Demand	891,345	642,186	891,345	642,186
Savings	4,494,555	3,392,534	4,494,555	3,392,534
Call deposits	102,891	396,906	102,891	396,906
Fixed deposits	4,519,110	3,841,974	4,519,110	3,841,974
	10,007,901	8,273,600	10,007,901	8,273,600
	52,907,645	42,031,369	50,405,460	42,029,425

21.2 Analysis of Deposits

Deposits from non bank customers	52,681,936	41,985,812	50,179,751	41,983,868
Deposits from banks	220,631	30,315	220,631	30,315
Deposits from Finance Companies	5,078	15,242	5,078	15,242
	52,907,645	42,031,369	50,405,460	42,029,425

22 Borrowings

22.1 Borrowings

Foreign currency borrowings	981,188	1,123,345	981,188	1,123,345
Borrowings under repurchase agreements	2,290,994	1,702,638	2,290,994	1,702,638
Finance Leases (Note 22.2)	21,666	12,615	21,666	12,615
Other borrowings	59,485	364,286	48,385	345,128
	3,353,333	3,202,884	3,342,233	3,183,726

Notes to the Financial Statements

22.2 Details of Finance Leases - Bank

	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Gross Liability to the Lessor	26,158	16,807	26,158	16,807
Less: Finance Charges	(4,492)	(4,192)	(4,492)	(4,192)
Net Liability	21,666	12,615	21,666	12,615
Repayable within one year				
Gross Liability	8,579	4,584	8,579	4,584
Less: Finance Charges	(2,441)	(1,956)	(2,441)	(1,956)
Net Liability	6,138	2,628	6,138	2,628
Repayable after one year before Five years				
Gross Liability	17,579	12,223	17,579	12,223
Less: Finance Charges	(2,050)	(2,236)	(2,050)	(2,236)
Net Liability	15,529	9,987	15,529	9,987

There were no lease rentals repayable beyond Five years

23 Other Liabilities

Cheques sent on clearing	797,846	389,446	797,846	389,446
Margins	397,299	355,309	397,299	355,309
Interest payable	1,170,433	1,213,757	1,170,433	1,213,757
Provision for retiring gratuity	18,341	17,074	18,341	17,074
Pension Fund	-	108,000	-	108,000
Employees' Provident Fund	11,170	258	11,170	258
Other payable	757,761	830,813	855,865	926,113
	<u>3,152,850</u>	<u>2,914,657</u>	<u>3,250,954</u>	<u>3,009,957</u>

24 Current Taxation

Balance brought forward/Paid in advance	86,259	7,108	112,321	22,071
Increase/(decrease) in provision	357,168	171,754	363,861	200,224
Less: Payment of Tax	(233,555)	(92,603)	(245,808)	(109,974)
Balance carried forward	<u>209,872</u>	<u>86,259</u>	<u>230,374</u>	<u>112,321</u>

25 Deferred Taxation

Balance brought forward	180,189	173,399	181,281	173,707
Increase/(decrease) in provision	(13,528)	6,790	(13,956)	7,574
Balance carried forward	<u>166,661</u>	<u>180,189</u>	<u>167,325</u>	<u>181,281</u>

26 Other liabilities evidenced by paper

	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Redeemable Debentures 2004-2009 (26.1)	1,500,000	500,000	1,500,000	500,000
Long Term Bond (26.2)	695,563	627,500	695,563	627,500
	<u>2,195,563</u>	<u>1,127,500</u>	<u>2,195,563</u>	<u>1,127,500</u>

26.1 Subordinated Debentures

Balance as at 1st January	500,000	500,000	500,000	500,000
Debentures Issued	1,500,000	-	1,500,000	-
Debentures redeemed (a)	(500,000)	-	(500,000)	-
Balance as at 31st December (b)	<u>1,500,000</u>	<u>500,000</u>	<u>1,500,000</u>	<u>500,000</u>

(a) The debentures consists of 500,000 unsecured subordinated redeemable debentures of Rs.1,000 each originally issued on 22nd July 1999 which were fully redeemed on 22nd July 2004.

Number of Debentures	2003 Value (Rs. '000)	2004 Value (Rs. '000)	Allotment Date	Maturity Date	Rate of Interest
49,307	49,307	-	22 July 1999	22 July 2004	Fixed - 13.5% per annum payable quarterly.
423,971	423,971	-	22 July 1999	22 July 2004	Fixed - 14.2% per annum payable annually.
26,722	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.
500,000	500,000	-			



(b) The debentures consists of 15,000,000 unsecured subordinated redeemable 5-year debentures of Rs.100/- each issued in 2004.

They are quoted in the Colombo stock Exchange.

Number of Debentures	2003 Value (Rs. '000)	2004 Value (Rs. '000)	Allotment Date	Maturity Date	Rate of Interest
2,268,400	-	226,840	16 June 2004	16 June 2009	Fixed - 10.0 % per annum payable annually
451,500	-	45,150	16 June 2004	16 June 2009	Fixed - 9.75 % per annum payable bi-annually
12,280,100	-	1,228,010	16 June 2004	16 June 2009	Floating rate is equivalent to the three months Treasury Bill (net of withholding tax) as published by the Central Bank of Sri Lanka immediately prior to the commencement of each interest period plus two per cent (2%) p.a. payable quarterly
<u>15,000,000</u>	<u>-</u>	<u>1,500,000</u>			

26.2 Long Term Bond

	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Balance as at 1st January	627,500	-	627,500	-
Amortisation of discount	68,063	627,500	68,063	627,500
Balance as at 31st December	<u>695,563</u>	<u>627,500</u>	<u>695,563</u>	<u>627,500</u>

27 Share Capital

27.1

	Bank		Group	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (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
Bonus issue of 1 : 6				
7,380,817 Ordinary Shares of Rs.10 each	73,808	-	73,808	-
Paid up capital - 51,665,721 Shares of Rs.10 each (44,284,904 Shares in 2003)	<u>516,657</u>	<u>442,849</u>	<u>516,657</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 2004	34,328	93,268	127,596	21,158	148,754
Additions in	-	-	-	-	-
Transfers out	-	-	-	-	-
Balance as at 31st December 2004	<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	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Statutory Reserve Fund balance as at 1st January	203,332	175,271	203,332	175,271
Transfer to reserve fund	31,070	28,061	40,129	28,061
Statutory Reserve Fund balance as at 31st December	<u>234,402</u>	<u>203,332</u>	<u>243,461</u>	<u>203,332</u>

Notes to the Financial Statements

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 2004	2,586,901	22,252	2,609,153	244,537	2,853,690
Adjustments	1,775	-	1,775	-	1,775
Net profit for 2004	-	621,401	621,401	154,193	775,594
<i>Appropriations</i>					
Final Dividend Paid - 2003	-	(22,143)	(22,143)	-	(22,143)
Interim Dividend Paid - 2004	-	(66,427)	(66,427)	-	(66,427)
Bonus Issue	(73,808)	-	(73,808)	-	(73,808)
Dividends from subsidiary company	-	-	-	(30,800)	(30,800)
Goodwill written off	-	-	-	(7,265)	(7,265)
Minority interest	-	-	-	(60,379)	(60,379)
Transfer to reserve fund	-	(31,070)	(31,070)	-	(31,070)
Transfer to general reserve	498,070	(498,070)	-	-	-
Balance as at 31st December 2004	3,012,938	25,943	3,038,881	300,286	3,339,167

29 Negative Goodwill / Goodwill on Consolidation

	Group	
	2004 (Rs. '000)	2003 (Rs. '000)
Negative Goodwill Written back to profit and loss account during the year	-	-
Goodwill written off during the year (refer Note No 29.1)	(7,265)	(7,265)
	<u>(7,265)</u>	<u>(7,265)</u>
Negative Goodwill balance as at 31st December	-	-
Unamortised balance of Goodwill as at 31st December (refer Note No 29.1)	(19,952)	(27,217)
Balance as at 31st December	<u>(19,952)</u>	<u>(27,217)</u>
29.1 Goodwill on Consolidation		
Goodwill as at 1st January	(27,217)	(2,763)
Additions	-	(31,718)
Goodwill written off during the year	7,265	7,265
Unamortised balance of Goodwill	<u>(19,952)</u>	<u>(27,217)</u>

30 Minority Interest

Balance as at 1st January	468,750	450,207
Profit (Loss) applicable for the year	60,379	77,346
Dividends paid	(56,138)	(58,803)
Dividends payable	-	-
Balance as at 31st December	<u>472,991</u>	<u>468,750</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	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Commitments	-	-	-	-
Commitment for unutilised facilities(direct advances)	4,232,416	3,524,496	4,232,416	3,524,496
	<u>4,232,416</u>	<u>3,524,496</u>	<u>4,232,416</u>	<u>3,524,496</u>
Contingent liabilities				
Acceptances	1,762,369	1,391,733	1,762,369	1,391,733
Documentary credit	4,217,397	3,453,776	4,217,397	3,453,776
Guarantees	9,280,085	7,699,855	9,280,085	7,699,855
Bills sent for collection	43,510	44,754	43,510	44,754
	<u>15,303,361</u>	<u>12,590,118</u>	<u>15,303,361</u>	<u>12,590,118</u>
Forward exchange contracts (net)	1,429,480	2,424,991	1,429,480	2,424,991
	<u>16,732,841</u>	<u>15,015,109</u>	<u>16,732,841</u>	<u>15,015,109</u>



31.2 Contingent Liabilities

31.2.1 Litigation against the Bank

- (a) 2 LT applications are before the Labour Tribunal in Case Nos. 1/175/01, 1/44/02, on termination of employment.
- (b) 5 actions have been filed in District Court, Homagama by constituents in Case Nos. 4149/L, 7176/spl, 7501/L, 7502/L, 7503/L & one in DC Colombo in case no 7121/Spl. & one in DC Embilipitiya in case no 8400/Spl & two in DC Gampaha in case Nos. 3871/Spl, 481/L by constituents seeking Injunction Orders to prevent auctioning of properties mortgaged to the Bank as security.
- (c) 6 actions have been filed in High Court, constituents in Case Nos. 56/2004, 188/2004, 851/04, 171/04, 1107/Spl, 240/2003 by constituents seeking Injunction Orders to prevent auctioning of properties mortgaged to the Bank as security.
- (d) 4 applications are pending before the Court of Appeal in application Nos. CA 416/2003, CA 46/2004, CA 279/2004, CA 320/01, canvassing the judgements in the District Court.
- (e) District Court Colombo Case No 6843/Spl has been filed with regard to a commercial dispute over a Bank Guarantee issued by the Bank.
- (f) Following applications have been made to the Court of Appeal against the judgements given in favour of the Bank in Money recovery actions by the District Court.
CA Application No 294/98 MR, CA Application No 990/04 MR
- (g) 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.

Both the management and the Bank's lawyers maintain that there were no wrongdoings and the case will be contested.

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	
	2004 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2003 (Rs. '000)
Approved and contracted for	102,700	48,412	102,700	48,412
Approved but not contracted for	104,100	46,489	104,100	46,489
	206,800	94,901	206,800	94,901

32 Directors' interest in Contracts with the Company

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 2004 are given below.

32.1 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 31/12/2004 (Rs. Mn)	Security Type	Security Value (Rs. Mn)
Mr. Edgar Gunatunge	1.000	0.031	Treasury bills	0.950
Mr. Denzil J Gunaratne	0.150	0.047	R F C balance	0.210
Mr. S G Wijesinha	0.200	Nil	Treasury bills	0.250
Mr. A S Amarasuriya	0.235	0.091		
Mr. E A Gunasekera	0.050	Nil	Cash Margin	
Mr. J D Bandaranayake	0.500	0.022	Corp Guarantee	
Mr. W M P L De Alwis	0.350	0.041	Treasury bills	0.500

32.2 The borrowings of Directors as at 31st December 2004 are as follows:

Name of the Director	Limit (Rs. Mn)	Balances as at 31/12/2004 (Rs. Mn)	Security Type
Mr. A S Amarasuriya	0.750	0.222	Immovable Property
Mr. L J K Hettiaratchi	0.373	Cr balance	R F C balance

32.3 Mr. Edgar Gunatunge, Mr. M A Abeynaike and Mr. S G Wijesinha who were Directors of the Bank as at 31st December 2004 were non share holding Directors of Sampath Centre Ltd, which company has rented 98,197 sq.ft. of its building premises to the Bank. During 2004 Rs.94.0 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. The company maintains current accounts with the Bank and the balance as at 31st December 2004 amounts to Rs.0.117 Mn. (2003 - Rs.0.064 Mn.)

32.4 Mr. Edgar Gunatunge, Mr. M A Abeynaike, Dr Saman Kelegama, Mr. L J K Hettiaratchi and Mr. A S Amarasuriya who were Directors of the Bank as at 31st December 2004 were non share holding Directors of Sampath Surakum Ltd. The company maintains current accounts with the Bank and the balance as at 31st December 2004 amounts to Rs.2.528 Mn. (2003 - Rs.0.689 Mn.)

Notes to the Financial Statements

The Company had the following financial dealings during the year with related parties

with Sampath Bank - T'Bill Purchases - Rs.2.6 Mn., T'Bill Sales - Rs.7,067.5 Mn, T'Bond Sales - Rs.2,100.0 Mn.,
Rev. Repo - Rs.18,772.8 Mn., Repo - Rs.15,493.0 Mn, Call Deposit Rs.1.2 Mn., Fixed Deposit - Rs.1.3 Mn.

with Sampath Centre - During 2004 Rs.0.697 Mn. was paid by way of rentals.

32.5 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 2004 were non share holding Directors of S C Securities Ltd. The company maintains current accounts with the Bank and the balance as at 31st December 2004 amounts to Rs.0.944 Mn. [2003 - Rs.(0.075) Mn.]

The Company had the following financial dealings during the year with related parties

with Sampath Bank - T'Bill - Rs.21.1 Mn. During 2004 Rs.1.2 Mn. was paid by way of rentals.
Bank Charges & G'tee Charges - Rs.0.08 Mn.

with Sampath Centre - During 2004 Rs.1.158 Mn. was paid by way of rentals

33 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 2004 are given below.

Related Party	Name of Director	Nature of Facility	Limit Approved (USD/Rs. Mn)	Balance Outstanding As at 31.12.2004 (USD/Rs. Mn)
Paradise Coconut Products (Pvt) Ltd	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	6.235	5.535
		Packing credit	8.265	7.500
		Overdraft	-	4.145

The Bank has classified the advances as non performing and suspended the recognition of interest and made a provision of Rs.41.5 Mn Interest in suspense amounts to Rs.7.0 Mn on the outstanding as at 31st December 2004.

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	-	1.715
		Long term loan	42.200	42.200
		Long term loan	39.800	39.800
		Long term loan	106.000	70.940
		Term Loan	28.200	22.090
Ceylon Tea Marketing Ltd	Mr. Edgar Gunatunge (Non share holding director)	Overdraft	17.000	0.161
		Bills	80.000	13.987
		Packing credit	USD 1.075	USD 0.735
Ceylon Commodity Marketing (Pvt) Ltd	Mr. Edgar Gunatunge (Non share holding director)	Bills		USD 0.906
Jay-Cey Tea (Pvt) Ltd	Mr. Edgar Gunatunge (Non share holding director)	Overdraft	15.000	Credit Balance
		Bills	25.000	0.424
		LC - Local	8.000	13.105
		LC - Import	15.000	-
		Guarantee	60.000	73.880
		Packing Credit	USD 1.700	} USD 2.300
		Packing Credit	USD 0.400	
		Packing Credit	USD 0.600	
Packing Credit	171.000	40.000		
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	81.000
		Imp Loan	250.000	223.207
		Overdraft	55.000	60.392
		LC	100.000	4.945
		Shipping Guarantee	100.000	Nil
Asian Alliance	Mr. Edgar Gunatunge (Non share holding director)	Overdraft	15.000	2.279
Star Packaging (Pvt) Ltd	Mr. Edgar Gunatunge (Non share holding director)	Term Loan	43.300	14.937
		Imp Loan	USD 0.250	USD 0.163
		Overdraft	25.000	15.200
		Acceptance		20.887
		LC	30.000	1.190

Notes to the Financial Statements



Related Party	Name of Director	Nature of Facility	Limit Approved (USD/Rs. Mn)	Balance Outstanding As at 31.12.2004 (USD/Rs. Mn)
Korea Ceylon Footwear Manufacturing Co. Ltd (Under liquidation)	Mr. M.A.Abeynaike (Former Director holding 20,718 shares in the company. As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Overdraft	-	USD 0.100
		Overdraft	-	1.845
		Packing Credit	USD 0.800	USD 0.800
		Term Loan	USD 0.700	USD 0.700
		Acceptance	-	USD 0.030
		Bills purchase	-	USD 0.490
		Inbills	-	USD 0.240
	Guarantee	-	2.190	

The Bank has classified the advances as non performing and suspended the recognition of interest and made a provision of Rs.108.805 Mn

Ceylon Tobacco Co. Ltd	Mr. J.D. Bandaranayake (Director holding 31, 144 shares in the company. As the share holding is not substantial, provisions under section 47 of the Banking Act are not applicable)	Overdraft	35.000	Credit balance
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34 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 31/12/2004 (Rs.'000)
Interest Earning Assets						
Money at call & short notice	2,881,093	-	-	-	-	2,881,093
Sri Lanka Treasury Bills & bonds/commercial paper	860,864	1,076,826	3,587,937	1,901,242	52,696	7,479,565
Investment Securities	-	25,000	-	-	30,460	55,460
Dealing Securities	3,424,303	-	-	-	-	3,424,303
Bills of Exchange	2,210,154	-	-	-	-	2,210,154
Loans & advances	19,178,256	9,416,816	6,654,835	2,061,284	2,518,248	39,829,439
Lease rentals receivable	179,923	594,246	860,508	312,668	1,751	1,949,096
	<u>28,734,593</u>	<u>11,112,888</u>	<u>11,103,280</u>	<u>4,275,194</u>	<u>2,603,155</u>	<u>57,829,110</u>
Non Interest Earning Assets						
Cash and short term funds	1,931,673	-	-	-	-	1,931,673
Balances with Central Bank	51,897	-	4,419,643	-	-	4,471,540
Dealing Securities	116,965	-	-	-	-	116,965
Interest and fees receivable	802,342	-	-	-	-	802,342
Investment in subsidiary company	-	-	-	-	451,878	451,878
Other Investments	-	-	-	-	221,963	221,963
Property, plant and equipment	-	-	-	-	1,183,302	1,183,302
Other Assets	474,688	-	-	-	-	474,688
	<u>3,377,565</u>	<u>-</u>	<u>4,419,643</u>	<u>-</u>	<u>1,857,143</u>	<u>9,654,351</u>
Total Assets	<u>32,112,158</u>	<u>11,112,888</u>	<u>15,522,923</u>	<u>4,275,194</u>	<u>4,460,298</u>	<u>67,483,461</u>
Interest Bearing Liabilities						
Deposits	30,812,356	11,677,796	1,778,402	450,881	2,790,766	47,510,201
Refinance borrowings	-	-	-	-	1,564,099	1,564,099
Other Liabilities evidenced by paper	-	-	-	1,500,000	695,563	2,195,563
Other borrowings	2,760,547	538,874	52,332	-	1,580	3,353,333
	<u>33,572,903</u>	<u>12,216,670</u>	<u>1,830,734</u>	<u>1,950,881</u>	<u>5,052,008</u>	<u>54,623,196</u>
Non Interest Bearing Liabilities						
Deposits	4,397,415	1,000,029	-	-	-	5,397,444
Deferred Taxation	-	-	166,661	-	-	166,661
Proposed Dividends	15,902	-	-	-	-	15,902
Other Liabilities	3,362,722	-	-	-	-	3,362,722
Shareholders' Funds	-	-	-	-	3,917,536	3,917,536
	<u>7,776,039</u>	<u>1,000,029</u>	<u>166,661</u>	<u>-</u>	<u>3,917,536</u>	<u>12,860,265</u>
Total liabilities and shareholders' funds	<u>41,348,942</u>	<u>13,216,699</u>	<u>1,997,395</u>	<u>1,950,881</u>	<u>8,969,544</u>	<u>67,483,461</u>

Notes to the Financial Statements

35 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Interest	5,203,497	4,875,850	-	-	553,871	458,438	-	-	(1,123)	(3,366)	5,756,245
Leasing	-	-	208,429	72,394	-	-	-	-	-	-	208,429	72,394
Dividends	12,085	12,432	-	-	30,800	28,600	-	-	(30,800)	(28,600)	12,085	12,432
Commissions	630,294	534,891	-	-	-	-	-	-	-	-	630,294	534,891
Exchange	617,241	288,354	-	-	-	-	-	-	-	-	617,241	288,354
Others	250,862	231,871	-	-	43,723	188,031	135,185	132,497	(94,116)	(110,358)	335,654	442,041
Total revenue from												
external customers	6,713,979	5,943,397	208,429	72,394	628,394	675,069	135,185	132,497	(126,039)	(142,324)	7,559,948	6,681,034
Inter segment revenue	(12,085)	(265,287)	-	-	12,085	265,287	-	-	-	-	-	-
Total revenue	6,701,894	5,678,110	208,429	72,394	640,479	940,357	135,185	132,497	(126,039)	(142,324)	7,559,948	6,681,034
Segment result	906,030	710,540	59,011	29,220	56,249	204,624	7,723	103,557	-	-	1,029,013	1,047,941
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	67,479	(28,746)
Profit from Operations	-	-	-	-	-	-	-	-	-	-	1,096,492	1,019,195
Income tax expenses	-	-	-	-	-	-	-	-	-	-	349,905	207,798
Minority Interest	-	-	-	-	-	-	-	-	-	-	60,379	77,346
Net profit for the year	-	-	-	-	-	-	-	-	-	-	686,208	734,051
Segment assets	65,026,145	53,417,481	2,457,316	637,005	4,507,333	6,202,990	751,228	761,907	(2,933,636)	(474,420)	69,808,386	60,544,963
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	65,026,145	53,417,481	2,457,316	637,005	4,507,333	6,202,990	751,228	761,907	(2,933,636)	(474,420)	69,808,386	60,544,963
Segment liabilities	61,477,207	50,130,102	2,088,719	541,454	4,012,026	5,756,814	65,109	83,511	(2,555,705)	(84,292)	65,087,356	56,427,590
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	61,477,207	50,130,102	2,088,719	541,454	4,012,026	5,756,814	65,109	83,511	(2,555,705)	(84,292)	65,087,356	56,427,590
Cash flows from												
Operating activities	(339,303)	1,394,647	157,200	95,500	(2,432,125)	44,031	102,338	111,133	10,746	29,402	(2,501,144)	4,332,460
Cash flows from												
Investing activities	(1,050,486)	(3,944,444)	-	-	2,364,147	(94,455)	(341)	(157)	-	-	1,313,320	(4,039,055)
Cash flows from												
Financing activities	1,583,019	1,921,024	-	-	-	-	(101,500)	(111,350)	53,420	21,396	1,534,939	1,831,070
Capital Expenditure	266,377	263,224	12,325	9,725	5,565	7,456	342	7,522	-	-	284,609	287,927

36 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.

37 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.

38 Post Balance Sheet Events

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

The Board of Directors of the Company have recommended and the Shareholders have approved a Right issue of 1 ordinary share for every 3 existing ordinary shares. The Board of Directors has also recommended a declaration of a final dividend of 5% on the increased issued capital on 22nd February 2005.

Income Statement in US\$



<i>For the year ended 31st December</i>	Bank			Group		
	2004 (US\$. '000)	2003 (US\$. '000)	Change %	2004 (US\$. '000)	2003 (US\$. '000)	Change %
Income	<u>66,474</u>	<u>62,494</u>	6.37	<u>72,275</u>	<u>69,076</u>	4.63
Interest Income	51,739	51,161	1.13	57,024	55,866	2.07
Less: Interest Expenses	<u>27,335</u>	<u>26,901</u>	1.61	<u>32,010</u>	<u>30,811</u>	3.89
Net Interest Income	24,404	24,259	0.60	25,014	25,055	(0.16)
Foreign Exchange Profit	5,901	2,981	97.93	5,901	2,981	97.93
Fee & Commission Income	6,026	5,530	8.96	6,026	5,530	8.96
Other Income	<u>2,808</u>	<u>2,822</u>	(0.47)	<u>3,324</u>	<u>4,699</u>	(29.25)
Operating Income	39,139	35,593	9.96	40,265	38,265	5.23
Less : Non Interest Expenses						
Personnel costs	8,072	8,457	(4.55)	8,190	8,576	(4.51)
Premises, equipment & establishment expenses	8,350	8,051	3.72	8,134	7,293	11.52
Provision for retirement benefits	1,243	1,220	1.90	1,243	1,223	1.69
Other overheads	<u>4,396</u>	<u>3,926</u>	11.96	<u>4,412</u>	<u>4,221</u>	4.54
	22,061	21,654	1.88	21,979	21,313	3.12
Profit before Credit losses & Diminution						
(Appreciation) in value of Investments	17,078	13,938	22.52	18,286	16,953	7.87
Less : Credit loss provisions	5,360	5,068	5.76	5,360	5,068	5.76
Diminution in value of investments	88	20	347.11	88	20	347.11
Share of profit before tax of Associate Companies	-	-	-	118	74	60.30
Operating profit before taxation, Goodwill						
& Value Added Tax	<u>11,630</u>	<u>8,850</u>	31.41	<u>12,956</u>	<u>11,938</u>	8.53
Less : Goodwill on Consolidation	-	-	-	69	75	(7.53)
Value Added Tax	<u>2,404</u>	<u>1,202</u>	100.01	<u>2,404</u>	<u>1,325</u>	81.38
Profit before taxation	9,226	7,648	20.63	10,483	10,538	(0.52)
Less : Provision for taxation	<u>3,285</u>	<u>1,846</u>	77.97	<u>3,345</u>	<u>2,148</u>	55.70
Profit after taxation	5,941	5,802	2.38	7,138	8,389	(14.92)
Less : Minority interest	-	-	-	577	800	(27.82)
Net Profit for the Year	5,941	5,802	2.38	6,560	7,589	(13.56)
Earnings per share	0.11	0.11	-	0.13	0.15	(13.56)
Dividend per share - Gross						
Interim Paid	0.01	0.02		0.01	0.02	
Final Proposed	0.00	0.01		0.00	0.01	
Dividend per share - Net						
Interim Paid	0.01	0.01		0.01	0.01	
Final Proposed	0.00	0.01		0.00	0.01	

Exchange Rate 1 US\$ was Rs: 104.60 as at 31.12.2004 (Rs: 96.72 as at 31.12.2003)

Balance Sheet in US\$

As at 31st December	Bank			Group		
	2004 (US\$. '000)	2003 (US\$. '000)	Change %	2004 (US\$. '000)	2003 (US\$. '000)	Change %
Assets						
Cash and short term funds	18,467	16,349	12.96	18,436	16,350	12.76
Balance with Central Bank of Sri Lanka	42,749	33,773	26.58	42,752	33,777	26.57
Treasury bills	2,798	2,703	3.50	2,893	2,952	(2.00)
Dealing securities	33,855	34,775	(2.64)	42,719	68,192	(37.36)
Placements and loans with banks	27,544	19,311	42.63	27,544	19,311	42.63
Investment securities	71,361	53,405	33.62	79,587	80,661	(1.33)
Securities purchase under re-sale agreement	-	17,555	(100.00)	105	18,132	(99.42)
Loans and Advances						
Bills of exchange	21,130	19,271	9.64	21,130	19,271	9.64
Loans and Advances	380,779	328,633	15.87	380,751	328,470	15.92
Lease rentals receivable within one year	6,017	2,737	119.88	6,017	2,737	119.88
Lease rentals receivable from one to five years	12,617	3,849	227.75	12,617	3,849	227.75
Investment in Associate companies	633	685	(7.53)	516	431	19.86
Investment in Subsidiary companies	3,687	3,987	(7.53)	-	-	
Interest and fees receivable	7,671	5,646	35.86	8,491	6,990	21.48
Other Assets	4,538	4,505	0.73	5,097	4,959	2.78
Goodwill on Consolidation	-	-		191	281	(32.22)
Property, plant and equipment	11,313	11,692	(3.24)	18,539	19,619	(5.51)
Total assets	645,157	558,876	15.44	667,384	625,982	6.61
Liabilities						
Deposits	505,809	434,568	16.39	481,888	434,547	10.89
Unclaimed dividends	152	58	160.76	152	58	160.76
Refinance borrowings	14,953	11,611	28.78	14,953	11,611	28.78
Other borrowings	32,059	33,115	(3.19)	31,953	32,917	(2.93)
Securities sold under repurchase agreements	-	-		37,433	58,464	(35.97)
Other liabilities	30,142	30,135	0.02	31,080	31,120	(0.13)
Current Taxation	2,006	892	124.98	2,202	1,161	89.65
Deferred Taxation	1,593	1,863	(14.48)	1,600	1,874	(14.65)
Other liabilities evidenced by paper	20,990	11,657	80.06	20,990	11,657	80.06
Total liabilities	607,705	523,899	16.00	622,250	583,412	6.66
Shareholders' funds						
Issued share capital	4,939	4,579	7.88	4,939	4,579	7.88
Reserves						
Capital reserves	1,220	1,319	(7.53)	1,422	1,538	(7.53)
Statutory reserve fund	2,241	2,102	6.60	2,328	2,102	10.72
Revenue reserve	29,052	26,976	7.70	31,923	29,505	8.20
Total shareholders' funds	37,453	34,977	7.08	40,612	37,724	7.66
Minority Interest	-	-		4,522	4,846	(6.70)
Total liabilities and shareholders' funds	645,157	558,876	15.44	667,384	625,982	6.61
Net asset value per share (US \$)	0.72	0.68	7.08	0.79	0.73	7.66
Commitments and contingencies	159,970	155,243	3.04	159,970	155,243	3.04

Exchange Rate 1 US\$ was Rs: 104.60 as at 31.12.2004 (Rs: 96.72 as at 31.12.2003)

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.

Deferred 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.

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.

Documentary Credit

A document from one banker to another, authorizing the payment of a specified sum to the person named in the document 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.

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.



Branch Network

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

Anuradhapura

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

Athurugiriya

No. 106, Borella Road, Athurugiriya
Tel/Fax : (011) 2563612
Email : athurugiriya.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

Bandaragama

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

Bandarawela

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

Battaramulla

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

Borella

No. 1022, Maradana Road, Borella, 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, 2448757 - 8, 2448291, 2448084, 2434431, 2435085, 2421866, 2541332, 2433582
Fax : (011) 2434217
Email : city.mgr@sampath.lk

Dehiwela

No. 198, Galle Road, Dehiwela
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

Galle

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

Gampaha

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

Gregory's Road

No. 106, Wijerama Mawatha, Colombo 07
Tel : (011) 2681144
Email : gregorysroad.mgr@sampath.lk

Harbourview

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

Head Quarters

No. 110, Sir James Peiris Mw, Colombo 02
Tel : (011) 2300260, 4730315, 4730305
Fax : (011) 5331485
Email : headq.mgr@sampath.lk

Homagama

No. 46, 1st Lane, Station Road, Homagama
Tel : (011) 2855975 - 6
Fax : (011) 2855985
Email : homagama.mgr@sampath.lk

Horana

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

Kadawatha

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

Kalutara

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

Kandy

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

Katugastota

No. 6-8, Gohagoda Road, Katugastota
Tel : (081) 2498932 - 4
Fax : (081) 2499123
Email : katugastota.mgr@sampath.lk

Katunayake

Arrivals Lobby, Bandaranayake International Airport, Katunayake
Tel : (011) 2253776
Fax : (011) 2253776
Email : kpo&ir_exec@sampath.lk

Kegalle

No. 142, 142A, Kandy Road, Kegalle
Tel : (035) 2230597 - 8
Fax : (035) 2230519
Email : kegalle.mgr@sampath.lk

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

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

Branch Network



Kurunegala

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

Maharagama

No. 81, High Level Road, Maharagama
Tel : (011) 2840950 - 1
Fax : (011) 2851352
Email : maharagama.mgr@sampath.lk

Mahiyangana

No. 28, 29, New Town, Mahiyangana
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 : mainst.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) 2224094
Email : matale.mgr@sampath.lk

Matara

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

Minuwangoda

No. 31/1, Negombo Road, Minuwangoda
Tel : (011) 2299131 - 2
Fax : (011) 2299133
Email : minuwangoda.mgr@sampath.lk

Moratuwa

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

Morawaka

Ranaweera Building, Akuressa -
Deniyaya Main Road, Morawaka
Tel : (041) 2282310 - 1
Fax : (041) 2282312
Email : morawaka.mgr@sampath.lk

Narahenpita

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

Nawam Mawatha

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

Negombo

No. 293, Main Street, Negombo
Tel : (031) 2224345 - 4
Fax : (031) 2224347
Email : negambo.mgr@sampath.lk

Neluwa

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

Nittambuwa

No. 498, Kandy Road, Nittambuwa
Tel : (033) 2295905 - 6
Fax : (033) 2295907
Email : nittambuwa.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

Pelawatta

No. 424, Pannipitiya Road, Thalagama South,
Pelawatta, Battaramulla
Tel : (011) 2787209
Email : pelawatte.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, Bodhiraja Mw, Colombo 11
Tel : (011) 2432324, 2432262, 2432281,
2432309
Fax : (011) 2432303
Email : pettah.mgr@sampath.lk

Piliyandala

No. 61, Moratuwa 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

Thimbrigasyaya

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

Tissamaharama

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

Trincomalee

No. 262, Central Road, Trincomalee
Tel : (026) 2225387, 2225388
Fax : (026) 2225389
Email : trinco.mgr@sampath.lk

Unichella

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

Vavuniya

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

Wariyapola

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

Wattala

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

Wellampitiya

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

Wellawatta

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

Wennappuwa

No. 56/4, Main Street, Wennappuwa
Tel : (031) 2256925, 2256927
Fax : (031) 222256926
Email : wennappuwa.mgr@sampath.lk

Yakkala

No. 88, Kandy Road, Yakkala
Tel : (033) 2232670
Fax : (033) 2232670
Email : yakkala.mgr@sampath.lk

Global Presence

Country	Correspondent Banks	Country	Correspondent Banks
	Australia Australia & Newzealand Banking Group Ltd HSBC Bank Australia Ltd National Australia Bank Ltd		Germany Bayerische Hypo -Und Vereinsbank AG Commerzbank AG Deutsche Bank AG Dresdner Bank AG
	Austria Bank Austria Creditanstalt AG Raiffeisen Zentralbank Oesterreich AG		Greece National Bank of Greece SA
	Bahrain HSBC Bank Middle East		Hong Kong Citibank NA Deutsche Bank AG Hong Kong and Shanghai Banking Corporation Ltd Standard Chartered Bank (Hong Kong) Ltd UBAF (Hong Kong) Ltd Wachovia Bank NA
	Bangladesh Agrani Bank Dhaka Bank Limited Standard Chartered Bank		Hungary Central-European International Bank Ltd Commerzbank (Budapest) RT
	Belgium ING Belgium NV/SA KBC Bank NV		India Bank of Ceylon Citibank NA Deutsche Bank AG ICICI Bank Ltd Standard Chartered Bank State Bank of India
	Brazil Deutsche Bank SA		Indonesia Bank Mandiri Persero PT Citibank NA Deutsche Bank AG Hong Kong and Shanghai Banking Corporation Ltd Standard Chartered Bank
	Bulgaria Bulbank AD		Iran Bank Saderat Iran
	Canada Bank of Montreal Bank of Nova Scotia HSBC Bank Canada Royal Bank of Canada		Ireland Bank of Ireland
	Chile Banco del Estado de Chile Citibank NA		Israel Bank Leumi le - Israel BM
	China Bank of China Citibank NA Commerzbank AG Deutsche Bank Hong Kong and Shanghai Banking Corporation Ltd Standard Chartered Bank		Italy Banca di Roma SpA Banca Intesa SpA Banca Nazionale del Lavoro SpA Unicredito Italiano SpA
	Cyprus Societe Generale Cyprus Ltd		Japan Bank of Tokyo Mitsubishi Ltd Citibank NA Commerzbank AG Deutsche Bank AG Hong Kong and Shanghai Banking Corporation Ltd Standard Chartered Bank Sumitomo Mitsui Banking Corporation UFJ Bank Limited Wachovia Bank NA
	Czech Republic Dresdner Bank CZ AS		Jordan HSBC Bank Middle East Standard Chartered Bank
	Denmark Danske Bank AS DNB Nor Bank ASA		
	Egypt Mashreq Bank		
	Finland Nordea Bank Finland PLC		
	France BNP Paribas SA HSBC Bank PLC Union de Banques Arabes et Francaises (UBAF)		



Country	Correspondent Banks	Country	Correspondent Banks
	Kuwait National Bank of Kuwait		Singapore Citibank NA DBS Bank Ltd Deutsche Bank AG Oversea Chinese Banking Corporation Ltd Standard Chartered Bank Union De Banques Arabes Et Francaises (UBAF) United Overseas Bank Limited
	Malaysia Deutsche Bank (Malaysia) Berhad HSBC Bank Malaysia Berhad Standard Chartered Bank Malaysia Berhad		South Africa ABSA Bank Ltd Firstrand Bank Ltd State Bank of India
	Maldives Bank of Ceylon Bank of Maldives PLC		South Korea Deutsche Bank AG Union de Banques Arabes et Francaises (UBAF) Wachovia Bank NA
	Nepal Standard Chartered Bank Nepal Ltd		Spain Banco Bilbao Vizcaya Argentaria SA Banco Santander Central Hispano SA
	Netherlands Commerzbank (Nederland) NV ING Bank NV		Sweden Skandina Viska Enskilda Banken Svenska Handelsbanken
	Newzealand ANZ National Bank Ltd Bank of Newzealand Citibank NA Hong Kong and Shanghai Banking Corporation Ltd National Nominees Ltd		Switzerland Credit Suisse UBS AG
	Norway DNB Nor Bank Asa Handelsbanken Skandina Viska Enskilda Banken		Taiwan Citibank NA Deutsche Bank AG Standard Chartered Bank Wachovia Bank NA
	Oman HSBC Bank Middle East		Thailand Citi Bank NA Kasikorn Bank PLC Standard Chartered Bank
	Pakistan Mashreq Bank Standard Chartered Bank		Turkey HSBC Bank AS Turk Ekonomi Bankasi AS
	Philippines Citibank NA Deutsche Bank AG Hong Kong and Shanghai Banking Corporation Ltd		United Arab Emirates HSBC Bank Middle East Mashreq Bank Standard Chartered Bank
	Poland Bank Handlowy W Warszawie SA		United Kingdom Bank of Ceylon Barclays Bank PLC Citibank NA HSBC Bank PLC Lloyds TSB Bank PLC Royal Bank of Canada Standard Chartered Bank
	Portugal Banco Santander Portugal SA		United States of America American Express Bank Ltd Bank of America NA Citibank NA Deutsche Bank AG Deutsche Bank Trust Co Americas HSBC Bank USA NA JP Morgan Chase Bank Wachovia Bank NA
	Qatar HSBC Bank Middle East		
	Romania Romanian Commercial Bank		
	Saudi Arabia National Commercial Bank Saudi British Bank		



Notice of Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of Sampath Bank Limited will be held at Committee room "B" of the Bandaranaike Memorial International Conference Hall, Baudhaloka Mawatha, Colombo 07 on Wednesday the 30th March 2005 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 2004 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 2004.
3. To re-elect Mr. E.A. Gunasekera 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. D.J. Gunaratne 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 Dr. S. Kelegama 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 or any valid source of identification. (eg. Driving license, Passport)

By order of the board.

S. Sudarshan
Company Secretary

22nd February 2005

Form of Proxy



Nineteenth Annual General Meeting

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

I/We,of

.....
being a member/members of Sampath Bank Limited hereby appoint Mr. Edgar Gunatunge of No. 3, Keppetipola Mawatha, Colombo 5, failing him Mr. Indulakshin Wickremasinghe Senanayake of No. 18/1, Alfred Place, Colombo 3, failing him Mr. Mohan Asoka Abeynaike of No. 2A, De Fonseka Road, Colombo 5, failing him Mr. Sunil Gamini Wijesinha of No. 146/8, Havelock Road, Colombo 5, failing him Mr. Denzil Jayalath Gunaratne of No. 410/8, Bauddhaloka Mawatha, Colombo 7, failing him Dr Saman Kelegama of No. 99, St. Michael's Road, Colombo 3, failing him Mr. Lakshman Jayaraj Kumar Hettiaratchi of No. 28/3, De Fonseka 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 Nineteenth Annual General Meeting of the Company to be held on 30th March 2005 and at any adjournment thereof.

	FOR	AGAINST
1. To receive the Audited Financial Statements and the Directors' Report for the year ended 31st December 2004.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare the recommended 5% Dividend as the Second and final Dividend for 2004.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. E.A. Gunasekera who retires at the AGM 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. D.J. Gunaratne who retires at the AGM as a Director under Article 87 of the Articles of Association, of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Dr. S. Kelegama who retires at the AGM 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 2005.

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