

# PROSPECTUS

SAMPATH BANK DEBENTURE ISSUE

## 2012





# SAMPATH BANK PLC

# PROSPECTUS

ISSUE OF 15,000,000 UNSECURED SUBORDINATED  
REDEEMABLE DEBENTURES – 2012/2017 OF RS. 100/- EACH

(WITH AN OPTION TO ISSUE UPTO A FURTHER 10,000,000 DEBENTURES  
IN THE EVENT THE INITIAL  
15,000,000 DEBENTURES ARE OVERSUBSCRIBED)

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE  
**(MAIN BOARD LISTING)**

ISSUE OPENS ON 4th October 2012

“THE COLOMBO STOCK EXCHANGE (CSE) HAS TAKEN REASONABLE CARE TO ENSURE FULL AND FAIR DISCLOSURE OF INFORMATION IN THE PROSPECTUS. HOWEVER, THE CSE ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OF THE STATEMENTS MADE, OPINIONS EXPRESSED OR REPORTS INCLUDED IN THE PROSPECTUS. MOREOVER, THE CSE DOES NOT REGULATE THE PRICING OF DEBENTURES WHICH IS DECIDED SOLELY BY THE ISSUER.”

# CORPORATE INFORMATION

## Name of Company

Sampath Bank PLC

## Legal Form

A Public Limited Liability Company incorporated in Sri Lanka on 10th March 1986 under the Companies Act No.17 of 1982 and listed on the Colombo Stock Exchange on 10th June 1987. A licensed Commercial Bank under the Banking Act No.30 of 1988. Re-registered on 28th April 2008 under the Companies Act No.7 of 2007.

## Registration Number

PQ 144

## Head Office & Registered Office

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## Lawyers

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## Company Secretary

S Sudarshan

ACIS(UK), MBA (Lincoln-UK)

Sampath Bank PLC

110, Sir James Peiris Mawatha, Colombo 02

## Auditors & Reporting Accountants

Ernst & Young

Chartered Accountants

201, De Saram Place, Colombo 10

## Trustees to the Issue

Deutsche Bank AG Colombo Branch

86, Galle Road, Colombo 03

## Bankers to the Issue

Sampath Bank PLC

Head Quarters Branch

110, Sir James Peiris Mawatha, Colombo 02

## KEY FEATURES AT A GLANCE

Nature of the Instrument	: Unsecured Subordinated Redeemable Debentures (2012/2017)
Rating	: These Debentures have been given an instrument rating A+ by Fitch Rating Lanka Limited
Listing	: These Debentures will be listed on the Main Board of the Colombo Stock Exchange.
Number of Debentures to be Issued	: 15,000,000 (Fifteen Million) Debentures with an option to issue up to a further 10,000,000 (Ten Million) Debentures in the event the issue is oversubscribed.
Issue price per Debenture	: Rs.100/- (Rupees One Hundred)
Amount to be raised	: Rs.1,500,000,000/- (Rupees One Billion Five Hundred Million ) with an option to raise up to a further Rs.1,000,000,000/- (Rupees One Billion) in the event the issue is oversubscribed.
Tenure of the Debenture	: 5 Years
Opening of Subscription List (Opening date)	: 4th October 2012 (however applications may be submitted forthwith)
Closure of Subscription List :	On the date the issue is oversubscribed or 23rd October 2012 (Closing date) whichever is earlier.
Types of Debentures/ Interest Rates/Dates of Payment of Interest	: At the discretion of the investor  Type A – A fixed rate of Fifteen per centum (15.00%) per annum on the par value, payable monthly with an Annual Effective Rate of 16.08% commencing from the expiry of one (01) month from the date of allotment of the Debentures, payable monthly within 3 market days from the end of each month.  Type B – A fixed rate of Sixteen point Five per centum (16.50%) per annum on the par value payable annually with an Annual Effective Rate of 16.50% commencing at the expiry of every one (01) year period from the date of allotment of Debentures payable within 3 market days from the end of each year.  Type C – Floating Interest Rate equivalent to the six months Gross Treasury Bill rate as published by the Central Bank of Sri Lanka immediately prior to the commencement of each interest period plus Two per centum (2.0%) payable semi-annually within 3 market days from the end of every six (06) months, from the date of allotment until the date of redemption. (Present gross at 14.58% + 2.00% = 16.58%)
Method of payment of Principal/Interest	: Principal amount will be paid by cheque only while interest will be paid by cheque or SLIPS
Basis of Allotment	: In the event of over subscription, the basis of allotment will be decided within 07 market days from the date of closure of the issue.
Minimum Subscription	: Rs.10,000/- (i.e. 100 Debentures) of any type of debenture instrument. [Applications exceeding the minimum subscription should be in multiples of Rs.5,000/- (i.e. in multiples of 50 Debentures)]
Maturity date	: On completion of 05 years from the date of allotment

# ABBREVIATIONS

SAMPATH BANK/BANK/SB THE COMPANY	- Sampath Bank PLC
CSE	- Colombo Stock Exchange
CDS	- Central Depository Systems (Pvt) Limited
SEC	- Securities & Exchange Commission
MARKET DAY	- Any day on which the CSE is open for trading
DEBENTURES	- <u>Fixed Rate</u> Unsecured Subordinated Redeemable Debentures 2012/2017 at a coupon rate of 15.00% per annum payable monthly and 16.50% per annum payable annually.  <u>Floating Rate</u> Floating Interest Rate equivalent to the six months Gross Treasury Bill rate as published by the Central Bank of Sri Lanka immediately prior to the commencement of each interest period plus Two per centum (2.0%) payable semi-annually from the date of allotment until the expiry of five years.
SUBORDINATED	- Subordinate in relation to Debentures means that the claims of the Debenture Holders shall in the event of winding up of the Bank rank after all the claims of the secured and unsecured creditors of the Bank and the preferential claims under the Section 365 of the Companies Act No. 7 of 2007 but in priority to and over the claims and the rights of the shareholders of the Bank.
UNSECURED	- These Debentures are not secured by any specific asset and will rank subordinate to the interest of any secured creditors of the Bank.
POA	- Power of Attorney

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# CHAPTER I

## 1. PRINCIPLE FEATURES OF THE UNSECURED SUBORDINATED REDEEMABLE DEBENTURES - 2012/2017

### 1.01 INVITATION TO SUBSCRIBE

Pursuant to a Meeting of the Board of Directors of Sampath Bank PLC (hereinafter called the Bank or SB) held on 13th March 2012 to borrow from the public by an issue of Unsecured Subordinated Redeemable Debentures 2012/2017 this Prospectus invites the Public to make applications to purchase Fifteen Million (15,000,000) Unsecured Subordinated Redeemable Debentures 2012/2017 at a par value of Rs.100/- each payable in full as outlined in this Prospectus with an option to issue up to a further Ten Million Debentures (10,000,000) in the event of an over subscription). The Bank invites applications for three kinds of debentures, which shall rank equal and pari passu to each other, except the interest coupon offered and the frequency at which the interest is paid. The descriptions of the debenture instruments are as follows:

- Type A – A fixed rate of Fifteen per centum (15.00%) per annum on the par value, payable monthly with an Annual Effective Rate of 16.08% commencing from the expiry of one (01) month from the date of allotment of the Debentures.
- Type B – A fixed rate of Sixteen point Five per centum (16.50%) per annum on the par value payable annually with an Annual Effective Rate of 16.50% commencing at the expiry of every one (01) year period from the date of allotment of Debentures.
- Type C – Floating Interest Rate equivalent to the six months Gross Treasury Bill rate as published by the Central Bank of Sri Lanka immediately prior to the commencement of each interest period plus Two per centum (2.0%) payable semi-annually from the date of allotment until the date of redemption (present gross at 14.58% + 2.00% = 16.58%).

The issue value shall be Rs.1.5 Billion and with an option to raise a further Rs.1.0 Billion the cumulative issue value becomes Rupees Two Billion Five Hundred Million (Rs.2,500,000,000/-). Subject to this limit, the public could subscribe for any number (subject to the minimum subscription) of Debentures (any one type or all three types) mentioned above. Once the application has been submitted for a particular debenture type with a particular interest rate, it is not possible for investors to alter their preference for Debentures with other interest options.

This issue of 15,000,000 Unsecured Subordinated Redeemable Debentures 2012/2017 and in the event of an over subscription a further amount of Debentures to be issued not exceeding a further 10,000,000, shall rank pari passu, inter se without any preference or priority of one over the other or others except the interest coupon offered and the frequency at which the interest is paid.

'Subordinate' in relation to the Debentures means that the claims of the Debenture holders shall in the event of a winding up of the Bank rank after all the claims of the Secured and Unsecured Creditors of the Bank and the preferential claims under section 365 of the Companies Act No.7 of 2007, but in priority to and over the claims and rights of the shareholders of the Bank.

### 1.02 SUBSCRIPTION LIST

The subscription list for the Unsecured Subordinated Redeemable Debentures 2012/2017 will open at 09:00 hrs on 4th October 2012 and shall remain open for 14 market days until closure at 16:30 hrs. on 23rd October 2012. In the event of an over subscription, prior to the date scheduled as the closing date of the period for subscription Sampath Bank PLC shall inform the Exchange in writing immediately of such fact and the subscription list shall be closed on the same day at 16.30 hrs with the notification to the Exchange.

The Directors on providing one day's notice to the market have the discretion of closing the Subscription List on any market day within the said period of 14 market days, irrespective of the number of debentures subscribed to under this invitation.

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Applications may however be made forthwith, and accordingly duly completed application forms will be accepted in the manner set out in paragraph 1.18 by any Sampath Bank Branch (the list of branches are given in Annex II) from 25th September 2012 or any member firm of the CSE as set out in paragraph 1.17 of this Prospectus.

### 1.03 PROSPECTUS

This Prospectus is dated 25th September 2012.

The Debentures are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, sales person or any other person has been authorised to give any information or to make any representation in connection with the Unsecured Subordinated Redeemable Debenture Issue other than the information and representations contained in this Prospectus and if given or made such information or representations, they must not be relied upon as having been authorised by Sampath Bank PLC.

### 1.04 OBJECTIVES OF THE ISSUE

1. To expand and strengthen the Capital Base of the Bank in keeping with the Bank's expansion and to maintain the Capital Adequacy requirements as stipulated by CBSL.  
The proposed issue will reinforce the Banks Tier II Capital and facilitate future expansion of operations and the Asset Base.
2. To mobilize/raise medium term funds to match the medium to long-term lending of the Bank and to minimize the mismatch in funding exposure.
3. To minimize the interest rate risk and the gap exposure in the Bank's Assets/Liabilities portfolio.
4. To provide the members of the public with an opportunity to participate in "Rated" Unsecured, Subordinated Redeemable Debentures earning a regular income over the next five years at a fixed rate, in the case of fixed rate Debentures and at a floating rate, in the case of floating rate Debentures.

### 1.05 INTEREST

The Debentures consist of three types of instruments for the investors to choose from and they rank equal and pari passu to each other, except the interest coupon offered and the frequency at which the interest is paid i.e. at the discretion of the investor,

Type A – A fixed rate of Fifteen per centum (15.00%) per annum on the par value, payable monthly with an Annual Effective Rate of 16.08% commencing from the expiry of one (01) month from the date of allotment of the Debentures payable monthly within 3 market days from the end of each month.

Type B – A fixed rate of Sixteen point Five per centum (16.50%) per annum on the par value payable annually with an Annual Effective Rate of 16.50% commencing at the expiry of every one (01) year period from the date of allotment of Debentures payable within 3 market days from the end of each year.

Type C – Floating Interest Rate equivalent to the six months Gross Treasury Bill rate as published by the Central Bank of Sri Lanka immediately prior to the commencement of each interest period plus Two per centum (2.0%) payable semi-annually from the date of allotment until the date of redemption (present gross at 14.58% + 2.00% = 16.58) will be payable semi-annually within 3 market days from the end of every six (06) months.

Redemption will be on or before 4th November 2017 (on the basis that the allotment will be made on or before 5th November 2012).

The interest payments in respect of the three types of debentures will be made as follows:

- **On Type A Debentures** interest will be payable monthly within three market days from the end of each month. The first interest payment being made from the date of allotment until the last date of that particular month. The final interest payment will be made with the repayment of the principal sum on the Date of Redemption. The interest calculation will be based upon the actual number of days in each month
- **On Type B Debentures** interest will be paid annually within three market days from the 31st December of each year. The payment of interest due on account of the period commencing from the date of allotment until the 31st December 2012 will be made within three market days from 31st December 2012. The final interest payment will be made with the repayment of the principal sum on the Date of Redemption. The interest calculation will be based upon the actual number of days in each year.
- **On Type C Debentures** interest will be payable semi annually within three market days from the end of every six (06) months. The first interest payment being made on 31st of December 2012, being the interest due on account of the period commencing from the date of allotment until the 31st December 2012. The final interest payment will be made with the repayment of the principal sum on the Date of Redemption.

In order to be compatible with the DEX system the day count for the interest calculation will be on an "Actual/Actual" basis based upon the actual number of days in each month/year/six months as applicable for each type of Debenture.

The monthly interest payment will be payable on the last day of each month while the annual interest payment will be made 31st of December each year. The interest payment for the floating category will be payable on June 30th, and December 31st of each year.

Interest payable on all debentures will be paid within three (3) market days from the end of each period.

## **1.06 PAYMENT OF PRINCIPAL AND INTEREST**

### **1.06.1 Payment by Cheque**

Payment of principal and interest will be made in Sri Lankan Rupees to the Debenture holders registered as at the date of payment (in the case of Joint Debenture holders to the one whose name stands first in the register of Debenture holders) to the address registered with the Central Depository Systems (Private) Limited through the post at the risk of the Debenture holder, by crossed cheques marked "Account Payee only".

Interest payable on all debentures will be paid within three (3) market days from the end of each period.

### **1.06.2 Payment through Sri Lanka Interbank Payment System (SLIPS)**

SLIPS is a fund transfer system used to carry out interbank payments. The Sri Lanka Automated Clearing House (SLACH) now known as "Lanka Clear" which comes under the purview of the Central Bank, routes transactions from the originating bank to the receiving bank, whereby credit can be given on the value date.

Interest payments over Rs.5 Mn will be made through cheques only.

Interest payable on all debentures will be paid within three (3) market days from the end of each period.

Payment of principal amount at maturity will be made by cheque only.

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### 1.06.3 Withholding Tax

As per current tax legislation in Sri Lanka, interest payments on Debentures is subject to a 10% withholding tax deducted at source and is a final tax in the hands of individuals. Any statutory taxes and dues brought in subsequently will be deducted.

In the case of corporates and other persons other than individuals a credit for the tax withheld would be available on furnishing of the withholding tax certificate.

### 1.06.4 Debt Trading System (DEX)

In order to accommodate the debenture interest cycles in the Debt Trading System (DEX) the payment of interest shall not include debenture holders holding debentures in the DEX as at the last day of the payment cycle (monthly, annually and semi annually), but one day prior to the payment date (entitlement date). If the entitlement date is a holiday, interest shall be calculated including the entitlement date.

## 1.07 REDEMPTION

The Bank shall redeem the said Debentures only on the expiry of five years from the date of allotment which date will be on or before 4th November 2017 on the basis that the allotment will be made on or before 5th November 2012.

These Debentures shall not be redeemed by the Bank prior to maturity for any reason whatsoever except, due to unforeseen circumstances beyond the control of the Bank. If redemption is to be done before maturity, it will be done subject to the prior written approval from the Director-Bank Supervision of the Central Bank of Sri Lanka and the approval of 3/4ths of the Debenture Holders in nominal value of the Debentures outstanding when the principal sum is repaid before maturity.

## 1.08 TRUSTEES TO THE ISSUE

Deutsche Bank AG, Colombo Branch has agreed in writing to act as the Trustee to the Debenture holders and has issued a consent letter to this effect. The Bank has entered into an agreement with the Trustee hereinafter called the 'Trust Deed'. Debenture holders in their application for subscription will be required irrevocably to authorize the Trustee, subject to overriding clauses in the Trust Deed, to act as their agents in entering into such deeds, writings, instruments, with the Bank and to act as agents and Trustees for the Debenture holders.

The Debentures shall be subject to the terms and conditions and confer such rights as are incorporated in the said Trust Deed set out in Annex I.

## 1.09 RIGHTS OF DEBENTURE HOLDERS

- (a) Debenture holders are entitled to the following rights:
- Receiving principal at maturity and Monthly, Annual & Floating Semi Annual interest at rates set out in Section 1.05 of this Prospectus.
  - Ranking above the ordinary voting and non-voting shareholders and Preference Shareholders in the event of liquidation.
  - Attending meetings of Debenture holders convened by the Trustees
- (b) Debenture holders are not entitled to the following rights:
- Attending and voting at meetings of holders of Shares and other types of Debentures.
  - Sharing in the profits of the Company.
  - Participating in any surplus in the event of liquidation.

In the event of the bank winding up, the claims of the Debenture holders will rank after all the claims of the Secured & Unsecured creditors of the Bank and the preferential claims under section 365 of the Companies Act No.07 of 2007, but in priority to and over the claims & rights of the Shareholders of the Bank.

### **1.10 BENEFITS TO INVESTORS IN SUBSCRIBING FOR DEBENTURES**

The Debenture issue gives the investors an opportunity to participate in “Rated” Unsecured, Subordinated Redeemable Debentures earning regular income over the next five years at a fixed rate, in the case of fixed rate Debentures and at a floating rate, in the case of floating rated Debentures.

### **1.11 TRANSFER OF DEBENTURES**

- (a) These Debentures shall be freely transferable and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable through the CDS as long as the Debentures are listed in the CSE. Subject to the provisions contained herein the Issuer may register without assuming any liability any transfer of debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- (c) In the case of death of a Debenture holder
  - \* The survivor where the deceased was a joint holder; and
  - \* The executors or administrators of the deceased or where the administration of the Estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture holder was the sole or only surviving holder; shall be the only persons recognized by the Issuer as having any title to his/her debentures.
- (d) Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture holder, upon producing proper evidence that he/she sustains the character in respect of which he/she proposes to act or his/her title as the Board of Directors of the Issuer thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture holder in respect of such Debentures subject to the applicable laws rules and regulations of the Issuer, CDS, CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognized by the Issuer.

### **1.12 RISKS TO INVESTORS IN SUBSCRIBING FOR DEBENTURES**

Unsecured Subordinated Redeemable Debentures 2012/2017 do not carry a charge on a specific asset of the Bank and are redeemable at the expiry of a specified period. Redemption in relation to this issue will be 5 years from the date of allotment.

The Debenture holders will not be entitled to any of the rights and privileges available to the Shareholders of the Company including right to receive Notices of General Meetings, Annual Report or to attend and vote at General Meetings of the Members of the Company. However, the Debenture holders rights in respect of calling and attending Meetings of Debenture holders are stated in Annex I.

Debenture holders are entitled to receive Audited Accounts of the company within a period not exceeding five (05) months from the close of each financial year. The Audited accounts will be sent in CD form, unless a specific request for a hard copy is received by the company.

Subscribers to Debentures may be exposed to the following risks. These risks are general risks associated with all unsecured subordinated securities, and are not inherent only to the Sampath Bank Debentures.

#### **(i) Interest Rate Risk**

The price of a typical Debenture moves inversely with changes in the market interest rates. If market interest rates rise, the price of the Debentures may fall; and if market interest rates fall the price of Debentures may rise. (all other factors being equal) However interest rate risk is of importance only if an investor sells the Debenture

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prior to maturity. If an investor sells a Debenture prior to maturity when the market interest rate is higher than the Debenture interest rate, then the investor may incur a capital loss. Similarly if an investor sells a Debenture prior to maturity when market interest rate is lower than the Debenture interest rate then the investor may obtain a capital gain. The risk of potential capital losses due to future increases in interest rates is known as Interest Rate Risk.

### (ii) Re-investment Risk

An interest bearing Debenture pays a periodic interest to the investor. The Sampath Bank Debentures have interest payment options of monthly, semi-annual or on annual basis at the investors' choice. Assuming the investor decides to re-invest these interest payments and earn interest on the interest income, the Debenture Holder may be able to re-invest the monthly, semi-annual or annual interest earned at a higher or lower interest rate than the yield of the Debenture, depending on prevailing Market Interest Rates. This uncertainty that, the interest rate at which the interest payments of the Debenture can be reinvested will fall, is known as re-investment Risk.

### (iii) Call Risk

Call risk refers to the risk that the issuer will retire all or a part of the principal value of the Debentures before maturity. The risk to investor is in that, the timing of the call is not known and the investor will be faced with a re-investment risk in the event the call is made at a time when the market interest rates have declined.

Sampath Bank Debentures do not have a call risk except in the circumstances stated below.

These Debentures shall not be redeemed by the Bank prior to maturity for any reason whatsoever except due to unforeseen circumstances beyond the control of the Bank. If redemption is to be done before maturity, it will be done subject to the prior written approval from the Director-Bank Supervision of the Central Bank of Sri Lanka and the approval of 3/4ths of the Debenture Holders in nominal value of the Debentures outstanding when the principal sum is repaid before maturity.

### (iv) Default Risk

Default Risk also referred to as credit risk, refers to the risk that the issuer of a Debenture may not be able to pay interest and principal payments as promised on a timely basis.

Prospective investors of the Bank's Debentures are advised to take into account the Bank's past earnings and asset growth performance, the present financial strength as reflected in the Balance Sheet of the Bank, the rating awarded to the Bank and its debentures by Fitch Ratings Lanka Ltd, and the fact that the Banks policies are decided by a highly experienced Board of Directors and implemented and managed by a professional team of Senior Management, when forming an opinion on Default Risk. The rights of the Debenture Holders would be subordinated to the interest of other creditors

### (v) Liquidity Risk

Liquidity Risk refers to the ease with which the Debentures can be sold in the secondary market after the initial placement. Since the Sampath Bank Debentures are listed on the CSE, investors will be able to sell the Debentures through CSE in order to convert them to liquidity and to exit from the investment.

### (vi) Inflation Risk

The possibility of a decline in the real value of cash flows of a Debenture, due to increase in inflation is referred to as inflation risk. Since the coupon rate of a fixed rate Debenture is not adjusted upwards in line with the inflation, Debentures carry an inflation risk. The Interest rate of a floating rate Debenture is periodically adjusted on the basis of a selected benchmark interest rate (The 6 month Treasury Bill Rate in the case of SBL floating rate Debentures) and to the extent the benchmark rate properly reflects inflation, floating rate debentures have less inflation risk.

### (vii) Duration Risk

Duration risk is a measure of the price sensitivity of fixed income investments to a change in interest rates. Calculation is based on the price sensitivity of a fixed income security to a prevailing market interest rate change of 100 basis points. Duration is expressed as a number of years to repay the price from the different cash flows

incurred during the period of the Debenture to its maturity. The duration indicator addresses the risk of interest rate fluctuations. The higher the duration, the greater the price volatility or duration risk, while the lower duration carries a lower risk.

Coupon/Yield %			Duration(Years)		
Monthly	Annually	Floating	Monthly	Annually	Floating 6 Months Gross TB +2.0% *
15.0%	16.5%	16.52%*	3.451	3.231	8.26

\* based on Treasury Bill Auction held on 28.08.2012

### 1.13 CALL OPTION

Repayment before maturity of the principal sum on Debenture or any part thereof due to any circumstance shall be subject to the prior written approval of the Director Bank Supervision of the Central Bank of Sri Lanka and the approval of 3/4th of the Debenture Holders in nominal value of the Debentures outstanding when the principal sum is repaid before maturity.

### 1.14 REGISTRATION

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of Section 40 of the Companies Act No.7 of 2007. The following are the documents attached to the copy of the prospectus delivered for registration:

- The written consent of the Bankers to the issue.
- The written consent of the Lawyers to the issue, M/s Nithya Partners.
- The written consent of the Reporting Accountants to the issue, Messrs Ernst & Young Chartered Accountants
- A declaration by each of the Directors of the Bank confirming that each of them have read the provisions of the Companies Act relating to the issue of the Prospectus and that those provisions have been complied with.

1.14(1) In terms of Section 39 (1) of the Companies Act No.7 of 2007 the Bankers to the Issue had given and had not before the delivery of a copy of this Prospectus for registration with the Registrar of Companies, withdrawn their written consent to the inclusion in the Prospectus of their names as Bankers to the Issue.

1.14(2) In terms of Section 39 (2) of the Companies Act No.7 of 2007 the Lawyers to the Company had given and had not before the delivery of a copy of this Prospectus for registration with the Registrar of Companies, withdrawn their written consent to the inclusion in the Prospectus of their names as Lawyers to the Company.

1.14(3) In terms of Section 39 (3) of the Companies Act No.7 of 2007 the Auditors to the Company had given and had not before delivery of a copy of this Prospectus for registration with the Registrar of Companies, withdrawn their written consent to the inclusion in the Prospectus of their names as Auditors to the Company, and the inclusion of their report in the form and context in which it is included.

This Prospectus has not been registered with any authority outside Sri Lanka.

### 1.15 RATING FOR THE DEBENTURE

These debentures of the Bank have been given A+ rating by Fitch Rating Lanka Ltd. A copy of the Rating Certificate is given in Annex III of the Prospectus.

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### 1.16 LISTING

Application has been made to CSE for permission to deal in and obtain a quotation on the Main Board for these Unsecured Subordinated Redeemable Debentures at a par value of Rs.100/- each, all of which are offered to the public by way of this Debenture issue. The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of Sampath Bank or of the debentures issued.

### 1.17 PROSPECTUS AND APPLICATION FORMS

Copies of the Prospectus and Application forms may be obtained free of charge from the Banks branches listed in Annex II. The prospectus and Application Forms may also be downloaded from [www.cse.lk](http://www.cse.lk) and [www.sampath.lk](http://www.sampath.lk) and from the following collection points:

#### Head Office of Sampath Bank PLC

No. 110 Sir James Peiris Mawatha  
Colombo 02 and  
All Sampath Bank branches as per Annex II.

#### Managers & Registrars to the Issue

S S P Corporate Services (Private) Limited  
101, Inner Flower Road, Colombo 3  
Tel: 2573894/2576871 Fax : 2573609

#### 1.17.1 Members of the CSE

##### Acuity Stockbrokers (Private) Limited

Level 6, Acuity House  
53, Dharmapala Mawatha  
Colombo 03  
Tel : 011 2206206  
Fax : 011 2206298-9  
Email : sales@acuitystockbrokers.com

Kandy Branch Tel : 081 2205609

##### Asha Phillip Securities Ltd

10, Prince Alfred Towers,  
2nd Floor, Alfred House Gardens,  
Colombo 03  
Tel : 011 2429100  
Fax : 011 2429199  
Email : apsl@ashaphillip.net

Ambalantota Branch Tel : 047 2225170  
Jaffna Branch Tel : 021 2221614  
Kandy Branch Tel : 081 4474118  
Kurunegala Branch Tel : 037 4691844  
Matara Branch Tel : 041 2223240  
Negombo Branch Tel : 031 2227474  
Panadura Branch Tel : 038 2234780

##### Asia Securities (Private) Limited

Level 21, West Tower  
World Trade Centre  
Echelon Square  
Colombo 01  
Tel : 011 2423905, 011 5320000  
Fax : 011 2336018  
Email : enquiry@asiacapital.lk

Kurunegala Branch Tel : 037 5642717

##### Assetline Securities (Private) Limited

282, Kaduwela Road  
Battaramulla  
Tel : 011 4700111, 011 2307366  
Fax : 011 4700112  
Email : dpgsl@sltnet.lk

Kandy Branch Tel : 081 4481638-9  
Kurunegala Branch Tel : 037 4690384  
Matara Branch Tel : 041 4390766-7

**Bartleet Religare Securities (Private) Limited**

Level "G", "Bartleet House"  
65, Braybrooke Place  
Colombo 02  
Tel : 011 5220200  
Fax : 011 2434985  
Email : info@bartleetstock.com

Polonnaruwa Branch Tel : 027 2222548  
Jaffna Branch Tel : 021 2221800  
Kandy Branch Tel : 081 5622779  
Matara Branch Tel : 041 5410005-6  
Negombo Branch Tel : 031 5677838

**CT Smith Stockbrokers (Private) Limited**

4-14, Majestic City  
10, Station Road, Colombo 4  
Tel : 011 2552290-4  
Fax : 011 2552289  
Email : ctssales@sltnet.lk

**J B Securities (Private) Limited**

150, St. Joseph Street,  
Colombo 14  
Tel : 011 2490900, 077-2490900-1  
Fax : 011 2430070  
Email : jbs@jb.lk

**Lanka Securities (Private) Limited**

228/2, Galle Road  
Colombo 04  
Tel : 011 4706757, 011 2554942  
Fax : 011 4706767  
Email : lankasec@sltnet.lk

Jaffna Branch Tel : 021 4590460  
Kandy Branch Tel : 081 4939206  
Kurunegala Branch Tel : 037 4934067  
Negombo Branch Tel : 031 4929671

**Capital TRUST Securities (Private) Limited**

42, Sir Mohamed Macan Markar Mawatha  
Colombo 03  
Tel : 011 5335225  
Fax : 011 5365725  
Email : inquiries@capitaltrust.lk

Jaffna Branch Tel : 021 5677001  
Kandy Branch Tel : 081 5626839  
Kurunegala Branch Tel : 037 5671403  
Matara Branch Tel : 041 5623200  
Negombo Branch Tel : 031 5675291

**D N H Financial (Private) Limited**

Level 16, West Tower  
World Trade Centre  
Colombo 01  
Tel : 011 5700777  
Fax : 011 5736264  
Email : info@dnhfinancial.com

Negombo Branch Tel : 031 5676451

**John Keells Stockbrokers (Private) Limited**

130, Glennie Street,  
Colombo 2  
Tel : 011 2306250, 011 2338066-7  
Fax : 011 2342068  
Email : jkstock@keells.com

**Nation Lanka Equities (Private) Limited**

44, Guildford Crescent,  
Colombo 07  
Tel : 011 4714300, 011 4714388-9,  
077 3421821,  
Fax : 011 2387228  
Email : infor@nlequities.com

Kurunegala Branch Tel : 037 2220297,  
037 2234633  
Kandy Branch Tel : 081 2220855  
Panadura Branch Tel : 038 2230305  
Dambulla Branch Tel : 066 4933777  
Negombo Branch Tel : 0313729540  
Kegalle Branch Tel : 035 4924897  
Matara Branch Tel : 021 4920800  
Jaffna Service Centre Tel : 021 4920313  
Anuradhapura Branch Tel : 025 223 7239

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### **NDB Stockbrokers (Private) Limited**

5th Floor, NDB Building  
40, Navam Mawatha  
Colombo 02  
Tel : 011 2314170-8  
Fax : 011 2314180  
Email : mail@ndbs.lk

### **S C Securities (Private) Limited**

2nd Floor  
55, D R Wijewardena Mawatha  
Colombo 10  
Tel : 011 4711000  
Fax : 011 2394405  
Email : cscres@sltnet.lk

Kandy Branch Tel : 081 4474299  
Matara Branch Tel : 041 2220090

### **Somerville Stockbrokers (Private) Limited**

137, Vauxhall Street  
Colombo 02  
Tel : 011 2329201-5, 011 2332827,  
011 2338292-3  
Fax : 011 2338291  
Email : ssb-web@sltnet.lk

### **Trading Members of the CSE**

#### **Softlogic Stockbrokers (Private) Limited**

Level 23, East Tower  
World Trade Centre  
Colombo 01  
Tel : 011 7277000-98, 077 2985271  
Fax : 011 7277099  
Email : dihand@arrencapital.com

Horana Branch Tel : 034 7451000

#### **Capital Alliance Securities (Private) Limited**

Level 5, "Millennium House"  
46/58, Navam Mawatha  
Colombo 02  
Tel : 011 2317777  
Fax : 011 2317788

Kurunegala Branch Tel : 037 2222034-5  
Matara Branch Tel : 041 4390610  
Negombo Branch Tel : 031 2227843

#### **Claridge Stockbrokers (Private) Limited**

10, Gnanartha Pradeepa Mawatha  
Colombo 08  
Tel : 011 2697974  
Fax : 011 2677576  
Email : fONSEKA@mackwoods.com

Negombo Branch Tel : 031 2236666

#### **First Guardian Equities (Private) Limited**

32nd Floor, East Tower  
World Trade Centre  
Colombo 01  
Tel : 011 5884400  
Fax : 011 5884401  
Email : info@firstguardianequities.com

#### **Heraymila Securities Limited**

Level 8, South Wing  
"Millennium House"  
46/58, Navam Mawatha  
Colombo 02  
Tel : 011 2359100  
Fax : 011 2305522  
Email : info-hsl@heraymila.com

#### **IIFL Securities Ceylon (Private) Limited**

27th Floor, East Tower  
World Trade Centre  
Colombo 01  
Tel : 011 2333000  
Fax : 011 2333383  
Email : info.ceylon@iiflcap.com

**LOLC Securities (Private) Limited**

Level 18, West Tower  
World Trade Centre  
Echelon Square  
Colombo 01  
Tel : 011 7880880  
Fax : 011 2434771  
Kurunegala Branch Tel : 037 7201221

**SMB Securities (Private) Limited**

47, Dharmapala Mawatha  
Colombo 03  
Tel : 011 5232091  
Fax : 011 2339292  
Email : admin@smbsecurities.lk

Jaffna Branch Tel : 071 8736499

**Taprobane Securities (Private) Limited**

2nd Floor  
10th Gothami Road  
Colombo 08  
Tel : 011 5328200  
Fax : 011 5328277  
Email : info@taprobane.lk

**Richard Peiris Securities (Private) Limited**

69, Hyde Park Corner  
Colombo 02  
Tel : 011 7448900  
Fax : 011 2675064  
Email : communication@rpsecurities.com

Wattala Branch Tel : 077 3413261

**New World Securities (Private) Limited**

2nd Floor, 45/2, Braybrooke Street  
Colombo 02  
Tel : 011 2358700-20  
Fax : 011 2358701  
Email : info@nws.lk

**SKM Lanka Holdings (Private) Limited**

35/1, Alwis Place  
Colombo 03  
Tel : 011 2344444  
Fax : 011 2434298  
Email : info@skmlankaholdings.com

Jaffna Branch Tel : 021 2221596

**TKS Securities (Private) Limited**

19-01, East Tower  
World Trade Centre  
Colombo 01  
Tel : 011 7857799  
Fax : 011 7857857  
Email : Ralph@tkslk

Ratnapura Branch Tel : 045 7200005-6

Karapitiya Branch Tel : 091 7857799

**First Capital Markets Limited**

75, Arnold Ratnayake Mawatha,  
Colombo 10  
Tel : 011 2639898, 011 2681888  
Fax : 011 2639899, 011 2681460  
Email : info@firstcapital.lk

Kandy Branch Tel : 081 2236010

Matara Branch Tel : 041 2266988

Kurunegala Branch Tel : 037 2222930

# CHAPTER I CONTD.

## 1.18 PROCEDURE FOR APPLICATION

### 1.18.1 Eligible Applicants

Applications are invited for the purchase of Unsecured, Subordinated, Redeemable Debentures 2012 /2017 from the following categories of applicants :-

- a) Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age.
- b) Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in the Debentures.
- c) Approved Provident Funds, Trust Funds and Contributory Pension Schemes registered/established in Sri Lanka and authorized to invest in the Debentures.

In the case of Approved Provident Funds, Trust Funds and Contributory Pension schemes the Application should be in the name of the Board of Management/Trustee of such Approved Provident Funds, Trust Funds and Contributory Pension Schemes in order to facilitate the opening of the CDS Accounts.

Applications will NOT be accepted from foreign citizens, non-residents and individuals under the age of 18 years, or in the names of sole proprietorships. Partnerships or unincorporated trusts.

### 1.18.2 How to Apply

- a) Applications should be made on the Application forms, issued with the Prospectus. Application forms could be downloaded from the Bank's website, [www.sampath.lk](http://www.sampath.lk) and the CSE website, [www.cse.lk](http://www.cse.lk) (Exact size photocopies of application forms too would be accepted). Care must be taken to follow the instructions given with the Application form.

Applications that do not strictly conform to such instructions and the other conditions set out below or which are illegible may be rejected.

- b) Applications should be made for a minimum of one hundred (100) Debentures each (Rs.10,000/-) of any one type or all three types as mentioned above. Applications exceeding 100 debentures should be in multiples of 50 debentures (Rs.5,000/-). Applications for less than 100 debentures will be rejected.

In the event you are applying for more than one type of debenture separate application forms should be used. Once the application has been submitted for a particular Debenture with a particular interest, it is not possible for investors to switch to Debentures with other interest options.

- c) Multiple applications for the same interest option will not be entertained. The Issuer reserves the right to reject all multiple applications or suspected multiple applications.
- d) Joint Applications may be made. However, an applicant of a joint application will not be eligible to send a separate application individually or jointly in respect of the same category. Only one Application for one type of debenture should be made for the benefit of any person or corporate body. The interest cheques (if any) will be drawn in favour of the Principal applicant as given in the Application form.
- e) In the case of Corporate Applicants, the common seal of the company should be affixed and attested if required by the Articles of Association of such applicant.
- f) A Sri Lankan citizen must state his/her National Identity Card (NIC) number on the Debenture Application Form. The Passport number can be given only when the NIC number is not available. In the case of a corporate entity, the Company Registration number must be given. Corporate applicants should affix the Common Seal of the Company and attest if required by the Articles of Association.

- g) In the case of applications made under Powers of Attorney (POA) the original POA together with a photocopy of the same or a copy of the said POA, certified by a Notary Public should be lodged with the Registrars to the Issue along with the application form.
- h) Applicants who wish to apply through their Margin Trading Account should submit the application in the name of the "Margin Provider/Applicant's Name" signed by the Margin Provider.

The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. The Debentures shall be uploaded to the CDS account indicated in the Application Form.

The NIC, passport, or company registration number of the Applicant as the case may be, must be stated in the Application Form.

A photocopy of the margin trading agreement must be submitted along with the Application.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications.

Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

All Applicants should indicate in the Application for Debentures, their NIC number or the company registration number as the case may be. The passport number may be indicated only if the Applicant does not have a NIC number.

As per the Directive of the Securities and Exchange Commission made under Circular No.08/2010 dated November 22, 2010 and Circular No.13/2010 issued by the Central Depository System (Private) Limited (CDS) dated November 30, 2010, all securities allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted Debentures to their CDS account.

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated. Please note that DEBENTURE CERTIFICATES SHALL NOT BE ISSUED.

Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of the closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, will be rejected and no allotment will be made.

You can open a CDS account through any member/trading member of the CSE as set out in Section 1.17.1 of this Prospectus.

### 1.18.3 Mode of Payment

Payment in full for the total value of Debentures applied for should be made separately in respect of each application either by cheque or bank draft drawn upon any commercial bank operating in Sri Lanka and made payable to the "SAMPATH BANK DEBENTURE ISSUE ACCOUNT 2012" crossed "ACCOUNT PAYEE ONLY" and must be honoured on the first presentation.

## CHAPTER I CONTD.

CASH WILL NOT BE ACCEPTED. Applicants who wish to pay in cash can obtain a Bank Draft or Managers' Cheque for this Debenture Issue from any branch of the Bank listed in Annex II.

Payments in any other form other than as mentioned above will not be accepted.

Cheques in respect of applications for debentures will be banked on the working day following the date of closure of the subscription list.

The Application Form properly filled in accordance with the instructions thereof should together with the remittance for the full amount payable on Application, be enclosed in an envelope marked on the top left hand corner in capital letters "SAMPATH DEBENTURE ISSUE 2012" and dispatched by post to the Managers/Registrars to the Issue, S S P Corporate Services (Private) Ltd. 101, Inner Flower Road, Colombo 3, or any member firm of the CSE (Please see paragraph 1.17.1 of this prospectus) or delivered by hand to the following address:

Company Secretary  
Sampath Bank PLC  
110, Sir James Peiris Mawatha  
Colombo 02.

or to any Sampath Bank branch (list of Sampath Bank branches are given in Annex II)

Persons who are not certain of the method of remittance should consult Bankers, Brokers, Managers/ Registrars to the Issue.

All applications delivered by hand should reach the office of the Registrars to the issue at least by 4.30 p.m. on the closing day of the issue. If cheques are not realized within three market days of the Closure of the Issue, such applications may be rejected in order to facilitate the completion of the allotment within seven (07) market days of the closure of the Issue.

Applications delivered by hand after the issue is closed will be rejected.

### **1.19 ALLOTMENT OF DEBENTURES**

In the event of an over subscription the basis of allotment will be decided by the Board of Directors of the Company before the expiry of seven market days from the closure of the Issue and will be announced to the CSE.

The Directors of Sampath Bank reserves the right to refuse any application or to accept any application in part only, without assigning any reason therefore.

Cheques received by post with applications up to the date succeeding the closure of the issue will be accepted.

Cheques received prior to the closure of the issue and the date succeeding the closure of the issue will be banked on the date following the closure of the issue and upon realization the applicants may be allotted with debentures in the same manner along with the applicants whose applications were received prior to such date. Successful applicants will be informed of the allotment within ten market days of the closure of the subscription list. However, if cheques are not realized within three market days of the Closure of the Issue, such applications may be rejected in order to facilitate the completion of the allotment within seven (07) market days of the closure of the Issue.

#### **IMPORTANT**

Cheques not realized on first presentation may be rejected.

## **1.20 SUCCESSFUL APPLICANTS**

All successful applications in respect of which allotments have been made, will receive interest as mentioned in paragraph 1.05 of this Prospectus.

Investors who wish payment of the interest, to be made using SLIPS should disclose their bank account details in the Debenture Application Form. There are no bank charges for using this facility.

The monthly interest payment will be payable on the last day of each month while the annual interest payment will be made on 31st of December each year. The interest payment for the floating category will be payable on June 30th and December 31st of each year.

## **1.21 UNSUCCESSFUL APPLICANTS**

The Bank shall refund payment due on applications fully or partly un-allotted within ten (10) market days excluding the date of closure of the issue. Applicants would be entitled to receive interest at the last quoted Average Weighted Prime Lending Rate (AWPLR) published by the Central Bank of Sri Lanka plus point five percent (0.5%) on any refunds not made within 10 market days. Refunds will be made via SLIPS, if the applicant has indicated instructions for SLIPS on the application form.

## **1.22 ACCEPTANCE AND REFUNDS**

All refunds will be made by crossed cheques and sent by normal post at the risk of the applicant. Refunds on fully or partly un-allotted Debentures would be made within ten (10) market days excluding the date of closure of the issue. Applicants would be entitled to receive interest as specified in paragraph 1.21 on any refunds not made within the specified period.

## **1.23 DIRECT LODGEMENT WITH THE CENTRAL DEPOSITORY SYSTEMS (PRIVATE) LIMITED**

The Bank shall credit the CDS Account with the securities allotted within a period of eighteen (18) market days from the date of closure of the issue.

“In terms of CSE Listing Rules, the Company shall submit to the Exchange a “Declaration” as set out in the Listing Rules on the market day immediately following the day on which the Investors CDS Accounts are credited with the Securities. The Securities shall be listed on or before the third (03) market day upon receipt of the “Declaration” by the Exchange.

## **1.24 REJECTION OF APPLICATIONS**

Application Forms, which are incomplete in any way and/or not in accordance with the terms and conditions specified in Section 1.18 of this Prospectus, may be rejected.

The Directors of Sampath Bank reserves the right to refuse any application or to accept any application in part only, without assigning any reason therefore.

# CHAPTER II

## 2. INCORPORATION

### 2.1 THE HISTORY

Sampath Bank PLC commenced operations as a licensed commercial bank in 1987 under the name of Investment & Credit Bank with 44 employees. In September 1987 the name was changed to Sampath Bank Limited.

Sampath was an immediate success and revolutionized the banking industry in Sri Lanka by having a customer focus and dramatically reducing the transaction times. Sampath has continued to set benchmarks and standards for the banking industry in Sri Lanka with our traditional Sri Lankan warmth coupled with a cutting edge technological platform and the professionalism of our team members which has undoubtedly been our winning formula

Today, we are ranked within the top 500 of Asia Pacific's strongest banks by 'The Asian Banker 500' magazine and recognised within the AB500 Scorecard, as the strongest, among the largest private sector commercial banks, in Sri Lanka.

The bank has clinched the global accolade "Bank of the Year" awarded by the highly acclaimed international magazine "The Banker" of the Financial Times Group 3 times. Firstly in the Year 2000, and then consecutively in 2009 and 2010

In more recent times the following notable awards were received by the Bank among many other awards received.

World Finance Awards 2012 - Sampath Bank was awarded the 'Best Banking Group in Sri Lanka 2012', by the prestigious 'World Finance Magazine'.

ARC Awards 2011- Sampath Bank Annual Report 2010 won a "Gold Award" under the "Banks National" category at the 25th "ARC Awards Ceremony" held in New York. This is a reputed international competition to select the world's best annual reports from leading companies where about 60 countries are participating. Sampath Bank happened to be the only banking company in Sri Lanka to receive a gold award for the overall quality of the Annual Report.

National Best Quality ICT Awards 2011- Sampath Bank won two awards at the National Best Quality ICT Awards 2011.

- Silver award in the financial industry application category for Sampath Vishwa
- Merit award in the in-house application category for Sampath IT Change Management System

Over the last 24 years, we never wavered in our efforts to become a successfully penetrative mass-bank that can deliver the most imaginative financial services, both to corporate entities and those at the bottom of the pyramid.

Our core areas of operation include;

Personal Banking  
Corporate Banking  
Development Banking  
Treasury Operations  
Trade Services  
Credit and Debit Cards  
e-Banking

The Bank continues to hold a strong foundation in Information Technology in the financial services industry in Sri Lanka having many firsts in the field of IT. Sampath was the first local bank in Sri Lanka to be fully computerized and the pioneer in introducing ATMs and some of the world's first technological advancements in banking to the country.

The range of state of the art IT products offered includes;

- 'Sampath Vishwa' the fully fledged internet banking service, further enhanced with new features
- Multi-bank ATM network introduced for the first time in Sri Lanka where 67% of the total ATMs in Sri Lanka are networked with Sampath interbank ATM system.  
(Sampath Bank ATMs – 255, ATMs networked with 9 local Commercial Banks - 1,495)
- On-line real-time Cheque Deposit System through ATMs introduced for the first time in South Asia through Easy Cheque Deposit system (ECD)
- Interactive Voice Response (IVR) techniques to process payments launched for Credit and Debit Card merchants.
- Enabled Terminal Line Encryption (TLE) -a global credit card fraud preventive mechanism, and procured Anti-Money Laundering software that conforms to AML regulations of the Central Bank.

Riding high on expansion and growth last year, Sampath has broken barriers and permeated into all segments of society. Recording some of the highest numbers in banking history with an astonishing number of branch and ATM openings as well as being recognised as a leading bank, Sampath retains its position as a growing force in the industry.

As a key strategy for achieving ambitious growth targets set in the budget, the Bank continued with its accelerated branch expansion program in 2011. Sampath is also proud to hold the largest presence by a private commercial bank in the North and East.

### **Market Competitiveness**

Despite many challenges posed by the external environment, Sri Lankan banking industry continued to improve its vibrancy in 2011 witnessing a sound credit growth of 31.9 % during the year, whilst reducing the NPL ratio to 3.8 % by the end of the year 2011, compared to 5.4 % one year ago. Currently there are 24 commercial banks competing for the banking business in Sri Lanka. Sampath Bank is estimated to hold 6.27% of deposits and 7.0% of loans and advances share of the market as at first quarter 2012. It is also ranked among the top 3 private sector Commercial Bank's in the country.

Sampath Bank continued with its accelerated branch expansion program, with the opening of 35 new branches throughout the country in 2011, thus becoming the Bank to have opened the highest number of new branches for the third consecutive year. Consequent upon this expansion drive, the bank achieved wide network of 209 branches by the end of 1Q 2012. Further, Sampath Bank operates the largest ATM network in the Island inter-connecting over 1,600 ATMs of its owned and other financial institutions.

Sampath Bank, will continue to remain competitive in the market, in terms of superior customer service levels with its highly motivated team members, and new technological innovations designed to offer even more convenience to its customers along with a strategically designed marketing campaign to promote business growth.

## **2.2 VISION**

“THE GROWING FORCE IN SRI LANKAN FINANCIAL SERVICES”

### **OUR VALUES**

Create a learning culture that promotes individual and organisational development as well as promoting innovation and value for customers.

- Treat all internal and external customers the way we would like to be treated.
- Encourage and promote teamwork in all aspects of behaviour.
- Open to feedback and demonstrate an eagerness for personal development.
- Monitor and demonstrate an impressive commitment to results.
- Uncompromising ethical and professional standards of behaviour.

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### 2.3 FUTURE PLANS & RISKS

The Bank has already obtained regulatory approval to set up two new subsidiaries in the field of Life Insurance and Merchant Banking

The centralized credit approval model and selective & prudential lending policies of the Bank will continue focusing mainly on good credit quality customer segments which will ensure low NPL's and loan loss provisions. Sampath Bank presently has one of the lowest NPL ratio's of 2.65% and the one of the highest provision coverage ratio's of 77.3% in the industry as at end of 2011.

Sampath Bank also continued with its strong organic business growth momentum surpassing the industry's average growth in 2011. The Bank has set ambitious growth targets for deposits & advances to be achieved through the existing branch network and thereby increasing the total assets. The Bank is also poised to maintain a steady growth in commission and fee based income and exchange profits. Further, the bank is currently exploring the possibility of structuring suitable Tier-II instruments.

#### Risks attached to future plans:

The potential for losses to the Bank resulting from adverse Changes in interest rates, foreign exchange rates, volatility and equity prices in the financial markets in which the Bank operates may cause losses in terms of market risk. Managing market risk is a key part of our business planning process. These risks are broadly classified under Credit, Market and Operational Risks. Credit Risk is the potential financial loss that could arise as a result of the failure of borrower or counter party to honor its contractual liability. Market Risk is the risk of losses in, on and Off-Balance Sheet positions arising from movements in market prices. Operational Risk is the loss or harm resulting from inadequate or failed internal processes, people and systems or from external events.

The Banks Asset and Liability Management Committee (ALCO) is responsible for the formulation and implementation of appropriate policies and procedures to monitor and control transactional market risk generated by the treasury and other divisions of Corporate & Commercial Banking. ALCO, under delegated Board authority, sets policies in relation to the management of structural balance sheet exposures. These exposures include structural interest rate risk, structural foreign exchange risk and liquidity risk. The Bank 's structural balance sheet risk is monitored against approved policies and reported on a monthly basis to ALCO

A Risk Management Unit is already established at Sampath Bank to identify and to evaluate the risks associated with such plans and report to the Board of Directors of the Bank.

#### Assumptions attached to the Future Plans

The GDP Growth will remain at 6% to 7% and the interest rate structure which has under gone substantial increase during the recent past may stabilize to the same level at the end of this year 2012.

Exchange rate which changed significantly during the past may stabilize around the current level of Rs. 133.00 per US Dollar. The Export market may recover very slowly considering the situation in Euro Zone and the USA.

#### Degree of Dependence on Key Customers and Suppliers

The Bank is prudent in it's lending and adheres to all requirements set out by Central Bank. It strictly adheres to the single borrower limit and, as such, is not dependent on any one customer or sector of the economy for its income at any one given time nor is the bank dependent on any one supplier for its requirements. The Bank will continue to focus on quality of lending rather than on quantitative lending

### 2.4 SHARE CAPITAL

The detailed breakdown of the Share Capital of Sampath Bank is given below :-

Issued Shares as at 31.05.2012	162,414,801
Stated Capital	Rs.3,538,422,855.59

## 2.5 PARTICULARS OF DEBT AND LOAN CAPITAL AS AT 31ST MAY 2012

(1) Capital of Listed Debentures as at 31.05.2012	Rs.1,500 Mn
Capital of Private Placement of Debentures	Rs. 250 Mn
Long Term Bond	Rs.1,300 Mn

The debentures consist of;

15,000,000 Unsecured, Subordinated, Redeemable 5 year Debentures, which are listed on the Colombo Stock Exchange. The par value of these debentures are Rs. 100/- and they were redeemed in August 2012.

2,500,000 Unsecured, Subordinated, Redeemable 5 year unlisted Debentures, at a par value Rs. 100/- were redeemed in June 2012.

Sampath Bank PLC has issued a deep discounted zero coupon bond with a maturity value of Rs. 3,458.1Mn for 20 years. The paid up value of this bond as at 31.05.2012 is Rs.1,300.553 Mn and this forms part of the Tier II Capital.

	LKR 000's
<b>(2) Borrowings</b>	
Call borrowings	NIL
Term Borrowings	5,500,000
Foreign currency borrowings	14,190,000
Finance Leases	249
Other Borrowings	395,706
Refinance borrowings	5,071,734
Securities Sold under Re-purchase Agreements	2,688,734
	<u>27,846,423</u>

	LKR 000's
<b>(3) Details of Finance Lease</b>	
Gross Liability to the Lessor	253
Less: Finance charges allocated to future periods	(4)
Net Liability	<u>249</u>

	LKR 000's
<b>(4) Commitments</b>	
Commitments for unutilized facilities (Direct Advances)	27,560,014

	LKR 000's
<b>(5) Contingent Liabilities</b>	
Acceptance	6,403,842
Documentary Credit	10,310,402
Guarantees	20,494,169
Bills sent for collection	81,519
Stock on travelers' cheques	777,669
Forward exchange contracts	49,516,730
<b>Total Commitments &amp; Contingencies</b>	<u>115,144,344</u>

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.

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### Statement of Mortgages and charges on assets

The Bank has no mortgages or charges on any of its assets as at 31st December 2011, subject to finance leases as per the Financial Statements for year ended 31st December 2011, Note No 23.1 in Annex C

#### (i) Debt Equity Ratios

Debt Equity Ratios for the last three financial years are as follows:

Year	Ratio
2012	14.99% (as at 31.05.2012)
2011	16.00%
2010	21.30%
2009	26.20%

$$(ii) \text{ INTEREST COVERAGE RATIO} = \frac{\text{(Operating Profit Before Tax + Debenture Interest)}}{\text{Debenture Interest}}$$

34.43 Times

$$(iii) \text{ Debt/ EBITDA } 3,050,553/3,639,635 = 83.80\%$$

Operating Profit Before Tax	3,311,623
Debenture Interest	99,057
Depreciation	<u>228,955</u>
	<u>3,639,635</u>
Other Liabilities Evidenced by Paper(Debentures)	<u>3,050,553</u>

## 2.6 BUSINESS TRENDS AND SENSIVITIES

(a) Known trends, demands, commitments, events or uncertainties that would have a material impact on the entity's profits, cash flow and financial position.

(1) The Sri Lankan economy had reported a strong growth rate in recent years. The Central Bank has designed the Monetary Programme in its road map to accommodate an economic growth of over 7% in 2012 and continue the same growth momentum in coming years with favorable overall Balance of Payment. This situation would create a conducive environment for banking and finance business.

(2) The average budget deficit of Sri Lanka for the last 25 years has been over 8% of the GDP. But in 2011, Sri Lanka has recorded the historically lowest budget deficit of 6.9%, despite heavy public investments & development programmes experienced in the country. Sri Lanka is expecting to further decrease this to 6.2% by 2012 and reach 5% by 2015.

(3) The global economy is expected to grow at a moderate rate. IMF has predicted a 3.3% world economic growth for 2012. The slower recoveries in advanced economies will be partially offset by the positively growing economies like China & India. Also the political unrest in the middle-east region is continuing further without foreseeing a suitable solution. Therefore, the net result of the global economic growth will remain at lower levels in 2012 and near future.

(Source: Central Bank Annual Report 2011)

**(b) Capital Commitment**

Material capital commitment as at 31st December 2011

	Rs.'000
Approved and contracted for	254,682
Approved but not contracted for	202,035
	<u>456,717</u>

The above noted capital expenditure would be met from the revenue generated from current operations.

(c.) Unusual or infrequent events or transactions or any significant economic changes that would have a material impact on the entity's profits, cash flow & financial position.

(1) Change of statutory requirement by the Central Bank i.e. Statutory Reserve requirement, Liquid Assets Ratio, Tier I and Total Capital Adequacy Ratios

(2) Volatility in the exchange rates and interest rates could have an adverse impact on business.

(3) Changes in fiscal policies and tax laws

(4) Any form of political instability can be a major threat to the economy leading to a scale down of influx of Foreign Direct Investments & Tourism.

Comprehensive risk management systems are in place in the Bank and are consistently reviewed. As such no significant adverse effects are expected to be brought about by foreseeable events, on the Bank's profits, financial position and cash flows.

## **2.7 HUMAN RESOURCES**

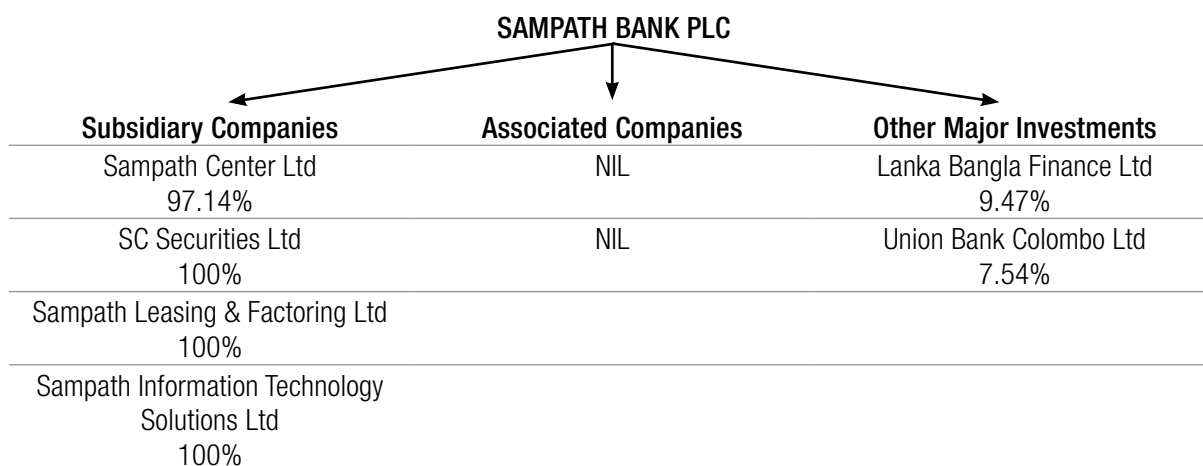
The staff strength of Sampath Bank as at 31st December 2011 was 3,230. The Bank currently has a staff strength of about 3255 employees with 697 new employees including 545 Graduates being Recruited during 2011. An average of 16 employees per branch with superior banking technology enabled one of the best staff per branch ratio among local commercial banks

The Bank believes that its real potential rests 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.

The employees of the Bank are members of the Sampath Bank Employees Association. The Bank has not entered into any significant agreements with the said Association.

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### 2.8 SUBSIDIARY/ASSOCIATE COMPANIES



#### Subsidiary Companies

Subsidiary Name	Nature of Business	Holding%	Financial Results	Rs. Mn.	
				2011	2010
Sampath Center	Renting office space and providing ancillary services to tenants	97.14%	Turnover Profit before tax Profit after tax Total Assets To	189.9 109.9 105.0 2,186.1	188.5 109.5 104.8 2,172.6
SC Securities (Pvt) Ltd	Stock brokering	100%	Turnover Profit before tax Profit after tax Total Assets	124.4 42.2 30.5 320.5	166.2 103.7 66.4 355.5
Sampath Leasing & Factoring Ltd	Leasing & Factoring	100%	Turnover Profit before tax Profit after tax Total Assets	621.0 237.4 205.2 4,444.2	429.7 165.2 137.7 4,444.2
Sampath Information Technology Solutions Ltd	Providing IT related Services	100%	Turnover Profit before tax Profit after tax Total Assets	46.4 5.0 3.6 18.4	29.7 2.8 0.9 13.9

#### Other Major Investments

Name	Nature of Business	Address	Holding%
Union Bank of Colombo	Commercial Banking	15A Alfred Place, Colombo 3	7.54%
LankaBangla Finance Ltd	Leasing, Credit Cards & Capital Market Operations	Safura Tower (Level 11) 20 Kemal Atarturk Av, Benani, Dhaka 1213 Bangladesh	9.47%

## 2.9 PRODUCT PROFILE OF THE BANK

Category	Sub Category	Brand Name
Deposits (LKR)	Current	Sampath Current Account
		Sampath Supreme
		Sampath Payment Guaranteed cheque
	Savings	Double S
		Hit Saver
		Sanhinda Saver(Senior Citizens A/c)
		X SET (Teenager's Savings Account)
		Pubudu (Minor Savings Account)
		Sapiri (Minor Savings Account)
	Fixed Deposits	Sampath FD
		Sampath Kalin Cash
		Sampath Easy FD
Deposits (FC)	-	Sampath NRFC
Advances	Housing Loans	Sampath Sevana
		Sampath Sevana -Dayada
	Leasing	Sampath Leasing
	Pawning	Sampath Randiriya
	Loan/OD against GOLD	Biz Cash
Delivery Channels	ATM	SET
	ATM Card	Sampath Visa Debit Card
	Internet Banking	Sampath Vishwa
	On-line payment systems	Sampath Payment Gateway
		Pay Easy
On line cheque deposit system	Sampath ECD	
Money transfer	-	Sampath e-Remittance
Credit Cards	-	Visa Infinite
		Visa Signature
	-	Visa Platinum
		Visa Gold
Relationship Banking	-	Platinum Plus

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### 2.10 LAND AND PREMISES OF THE BANK

Details of land and premises of Sampath Bank PLC are given in 21.3 in Annex C.

### 2.11 BOARD OF DIRECTORS – AS AT DATE OF PROSPECTUS

#### Board of Directors - Profiles

<p><b>Mr. K D Dhammika Perera</b> Chairman (Non-Executive Director) No.70/3, Ward Place, Colombo 07</p>	<p>Appointed to the Board of Directors on 01st August 2007 and appointed as Chairman with effect from 01st January 2012.</p> <p>Mr. Dhammika Perera is a quintessential strategist and business specialist with 24 years of business experience.</p> <p>His business interest include Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. Currently he holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is the Chairman of Vallibel One PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC, Lewis Brown &amp; Company (Pvt) Limited and Greener Water Ltd. He is the Deputy Chairman of Hayleys PLC, Royal Ceramics Lanka PLC &amp; LB Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Dipped Products PLC, Orit Apparels Lanka (Pvt) Limited, Nirmalapura Wind Power (Pvt) Ltd, Alutec Anodising &amp; Machine Tools (Private) Ltd and Sri Lanka Insurance Corporation Ltd.</p> <p>He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).</p>
<p><b>Mr. Channa Palansuriya</b> Deputy Chairman (Non-Executive Director) No.20/38, Fairfield Gardens, Colombo 08</p>	<p>Appointed to the Board of Sampath Bank with effect from 1st January 2012 as an Independent Non-Executive Director. Appointed as the Deputy Chairman with effect from 26th January 2012.</p> <p>Mr. Channa Probodha Palansuriya is the Chairman / Managing Director of Orit Group (Orit Apparels Lanka (Pvt) / Orit Trading Lanka (Pvt) Ltd), which is a leading garment manufacturing and exporting company. He also serves as the Chairman of GC Lanka Clothing (Pvt) Ltd., which is also involved in the same line of business.</p> <p>Mr. Palansuriya has won many prestigious awards, including the Sri Lankan Entrepreneur for the year 2002 - Silver Award, and the Silver Award of the National Chamber of Exporters of Sri Lanka for the Garment Extra Large Category for the year 2004.</p> <p>Mr. Palansuriya has been a Board Member of Board of Investment of Sri Lanka (BOI) from 2005 to 2010, Executive Member of Joint Apparel Association Forum (JAAF), Board Member of Sri Lanka Institute of Textile &amp; Apparel (SLITA), Executive Member of the Sri Lanka Apparel Sourcing Association (SLASA), Member of the Apparel Exporters Association 200 Gfp. Further, he held the position of Chairman of the Apparels Exporters Association 200 Gfp (AEA 200gfp) during the period 2006 to 2008.</p> <p>Mr. Palansuriya is an active social worker. He holds various positions in many social, religious and public organisations and is also the Basnayake Nilame of the Hendala Temple.</p>

<p><b>Mr. Sanjiva Senanayake</b> Senior Director (Non-Executive Director) No.164/16, Nawala Road, Nugegoda</p>	<p>Appointed to the Board of Sampath Bank with effect from 1st January 2012 as an Independent Non-Executive Director. Appointed as the Senior Director with effect from 26th January 2012.</p> <p>Mr. Sanjiva Senanayake has a BSc in Electronic and Electrical Engineering (first class) from King's College, University of London and a MSc in Communication Engineering from Imperial College of Science and Technology, University of London.</p> <p>Mr. Senanayake was the Senior Investment Officer, Global Financial Markets Department of the International Finance Corporation (IFC) from April 2006 to March 2009. He was the IFC's Resident Representative for Sri Lanka &amp; Maldives from June 1998 to March 2006. IFC is the private sector investment arm of the World Bank Group of institutions.</p> <p>He was an Independent Financial/Banking Consultant in South and South East Asia from September 1996 to June 1998.</p> <p>Prior to that, he was the Assistant General Manager (Treasury &amp; Investment Banking) at National Development Bank of Sri Lanka during April 1994 to September 1996.</p> <p>From May 1992 to March 1994, he was Consultant (Treasury &amp; Business Development) at Commercial Bank of Ceylon.</p> <p>Before that, from November 1979 to July 1985 he worked in Citibank Sri Lanka; August 1985 to April 1988 in Citibank, Brunei; and May 1988 to April 1992 in Citibank, Sydney.</p> <p>Before he started his banking career, Mr. Senanayake was the Co-ordinating Engineer at inception of the Greater Colombo Economic Commission (now Board of Investment) in 1978/1979 and Development Planning Assistant with the United Nations Development Program in 1977/1978.</p> <p>Mr. Senanayake has, as a nominee of IFC, served as a Director of Suntel, Nations Trust Bank, Maldives Finance Leasing Company and as an Alternate Director of Commercial Bank of Ceylon.</p> <p>Presently, he is a Director of Hemas Power PLC, Hemas Pharmaceuticals (Pvt) Ltd and Asian Hotels and Properties PLC.</p>
<p><b>Mr. Deepal Sooriyaarachchi</b> Director (Non-Executive) No.28/10, Birnamwood, Wijesekera Mawatha, Mirihana, Nugegoda</p>	<p>Appointed to the Board of Directors on 5th August 2010 as Independent Non-Executive Director.</p> <p>Mr. Deepal Sooriyaarachchi has a Master of Business Administration from the Sri Jayawardenapura University. He is a Fellow Member of the Chartered Institute of Marketing U.K. and a Chartered Marketer.</p> <p>He was the former Managing Director of AVIVA NDB Insurance PLC, and continues to serve as an Independent Director. He is the Chairman of the Sri Lanka Inventors Commission.</p>

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<p><b>Mr. Deepal Sooriyaarachchi Contd.</b></p>	<p>He counts over 30 years experience in the field of Sales, Advertising, Marketing, Human Resources, Development and Strategy. He is also known as a trainer, author and a communicator. He was recognised by Postgraduate Institute of Management, Sri Lanka, Institute of Marketing Sri Lanka &amp; CIM Sri Lanka for his pioneering efforts in disseminating marketing and management thinking in Sinhala.</p>
<p><b>Prof. Malik Ranasinghe</b> Director (Non-Executive) No.18, Layards Road, Colombo 05</p>	<p>Appointed to the Board of Directors on 30th August 2011 as Independent Non-Executive Director.</p> <p>Prof. Malik Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, a Fellow, Chartered Engineer and International Professional Engineer of the Institution of Engineers, Sri Lanka, a Fellow of the National Academy of Sciences, Sri Lanka, an Independent Non-Executive Director of Hemas Power PLC, Textured Jersey Lanka PLC and Access Engineering Ltd.</p> <p>Prof. Ranasinghe is the immediate past Vice-Chancellor of the University of Moratuwa, a past Chairman of the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, a former Council Member of the Association of Commonwealth Universities (ACU). He is a former Fellow of the National University of Singapore, a former Non-Executive Director of the Colombo Stock Exchange and of the Lanka IOC PLC.</p> <p>Prof. Ranasinghe obtained his PhD in 1990 from the University of British Columbia, Vancouver, Canada in Civil Engineering Economics as a Canadian Commonwealth Scholar. Since attending Harvard University, U.S.A, in 1993 for a certificate program in Environmental Economics and Policy Analysis, he has successfully combined research and applications in Engineering and Environmental Economics with Project Management. He has published over 110 research publications, of which over 60 are international refereed publications.</p> <p>Prof. Ranasinghe has been honoured with the Sri Lanka Association for the Advancement of Science (SLAAS) General Research Committee Award in 1999 for Outstanding Contribution to Sri Lankan Science, Hiran Tillekaratne Research Fund and the University Grants Commission award for Outstanding Postgraduate Research 2000 in the academic discipline of Engineering for the period 1975 to 1999, Prof. E O E Pereira Award in 2000 for the Best Paper presented at the Annual Sessions 1998/99 of the Institution of Engineers, Sri Lanka and Trinity Prize for Engineering for 2004 in recognition of the outstanding contributions made to his chosen profession.</p>
<p><b>Mrs. Dhara Wijayatilake</b> Director (Non-Executive) No.78/1, Old Road, Nawala</p>	<p>Appointed to the Board of Directors on 30th August 2011 as Independent Non-Executive Director.</p> <p>Mrs. Dhara Wijayatilake, is a senior Public Officer who currently holds the position of Secretary to the Ministry of Technology and Research. She is an Attorney-at-Law of 37 years standing and holds a Bachelor of Laws (LL.B) degree.</p> <p>Mrs. Wijayatilake joined public service in 1974 as an Assistant Secretary in the Legal Division of the Ministry of Justice and has since held several key positions in Government, including the position of Secretary to the Ministry of Justice (1994) and Secretary to the Ministry of Plan Implementation (2006). With her appointment as Secretary to the Ministry of Justice in 1994, she became the first woman to be appointed to the post of a Secretary to a Cabinet Ministry.</p>

<p><b>Miss. Annika Senanayake</b> Director (Non-Executive) No.18/1, Alfred Place, Colombo 03</p>	<p>Appointed to the Board of Sampath Bank with effect from 1st January 2012.</p> <p>Annika Hemali Wickramasinghe Senanayake is a Graduate of the University of Nottingham in United Kingdom.</p> <p>She is the Chief Executive Officer of ART Television Broadcasting Company (Pvt) Limited and IWS Geographical Information Systems (Pvt) Ltd.</p> <p>Ms. Annika Senanayake is also a Director of IWS Holdings (Pvt) Limited, heading the Corporate Planning for the Group in diversified business interests in Telecommunications, Broadcasting, Aviation, Automobiles, Shipping, Warehousing &amp; Logistics Support Services, Packing and Food Processing Industries.</p>
<p><b>Mr. Deshal De Mel</b> Director (Non-Executive) No.103/1, Rosemead Place, Colombo 07</p>	<p>Appointed to the Board of Sampath Bank with effect from 1st January 2012 as an Independent Non-Executive Director.</p> <p>Mr. Deshal De Mel has obtained a Masters of Science in International Political Economy from London School of Economics in 2005 - 2006.</p> <p>He obtained a Degree in Bachelor of Arts with Honours in Philosophy, Political Science and Economics from the University of Oxford in 2001 - 2004.</p> <p>At present, Mr. De Mel is an Economist attached to the Strategic Business Development Unit of Hayleys PLC.</p> <p>Previously he was attached to Institute of Policy Studies of Sri Lanka as an Economist from September 2004 to October 2010.</p> <p>Mr. De Mel was the Assistant Secretary at Sri Lanka Economic Association in 2008 - 2009.</p>
<p><b>Mr. Ranil Pathirana</b> Director (Non-Executive) No.243/5, Lake Gardens, Sri Jayawardenapura Mawatha, Rajagiriya</p>	<p>Appointed to the Board of Sampath Bank as a Non-Executive Director, on 01 January 2012.</p> <p>He is a Fellow of the Chartered Institute of Management Accountants U.K. and holds a B.Com degree from the University of Sri Jayawardenapura.</p> <p>Mr. Pathirana has been the Group Finance Director of the Hirdaramani Group of Companies, since 2000. Hirdaramani Group is a conglomerate with Investments in Apparel, Manufacturing, Leisure and Power Sectors.</p> <p>He currently serves as a Non-Executive Director on the Board of Hayleys PLC and he served as a Non-Executive Director of Asian Alliance Insurance PLC up to 29.06.2012</p> <p>Mr. Pathirana was an Assistant Vice President of Vanik Incorporation from 1996 - 2000. And was seconded as Chief Executive Officer of Vanik Bangladesh Securities and was responsible for setting up two Stock Brokering Companies in Chittagong and Dhaka. Mr. Pathirana was also the Chief Executive Officer of Vanik Corporate Services and Vanik Asset Management.</p>

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<p><b>MRS SAUMYA AMARASEKERA</b> Director (Non-Executive) No.03, Sravasti Place, Colombo 07</p>	<p>Appointed to the Board of Sampath Bank as a Non-Executive Director, on 01 June 2012.</p> <p>Mrs Saumya Amarasekera is an Attorney-at-Law-Sri Lanka Law College and has a Masters in Law (LLM) from the University of Pennsylvania with particular emphasis on Insurance Law, Privacy and Defamation Law.</p> <p>Mrs Amarasekera has been in active practice for over 24 years, mainly in Civil Law practicing in the Original, Appellate and the Supreme Court.</p> <p>She has an extensive practice in areas relating to Money Recovery, Property, Testamentary, Condominium Disputes as well as areas relating to Family Law. She has also undertaken litigation on behalf of large Finance Companies and Banks etc. She also specialized in Arbitrations both local and international and have appeared before International Arbitration Tribunal – relating to disputes emanating from building constructions etc</p> <p>Mrs Amarasekera is a Member of the Bar Association of Sri Lanka and a Lecturer at the Continuous Legal Education Programme conducted by the Bar Association of Sri Lanka.</p>
<p><b>Mr. Aravinda Perera</b> Managing Director (Executive) No.370 F/2, Lake Road, Averihena, Hokandara (South)</p>	<p>Director of Sampath Bank since November 2008.</p> <p>He is the Managing Director of Sampath Bank. He received his Degree in Engineering from University of Moratuwa in 1981 and his MBA from the University of Sri Jayawardenepura in 1989. He is also a Fellow Member of the Institute of Bankers of Sri Lanka.</p> <p>Previously, he functioned as the Deputy Managing Director, Chief Operating Officer, Deputy General Manager (Corporate Banking), Assistant General Manager (Corporate Banking), Assistant General Manager (Credit) and Senior Manager (Corporate Credit) of Sampath Bank.</p> <p>Prior to joining Sampath Bank, he served at DFCC as a Senior Project Officer and at Ceylon Tobacco Company, as Departmental Manager and Service Engineer.</p> <p>He commenced his career as an Engineer at National Milk Board.</p> <p>He is a Chartered Engineer and a Member of the Institute of Engineers, Sri Lanka and a Fellow of the Chartered Institute of Management Accountants, U.K.</p> <p>He is the Vice President of Association of Professional Bankers - Sri Lanka and a member of the Governing Board of Institute of Bankers of Sri Lanka.</p>

<p><b>Mr. Ranjith Samaranayake</b> Group Chief Financial Officer / Director (Executive) No.51A, Weera Puranappu Mawatha, Lakshapathiya, Moratuwa</p>	<p>Director of Sampath Bank since January 2009.</p> <p>Holder of a Bachelor of Commerce (Accountancy Special) Degree from the University of Peradeniya, where he became the President of the Students Council in 1970. He commenced his banking career in 1975 and headed the Finance &amp; Planning function at three Banks, namely NSB, Commercial Bank and at present Sampath Bank, for a period of over 37 years. He joined NSB as an Executive in 1975 and joined Commercial Bank as an Executive in 1979. Rising up to the position of Senior Deputy General Manager (Finance &amp; Planning) at Commercial Bank PLC, he retired in February 2008, after serving for 28 years. In addition, he served as a Director of many subsidiary companies of Commercial Bank and a member of several Management Committees.</p> <p>He joined Sampath Bank in February 2008, as Consultant (Finance &amp; Planning) and was subsequently appointed as the Group Chief Financial Officer. In addition, he is working as a member of several Board Sub-Committees and Management Committees.</p>
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No Director, or person nominated to be a director is/or was involved in the following events:

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

#### **DIRECTORS' INTEREST IN SHARES & DEBENTURES – SAMPATH BANK PLC**

<b>Directors Interests in Shares</b>	<b>No of Shares as at 31.05.2012</b>
Mr K D D Perera	Nil
* Vallibel One PLC	24,074,523
Mr Channa Palansuriya	Nil
** Orit Apparels Lanka (Private) Limited	260,412
Mr Sanjiva Senanayake	Nil
Mr Deepal Sooriyaarachchi	Nil
Mr K A M K Ranasinghe	Nil
Ms D S Wijayatilake	Nil
Ms Annika Senanayake	Nil
Mr Ranil Pathirana	5,363
Mr Deshal de Mel	Nil
Mr M Y A Perera	15,097
Mr R Samaranayake	20,690
Ms Saumya Amarasekera	Nil

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### Directors Interests in Debentures (2007/2012)

No of Debentures as at 31.05.2012

Mr. K D D Perera

100,000

\* A Company controlled by Mr. K.D.D. Perera

\*\* A Company controlled by Mr. Channa Palansuriya

### Directors' Interest in Shares and Debentures of Subsidiaries

Directors' Interest in Shares & Debentures of Subsidiaries:

None of the Directors directly hold any debentures in any Subsidiary.

Mr. L J K Hettiaratchi, Mr. E A Gunasekera, Mr. G L H Premaratne, Mr. M Y A Perera and Mr. R Samaranayake hold 01 share each in Sampath Information Technology Solutions Ltd, as subscribers. These shares are held in trust for Sampath Bank.

Mr. I W Senanayake and Mr. M Y A Perera hold 01 share each in S C Securities (Pvt) Ltd for and on behalf of Sampath Bank PLC.

## 2.12 CORPORATE MANAGEMENT

Sampath Bank has an experienced team of professional management personnel with a proven industry track record. The Corporate Management of the Company as at the date of the Prospectus is given below:

Name	Designation	Qualifications & Experience
Mr Aravinda Perera	Executive Director /CEO	MBA FCIMA (UK) FIB B Sc (Mech Eng)Hon C. Eng. MIE (SL) 27 years in Banking and Finance
Mr R Samaranayake	Executive Director/GCFO	B Com (Accountancy - Special) 37 years in Banking and Finance
Mrs Anoja Karunaratne	Chief Risk & Compliance Officer	Fellowship – CIMA (UK) 18 years in Banking and Finance
Mr L R Jayakody	DGM – Finance & Planning	AIB – Sri Lanka ICA 33 years in Banking and Finance
Mr M N R Fernando	DGM – Personal Banking	AIB – Sri Lanka MBA Chairman, Bankers Technical Advisory Committee of Sri Lanka Banks' Association 30 years in Banking and Finance
Mr K M S P Herath	DGM – Corporate Banking	AIB – Sri Lanka Fellowship - CIMA (UK) 30 years in Banking and Finance
Mr W P B Dambawinne	DGM – Treasury	Postgraduate Diploma in Management MBA -Isles International University ACI - Dealing Certificate 28 years in Banking and Finance

Name	Designation	Qualifications & Experience
Tharaka Ranwala	DGM – Marketing & Business Development	Chartered Marketer and holds a Post-Graduate Diploma in Marketing from the CIM – UK Certified Professional Marketer(CPM) Board Member of the International Advertising Association (IAA) Sri Lanka 20 years Experience in the field
Mr Aruna Jayasekera	DGM – HR	Joined Since 02.05.12 Bachelor of Law, LLB Attorney-at-Law Diploma in HRM, Postgraduate level certificate in HRM & Training Management
Mrs H S De Silva	AGM – Corporate Credit	MBA IBSL – Intermediate 24 years in Banking and Finance
Mr Dinusha lhalalanda	AGM – Operations	24 years in Banking and Finance
Mr S Sudarshan	Company Secretary	ACIS (UK) MBA- Lincoln – UK 23 years Experience in the field
Mr Najil Farouk	AGM – Branch Credit II	AIB –Sri Lanka 30 years in Banking and Finance

The Aggregate emoluments including bonus/profit sharing payments made to Chief Executive Officer and the Senior Management team during the last completed financial year - Rs.120.969Mn (2011)

The estimated Aggregate emoluments including bonus/profit sharing payments payable to Chief Executive Officer and the Senior Management team for the current financial year - Rs.109.6Mn (2012)

## 2.13 SHARE INFORMATION

Sampath Bank PLC - Ordinary Shares  
Top 20 Shareholders as at 22nd June 2012

	NAME OF SHAREHOLDER	NO. OF SHARES
1	VALLIBEL ONE PLC	24,074,523
2	EMPLOYEES PROVIDENT FUND	15,963,102
3	MR Y.S.H.I. SILVA	15,259,212
4	ROSEWOOD (PVT) LIMITED-ACCOUNT NO.3	11,159,450
5	SAMPATH BANK LIMITED ACCOUNT NO 2	7,997,819
6	CORPORATE SERVICES LIMITED A/C NO 02	5,989,152
7	VARNERS INTERNATIONAL (PRIVATE) LIMITED	5,725,019
8	SSP CORPORATE SERVICES (PRIVATE) LIMITED A/C NO 01	5,335,685
9	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	3,698,365
10	SAMPATH BANK PLC ACCOUNT NO 04	2,654,994

## CHAPTER II CONTD.

	<b>NAME OF SHAREHOLDER</b>	<b>NO. OF SHARES</b>
11	HSBC INTERNATIONAL NOMINEES LIMITED-SSBT-AMERICAN FUNDS INSURANCE SERIES GLOBAL SMALL CAPITALIZATION FUND	2,418,112
12	MR S.V. SOMASUNDERAM	1,617,204
13	MR B.A. MAHIPALA	1,614,848
14	NORTHERN TRUST CO S/A-NORTHERN TRUST FIDUCIARY SERVICES (IRELAND) LTD	1,468,817
15	EMPLOYEES TRUST FUND BOARD	1,435,970
16	KEYSTONE (PRIVATE) LIMITED	1,347,336
17	AVIVA NDB INSURANCE PLC A/C NO.07	967,542
18	CEYLON INVESTMENT PLC A/C # 01	937,023
19	CEYLON GUARDIAN INVESTMENT TRUST PLC A/C # 01	842,570
20	MR B.W. KUNDANMAL	742,908

## CHAPTER III

### 3. STATUTORY & GENERAL INFORMATION

#### 3.01 MEMORANDUM OF ASSOCIATION

An extract of the Memorandum of Association is given in Chapter VI and forms part of this Prospectus.

#### 3.02 ARTICLES OF ASSOCIATION

The relevant clauses of the Articles of Association of Sampath Bank are given in Chapter V of this Prospectus.

#### 3.03 BROKERAGE

Brokerage at the rate of 0.50% per cent of the nominal value of the debenture allotted will be paid in respect of the number of debentures allotted on applications bearing the stamp of any Commercial Bank operating in Sri Lanka or member of the Colombo Stock Exchange.

#### 3.04 COST OF THE ISSUE

The Directors estimate that the total cost of the Issue including the cost of brokerage, printing, advertising, Managers and Registrars fees and other costs connected with the issue will be approximately Rs.21.0 Million and will be met from the funds of the Bank.

#### 3.05 UNDERWRITING ARRANGEMENTS

No underwriting arrangement has been entered into by SBL for the debenture issue. In the event the issue is under subscribed the subscribers shall be allotted in full and the funds raised will be utilized to meet objectives stipulated in Section 1.04 of this prospectus.

#### 3.06 INSPECTION OF DOCUMENTS

The Memorandum & Articles of Association of Sampath Bank PLC, the Auditors Report and all other documents referred to in this Prospectus may be inspected at any time during normal business hours at the Registered Office of the Bank from the date hereof, until the application lists are closed or up to 14 market days, whichever is later.

The Prospectus and Memorandum & Articles of Association of the Bank are also hosted in the Bank's website, [www.sampath.lk](http://www.sampath.lk) and the CSE website, [www.cse.lk](http://www.cse.lk) during the above-mentioned period.

#### 3.07 DIRECTORS EMOLUMENTS

The aggregate emoluments including bonus and/or profit sharing payments made to Directors during 2011 financial year were Rs.37.785 Mn.

The estimated emoluments including bonus and/or profit sharing payments to be made to directors for the current financial year is Rs 68.093 Mn.

(Directors include members of the Board of Directors of the Bank and Key Employees of the Bank holding Directorships in Subsidiary and Associate Companies of the Bank).

#### 3.08 DIRECTORS' INTERESTS IN CONTRACTS

Directors interest in any asset acquired or disposed or leased by the Bank during the past two years are as disclosed in Note 32 of the Audited Accountants for 2011 which are reproduced in this prospectus.

There are no known interests of Directors in any asset to be acquired disposed or leased by the Bank for the next two years.

The Directors have no material interest in any contract or agreement in force as at the date of this application.

## CHAPTER III CONTD.

### 3.09 DIRECTORS INTEREST IN TRANSACTIONS RELATING TO PROPERTIES

#### Mr. I.W Senanayake – Former Chairman

Sale of official vehicle used by former Chairman on his retirement

The Official vehicle (Jaguar XIE, Registration no. WP KL 0001) used by the former Chairman Mr. I.W. Senanayake was sold to him at a sale value of Rs.3,800,000/- (inclusive of VAT) as approved by the Board on his retirement.

#### Mr. G.L.H Premaratne – Former Managing Director

Sale of official vehicle used by former MD on his retirement

The Official vehicle (Jaguar 2011 MYXF, Registration no. WP KN 0585) used by the former MD Mr.G.L.H Premaratne was sold to him at a sale value of Rs. 5,944,566/= (inclusive of VAT) as approved by the Board on his retirement.

The Directors had no interest in the acquisition or disposal of properties listed in Note 21.3 – 21.4 of the Audited Accounts, during the two years preceding the publication of this prospectus or any related transactions other than the above named transactions and those disclosed in Note 32 of the Audited Accounts for 2011 which are reproduced in this prospectus.

### 3.10 CORPORATE GOVERNANCE PRACTICES

Governance in the Bank is considerably more complex than in other sectors.

The Bank's Directors place a high degree of importance to corporate governance and are therefore committed in adopting sound corporate governance practices within the organization and ensures that the Bank and the Group conducts itself as a model corporate citizen.

The Board meets regularly and convenes additional meetings whenever necessary. In addition the Board has initiated the formation of various sub committees, namely the Audit & Remuneration Committee, Human Resources and Remuneration Committee, Risk Management Committee, Nomination Committee, Credit Committee, Strategic Planning Committee, Shareholder Relations Committee

In order to ensure that risks are kept to the minimum level whilst adhering to the regulations of the Central Bank of Sri Lanka, the Bank in addition to the external auditor, also obtains the services of its Internal Audit Department, which reports to the Audit Committee.

### 3.11 COMMITTEES

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

#### Audit Committee

The Audit Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls. It reviews the effectiveness of the Bank's internal audit function and manages the Company's relationship with the external auditors.

The Board Audit Committee comprises of the following Directors, who conduct Committee proceedings in accordance with the terms of reference approved by the Board of Directors.

- Mr. Ranil Pathirana (Chairman) - Non-Executive Independent Director
- Mr. Sanjiva Senanayake - Non-Executive Independent Director
- Mr. D Sooriyaarachchi - Non-Executive Independent Director
- Prof. Malik Ranasinghe - Non-Executive Independent Director
- Mrs. D S Wijayatilake - Non-Executive Independent Director

## Human Resources and Remuneration Committee

The overall scope of the committee is to provide strategic direction to build an effective and efficient HR organisation for the Bank.

The Human Resources and Remuneration Committee comprises four Non-Executive Directors and one Executive Director. The Directors who serve on the Committee are:

- Mr. D Sooriyaarachchi (Chairman) - Non-Executive Independent Director
- Mr. Channa Palansuriya - Non-Executive Independent Director
- Miss. Annika Senanayake - Non-Executive Independent Director
- Mr. Deshal De Mel - Non-Executive Independent Director
- Mr. M Y A Perera - Executive Director

## Risk Management Committee

The Board Risk Management Committee operates as a functional committee of the Board which has been delegated all risk management responsibilities including the task of managing and supervising the risk functions of the Bank and ensuring compliance with regulations, as required by the mandatory Code of Corporate Governance issued by the CBSL.

The Board of Directors have appointed the following Non-Executive Directors as members of the BRMC, from 1st January 2012,

Mrs. Dhara Wijayatilake (Chairperson)  
Mr. Sanjiva Senanayake  
Mr. Channa Palansuriya

## Nomination Committee

The role of the committee is Identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise.

The Nomination Committee comprises three non-executive directors. The following Directors serve on the Nomination Committee:

- Mr. Channa Palansuriya (Chairman) - Non-Executive Director
- Mr. K D D Perera - Non-Executive Director
- Miss. Annika Senanayake - Non-Executive Director

## Credit Committee

The committee ensures sound credit granting, through adequate controls over credit risk and maintains an appropriate credit administration, measuring and monitoring process.

The Credit Committee comprises four Non-Executive Directors and two Executive Directors

- Prof. Malik Ranasinghe (Chairman) - Non-Executive Director
- Mr. Sanjiva Senanayake - Non-Executive Director
  - Mr. Ranil Pathirana - Non-Executive Director
  - Mr. Channa Palansuriya - Non-Executive Director
  - Miss. Annika Senanayake - Non-Executive Director
  - Mr. Deshal De Mel - Non-Executive Director
  - Mr. M Y A Perera - Executive Director
  - Mr. R Samaranyake - Executive Director

## CHAPTER III CONTD.

### Strategic Planning Committee

The Strategic Planning Committee is a Board Sub Committee established to assist the Board in fulfilling its responsibility to set strategic direction and define key objectives for the Bank. The Strategic Planning Committee is also responsible to determine the Bank's long-term goals and then identifying the best approach for achieving those goals.

This Committee is made up of 8 members: 6 Non-Executive Directors and 2 Executive Directors. It is chaired by a Non-Executive Director.

- Mr. K D D Perera (Chairman) - Non-Executive Director
- Mr. Sanjiva Senanayake - Non-Executive Director
- Prof. Malik Ranasinghe - Non-Executive Director
- Mr. Ranil Pathirana - Non-Executive Director
- Mr. Channa Palansuriya - Non-Executive Director
- Mr. Deshal De Mel - Non-Executive Director
- Mr. M Y A Perera - Executive Director
- Mr. R Samaranayake - Executive Director

The Company Secretary acts as Secretary to this Committee.

### Shareholder Relations Committee

Sampath Bank is the first listed Company in Sri Lanka which has set up a Shareholder Relation Committee to have a constant dialogue with shareholders/investors.

#### The Committee comprises five members;

- Mr. Channa Palansuriya (Chairman) - Non-Executive Director
- Mr. Deshal De Mel - Non-Executive Director
- Mr. D J Gunaratne - Advisor
- Mr. E A Gunasekera - Advisor
- Mr. W M P L De Alwis - Advisor

The Company Secretary is the Secretary to this Committee.

### Board Sub- Committee on Marketing

- Mr Deepal Sooriyaarachchi - (Chairman) - Non-Executive Director
- Ms Annika Senanayake - Non-Executive Director
- Mr Deshal de Mel - Non-Executive Director
- Mrs Saumya Amarasekera - Non-Executive Director

Committee formed on 28th June 2012

### Board Treasury Committee

- Mr S Senanayake – (Chairman) - Non-Executive Director
- Professor Malik Ranasinghe - Non-Executive Director
- Mr Deshal de Mel - Non-Executive Director
- Mr M Y A Perera - Executive Director
- Mr R Samaranayake - Executive Director

Committee formed on 31st May 2012

### **3.12 MANAGEMENT AGREEMENTS**

There are no management agreements entered in to by the bank and in force as at date of prospectus.

### **3.13 DETAILS OF LABOUR UNIONS**

An enterprise based Union is operative in Sampath Bank which is registered under the name of Sampath Bank Employees Association. The Bank's industrial relations policy ensures that a positive industrial relations climate prevails in the Bank and matters of mutual interest are discussed and agreed between the two parties.

### **3.14 RESEARCH AND DEVELOPMENT**

The Bank has spent approximately Rs.198Mn for Market Research, Economic Research and development, and IT Development activities over the last 3 years.

### **3.15 LITIGATION AGAINST THE BANK**

There are no pending litigation against the Bank as at 30th June 2012 other than those mentioned below:

- a) LT application before the Labour Tribunal in Case No.LT1/ADD/20/2012, LT application now in High Court pending in case No. HC ALT 14/2012, and LT application No.1/31/2008 now pending in High Court in Case No. LT (HC) 131/2008 .
- b) Commercial High Court Case No. HC(Civil) 11/2004(1)

The Plaintiff has instituted action against the Bank claiming a sum of Rs.272,232,295/16 on a transfer of funds done by the Bank. In addition, the Plaintiff is seeking a further sum of Rs.53,411,299/34 and a sum of Rs.4,906,796/63 per month from the date of action (i.e. 26 January 2004) until payment, as losses and damages. The Bank has denied the claim of the Plaintiff and has vigorously defended the claim. The Judgment has been delivered in favour of the Bank against which the Plaintiff has appealed.

- c) The following cases filed against the Bank in order to prevent the Bank from enforcing the mortgages to recover it's dues:

**In Supreme Court** - SC/CHC 21/2010, 43/10 SC/CHC, SC 83/2011, 453/2011 SC, SC 19/10, SC 57/12, SC 94/12, SC 11/09, SC 196/11, SC 5/10, SC 14/11, 36/12 SC, 24/2008 SC.

In Court of Appeal - CA/REV/690/2005, CALA/320/2001, CALA/48/2006, CA Writ 625/11, 523/10 CA, 12/97(CA).

**In Civil Appeal**

53/11 CALA, 106/11 CALA

**In Commercial High Court** - HC/CIVIL/124/2009, CHC 423/10, 490/09/MR, 352/11 MR, 463/11 MR, 213/11 MR, 225/12 MR, 41/12 MR, 320/11/MR, 11/12 MR

**In District Court of Colombo** - 58032/M, 21508/L, 86/11 DSP, 101/11 DLM, 112/11 DSP, DSP 119/2010, DSP 191/09, DSP 214/09, 7058/10/DMR, 03/10 DLM, 270/10 DSP, 89/11 DSP, 102/11 DSP, 263/10 DSP, 392/11 DHP, 39/12 DSP, 249/11 DSP.

**In District Court of Kuliypitiya** - 212/L

**In District Court of Horana** - 2504/MB, 5207/SPL

**In District Court of Kurunegala** - 7587/L

## CHAPTER III CONTD.

In District Court of Marawila – 1613/L, 1615/L, 1617/L,1747/L

In District Court of Nugegoda – L/267/09

In District Court of Kandy – 263/10 DSP - DLM 1203/11, 228/10 DPA

In District Court of Embilipitiya – 11938/M

In District Court of Monaragala – 1655/SPL

In District Court of Minuwangoda – 12/SPL

In District Court of Chillaw – 4127/11/L

In District Court of Kalutara – 4369/SPL

In District Court of Ratnapura – 26242/P

In District Court of Awissawella – 26350/L

In District Court of Matale – 6257/L, 6048/L

In District Court of Galle – 16381/L

In District Court of Negombo – 13856/M

In District Court of Gampaha – 1885/L, 127/MB

- d) Cases filed in District Court of Colombo in which the Bank has been made a party solely for the purpose of giving notice and no relief has been claimed from the Bank are, Cases Nos. DSP 00231/2009, and 24208/P

As at 30.06.2012, there have been no penalties imposed on the Bank by Regulatory and State Authorities.

### **3.16 TAKE-OVER OFFERS**

There were no take over offers by third parties in respect of the entities shares during the past two years.

The Bank has not made any take –over offers in respect of third party companies.

# CHAPTER IV

## Statutory Declaration

We, the undersigned who are named herein as Directors of Sampath Bank PLC hereby declare and confirm that we have read the provisions of the Companies Act No. 7 of 2007 relating to the issue of the Prospectus and that those provisions have been complied with.

“This Prospectus has been seen and approved by directors of the entity and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and of the Companies Act No. 7 of 2007 and any amendments to it from time to time have been complied with and after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the entity have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the entity and making assumptions that are considered to be reasonable at the present point in time in the best judgement of the Directors.”

Mr. K.D. D. Perera	Sgd.	at Colombo on	05.09.2012
Mr. C. P. Palansuriya	Sgd.	at Colombo on	05.09.2012
Mr. S.K.G. Senanayake	Sgd.	at Colombo on	05.09.2012
Mr. D. Sooriyaarachchi	Sgd.	at Colombo on	05.09.2012
Prof. K.A.M.K. Ranasinghe	Sgd.	at Colombo on	05.09.2012
Mrs. D.S. Wijayatilake	Sgd.	at Colombo on	05.09.2012
Miss. A.H.W. Senanayake	Sgd.	at Colombo on.	05.09.2012
Mr. W.D.P. De Mel	Sgd.	at Colombo on	05.09.2012
Mr. R.P. Pathirana	Sgd.	at Colombo on	05.09.2012
Mrs. S. Amarasekera	Sgd.	at Colombo on	05.09.2012
Mr. M.Y. A. Perera	Sgd.	at Colombo on	05.09.2012
Mr. R. Samaranayake	Sgd.	at Colombo on	05.09.2012

We, S S P Corporate Services (Private) Limited of No. 101, Inner Flower Road, Colombo 3 being the Managers/Registrars to the Debenture Issue of Sampath Bank PLC hereby declare and confirm that to the best of its knowledge and belief the Prospectus constitutes full and true disclosure of all material facts about the issue and issuer; and where appropriate, it has satisfied itself that profit forecasts have been stated by the directors after due and careful enquiry.

The Common Seal of S S P Corporate Services (Private) Limited affixed on the 5th September, 2012 at Colombo in the presence of

Sgd.  
**K C Kuruppu**  
*Managing Director*

Sgd.  
**R S Kulasekera**  
*Director*

## CHAPTER IV CONTD.

### Declaration by the Company

#### DECLARATION BY THE COMPANY

**[In terms of Section 3.2.18 (c) of the Colombo Stock Exchange Rules]**

“An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all securities in a particular class issued by the Entity and those Securities of the same class which are the subject of this issue. Such permission will be granted when the Securities are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Entity or of the Securities issued.”

Given under the Common Seal of Sampath Bank PLC the 22<sup>nd</sup> day of June 2012

..... (Sgd.).....  
**(R. Samaranayake)**  
Director

..... (Sgd.).....  
**(S. Sudarshan)**  
Company Secretary

# CHAPTER V

## EXTRACTS FROM ARTICLES OF ASSOCIATION

### **VARIATION OF RIGHTS**

#### Article 6

Wherever the capital of the Company is divided into different classes of shares, the special rights attached to any class may subject to the provisions of the statutes be varied or abrogated, either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extra-ordinary resolution passed at a separate general meeting of such holders, (but not otherwise) any may be so varied or abrogated either whilst the Company is a going concern or during or contemplation of a winding up. To every such separate general meeting all the provisions of these presents relating to general meetings of the Company, or to the proceedings thereat, shall mutatis mutandis, apply except that the necessary quorum shall be two persons at least holding or representing by proxy or attorney or representative one-third in nominal amount of the issued shares of the class (but so that, if at any adjourned meeting of such holders a quorum as above defined is not present, those of such holders who are present shall be a quorum) and that any holder of shares of the class present in person or by proxy or attorney or representative may demand a poll, and that each holder shall on a poll have one vote for every share of the class held by him.

### **VOTES OF MEMBERS**

#### Article 62

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member who being an individual is present in person or by proxy or attorney who is not a member or being a corporation is present by a representative or proxy or attorney who is not a member shall have one vote. Subject as aforesaid, upon a poll every member who is present in person or by proxy, or by attorney or by representative shall be entitled to one vote for each share held by him.

### **NUMBER OF DIRECTORS**

#### Article 75

(i) The Directors shall not be less than five (5) nor more than twenty (20) in number.

### **QUALIFICATION OF DIRECTORS**

#### Article 76

The qualification of a director may (without prejudice to Article 80) be fixed by the Company in general meeting and, unless and until so fixed, no qualification shall be required.

### **REMUNERATION OF DIRECTORS**

#### Article 77

The remuneration of the directors (excluding any remuneration payable under any other provision of these presents) shall be such sum as the Board shall determine, and such remuneration shall be divided among the directors in such manner as they shall from time to time determine and shall accrue di-die in diem. The Company may by ordinary resolution also vote extra remuneration to the directors or to any director and either for one year or any longer or shorter period.

### **RESTRICTION ON VOTING**

#### Article 97

- (a) Save as by the next following article otherwise provided a Director shall not vote in respect of any contract or arrangement in which he is interested (and if he shall do so his vote shall not be counted) nor for the purpose of any resolution regarding the same shall be counted in the quorum present at the meeting but this article shall not apply to.
- (i) any arrangement for giving to him any security or indemnity in respect of money lent by him or obligation undertaken by him for the benefit of the Company; or

## CHAPTER V CONTD.

- (ii) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security: or
  - (iii) any contract by him to subscribe for or underwrite shares or debentures of the Company: or
  - (iv) any contract or arrangement with any other company or firm in which he is interested only as a Director or partner or other officer or creditor of or as a shareholder in or beneficially interested in the share of the Company.
- (b) The provisions of this article may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this article may be ratified by ordinary resolution of the company.

### **RELAXATION OF RESTRICTION ON VOTING**

#### Article 98

A Director notwithstanding his interest may be counted in quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Board resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the Board resolve to enter into or make any arrangements with him or on his behalf pursuant to these presents, or whereat the terms of any such appointment or arrangements as herein before mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.

### **BORROWING POWERS**

#### Article 107

The Board may exercise all the powers of the Company to borrow money, and may mortgage or charge its undertaking and property or any part thereof and may issue debentures, debenture stock, convertible loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### Article 108

- (i) The Board shall have power to issue Debentures whether redeemable or irredeemable and subordinated to all other Creditors of the Company carrying interest at a fixed rate or otherwise as may be determined by the Board.
- (ii) Any bonds, debentures, debenture stock convertible loan stock or other securities issued or to be issued by the Company shall be under the control of the Board, who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.
- (iii) Bonds, debentures, debenture stock, convertible loan stock or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
- (iv) Any bonds, debentures, debenture stock, convertible loan stock, or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, guarantees, drawings, allotment of shares attending and voting at general meetings of the Company, appointment of directors and otherwise.
- (v) All certificate for debentures, debenture stock, loan stock or other securities issued in terms of these presents shall be issued under the seal of the Company.

# CHAPTER VI

## MEMORANDUM OF ASSOCIATION OF SAMPATH BANK PLC

1. The name of the Company is SAMPATH BANK PLC
2. The Registered office of the Company will be situated in the District of Colombo.
3. The objects for which the Company is established are:

### **A PRIMARY OBJECTS**

- (1) To establish a bank for the purpose of providing financial and other assistance, expertise and all other facilities rendered by a bank for Agriculture, Industry and Technology, Business Enterprises, Trade and Commerce. Travel and Tourism, Communications and Transport and all activities contributory to national and social development and the principal business being the acceptance of deposits of money on current account or otherwise subject to withdrawal by cheque, draft, order or otherwise. Provided that no transactions of the Company shall promote the production of weapons of war, animals for slaughter, dangerous and poisonous drugs.
- (2) To carry on the business of borrowing, raising or taking up of money, lending or advancing of money either upon or without security, the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments, and securities whether transferable, negotiable or not, the granting and issuing of letters of credit, travellers cheques and circular notes, the buying, selling and dealing in bullion and specie, the buying and selling of foreign exchange, including foreign bank notes, acquiring, holding, issuing on commission, underwriting and dealing with stock fund, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds, the purchasing and selling of bonds, scripts or other forms of securities on behalf of constituents of others, the negotiating of loans and advances, the receiving of all kinds of bonds, scripts or valuables on deposit, of for safe custody or otherwise and the carrying on of the business of safe deposits the collecting and transmitting of money and securities.
- (3) To carry on the business of contracting for public and private loans and negotiating and issuing the same.
- (4) To carry on the business of promoting, effecting, insuring, guaranteeing, underwriting, participating in, managing and carrying out any issue public or private, of State or Municipal or other loans or of shares, stock, debentures or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue.
- (5) To carry on and transact every kind of guarantee and indemnity business.
- (6) To promote or finance or assist in prompting or financing any business undertaking or industry, either existing or new, and developing or forming the same either through the instrumentality of syndicates or otherwise.
- (7) To provide medium and long term credit for development.
- (8) To establish, undertake and execute trusts and provide custodian and/or trustee services.
- (9) To undertake and administer estates as executor, trustee or otherwise.
- (10) To engage in the business of hire purchase services, factoring, leasing and warehousing.

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- (11) (a) To develop banking for the Socio-Economic and spiritual advancement of society.  
(b) To establish and carry on business through any subsidiary company for any of the purposes set out in proviso to Section 17(1) of the Banking Act No. 30 of 1988.
- (12) To carry on the business of Pawn Broking.

### **B ANCILLARY POWERS**

- (1) To acquire by purchase, lease or exchange, hire or otherwise of any property movable or immovable and any right or privilege which the Company may think necessary or convenient to acquire or the acquisition of which in the opinion of the Company is likely to facilitate the realization of any securities held by the Company or to prevent or diminish any apprehended loss or liability.
- (2) To manage, sell and realize all property movable and immovable which may come into the possession of the Company in satisfaction or part satisfaction of its claim.
- (3) To acquire and hold and generally deal with any property and any right, title or interest in any property movable or immovable which may form the security or part of the security for any loans or advances or which may be connected with any such security.
- (4) To take or otherwise acquire and hold shares in any other Company having objects similar to those of the Company.
- (5) To establish and support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the Company or their dependants or connections of such persons, to grant pensions and allowances and making payments towards insurance, subscribe or guarantee moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful objects.
- (6) To acquire, construct, maintain and alter any building or works necessary or convenient for the purposes of the Company.
- (7) To sell, improve, manage, develop , exchange, lease, mortgage, dispose of, or turn to account or otherwise deal with all or any part of the property and rights of the Company.
- (8) To acquire and/or undertake the whole or any part of the business of any person or company when such business is of a nature enumerated or described under objects of the Company.
- (9) To do all such other things as are incidental or conducive to the promotion or advancement of the business of the Company.
- (10) To conduct research and to provide for the training in banking, accounting, valuation project and credit appraisal and allied subjects.
- (11) To provide for the participation of the employees of the Company in the equity of the Company and to limit such participation to their tenure of employment.
- (12) To participate in and/or assist any activity contributory towards the socio-economic and cultural advancement of the community.

## **C STATEMENT OF OBJECTS**

- (1) To establish branches of the Bank established by the Company, subsidiary companies or associate companies and/or to make significant investments in companies with or without controlling interest held by the Company, in Sri Lanka or elsewhere, for the purpose of the objects of the company.
- (2) To establish and carry on the business of banking and other financial services  
In other parts of the world as branches of or affiliated to the company or independently for achievement of the objects of the company.
- (3) To carry on the business of acting as agents for Governments or local authorities or for any other person or persons.
- (4) To carry on agency business of any description other than the business of a managing agent of the company, which is not a banking company, but including the clearing and forwarding of goods, the power to act as attorneys and to give discharges and receipts.
- (5) To engage in Management Consultancy business, and to set up and/or invest in companies engaged in providing Human Resources, Information Technology personnel or services and any other personnel or services deemed necessary.
- (6) To take necessary steps to have the Company's incorporation covered by an Act of Parliament.

It is hereby declared that in the foregoing paragraphs of this Clause (unless a contrary intention appears) the word "person" includes any number of persons and a company and the word "company" except where used with reference to this Company shall be deemed to include a corporation and a partnership or other body of persons whether incorporated or not and whether domiciled or incorporated or registered in Sri Lanka or elsewhere.

4. The liability of the members is limited.
5. The Share Capital of the Company is Rupees Five Billion (Rs 5,000,000,000/-) divided into Five Hundred Million (500,000,000) shares of Rupees Ten (Rs 10/-) each. The Shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively and preferential deferred or other special rights, privileges, conditions or restrictions as to the divided, capital, voting or otherwise.

## CHAPTER VI CONTD.

We the several persons whose names and addresses are subscribed are desirous of being formed into a company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

<b>Names, Addresses and Descriptions Of Subscribers</b>	<b>Number of Shares taken up by each Subscriber</b>
Sgd. N.U. Jayawardena Neville Ubesinghe Jayawardena No. 18, Cambridge Place, Colombo 7. <b>Company Director</b>	One
Sgd. Nimal Jayawardena Ainsley Nimal Ubesinghe Jayawardena No. 106, Park Road, Colombo 5. <b>Company Director</b>	One
Sgd. Albert Edirisinghe Albert Edirisinghe No. 290 R.A. de Mel Mawatha, Colombo 3. <b>Company Director</b>	One
Sgd. Walter Wimalachandra Walter Wimalachandra No. 90, Jambugasmulla Mawatha, Nugegoda <b>Company Director</b>	One
Sgd. Stanley William Stanley William No. 108, A. Maya Avenue, Colombo 5. <b>Company Director</b>	One
Sgd. M.P. Amarasuriya Mahiman Parakrama Amarasuriya No. 2, Srawasthi Place, Colombo 7. <b>Company Director</b>	One
Sgd. Edmond Panagoda Edmond Panagoda 58/3 Prathibimbarama Road, Dehiwela <b>Company Director</b>	One

Dated the Sixth day of March, One Thousand Nine Hundred and Eighty Six

Witness to the above signatures and I do hereby testify to the number of shares subscribed for by the signatories above named.

**Sgd.**  
**R. Ranasinghe**  
Notary Public  
Colombo

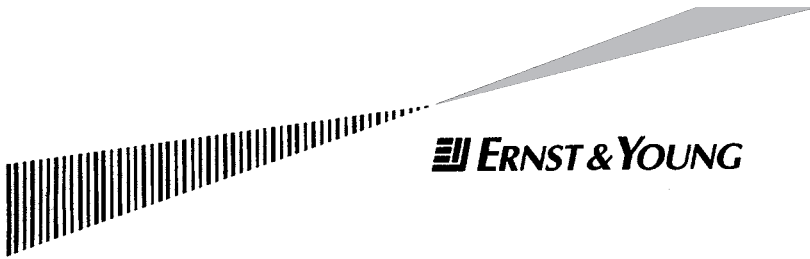
# ANNEX A FINANCIAL INFORMATION

## SUMERISED INCOME STATEMENT

	2007 (Rs'000)	2008 (Rs'000)	2009 (Rs'000)	2010 (Rs'000)	2011 (Rs'000)
Interest Income	14,950,277	19,451,026	20,969,778	18,477,355	21,126,754
Less : Interest Expenses	9,947,484	12,801,392	13,164,599	9,952,576	12,108,810
<b>Net Interest Income</b>	<b>5,002,793</b>	<b>6,649,634</b>	<b>7,805,179</b>	<b>8,524,778</b>	<b>9,017,944</b>
Add: Foreign Exchange Profit	504,887	647,211	774,489	497,901	837,369
Fees & Commission Income	1,210,943	1,355,049	1,205,529	1,360,450	1,798,065
Other Income	733,393	789,258	2,263,099	3,996,854	2,980,718
<b>Operating Income</b>	<b>7,452,016</b>	<b>9,441,151</b>	<b>12,048,297</b>	<b>14,379,983</b>	<b>14,634,096</b>
<b>Less: Operating Expenses</b>					
Personnel Costs	1,405,263	1,952,880	2,194,166	2,576,572	3,223,651
Premises, Equipment & Establishment Expenses	1,332,464	1,675,177	1,802,934	2,091,858	2,565,725
Provision for Retirement Benefits	170,000	185,573	467,892	355,433	344,132
Provision/(Reversal) for Credit Losses - Specific	689,839	595,360	324,011	1,764,753	319,761
- General	247,104	213,670	(39,397)	135,370	(190,942)
Provision for Diminution/(Appreciation) in Value of Investments	66,239	442,987	917,508	(44,463)	(86,384)
Other Overhead Expenses	1,322,696	1,811,446	2,404,966	2,998,747	2,878,371
<b>Operating Expenses</b>	<b>5,233,605</b>	<b>6,877,093</b>	<b>8,072,080</b>	<b>9,878,270</b>	<b>9,054,314</b>
<b>Operating Profit before Tax</b>	<b>2,218,411</b>	<b>2,564,058</b>	<b>3,976,217</b>	<b>4,501,713</b>	<b>5,579,782</b>
Less : Provision for Taxation	1,166,666	1,150,146	1,877,910	1,198,964	1,760,359
<b>Profit after Tax</b>	<b>1,051,745</b>	<b>1,413,912</b>	<b>2,098,307</b>	<b>3,302,748</b>	<b>3,819,423</b>

## SUMERISED BALANCE SHEET

	2007 (Rs'000)	2008 (Rs'000)	2009 (Rs'000)	2010 (Rs'000)	2011 (Rs'000)
<b>Assets</b>					
Cash and Cash Equivalents	9,107,256	6,922,966	5,868,195	6,046,830	16,057,361
Balance with Central Bank of Sri Lanka	7,697,535	6,878,897	7,397,703	8,221,068	13,232,130
Government of Sri Lanka Treasury Bills & Bonds	12,118,446	20,281,933	31,767,817	31,394,278	25,894,165
Commercial Papers	100,000	-	459,389	-	-
Dealing Securities	4,275,035	1,223,594	276,207	899,106	1,283,380
Investment Securities	4,392,107	5,397,180	7,264,149	7,647,737	5,803,967
Securities Purchased under Re-sale Agreements	112,000	-	2,676,615	-	4,600,000
<b>Loans and Advances</b>					
Bills of Exchange	2,772,007	2,658,106	2,874,909	2,295,427	2,614,364
Loans and Advances	78,698,618	81,633,696	86,817,992	117,004,821	161,671,747
Lease Receivables	6,760,945	5,420,735	3,483,831	3,326,256	4,417,283
Investment in Associate Companies	146,252	146,252	-	-	-
Investment in Subsidiary Companies	823,626	823,626	991,626	991,626	1,054,921
Other Assets	2,984,600	3,753,722	2,791,810	2,897,187	3,526,008
Goodwill and Other Intangible Assets	127,745	109,093	71,171	78,723	67,294
Property and Equipment	3,079,871	3,288,747	3,420,483	4,277,501	4,527,784
<b>Total Assets</b>	<b>133,196,042</b>	<b>138,538,550</b>	<b>156,161,897</b>	<b>185,080,560</b>	<b>244,750,405</b>
<b>Liabilities</b>					
Deposits	99,419,362	107,380,627	126,090,964	150,508,801	191,587,958
Refinance Borrowings	4,157,332	4,592,071	4,819,327	4,442,929	4,850,371
Other Borrowings	9,187,220	3,828,211	871,860	1,013,070	12,235,904
Securities Sold under Re-purchase Agreements	1,730,045	2,423,245	2,887,480	4,361,363	4,074,718
Other Liabilities	4,639,329	5,098,808	5,483,661	5,428,628	7,866,016
Taxation	624,844	670,104	578,757	911,509	1,946,052
Deferred Taxation	435,464	254,941	481,199	196,440	398,671
Other Liabilities Evidenced by Paper	4,433,360	4,514,214	3,102,468	3,198,800	3,003,949
<b>Total Liabilities</b>	<b>124,626,956</b>	<b>128,762,221</b>	<b>144,315,716</b>	<b>170,061,540</b>	<b>225,963,640</b>
<b>Shareholders' Funds</b>					
Stated Capital	1,581,654	1,581,654	1,581,654	1,786,250	2,743,780
Reserves	6,987,433	8,194,676	10,264,527	13,232,771	16,042,985
<b>Total Equity</b>	<b>8,569,086</b>	<b>9,776,329</b>	<b>11,846,181</b>	<b>15,019,020</b>	<b>18,786,765</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>133,196,042</b>	<b>138,538,550</b>	<b>156,161,897</b>	<b>185,080,560</b>	<b>244,750,405</b>
<b>Commitments and Contingencies</b>	<b>41,778,885</b>	<b>41,523,400</b>	<b>62,021,644</b>	<b>68,628,122</b>	<b>120,946,802</b>



**ERNST & YOUNG**

**Chartered Accountants**

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eysl@lk.ey.com

HMAJ/WDPL

17 June 2012

**Private & Confidential**

Board of Directors  
Sampath Bank PLC  
No.110  
Sir James Peiris Mawatha  
Colombo 02

Dear Sirs/Madam

**Accountants' Report for Inclusion in the Prospectus of Sampath Bank PLC**

**Introduction**

This report has been prepared for the inclusion in the prospectus issued in connection with the issuance of up to 15,000,000 Unsecured Subordinated Redeemable Debentures 2012/2017 and in the event of an over subscription a further amount of Debentures to be issued not exceeding a further 10,000,000, at a Par value of Rs.100.

We have examined the financial statements of the Sampath Bank PLC (the 'Bank') and report as follows.

**1. INCORPORATION**

Sampath Bank PLC (the 'Bank') is A Public Limited Liability Company incorporated in Sri Lanka on 10th March 1986 under the Companies Act No.17 of 1982 and listed on the Colombo Stock Exchange. A licensed Commercial Bank under the Banking Act No.30 of 1988.Re-registered on 28th April 2008 under the Companies Act No.7 of 2007.

**2. FINANCIAL STATEMENTS**

**2.1 Five-Year Summary of Audited Financial Statements**

A summary of audited Income Statements, Balance Sheets, Statements of Changes in Equity and Cash Flow Statements of Sampath Bank PLC and A summary of the consolidated audited Income Statements, Balance Sheets, Statements of Changes in Equity and Cash Flow Statements of the Bank and Its Subsidiaries for the financial years ended 31 December 2007 to 31 December 2011, based on the audited financial statements are set out on Annexure "A" of the Prospectus.

**Partners:** A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva FCA W R H Fernando FCA FCMA W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA



## 2.2 Audited Financial Statements for the Year Ended 31 December 2011

Our audit report on the Financial Statements for the year ended 31 December 2011 together with such Financial Statements comprising the balance sheet and income statement, statement of changes in equity and cash flow statement along with the accounting policies and notes thereon is given on Annexure "C" of the Prospectus.

## 2.3 Unaudited Financial Statements for the period ended 31 March 2012

The financial statements for the period ended 31 March 2012 together with such financial statements comprising the balance sheet and income statement, statements of changes in equity and cash flow statement along with the accounting policies and notes thereon is given on Annexure "B" of the Prospectus and not audited by us.

## 2.4 Audit Reports

We have audited the financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiaries for the years ended 31 December 2007 to 31 December 2011. Unqualified audit opinions have been issued for the said financial years by our reports dated, 05 March 2008, 17 February 2009, 19 February 2010, 18 February 2011 and 21 February 2012 respectively.

## 2.5 Accounting Policies

The financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiaries for the years ended 31 December 2007 to 31 December 2011 comply with Sri Lanka Accounting Standards.

The accounting policies of the Bank and Group are stated in detail in the audited financial statements of Sampath Bank PLC for the year ended 31 December 2011. There were no material changes in the accounting policies of the Bank and the Group, except for adoption of revised Sri Lanka Accounting Standards, during the period 31 December 2007 to 31 December 2011.

## 2.6 Dividends

Bank has been paid dividend during the years ended 31 December 2007 to 31 December 2011 as follows.

Year	Dividend Paid (Rs.'000)	Dividend per Share (Rs.)
2007	206,663	3.00
2008	275,550	4.00
2009	473,602	6.25



2010*	1,235,862	8.09
2011*	1,411,688	9.00

**\*\*Note:** Dividend paid on ordinary shares includes Rs.204.5 million & 915.5 million paid as scrip dividends in 2010 and 2011 respectively.

## 2.7 Events Occurring After the Balance Sheet Date

01. The Board of Directors of the Bank have recommended the payment of a final dividend of Rs.9.00 per share consists of a cash dividend Rs.4.50 per share and the balance entitlement of Rs. 4.50 per share satisfied in the form of issue and allotment of new share for ordinary shareholders of the Bank for the year ended December 31st, 2011. This has approved by the shareholders of the Bank at the Annual General Meeting held on 30th March 2012.
02. Mr. S Senanayake, Mr. C Palansuriya, Mr. D De Mel, Mr. R Pathirana and Ms. A Senanayake were appointed as Non-Executive Directors with effect from 01st January 2012. Mr. K D D Perera and Mr. M Y A Perera were appointed as Chairman and Managing Director respectively with effect from 01st January 2012, while Mr. C Palansuriya and Mr. S Senanayake were appointed as Deputy Chairman and Senior Director of the Sampath Bank respectively, with effect from 26th January 2012. Mrs. Saumya Amarasekara was appointed as a Director of Sampath Bank PLC with effect from 01st June 2012.
03. The Bank has received approval from the Central Bank of Sri Lanka to setup subsidiaries in;
  - a) Merchant Bank
  - b) Life Insurance

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements, other than the foregoing.

Yours faithfully,

# ANNEX B 4 INCOME STATEMENT

Rupees in Thousands

For the three months ended 31st March	BANK			GROUP		
	2012	2011	Change %	2012	2011	Change %
<b>Income</b>	<b>8,690,776</b>	<b>5,624,566</b>	<b>54.5</b>	<b>8,885,884</b>	<b>5,785,606</b>	<b>53.6</b>
<b>Interest Income</b>	<b>6,461,183</b>	<b>4,718,013</b>	<b>36.9</b>	<b>6,590,023</b>	<b>4,789,002</b>	<b>37.6</b>
Interest Income on Loans and Advances	5,687,282	4,011,759	41.8	5,812,764	4,082,383	42.4
Interest Income on Other Interest Earning Assets	773,901	706,254	9.6	777,259	706,619	10.0
<b>Less: Interest Expenses</b>	<b>4,002,612</b>	<b>2,657,476</b>	<b>50.6</b>	<b>4,065,019</b>	<b>2,672,990</b>	<b>52.1</b>
Interest Expense on Deposits	3,557,151	2,370,165	50.1	3,555,788	2,368,422	50.1
Interest Expense on Other Interest Bearing Liabilities	445,462	287,310	55.0	509,231	304,568	67.2
<b>Net Interest Income</b>	<b>2,458,570</b>	<b>2,060,538</b>	<b>19.3</b>	<b>2,525,003</b>	<b>2,116,012</b>	<b>19.3</b>
<b>Non - Interest Income</b>	<b>2,229,593</b>	<b>906,552</b>	<b>145.9</b>	<b>2,295,862</b>	<b>996,604</b>	<b>130.4</b>
Foreign Exchange Income	1,427,558	137,879	935.4	1,427,558	137,879	935.4
Other Income	802,035	768,673	4.3	868,303	858,725	1.1
<b>Net Income</b>	<b>4,688,164</b>	<b>2,967,090</b>	<b>58.0</b>	<b>4,820,865</b>	<b>3,112,616</b>	<b>54.9</b>
<b>Less: Non - Interest Expenses</b>	<b>2,132,034</b>	<b>1,838,024</b>	<b>16.0</b>	<b>2,174,946</b>	<b>1,871,133</b>	<b>16.2</b>
Personnel Cost	826,198	734,780	12.4	861,922	761,054	13.3
Provision for Staff Retirement Benefits	82,425	85,823	(4.0)	83,770	86,901	(3.6)
Premises, Equipment and Establishment Expenses	756,420	615,230	22.9	754,857	608,196	24.1
Other Operating Expenses	466,991	402,192	16.1	474,396	414,981	14.3
<b>Less: Provision for Bad and Doubtful Debts and Loans Written Off</b>	<b>(50,627)</b>	<b>(238,940)</b>	<b>(78.8)</b>	<b>(52,561)</b>	<b>(242,641)</b>	<b>(78.3)</b>
Provisions - General	62,450	10,654	486.2	62,450	10,654	486.2
Provisions - Specific	72,588	153,204	(52.6)	70,653	149,504	(52.7)
Recoveries (-)	(185,925)	(402,882)	(53.9)	(185,925)	(402,882)	(53.9)
Loans Written Off	260	83	212.2	260	83	212.2
<b>Less: Provision/(Reversal) for Decline in Value of Investments (Net)</b>	<b>119,536</b>	<b>(208,441)</b>	<b>(157.3)</b>	<b>119,536</b>	<b>(208,441)</b>	<b>(157.3)</b>
<b>Operating Profit on Ordinary Activities Before Taxes</b>	<b>2,487,221</b>	<b>1,576,447</b>	<b>57.8</b>	<b>2,578,945</b>	<b>1,692,566</b>	<b>52.4</b>
Less: Value Added Tax on Financial Services	336,407	227,839	47.7	340,739	231,787	47.0
<b>Operating Profit Before Corporate Tax</b>	<b>2,150,814</b>	<b>1,348,609</b>	<b>59.5</b>	<b>2,238,206</b>	<b>1,460,778</b>	<b>53.2</b>
Less: Tax on Profits on Ordinary Activities	720,828	449,768	60.3	743,178	468,275	58.7
<b>Operating Profit After Corporate Tax</b>	<b>1,429,986</b>	<b>898,841</b>	<b>59.1</b>	<b>1,495,028</b>	<b>992,504</b>	<b>50.6</b>
<b>Attributable to:</b>						
<b>Equity Holders of the Parent</b>	<b>1,429,986</b>	<b>898,841</b>	<b>59.1</b>	<b>1,494,203</b>	<b>980,053</b>	<b>52.5</b>
Minority Interest	-	-	-	825	12,451	(93.4)
<b>Profit for the Period</b>	<b>1,429,986</b>	<b>898,841</b>	<b>59.1</b>	<b>1,495,028</b>	<b>992,504</b>	<b>50.6</b>
<b>Earnings Per Share - Basic (Rs.)</b>	<b>8.86</b>	<b>5.61</b>	<b>57.8</b>	<b>9.26</b>	<b>6.12</b>	<b>51.3</b>
<b>Earnings Per Share - Diluted (Rs.)</b>	<b>8.84</b>	<b>5.61</b>	<b>57.5</b>	<b>9.24</b>	<b>6.12</b>	<b>50.9</b>

# ANNEX B 5 BALANCE SHEET

Rupees in Thousands

	BANK			GROUP		
	As At 31.03.2012	As At 31.12.2011 (Audited)	Change %	As At 31.03.2012	As At 31.12.2011 (Audited)	Change %
<b>On-Balance Sheet Assets</b>						
Cash in Hand	4,847,700	4,622,130	4.9	4,847,875	4,622,304	4.9
Balances with Central Bank of Sri Lanka	14,531,936	13,232,130	9.8	14,531,936	13,232,130	9.8
Due from Banks and Other Financial Institutions	8,424,058	16,035,231	(47.5)	8,433,923	16,047,503	(47.4)
<b>Investments - Trading Account</b>	<b>31,386,329</b>	<b>27,167,594</b>	<b>15.5</b>	<b>31,386,329</b>	<b>27,167,594</b>	<b>15.5</b>
Government Securities	30,203,178	25,884,214	16.7	30,203,178	25,884,214	16.7
Other Securities	1,183,151	1,283,380	(7.8)	1,183,151	1,283,380	(7.8)
<b>Investments - Held-to-Maturity (Net of provisions made for decline in investment value/ Excluding Investments in Associates and Subsidiaries)</b>	<b>10,236,699</b>	<b>5,813,918</b>	<b>76.1</b>	<b>10,376,691</b>	<b>5,953,951</b>	<b>74.3</b>
Government Securities	9,554,275	5,135,451	86.0	9,563,358	5,144,574	85.9
Other Securities	682,424	678,467	0.6	813,333	809,377	0.5
<b>Investment in Subsidiaries</b>	<b>1,054,921</b>	<b>1,054,921</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Loans and Advances</b>						
<b>Total Performing Loans and Advances</b>	<b>189,328,167</b>	<b>170,682,527</b>	<b>10.9</b>	<b>191,169,890</b>	<b>172,408,712</b>	<b>10.9</b>
Bills of Exchange	2,600,427	2,639,981	(1.5)	2,600,427	2,639,981	(1.5)
Overdrafts	34,689,279	30,821,232	12.5	34,449,516	30,780,109	11.9
Lease Rentals Receivable	4,997,765	4,341,607	15.1	8,940,362	7,586,480	17.8
Other Loans	144,314,638	130,463,543	10.6	142,453,526	128,985,978	10.4
Interest Receivable	2,726,058	2,416,163	12.8	2,726,058	2,416,163	12.8
<b>Total Non-Performing Loans and Advances</b>	<b>5,532,668</b>	<b>5,235,896</b>	<b>5.7</b>	<b>5,608,522</b>	<b>5,315,918</b>	<b>5.5</b>
Bills of Exchange	97,422	84,378	15.5	97,422	84,378	15.5
Overdrafts	1,087,241	1,041,517	4.4	1,087,241	1,041,517	4.4
Lease Rentals Receivable	113,255	102,884	10.1	189,109	182,906	3.4
Other Loans	4,234,750	4,007,117	5.7	4,234,750	4,007,117	5.7
<b>Total Gross Loans and Advances</b>	<b>194,860,835</b>	<b>175,918,423</b>	<b>10.8</b>	<b>196,778,412</b>	<b>177,724,630</b>	<b>10.7</b>
<b>Less:</b>						
Suspended Interest	578,489	586,592	(1.4)	578,489	586,592	(1.4)
Specific Loan Loss Provisions	3,535,483	3,592,631	(1.6)	3,606,344	3,665,430	(1.6)
General Loan Loss Provisions	693,045	619,641	11.8	693,045	619,641	11.8
<b>Net Loans and Advances</b>	<b>190,053,817</b>	<b>171,119,558</b>	<b>11.1</b>	<b>191,900,535</b>	<b>172,852,966</b>	<b>11.0</b>
<b>Other Assets</b>	<b>1,747,298</b>	<b>1,109,845</b>	<b>57.4</b>	<b>3,476,744</b>	<b>2,467,754</b>	<b>40.9</b>
<b>Intangible Assets</b>	<b>97,907</b>	<b>67,294</b>	<b>45.5</b>	<b>108,551</b>	<b>78,626</b>	<b>38.1</b>
<b>Property, Plant &amp; Equipment</b> (Net of accumulated depreciation of fixed assets)	<b>4,578,354</b>	<b>4,527,784</b>	<b>1.1</b>	<b>6,747,293</b>	<b>6,690,915</b>	<b>0.8</b>
<b>Total on Balance Sheet Assets</b>	<b>266,959,020</b>	<b>244,750,405</b>	<b>9.1</b>	<b>271,809,876</b>	<b>249,113,742</b>	<b>9.1</b>
<b>On-Balance Sheet Liabilities</b>						
<b>Total Deposits</b>	<b>203,458,300</b>	<b>191,587,958</b>	<b>6.2</b>	<b>203,340,759</b>	<b>191,487,242</b>	<b>6.2</b>
Demand Deposits	13,081,261	12,694,607	3.0	13,052,667	12,671,395	3.0
Savings Accounts	67,246,579	65,604,686	2.5	67,157,632	65,527,181	2.5
Time Deposits	122,487,962	112,392,742	9.0	122,487,962	112,392,742	9.0
Margin Deposits	642,499	895,924	(28.3)	642,499	895,924	(28.3)
<b>Total Borrowings</b>	<b>31,519,411</b>	<b>24,164,942</b>	<b>30.4</b>	<b>33,440,022</b>	<b>25,834,465</b>	<b>29.4</b>
Borrowings from CBSL	-	-	-	-	-	-
Borrowings from Banks and Financial Institutions in Sri Lanka	10,394,513	10,350,371	0.4	12,315,124	12,019,894	2.5
Borrowings from Banks and Financial Institutions Abroad	15,491,589	6,735,351	130.0	15,491,589	6,735,351	130.0
Securities Sold Under Repurchase Agreements	2,601,231	4,074,718	(36.2)	2,601,231	4,074,718	(36.2)
Subordinated Term Debts	3,031,707	3,003,949	0.9	3,031,707	3,003,949	0.9
Other Borrowings	371	553	(32.9)	371	553	(32.9)
<b>Current Taxation</b>	<b>2,471,852</b>	<b>1,946,052</b>	<b>27.0</b>	<b>2,476,366</b>	<b>1,956,571</b>	<b>26.6</b>
<b>Deferred Taxation</b>	<b>392,137</b>	<b>398,671</b>	<b>(1.6)</b>	<b>397,307</b>	<b>410,873</b>	<b>(3.3)</b>
<b>Other Liabilities</b>	<b>8,764,835</b>	<b>7,866,016</b>	<b>11.4</b>	<b>9,624,018</b>	<b>8,530,153</b>	<b>12.8</b>
<b>Total on Balance Sheet Liabilities</b>	<b>246,606,534</b>	<b>225,963,640</b>	<b>9.1</b>	<b>249,278,472</b>	<b>228,219,304</b>	<b>9.2</b>
<b>Equity Capital &amp; Reserves</b>	<b>20,352,486</b>	<b>18,786,766</b>	<b>8.3</b>	<b>22,470,672</b>	<b>20,834,531</b>	<b>7.9</b>
Stated Capital	2,879,514	2,743,780	4.9	2,879,514	2,743,780	4.9
Statutory Reserve Funds	1,659,701	1,432,323	15.9	1,694,035	1,462,312	15.8
Total Other Reserves	15,813,271	14,610,662	8.2	17,897,123	16,628,439	7.6
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,732</b>	<b>59,907</b>	<b>1.4</b>
<b>Total On-Balance Sheet Liabilities and Equity Capital &amp; Reserves</b>	<b>266,959,020</b>	<b>244,750,405</b>	<b>9.1</b>	<b>271,809,876</b>	<b>249,113,742</b>	<b>9.1</b>
<b>Off-Balance Sheet Items and Contra Accounts</b>	<b>143,168,368</b>	<b>120,946,802</b>	<b>18.4</b>	<b>143,168,368</b>	<b>120,946,802</b>	<b>18.4</b>
Contingencies	117,302,703	95,169,490	23.3	117,302,703	95,169,490	23.3
Commitments and Contra Accounts	25,865,665	25,777,312	0.3	25,865,665	25,777,312	0.3
<b>Net Assets Value Per Share (Rs)</b>	<b>125.76</b>	<b>117.31</b>	<b>7.2</b>	<b>138.85</b>	<b>130.10</b>	<b>6.7</b>
<b>Memorandum Information</b>						
Number of Employees	3,249	3,230		3,453	3,416	
Number of Branches	209	206		227	217	

# ANNEX B 6 CASH FLOW STATEMENT

Rupees in Thousands

For the three months ended 31st March	Bank		Group	
	2012	2011	2012	2011
<b>Cash flow from operating activities</b>				
Interest receipts	6,461,183	4,718,013	6,590,023	4,789,002
Interest payments	(4,002,612)	(2,657,476)	(4,065,019)	(2,672,990)
Receipts from other operating activities	2,229,593	846,860	2,295,862	936,848
Cash payments to employees and suppliers	(1,437,430)	(1,222,407)	(1,458,654)	(1,231,150)
Payments for other operating activities	(803,397)	(630,031)	(815,135)	(646,768)
<b>Operating profit before changes in operating assets</b>	<b>2,447,337</b>	<b>1,054,959</b>	<b>2,547,076</b>	<b>1,174,942</b>
<b>(Increase)/Decrease in operating assets</b>				
Balance with Central Bank of Sri Lanka	(1,299,806)	(1,221,644)	(1,299,806)	(1,221,644)
Funds advanced to customers	(18,883,633)	(17,152,747)	(18,995,008)	(17,314,467)
Other assets	(637,454)	(166,547)	(1,008,990)	(854,299)
	(20,820,892)	(18,540,938)	(21,303,804)	(19,390,410)
<b>Increase/(Decrease) in operating liabilities</b>				
Deposits from customers	11,870,342	11,805,657	11,853,517	11,847,032
Other liabilities	816,393	705,099	1,016,299	1,428,749
	12,686,735	12,510,755	12,869,816	13,275,781
<b>Net cash flow from operating activities before income tax</b>	<b>(5,686,821)</b>	<b>(4,975,224)</b>	<b>(5,886,912)</b>	<b>(4,939,687)</b>
Income tax paid	(201,562)	(67,757)	(236,949)	(120,206)
<b>Net cash flow from operating activities</b>	<b>(5,888,383)</b>	<b>(5,042,981)</b>	<b>(6,123,860)</b>	<b>(5,059,893)</b>
<b>Cash flow from investing activities</b>				
Sale/(Purchase) of trading securities	(4,338,271)	1,374,939	(4,338,271)	1,374,939
Sale/(Purchase) of investment securities	(4,422,780)	1,990,671	(4,422,741)	1,990,661
Securities sold under repurchase agreements	(1,473,487)	2,203,292	(1,473,487)	2,203,292
Purchase of property, plant and equipment	(226,372)	(131,424)	(244,429)	(133,504)
<b>Net cash flow from investing activities</b>	<b>(10,460,910)</b>	<b>5,437,478</b>	<b>(10,478,927)</b>	<b>5,435,388</b>
<b>Cash flow from financing activities</b>				
Shares Issued	135,734	-	135,734	-
Increase/(Decrease) in borrowings from CBSL & Financial Institutions	8,800,380	1,297,006	9,051,468	1,311,082
Increase/(Decrease) in Other borrowings	(182)	(1,087)	(182)	(1,087)
Increase/(Decrease) in Bonds	27,758	25,430	27,758	25,430
<b>Net cash flow from financing activities</b>	<b>8,963,690</b>	<b>1,321,350</b>	<b>9,214,778</b>	<b>1,335,425</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>(7,385,603)</b>	<b>1,715,847</b>	<b>(7,388,010)</b>	<b>1,710,921</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>20,657,361</b>	<b>6,046,830</b>	<b>20,669,807</b>	<b>6,052,551</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13,271,758</b>	<b>7,762,677</b>	<b>13,281,797</b>	<b>7,763,471</b>

## ANNEX B 7 STATEMENT OF CHANGES IN EQUITY

BANK

Rupees in Thousands

For the three months ended 31.03.2011	Stated Capital	Statutory Reserve Fund	Risk Reserve Fund	Revaluation Reserve	General Reserve	Investment Fund Account	Retained Profit	Shareholders' Fund
Balance as at 01.01.2011	1,786,250	614,834	31,730	1,519,041	10,058,522	-	1,008,643	15,019,021
Issue of Share/Increase of assigned capital	-	-	-	-	-	-	-	-
Bonus Issue	-	-	-	-	-	-	-	-
Rights Issue	-	-	-	-	-	-	-	-
Surplus/(Reversals) on revaluation of property	-	-	-	(59,693)	-	-	-	(59,693)
Net profit for the period	-	-	-	-	-	-	898,841	898,841
Transfer to reserves during the period	-	-	-	-	-	-	-	-
Final Dividend Paid 2010	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>Balance as at 31.03.2011</b>	<b>1,786,250</b>	<b>614,834</b>	<b>31,730</b>	<b>1,459,349</b>	<b>10,058,522</b>	<b>-</b>	<b>1,907,485</b>	<b>15,858,169</b>

For the three months ended 31.03.2012	Stated Capital	Statutory Reserve Fund	Risk Reserve Fund	Revaluation Reserve	General Reserve	Investment Fund Account	Retained Profit	Shareholders' Fund
Balance as at 01.01.2012	2,743,780	805,805	35,705	1,459,349	11,736,313	590,812	1,415,000	18,786,766
Issue of Share/Increase of assigned capital	-	-	-	-	-	-	-	-
Bonus Issue	-	-	-	-	-	-	-	-
Rights Issue	-	-	-	-	-	-	-	-
ESOP - 2010	135,734	-	-	-	-	-	-	135,734
Surplus/(Reversals) on revaluation of property	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	1,429,986	1,429,986
Transfer to/from reserves during the period	-	-	-	-	(11,984)	227,378	(215,394)	-
Final Dividend Paid 2011	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>Balance as at 31.03.2012</b>	<b>2,879,514</b>	<b>805,805</b>	<b>35,705</b>	<b>1,459,349</b>	<b>11,724,330</b>	<b>818,190</b>	<b>2,629,592</b>	<b>20,352,486</b>

Number of shares as at 31st March 2012 is 162,232,904.

## ANNEX B 8

GROUP For the three months ended 31.03.2011	Rupees in Thousands									
	Stated Capital Fund	Statutory Reserve Fund	Risk Reserve	Revaluation Reserve	General Reserve Account	Investment Fund	Retained Shareholders' Profit	Minority Fund	Minority Interest	Total
Balance as at 01.01.2011	1,786,250	622,004	31,730	2,938,518	9,803,159	-	1,584,184	16,765,846	151,896	16,917,742
Adjustments	-	(63)	-	-	-	-	-	(63)	-	(63)
Issue of Share/Increase of assigned capital	-	-	-	-	-	-	-	-	-	-
Bonus Issue	-	-	-	-	-	-	-	-	-	-
Rights Issue	-	-	-	-	-	-	-	-	-	-
Surplus/(Reversals) on revaluation of property	-	-	-	(59,693)	-	-	-	(59,693)	-	(59,693)
Net profit for the period	-	-	-	-	-	-	980,053	980,053	12,451	992,504
Transfer to reserves during the period	-	-	-	-	-	-	-	-	-	-
Redemption of Preference Shares	-	-	-	-	-	-	-	-	-	-
Interim Dividend Paid - 2011	-	-	-	-	-	-	-	-	-	-
Final Dividend Paid 2010	-	-	-	-	-	-	-	-	-	-
Change in Holding Associate Company's Share	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31.03.2011</b>	<b>1,786,250</b>	<b>621,941</b>	<b>31,730</b>	<b>2,878,825</b>	<b>9,803,159</b>	<b>-</b>	<b>2,564,237</b>	<b>17,686,146</b>	<b>164,346</b>	<b>17,850,493</b>

For the three months ended 31.03.2012	Rupees in Thousands									
	Stated Capital Fund	Statutory Reserve Fund	Risk Reserve	Revaluation Reserve	General Reserve Account	Investment Fund	Retained Shareholders' Profit	Minority Fund	Minority Interest	Total
Balance as at 01.01.2012	2,743,780	823,171	35,705	2,878,825	11,480,951	603,435	2,268,662	20,834,531	59,907	20,894,438
Adjustments	-	(640)	-	-	-	218	6,625	6,203	-	6,203
Issue of Share/Increase of assigned capital	-	-	-	-	-	-	-	-	-	-
Bonus Issue	-	-	-	-	-	-	-	-	-	-
Rights Issue	-	-	-	-	-	-	-	-	-	-
ESOP - 2010	135,734	-	-	-	-	-	-	135,734	-	135,734
Surplus/(Reversals) on revaluation of property	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	1,494,203	1,494,203	825	1,495,028
Transfer to/from reserves during the period	-	-	-	-	(11,984)	232,145	(220,161)	-	-	-
Redemption of Preference Shares	-	-	-	-	-	-	-	-	-	-
Interim Dividend Paid - 2012	-	-	-	-	-	-	-	-	-	-
Final Dividend Paid 2011	-	-	-	-	-	-	-	-	-	-
Change in Holding Associate Company's Share	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31.03.2012</b>	<b>2,879,514</b>	<b>822,531</b>	<b>35,705</b>	<b>2,878,825</b>	<b>11,468,967</b>	<b>835,798</b>	<b>3,549,329</b>	<b>22,470,672</b>	<b>60,732</b>	<b>22,531,404</b>

Number of shares as at 31st March 2012 is 162,232,904.

## ANNEX B 9 SELECTED PERFORMANCE INDICATORS

Regulatory Capital Adequacy	As At	As At	As At	As At
	31.03.2012	31.12.2011 (Audited)	31.03.2012	31.12.2011 (Audited)
	Bank (Solo Basis)		Group	
Core Capital (Tier 1 Capital), Rs. Mn	16,687	16,590	17,633	17,529
Total Capital Base, Rs. Mn	18,739	18,548	19,948	19,750
Core Capital Adequacy Ratio, % of Risk Weighted Assets (Minimum Requirement, 5%)	9.83	10.24	10.04	10.47
Total Capital Adequacy Ratio, % of Risk Weighted Assets (Minimum Requirement, 10%)	11.04	11.45	11.35	11.79

Bank	As At	As At
	31.03.2012	31.12.2011 (Audited)
Assets Quality (Quality of Loan Portfolio)		
Gross Non - Performing Advances Ratio, % (Net of Interest in Suspense)	2.55	2.65
Net Non - Performing Advances Ratio, % (Net of Interest in Suspense and Provision)	0.37	0.25
Profitability		
Interest Margin, %	3.86	4.13
Return on Assets (Before Tax) %	3.38	2.60
Return on Equity (After Tax) %	29.27	22.60
Regulatory Liquidity		
Statutory Liquid Assets, Rs.Mn.		
Bank	49,725	52,124
Domestic Banking unit	45,798	45,684
Off-Shore Banking Unit	3,927	6,871
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)		
Bank	22.03	24.95
Domestic Banking unit	21.23	22.84
Off-Shore Banking Unit	34.77	58.41

### CERTIFICATION:

I certify that the above financial statements give a true and fair view of the state of affairs of Sampath Bank PLC and the Group as at 31st March 2012 and the profits for the quarter then ended.

Sgd

**R Samaranayake**

Executive Director/Group Chief Financial Officer

We, the undersigned, being the Chairman and the Managing Director of Sampath Bank PLC certify jointly that:-

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka ; and
- the information contained in these statements have been extracted from the unaudited financial statements of the bank unless indicated as audited.

Sgd

**K D D Perera**

Chairman

Sgd

**M Y A Perera**

Managing Director

14th May, 2012

## ANNEX B 10

# NOTES-ACCOUNTING POLICIES

1 There are no changes to the accounting policies and methods of computation since the publication of the annual accounts for the year 2011.

The group financial statements comprise a consolidation of the bank and its subsidiaries, Sampath Centre Ltd, SC Securities (Pvt) Ltd, Sampath Leasing & Factoring Ltd and Sampath Information Technology Solutions Ltd.

2 <b>Market Price of a share</b>	2012	2011
Market Price as at 31st March (Rs)	179.80	288.30
Highest Market Price during the quarter ended 31st March (Rs)	199.90	307.00
Lowest Market Price during the quarter ended 31st March (Rs)	169.00	265.00

3 During the year, there were no material changes in contingent liabilities, composition of Assets and Liabilities and use of funds raised through debentures.

#### 4 **ESOP - 2010**

The option exercisable period would be 3 years, from the entitlement date of 30.06.2011 fixed in the scheme. In the event of options being fully exercised by the eligible staff, the stated capital of the Bank would rise by Rs. 244.5 Mn, as a result of the consideration to be paid by the staff under the ESOP. No financial assistance is provided by the Bank to the staff to purchase the share options. The remaining contractual life of share options is 2 years and 3 months.

#### **ESOP 2010 Plan Position as at 31st March 2012**

Number of options available under this plan - 3,056,159 shares

Number of options exercised - 2,221,599 shares

Number of options remaining - 834,560 shares

Option price - Rs. 80/-

#### 5 **Changes in Directorship**

5.1 Mr. S Senanayake, Mr. C Palansuriya, Mr. D De Mel, Mr. R Pathirana and Ms. A Senanayake were appointed as Non-Executive Directors with effect from 01st January 2012.

5.2 Mr. K D D Perera and Mr. M Y A Perera were appointed as Chairman and Managing Director respectively with effect from 01st January 2012, while Mr. C Palansuriya and Mr. S Senanayake were appointed as Deputy Chairman and Senior Director of the Sampath Bank respectively, with effect from 26th January 2012.

6 Final dividend of Rs. 9/- per share, less 10% withholding tax was paid on 158,550,865 ordinary shares, 50% in the form of cash and balance 50% in the form of scrip dividend on 09th April 2012, as approved by the shareholders of the Bank at the Annual General Meeting held on 30th March 2012.

7 The Bank has received approval from the Central Bank of Sri Lanka to setup subsidiaries in;

- Merchant Bank
- Life Insurance

#### 8 **Impact to the Statement of Comprehensive Income and Net Assets based on SLFRS/LKAS**

As per the Ruling issued on 02.03.2012 by the Institute of Chartered Accountants of Sri Lanka on 'Preparation of Interim Financial Statements as per LKAS 34', the Bank has published the interim financial statement under Option 2 by presenting them in accordance with the Sri Lanka Accounting Standards (SLAS) which existed immediately prior to 01.01.2012, with disclosures on impact to the Statement of Comprehensive Income for the 3 month period, Net assets as at 31st March 2012 and 31st December 2011, based on SLFRS/LKAS.

The Bank has estimated the impact on LKAS 32 and 39 on best effort basis and this is subject to external audit. The impact on other standards are insignificant and hence not disclosed.

## SELECTED PERFORMANCE INDICATORS

Area	Nature of SLFRS/ LKAS adjustment	Bank				Group			
		Statement of Comprehensive Income for the period ended 31st March 2012		Net Assets as at 31st March 2012	Net Assets as at 31st December 2011	Statement of Comprehensive Income for the period ended 31st March 2012		Net Assets as at 31st March 2012	Net Assets as at 31st December 2011
		Statement of Income	Statement of Other Comprehensive Income	Increased / (decreased) by	Increased / (decreased) by	Statement of Income	Statement of Other Comprehensive Income	Increased / (decreased) by	
1. Impairment of financial assets	General and specific provision based on CBSL requirements will be replaced by Collective and specific impairment. All individually significant loans were separately tested and others were collectively tested.	(62,661)	-	702,270	764,931	(62,661)	-	716,169	778,830
Loans & advances	Initially, staff loans are recognised at market rate and subsequently interest is recognised at EIR.	(9,656)	-	23,128	32,784	(9,656)	-	23,128	32,784
2. Measurement of staff loans at fair value	Investment can be classified as Fair value through P & L (FVTPL) or Available for sale (AFS) where at each reporting period investment should be fair valued, fair value gains and losses of FVTPL should be recognised at Income Statement, FV gains and losses of AFS investments should be recognised at 'other comprehensive income'. Investments classified as Held to maturity (HTM) should be subsequently measured at amortised cost.	-	(864,026)	934,156	1,798,182	-	(864,026)	934,156	1,798,182
Available for Sale (AFS)									
Fair Value through P & L (FVTPL)									
4. Measurement of deposits at Effective Interest Rate (EIR)	Interest expense on longer maturity deposits is recognised at EIR.	(20,521)	-	121,040	141,561	(20,521)	-	121,040	141,561
5. Fair valuation of derivative assets and liabilities	All derivatives such as forward contracts are fair valued.								
6. Other	Fair valuation of off-Balance Sheet items	4,773	-	73,283	68,510	4,773	-	73,283	68,510

The impact on deferred taxation is not adjusted as such these new accounting changes are not yet incorporated in to the tax laws.

9 Except above, no circumstances have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the Financial Statements.

## SEGMENTAL ANALYSIS - GROUP

Rupees in Thousands

	Banking		Leasing		Dealing/ Investment		Others		Elimination/ Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
For the three months ended 31st March												
Interest	6,288,175	4,570,711	-	-	318	365	1,363	281	(54,525)	(16,427)	6,235,330	4,554,930
Lease Income	-	-	354,693	234,073	-	-	-	-	-	-	354,693	234,073
Dividends	11,357	6,897	-	-	-	-	-	-	-	-	11,357	6,897
Commissions	542,142	403,272	-	-	-	-	-	-	-	-	542,142	403,272
Exchange	1,427,558	137,879	-	-	-	-	-	-	-	-	1,427,558	137,879
Others	248,536	358,504	47,297	26,804	11,949	51,985	52,230	50,649	(45,207)	(39,387)	314,804	448,555
Total revenue from external customers	8,517,768	5,477,263	401,989	260,877	12,267	52,350	53,692	50,930	(99,733)	(55,814)	8,885,884	5,785,606
Inter segment revenue	(11,357)	(6,897)	-	-	(11,357)	(6,897)	-	-	-	-	-	-
<b>Total revenue</b>	<b>8,506,411</b>	<b>5,470,366</b>	<b>401,989</b>	<b>260,877</b>	<b>23,624</b>	<b>59,247</b>	<b>53,592</b>	<b>50,930</b>	<b>(99,733)</b>	<b>(55,814)</b>	<b>8,885,884</b>	<b>5,785,606</b>
<b>Segment Result</b>	2,098,912	1,304,418	114,326	90,785	(5,007)	31,958	29,975	33,618	-	-	2,238,206	1,460,778
Less:- Income Tax expenses	-	-	-	-	-	-	-	-	-	-	743,178	468,275
Minority Interest	-	-	-	-	-	-	-	-	-	-	825	12,451
<b>Net profit for the period</b>	-	-	-	-	-	-	-	-	-	-	<b>1,494,203</b>	<b>980,053</b>
Segment Assets	262,359,103	199,096,966	10,028,715	5,560,084	384,354	1,007,929	2,251,269	2,166,943	(3,213,565)	(1,763,325)	271,809,876	206,068,598
Unallocated Assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>262,359,103</b>	<b>199,096,966</b>	<b>10,028,715</b>	<b>5,560,084</b>	<b>384,354</b>	<b>1,007,929</b>	<b>2,251,269</b>	<b>2,166,943</b>	<b>(3,213,565)</b>	<b>(1,763,325)</b>	<b>271,809,876</b>	<b>206,068,598</b>
Segment Liabilities	242,466,609	183,571,394	8,824,124	4,666,283	164,094	791,445	118,399	122,943	(2,294,754)	(933,959)	249,278,472	188,218,106
Unallocated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>242,466,609</b>	<b>183,571,394</b>	<b>8,824,124</b>	<b>4,666,283</b>	<b>164,094</b>	<b>791,445</b>	<b>118,399</b>	<b>122,943</b>	<b>(2,294,754)</b>	<b>(933,959)</b>	<b>249,278,472</b>	<b>188,218,106</b>
<b>Cash flows from Operating activities</b>	(5,888,383)	(5,042,981)	(786,831)	(236,512)	(57,626)	(19,670)	41,441	37,790	567,539	201,481	(6,123,860)	(5,059,893)
<b>Cash flows from Investing Activities</b>	(10,460,910)	5,437,478	(569)	(2,978)	(61)	(5,466)	(17,115)	-	(272)	6,354	(10,478,927)	5,435,388
<b>Cash flows from Financing Activities</b>	8,963,690	1,321,350	376,492	194,476	-	-	(214)	(51,704)	(125,190)	(128,697)	9,214,778	1,335,425
<b>Capital Expenditure</b>	226,372	131,424	769	2,978	380	184	17,115	-	(208)	(1,082)	244,429	133,504

## ANNEX B 13 DEBENTURE INFORMATION

### (a) Market Values

	Highest		Lowest		Period End	
	2012	2011	2012	2011	2012	2011
<b>Debentures - 2007/2012</b>						
Fixed - 17.5%	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Fixed - 15.5%	Not Traded	105.37	Not Traded	105.37	Not Traded	105.37
Floating rate	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

### (b) Interest Rates

	2012		2011	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
<b>Debentures - 2007/2012</b>				
Fixed - 17.5%	17.50%	17.50%	17.50%	17.50%
Fixed - 15.5%	15.50%	16.65%	15.50%	16.65%
Floating rate	-	-	-	-

#### Debentures - 2007/2012

Floating rate is equivalent to the three months Treasury Bill rate (gross) plus 1.5% p.a., payable quarterly.

#### Debentures - 2007/2012 (Not listed)

Floating rate is equivalent to the six months weighted avg. Treasury Bill rate (gross) plus 1.75% p.a., payable semi annually.

### (c) Interest Rate of Comparable Government Securities - Gross Rates

	2012	2011
2 Year Treasury Bond	11.79%	8.63%
3 Year Treasury Bond	11.33%	8.88%
4 Year Treasury Bond	12.03%	9.11%
5 Year Treasury Bond	11.94%	9.44%
	2012	2011
3 Months Treasury Bill	12.22%	7.76%
6 Months Treasury Bill	12.29%	7.84%

### (d) Current Yield & Yield to maturity

	Fixed '17.50%		Fixed '15.50%		Floating	
	2012	2011	2012	2011	2012	2011
<b>Debentures - 2007/2012</b>						
Current yield	Not Traded	Not Traded	Not Traded	15.75%	Not Traded	Not Traded
Yield to maturity of last trade	Not Traded	Not Traded	Not Traded	12.74%	Not Traded	Not Traded

### (e) Ratios

	2012	2011
Debt to Equity Ratio (%)	14.9%	16.0%
Interest Cover (Times)	26.3	24.4
Quick Asset Ratio (%)	81.7%	80.4%

## ANNEX B 14

### Directors' Holding in Shares of Sampath Bank PLC

Director's Name	No. of shares held	
	As at 31.03.2012	As at 31.12.2011
1 Mr. K D D Perera*	-	-
2 Mr. C Palansuriya	-	-
3 Mr. S Senanayake	-	-
4 Mr. D Sooriyaarachchi	-	-
5 Prof. M Ranasinghe	-	-
6 Mrs. D S Wijayatilake	-	-
7 Ms. A Senanayake	-	-
8 Mr. R Pathirana	5,363	-
9 Mr. D de Mel	-	-
10 Mr. M Y A Perera (Managing Director)	15,097	1,755
11 Mr. R Samaranyake	1,195	1,168

\* Mr. K D D Perera is the Chairman of Vallibel One PLC as well as Sampath Bank PLC.

### TOP 20 SHAREHOLDERS AS AT 31st MARCH , 2012

Name of Shareholder	No. of shares	% holding
1 Vallibel One PLC	24,074,523	14.84
2 Employees' Provident Fund	15,537,353	9.58
3 Mr. Y S H I K Silva	14,630,239	9.02
4 Rosewood (Pvt) Ltd (Account No. 3)	11,159,450	6.88
5 Sampath Bank PLC (Account No. 2)	7,997,819	4.93
6 Corporate Services Ltd (Account No. 2)	5,989,152	3.69
7 Varners International (Pvt) Ltd	5,725,019	3.53
8 SSP Corporate Services (Pvt) Ltd (Account No. 1)	5,335,685	3.29
9 Sri Lanka Insurance Corporation Ltd - Life Fund	3,894,254	2.40
10 Sampath Bank PLC (Account No. 4)	2,654,994	1.64
11 HSBC International Nominees Ltd - SSBT - American	2,418,112	1.49
12 Mr. S V Somasunderam	1,617,204	1.00
13 Mr. B A Mahipala	1,614,848	1.00
14 Northern Trust Co S/A - Northern Trust Fiduciary Services	1,468,817	0.91
15 Employees' Trust Fund Board	1,425,187	0.88
16 Keystone (Pvt) Ltd	1,347,336	0.83
17 Aviva NDB Insurance PLC (Account No. 7)	895,147	0.55
18 Ceylon Guardian Investment Trust PLC (Account No. 1)	842,571	0.52
19 Ceylon Investment PLC (Account No. 1)	837,023	0.52
20 Mr. B W Kundanmal	793,908	0.49
	<b>110,258,641</b>	<b>67.96</b>
Shares held by Directors	21,655	0.01
Balance held by Other Shareholders	51,952,608	32.02
<b>Total</b>	<b>162,232,904</b>	<b>100.00</b>

Percentage of Public Holding as at 31st March 2012 85.15%

# ANNEX C 1 AUDITORS' REPORT



## Chartered Accountants

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

Tel : (0) 11 2463500  
Fax Gen : (0) 11 2697369  
Tax : (0) 11 5578180  
eysl@lk.ey.com

## Independent Auditors' Report to the Shareholders of Sampath Bank PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Sampath Bank PLC ('Bank'), the consolidated financial statements of the Bank and its subsidiaries which comprise the balance sheets as at 31st December 2011, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 accounting records for the year ended 31st December 2011 and the financial statements give a true and fair view of the Bank's state of affairs as at 31st December 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31st December 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Bank and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Bank.

### Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Sections 151 (2) and 153 (2) to 153 (7) of the Companies Act No.07 of 2007.

Ernst & Young  
Chartered Accountants

21st February, 2012  
Colombo, Sri Lanka

**Partners:** A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA Mr. N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

## ANNEX C 2

# INCOME STATEMENT

	Note	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<i>For the year ended 31st December</i>							
<b>Income</b>	<b>01</b>	<b>26,742,906</b>	<b>24,332,560</b>	<b>9.9</b>	<b>27,469,272</b>	<b>24,816,064</b>	<b>10.7</b>
Interest Income	02	21,126,754	18,477,355	14.3	21,494,368	18,721,942	14.8
Less : Interest Expenses	03	12,108,810	9,952,576	21.7	12,225,814	10,036,400	21.8
<b>Net Interest Income</b>		<b>9,017,944</b>	<b>8,524,778</b>	<b>5.8</b>	<b>9,268,554</b>	<b>8,685,542</b>	<b>6.7</b>
Foreign Exchange Profit	02.1	837,369	497,901	68.2	837,369	497,901	68.2
Fees & Commission Income	02.2	1,798,065	1,360,450	32.2	1,798,065	1,360,450	32.2
Other Income	04	2,980,718	3,996,854	(25.4)	3,339,470	4,235,771	(21.2)
<b>Operating Income</b>		<b>14,634,096</b>	<b>14,379,983</b>	<b>1.8</b>	<b>15,243,458</b>	<b>14,779,664</b>	<b>3.1</b>
<b>Operating Expenses</b>	<b>05</b>						
Personnel Cost		3,223,651	2,576,572	25.1	3,353,278	2,648,842	26.6
Premises, Equipment & Establishment Expenses		2,565,725	2,091,858	22.7	2,574,106	2,061,903	24.8
Provision for Retirement Benefits	06	344,132	355,433	(3.2)	348,137	358,091	(2.8)
Provision/(Reversal) for Credit Losses - Specific	07	319,761	1,764,753	(81.9)	298,870	1,756,096	(83.0)
- General	07	(190,942)	135,370	(241.1)	(190,942)	135,370	(241.1)
Provision for Diminution/(Appreciation) in Value of Investments	08	(86,384)	(44,463)	94.3	(86,384)	(44,463)	94.3
Other Overhead Expenses		2,878,371	2,998,747	(4.0)	2,962,876	3,069,617	(3.5)
<b>Operating Expenses</b>		<b>9,054,314</b>	<b>9,878,270</b>	<b>(8.3)</b>	<b>9,259,940</b>	<b>9,985,456</b>	<b>(7.3)</b>
<b>Profit before Tax</b>		<b>5,579,782</b>	<b>4,501,713</b>	<b>23.9</b>	<b>5,983,518</b>	<b>4,794,208</b>	<b>24.8</b>
Less : Provision for Taxation	09	1,760,359	1,198,964	46.8	1,810,618	1,274,226	42.1
<b>Profit after Tax</b>		<b>3,819,423</b>	<b>3,302,748</b>	<b>15.6</b>	<b>4,172,900</b>	<b>3,519,982</b>	<b>18.5</b>
<b>Attributable to:</b>							
Equity Holders of the Parent		3,819,423	3,302,748	15.6	4,150,618	3,484,466	19.1
Minority Interest		-	-	-	22,282	35,516	(37.3)
<b>Profit for the Year</b>		<b>3,819,423</b>	<b>3,302,748</b>	<b>15.6</b>	<b>4,172,900</b>	<b>3,519,982</b>	<b>18.5</b>
Earnings per Share - Basic (Rs.)	10	-	-	-	26.53	22.29	19.0
Earnings per Share - Diluted (Rs.)	10	-	-	-	26.39	22.29	18.4
Dividend per Share - Gross	11	9.00	8.09	11.2	9.00	8.09	11.2
Dividend per Share - Net	11	8.34	7.33	13.8	8.34	7.33	13.8

# ANNEX C 3 BALANCE SHEET

As at 31st December	Note	2011 (Rs. '000)	2010 (Rs. '000)	Bank Change %	2011 (Rs. '000)	2010 (Rs. '000)	Group Change %
<b>Assets</b>							
Cash and Cash Equivalents	12	16,057,361	6,046,830	165.6	16,065,762	6,052,551	165.4
Balance with Central Bank of Sri Lanka	13	13,232,130	8,221,068	61.0	13,232,130	8,221,068	61.0
Government of Sri Lanka Treasury Bills & Bonds	14	25,894,165	31,394,278	(17.5)	25,903,287	31,402,915	(17.5)
Dealing Securities	15	1,283,380	899,106	42.7	1,283,380	899,106	42.7
Investment Securities	16	5,803,967	7,647,737	(24.1)	5,934,877	7,803,788	(23.9)
Securities Purchased under Re-sale Agreements		4,600,000	-	100.0	4,604,045	-	100.0
Loans and Advances	17						
Bills of Exchange	17.1	2,614,364	2,295,427	13.9	2,614,364	2,295,427	13.9
Loans and Advances	17.2	161,671,747	117,004,821	38.2	160,153,059	116,394,605	37.6
Lease Receivable within One Year	17.3.1	1,529,638	1,350,620	13.3	2,481,714	1,917,414	29.4
Lease Receivable from One to Five Years	17.3.2	2,886,877	1,975,637	46.1	5,180,221	2,579,997	100.8
Lease Receivable after Five Years	17.3.3	768	-	100.0	7,444	6,663	11.7
Investment in Subsidiary Companies	18	1,054,921	991,626	6.4	-	-	-
Interest and Fees Receivable		2,482,140	1,959,236	26.7	2,482,140	1,959,236	26.7
Other Assets	19	1,043,868	937,952	11.3	2,401,777	1,821,852	31.8
Goodwill and Other Intangible Assets	20	67,294	78,723	(14.5)	78,626	95,065	(17.3)
Property and Equipment	21	4,527,784	4,277,501	5.9	6,690,915	6,436,694	3.9
<b>Total Assets</b>		<b>244,750,405</b>	<b>185,080,560</b>	<b>32.2</b>	<b>249,113,742</b>	<b>187,886,380</b>	<b>32.6</b>
<b>Liabilities</b>							
Deposits	22	191,587,958	150,508,801	27.3	191,487,242	150,375,194	27.3
Unclaimed Dividend		37,173	37,922	(2.0)	37,173	37,922	(2.0)
Refinance Borrowings		4,850,371	4,442,929	9.2	4,850,371	4,442,929	9.2
Other Borrowings	23	12,235,904	1,013,070	1,107.8	13,905,427	1,443,927	863.0
Securities Sold under Re-purchase Agreements		4,074,718	4,361,363	(6.6)	4,074,718	4,361,363	(6.6)
Other Liabilities	24	7,828,843	5,390,706	45.2	8,492,979	5,974,014	42.2
Taxation	25	1,946,052	911,509	113.5	1,956,571	950,630	105.8
Deferred Taxation	26	398,671	196,440	102.9	410,873	183,859	123.5
Other Liabilities Evidenced by Paper	27	3,003,949	3,198,800	(6.1)	3,003,949	3,198,800	(6.1)
<b>Total Liabilities</b>		<b>225,963,640</b>	<b>170,061,540</b>	<b>32.9</b>	<b>228,219,305</b>	<b>170,968,638</b>	<b>33.5</b>
<b>Shareholders' Funds</b>							
Stated Capital	28	2,743,780	1,786,250	53.6	2,743,780	1,786,250	53.6
Reserves	29						
Capital Reserves							
Statutory / Risk Reserve Funds	29.1	841,511	646,564	30.2	858,877	653,736	31.4
Other Capital Reserves	29.2	1,459,349	1,519,041	(3.9)	2,878,825	2,938,517	(2.0)
Investment Fund Account	29.3	590,812	-	100.0	603,435	-	100.0
Revenue Reserves	29.3	13,151,314	11,067,164	18.8	13,749,614	11,387,342	20.7
		<b>18,786,766</b>	<b>15,019,020</b>	<b>25.1</b>	<b>20,834,531</b>	<b>16,765,846</b>	<b>24.3</b>
Minority Interest	30	-	-	-	59,907	151,896	(60.6)
<b>Total Equity</b>		<b>18,786,766</b>	<b>15,019,020</b>	<b>25.1</b>	<b>20,894,438</b>	<b>16,917,742</b>	<b>23.5</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>244,750,405</b>	<b>185,080,560</b>	<b>32.2</b>	<b>249,113,742</b>	<b>187,886,380</b>	<b>32.6</b>
<b>Net Asset Value per Share (Rs.)</b>		<b>119.77</b>	<b>96.07</b>	<b>24.7</b>	<b>132.83</b>	<b>107.25</b>	<b>23.9</b>
<b>Commitments and Contingencies</b>	31	<b>120,946,802</b>	<b>68,628,122</b>	<b>76.2</b>	<b>120,946,802</b>	<b>68,628,122</b>	<b>76.2</b>

These Financial Statements are in compliance with the requirements of the Companies Act No 07 of 2007.



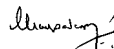
**R Samaranayake**

Executive Director / Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Approved and signed for and on behalf of the Board;



**K D D Perera**  
Chairman



**C Palansuriya**  
Deputy Chairman



**M Y A Perera**  
Managing Director



**S Sudarshan**  
Company Secretary

14th February 2012  
Colombo

## CASH FLOW &amp; RECONCILIATION STATEMENT

For the year ended 31st December	Note	Bank		Group	
		2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
<b>Cash flows from operating activities</b>					
Interest & commission receipts	1	22,924,819	19,837,805	23,292,433	20,082,392
Interest payments	3	(12,108,810)	(9,952,576)	(12,225,814)	(10,036,400)
Receipts from other operating activities		3,039,466	3,730,915	3,360,371	4,010,776
Cash payments to employees and suppliers		(5,594,248)	(4,569,008)	(5,684,579)	(4,572,634)
Payments for other operating activities		(2,866,340)	(2,996,895)	(2,949,835)	(3,066,510)
<b>Operating profit before changes in operating assets &amp; liabilities [Note (a)]</b>		<b>5,394,887</b>	<b>6,050,240</b>	<b>5,792,576</b>	<b>6,417,624</b>
<b>(Increase)/Decrease in operating assets</b>					
Balance with Central Bank of Sri Lanka	13	(5,011,062)	(823,365)	(5,011,062)	(823,365)
Funds advanced to customers	17	(46,205,710)	(31,349,897)	(47,350,624)	(31,081,714)
Other assets		(628,820)	(105,378)	(1,102,829)	(531,793)
		<b>(51,845,593)</b>	<b>(32,278,639)</b>	<b>(53,464,515)</b>	<b>(32,436,872)</b>
<b>Increase/(Decrease) in operating liabilities</b>					
Deposits from customers	22	39,008,642	24,320,128	39,041,533	24,303,228
Negotiable certificates of deposit	22	2,070,515	97,709	2,070,515	97,709
Other liabilities	24	2,311,659	(45,705)	2,504,591	110,900
		<b>43,390,817</b>	<b>24,372,133</b>	<b>43,616,640</b>	<b>24,511,836</b>
<b>Net cash flow from operating activities before income tax</b>		<b>(3,059,889)</b>	<b>(1,856,266)</b>	<b>(4,055,299)</b>	<b>(1,507,412)</b>
Income tax paid	25	(523,585)	(1,199,875)	(577,662)	(1,250,942)
<b>Net cash flow from operating activities</b>		<b>(3,583,474)</b>	<b>(3,056,142)</b>	<b>(4,632,962)</b>	<b>(2,758,354)</b>
<b>Cash flow from investing activities</b>					
Dividend received from subsidiaries	4	15,102	36,438	-	-
Income from investments	4	81,037	49,148	81,037	49,148
Investment in subsidiary companies	18	(63,295)	-	-	-
Government of Sri Lanka Treasury bills & bonds	14	5,345,254	410,902	5,344,769	431,893
Securities purchased under re-sale agreements		(4,600,000)	2,676,615	(4,604,045)	2,676,615
Securities sold under re-purchase agreements		(286,645)	1,473,883	(286,645)	1,473,883
Sale/(Purchase) of commercial papers		-	459,389	-	459,389
Sale/(Purchase) of investments	16	2,924,224	(17,309)	2,924,224	(17,300)
Sale/(Purchase) of dealing securities	15	(418,985)	(327,241)	(418,985)	(327,241)
Proceeds from disposal of property & equipment		103,676	7,184	137,783	38,154
Purchase of property & equipment	21	(890,039)	(907,083)	(1,153,818)	(979,551)
<b>Net cash flow from investing activities</b>		<b>2,210,330</b>	<b>3,861,926</b>	<b>2,024,321</b>	<b>3,804,991</b>
<b>Cash flow from financing activities</b>					
Increase in bonds	27	105,149	96,332	105,149	96,332
Minority interest	30	-	-	(490)	(2,483)
Redemption of debentures	27.1	(300,000)	-	(300,000)	-
Increase/(Decrease) in other borrowings		11,630,276	(235,188)	12,868,942	(475,351)
Shares issued		41,994	-	41,994	-
Dividend paid		(93,745)	(488,294)	(93,745)	(488,294)
<b>Net cash flow from financing activities</b>		<b>11,383,675</b>	<b>(627,150)</b>	<b>12,621,851</b>	<b>(869,795)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10,010,531</b>	<b>178,635</b>	<b>10,013,210</b>	<b>176,843</b>
<b>Cash and cash equivalents at the beginning of the year</b>	12	<b>6,046,830</b>	<b>5,868,195</b>	<b>6,052,551</b>	<b>5,875,708</b>
<b>Cash and cash equivalents at the end of the year [Note (b)]</b>	12	<b>16,057,361</b>	<b>6,046,830</b>	<b>16,065,762</b>	<b>6,052,551</b>

## Reconciliation Statement

	Note	Bank		Group	
		2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
<i>As at 31st December</i>					
<b>Note (a)</b>					
<b>Reconciliation of operating profit</b>					
Profit before tax		5,579,782	4,501,713	5,983,518	4,794,208
Loss/(Profit) on disposal of property & equipment		7,574	(4,193)	(20,029)	(30,918)
Income from investments	4	(81,037)	(49,148)	(81,037)	(49,148)
Diminution/(Appreciation) in value of investments	8	(86,384)	(44,463)	(86,384)	(44,463)
Dividends received from subsidiaries	4	(15,102)	(36,438)	-	-
Capital gains from sale of shares	4	(804,501)	(654,836)	(779,361)	(623,606)
Adjustment on Goodwill		-	-	(49,477)	1,254
Depreciation	5	539,260	454,854	590,942	496,202
Loss/(Profit) on forward contract revaluation		126,478	(17,372)	126,478	(17,372)
Bad debt provision	7	128,819	1,900,124	107,927	1,891,466
<b>Operating profit before changes in operating assets/liabilities</b>		<b>5,394,887</b>	<b>6,050,240</b>	<b>5,792,576</b>	<b>6,417,624</b>
<b>Note (b)</b>					
<b>Reconciliation of cash and cash equivalents</b>					
Local currency in hand	12	3,862,785	3,185,353	3,862,958	3,185,482
Foreign currency in hand	12	759,346	543,588	759,346	543,588
Balances with local banks	12	32,757	77,374	40,985	82,966
Balances with foreign banks	12	979,003	403,142	979,003	403,142
Money at call and short notice	12	5,100,000	50,000	5,100,000	50,000
Placements with banks	12	5,323,471	1,787,373	5,323,471	1,787,373
<b>Cash and cash equivalents at the end of the year</b>		<b>16,057,361</b>	<b>6,046,830</b>	<b>16,065,762</b>	<b>6,052,551</b>

# ANNEX C 6

## STATEMENT OF CHANGES IN EQUITY

### Bank

	Note	Stated Capital	Revaluation Reserve	Statutory Reserve Fund	Risk Reserve Fund	General Reserve	Investment Fund A/C	Retained Profit	Total Shareholders' Funds	(Rs.'000)
Balance as at 1st January 2010		1,581,654	1,152,615	449,697	21,316	8,167,187	-	473,712	11,846,181	
Final dividend paid - 2009	11	-	-	-	-	-	-	(473,602)	(473,602)	
Interim scrip dividend paid - 2010	11	204,596	-	-	-	-	-	(227,329)	(22,733)	
Net profit for the year		-	-	-	-	-	-	3,302,748	3,302,748	
Surplus/(Reversals) on revaluation of property		-	415,331	-	-	-	-	-	415,331	
Deferred tax liability attributable to revaluation surplus		-	(48,904)	-	-	-	-	-	(48,904)	
Transfers during the year		-	-	165,137	10,414	1,891,335	-	(2,066,886)	-	
Balance as at 31st December 2010		1,786,250	1,519,041	614,834	31,730	10,058,522	-	1,008,643	15,019,020	
Adjustments		-	-	-	(169)	(507)	-	-	(676)	
Final scrip dividend paid - 2010	11	915,536	-	-	-	-	-	(1,008,533)	(92,996)	
ESOP-2010	11	41,994	-	-	-	-	-	-	41,994	
Net profit for the year		-	-	-	-	-	-	3,819,423	3,819,423	
Transfers to Investment Fund A/C	29.3	-	-	-	-	-	590,812	(590,812)	-	
Surplus/(Reversals) on revaluation of property	29.2	-	(59,693)	-	-	-	-	59,693	-	
Transfers to reserves during the year	29.3	-	-	190,971	4,144	1,678,299	-	(1,873,414)	-	
<b>Balance as at 31st December 2011</b>		<b>2,743,780</b>	<b>1,459,349</b>	<b>805,805</b>	<b>35,706</b>	<b>11,736,313</b>	<b>590,812</b>	<b>1,415,000</b>	<b>18,786,766</b>	
%		14.6	7.8	4.3	0.2	62.5	3.1	7.5	100.0	

### Group

	Stated Capital	Revaluation Reserve	Statutory Reserve Fund	Risk Reserve Fund	General Reserve	Investment Fund A/C	Retained Profit	Total Shareholders' Funds	Minority Interest	Total Equity	(Rs.'000)
Balance as at 1st January 2010	1,581,654	1,768,546	449,985	21,316	7,911,824	-	878,475	12,611,800	95,228	12,707,028	
Final dividend paid - 2009	-	-	-	-	-	-	(473,602)	(473,602)	-	(473,602)	
Net profit for the year	-	-	-	-	-	-	3,480,409	3,480,409	35,516	3,515,926	
Interim scrip dividend paid - 2010	204,596	-	-	-	-	-	(227,329)	(22,733)	-	(22,733)	
Interim cash dividend paid - 2010	-	-	-	-	-	-	-	-	(2,483)	(2,483)	
Surplus/(Reversal) on revaluation of property	-	1,218,876	-	-	-	-	-	1,218,876	23,635	1,242,511	
Deferred tax liability attributable to revaluation surplus	-	(48,904)	-	-	-	-	-	(48,904)	-	(48,904)	
Transfers during the year	-	-	172,019	10,414	1,891,335	-	(2,073,769)	-	-	-	
Change in holding of subsidiary share	-	-	-	-	-	-	-	-	-	-	
Balance as at 31st December 2010	1,786,250	2,938,518	622,004	31,730	9,803,159	-	1,584,184	16,765,846	151,896	16,917,742	
Adjustments	-	-	-	(169)	(507)	-	-	(676)	-	(676)	
Impact on prior year adjustment	-	-	-	-	-	-	(28,577)	(28,577)	-	(28,577)	
Net profit for the year	-	-	-	-	-	-	4,148,940	4,148,940	22,282	4,171,222	
Final scrip dividend paid - 2010	11	915,536	-	-	-	-	(1,008,533)	(92,996)	-	(92,996)	
ESOP-2010		41,994	-	-	-	-	-	41,994	-	41,994	
Final cash dividend paid - 2010		-	-	-	-	-	-	-	(490)	(490)	
Transfers to Investment Fund A/C	29.3	-	-	-	-	603,435	(603,435)	-	-	-	
Surplus/(Reversal) on revaluation of property	29.2	-	(59,693)	-	-	-	-	59,693	-	-	
Transfers during the year	29.3	-	-	201,167	4,144	1,678,299	-	(1,883,609)	-	-	
Acquisition of minority interest	29.3	-	-	-	-	-	-	-	(113,782)	(113,782)	
<b>Balance as at 31st December 2011</b>		<b>2,743,780</b>	<b>2,878,825</b>	<b>823,171</b>	<b>35,705</b>	<b>11,480,951</b>	<b>603,435</b>	<b>2,268,662</b>	<b>20,834,531</b>	<b>59,907</b>	<b>20,894,438</b>
%		13.1	13.8	3.9	0.2	54.9	2.9	10.9	99.7	0.3	100.0

# ANNEX C 7

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Corporate Information

#### 1.1 General

Sampath Bank PLC ('The Bank'), 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 staff strength of the Bank as at 31st December 2011 is 3,230 (2,688 as at 31st December 2010).

#### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Bank for the year ended 31st December 2011 comprise the results, assets & liabilities of the Bank and its Subsidiaries i.e. Sampath Centre Ltd., S C Securities (Pvt) Ltd., Sampath Leasing and Factoring Ltd., and Sampath Information Technology Solutions Ltd.

#### 1.3 Principal Activities and Nature of Operations

##### 1.3.1 Bank

The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate & retail banking, project financing, trade finance, treasury and investment services, issuing of credit cards and debit cards, off shore banking, resident & non-resident foreign currency operations, telephone banking, internet banking, money remittance facilities, pawning & leasing, etc.

##### 1.3.2 Subsidiaries

The following Subsidiaries have been consolidated.

- Sampath Centre Ltd. - Renting of Commercial Property
- S C Securities (Pvt) Ltd. - Share Brokering
- Sampath Leasing & Factoring Ltd. - Leasing & Factoring
- Sampath Information Technology Solutions Ltd. - Developing Software Solutions & Maintenance of Hardware

#### 1.4 Date of Authorisation for Issue

The Financial Statements of the Group for the year ended 31st December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 14th February 2012.

### 2. Basis of Preparation

These Financial Statements are prepared under the historical cost basis, except for certain Land & Buildings, Government of Sri Lanka Treasury Bills & Bonds and Dealing Securities which are stated at market values as explained in Note 21, 14 and 15 to the Financial Statements.

All values presented in the Financial Statements are in Sri Lanka Rupees thousands (Rs'000), unless otherwise stated.

#### 2.1 Statement of Compliance

The Balance Sheet, Statement of Income, Statement of Changes in Equity and Cash Flow Statement, together with Accounting Policies and Notes, ('Financial Statements'), i.e: Consolidated Financial Statements and Separate Financial Statements of the Bank, as at 31st December 2011 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 & the Banking Act No. 30 of 1988 and amendments thereto.

#### 2.2 Materiality & Aggregation

In compliance with Sri Lanka Accounting Standard No. 3 (Revised 2005) on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

#### 2.3 Comparative Information

The accounting policies have been consistently applied by the Group with those of the previous financial year, in accordance with Sri Lanka Accounting Standard No. 3 (Revised 2005) on Presentation of Financial Statements.

Comparative information is reclassified wherever necessary to comply with the current presentation.

#### 2.4 Basis of Consolidation

The Group Financial Statements comprise consolidation of the Financial Statements of the Bank and its subsidiaries in terms of the Sri Lanka Accounting Standard No. 26 (Revised 2005) on Consolidated & Separate Financial Statements.

##### 2.4.1 Subsidiaries

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 PLC. and its subsidiary companies included in the consolidation are prepared to a common financial year, ending 31st December.

## SIGNIFICANT ACCOUNTING POLICIES CONTD.

Sampath Bank PLC. holds 97.14% of the stated capital of Sampath Centre Ltd as at 31st December 2011 and Sampath Leasing & Factoring Ltd., S C Securities (Pvt) Ltd., and Sampath Information Technology Solutions Ltd., are fully owned subsidiaries of Sampath Bank PLC as at 31st December 2011.

The total profit for the year of the subsidiaries 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 subsidiaries 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.

#### 2.4.2 Business Combinations and Goodwill

Business combinations are accounted for using the Purchase Method of Accounting as per the requirements of Sri Lanka Accounting Standard No. 25 (Revised 2004) on Business Combinations. This involves recognising identifiable assets (including previously unrecognised intangibles) and liabilities (including contingent liabilities) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the Income Statement in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Sri Lanka Accounting Standard No. 25 (revised 2004) on Business Combinations requires that following initial recognition goodwill to be measured at cost less any accumulated impairment losses and goodwill to be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, as at the acquisition date, any goodwill acquired after 1st July 2005 is allocated to each of the cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the Income Statement.

Goodwill acquired in a business combination prior to 1st July 2005 as disclosed in Note No. 20 on page 215 to the Financial Statements, was amortised to revenue till 30 June 2005, over a period of five years commencing from the first year of acquisition.

#### 2.4.3 Transactions eliminated on Consolidation

Intra-group balances, transactions and any unrealised gains arising from Intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are 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.

#### 2.5 Going Concern

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

#### 2.6 Significant accounting judgments, estimates and assumptions

##### 2.6.1 Judgments

In the process of applying accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Financial Statements.

##### 2.6.1.1 Impairment Losses on Loans and Advances:

In addition to the allowances made for doubtful recoveries based on Central Bank guidelines and directives for specific and general loans and advances, the Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the Income Statement. Judgment by management is required in the estimation of these amounts and such estimations are based on assumptions about number of factors and actual results may differ, resulting in future changes to the allowance.

**2.6.1.2 Impairment Losses on Foreign Currency Bonds:**

Foreign currency bonds are generally marked to market. If there is any indication of impairment, an impairment review is performed to determine any possible impairment loss, instead of marking to market and provide for impairment losses so identified.

**2.6.1.3 Review of Impairment of Non Financial Assets:**

The assessment of impairment in non financial assets includes the estimation of the value in use of the asset computed at the present value of the best estimates of future cash flows generated by the asset adjusted for associated risks. These estimation has inherent uncertainties. Impairment losses, if any are charged to Income Statement immediately.

**2.6.2 Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements.

**2.6.2.1 Fair value of Property and Equipment:**

The Land and Buildings of the Group are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking in to consideration discounted cash flow projections based on estimates, derived evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

**2.6.2.2 Defined Benefit Plans:**

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

**2.7 Financial Instruments**

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.

**3. Valuation of Assets and their Measurement Bases****3.1 Foreign Currency Translation**

The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency.

**3.1.1 Transactions and Balances**

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

Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to Sri Lanka Rupees using the year end spot foreign exchange rate and all differences are taken to Income Statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Income Statement.

Forward exchange contracts are valued at the forward market rates ruling on the date of the Balance Sheet. Resulting net unrealised gains or losses are dealt with through the Income Statement.

**3.2 Government of Sri Lanka Treasury Bills & Bonds****3.2.1 Investments in Treasury Bills and Treasury Bonds held for Trading**

Investment in Treasury Bills and Treasury Bonds held for trading are carried at the market value in the Balance Sheet with any Gains and losses are dealt with through the Income Statement.

## SIGNIFICANT ACCOUNTING POLICIES CONTD.

**3.2.2 Investment in Treasury Bills and Bonds held to Maturity**

Investments in Treasury Bills and Bonds held to maturity are carried at the value of the Bills/Bonds purchased and the discount /premium accrued thereon. Discount received/premium paid is amortised and recognised in the Income Statement based on a pattern reflecting a constant periodic rate of return, in accordance with the Sri Lanka Accounting Standard No. 22 on Accounting for Investments.

**3.2.3 Securities Purchased under Re-sale Agreements**

Securities purchased under agreements to re-sell are classified as part of the assets. Obligation to repurchase resulting from securities sold under repurchase agreements is accounted for as a liability and is classified under liabilities.

**3.3 Investments****3.3.1 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.

**3.3.2 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.

Investments in units of Unit Trust are carried at cost.

**3.3.3 Investments in Associates**

Investments in Associates are accounted for under the Cost Method in the Bank's Separate Financial Statements and under the Equity Method in Consolidated Financial Statements in accordance with the Sri Lanka Accounting Standard No. 27 on Investments in Associates.

**3.3.4 Investments in Subsidiaries**

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

**3.4 Loans and Advances to Customers**

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

**3.4.1 Non- Performing Loans & Advances**

Loans and advances which are in arrears of due capital and/or interest are classified as non-performing as per the Direction No. 3 of 2008 as amended by the Direction No. 9 of 2008 on 'Classification of Loans and Advances, Income Recognition and Provisioning' issued by the Central Bank of Sri Lanka. For this purpose, all credit facilities are classified as non-performing on the following basis.

Type of Facility	Point of Classification
Overdrafts	Outstanding balance in excess of the sanction limits continuously for a period of 90 days or more
Credit facilities repayable in monthly installments	Three consecutive installments, principal and/or interest have not been paid
Credit facilities repayable in quarterly /half yearly installments	Installment is not paid within 90 days from the due dates
Credit facilities repayable in one installment at the end of a specified period or on a due date (bullet payments)	Payment is not made within 90 days from the end of the agreed period or the due date
Credit Cards	Minimum payment is in arrears for 90 days from the due date

The Bank reclassifies non-performing loans as performing loans in accordance with the guidelines given in Direction No. 9 of 2008.

**3.4.2 Write – off Policy**

The Bank writes off a loan (net of any related loan loss provisions), when it determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

**3.4.3 Foreclosed Properties**

Foreclosed properties represent properties acquired in full or partial settlement of loans and advances are accounted for at the lower of cost or market value on an individual property basis. The shortfall between the prevailing market value of the foreclosed assets and the related loan outstanding is recognised as a provision for loan losses in the Income Statement in the year of taking over the foreclosed properties in satisfaction of the debt. The Bank reviews these properties at each reporting date or more frequently, if events or changes in circumstances indicate that the properties impaired.

Foreclosed properties are shown under non-performing loans and advances until they are disposed. Subsequent gains and losses on the disposal of the said properties are treated as provisions written back or charged to Income Statement, respectively. Those properties are recorded under loans and advances until those are disposed off.

### 3.4.4 Provision for Loan Losses

#### 3.4.4.1 Specific Provisions

Specific provisions for possible loan losses are made on the basis of a continuous review of all advances to customers. 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;

Classification	Facility Type	Overdue Period	Minimum Provision Requirement (Net of Security)
Substandard	Credit Cards	4 - 6 months	25%
	Loans	6 - 12 months	20%
	Overdrafts	180 - 360 days	20%
Doubtful	Credit Cards	6 - 8 months	50%
	Loans	12 - 18 months	50%
	Overdrafts	360 - 540 days	50%
Loss	Credit Cards	Over 8 months	100%
	Loans	Over 18 months	100%
	Overdrafts	Over 540 days	100%

Subsequent recoveries of loans are credited to the Income Statement against which such sums had been previously written-off.

#### 3.4.4.2 General Provisions

As per Banking Act Direction No. 03 of 2010 on Amendments to Directions on Classification of Loans and Advances, Income Recognition and provisioning for Licensed Commercial Banks in Sri Lanka, Bank has reduced the general provision requirement to 0.5% as at 31st December 2011.

## 3.5 Finance Leases

### 3.5.1 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.

### 3.5.2 Provision for Lease Receivable

Specific provisions have been made in relation to bad and doubtful leases as stated in 3.4.4.1 above. In addition, a general provision for possible losses on lease receivables is made as specified in 3.4.4.2 above.

## 3.6 Interest and Fees Receivables

Interest receivables are stated at the amounts they are estimated to realize net of provisions for bad and doubtful receivables. Fees and other dues from related parties are recognised at cost less provisions for bad and doubtful receivables.

## 3.7 Intangible Assets

### 3.7.1 Basis of Recognition

An Intangible Asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with SLAS 37 on Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less any accumulated amortisation and accumulated impairment losses.

### 3.7.2 Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives are recognised in the Income Statement.

## SIGNIFICANT ACCOUNTING POLICIES CONTD.

The useful lives and the amortization methods of intangible assets with finite lives are as follows:

The class of intangible assets	Useful life	Amortization Method
Computer software	4 – 6 Years	Straight line method

### 3.7.3 Gains/Losses on Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement, when the asset is derecognised.

## 3.8 Property & Equipment

### 3.8.1 Basis of Recognition

Property & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with SLAS 18 on Property, Plant & Equipment.

### Cost Model

Equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

### Revaluation Model

Land and buildings are measured at fair value, less depreciation on buildings and impairment charged subsequent to the date of the revaluation.

Valuations are performed every 3-5 years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve included in the equity of the Balance Sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in Income Statement, in which case the increases is recognised in Income Statement. A revaluation deficit is recognised in Income Statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### 3.8.2 Subsequent Cost

These are costs that are recognised in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the Group and it can be reliably measured.

### 3.8.3 Derecognition

An item of Property & Equipment is recognised upon disposal or when no economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Income Statement in the year the asset is derecognized.

### 3.8.4 Depreciation

The provision for depreciation is calculated by using the straight line method on cost or valuation of the Property & Equipment other than freehold land.

The rates of depreciations are given below;

Asset Category	Rate of Depreciation
Freehold Buildings	2.0% - 2.5 % per annum
Motor Vehicles	25.0% per annum
Computer Equipment	5% - 20% per annum
Furniture, Office & Household Equipment	5.0% - 20.0 % per annum
Building Integrals	10% - 25 % per annum

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

### 3.8.5 Property & Equipment on Finance Leases

Property and Equipment on finance leases, which effectively transfer 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 and equipment and depreciated consistently with that of owned assets as described under property 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.

### 3.9 Impairment of Non Financial Assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. When the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such condition exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

## 4. Liabilities and Provisions

### 4.1 Deposits from Customers

Deposits include non interest bearing deposits, saving deposits, term deposits, deposits payable at call and certificate of deposits. They are stated in the Balance Sheet at amount payable. Interest paid/payable on these deposits is charged to the Income Statement.

### 4.2 Borrowings

Borrowings include refinance borrowings, call and term borrowings, foreign currency borrowings, credit balances of nostro accounts and finance lease payables. They too are stated in the Balance Sheet at amount payable. Interest paid/payable on these deposits is charged to the Income Statement.

### 4.3 Securities Sold under Repurchase Agreements

These are borrowings collateralized by sale of Treasury Bills and Treasury Bonds held by the Bank to the counterparty from whom the Bank borrowed, subject to an agreement to repurchase them at a predetermined price. Such Treasury Bills and Treasury Bonds remain on the Balance Sheet of the Bank and the liability is recorded in respect of the consideration is received.

### 4.4 Provisions

Provisions are recognised when the Group 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.

### 4.5 Retirement Benefit Obligations

#### 4.5.1 Defined Benefit Plan

##### 4.5.1.1 Gratuity

In compliance with the Gratuity Act No.12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees who joined the Bank on or after 1st June 2003, as they are not in pensionable service of the Bank.

Provision is not made in the accounts for gratuity payable to employees who joined prior to 1st June 2003 and complete 5 or more years of continuous service, as the Bank has its own non-contributory pension scheme in force. However, if employees who are eligible for pension resign before retirement age, the Bank is liable to pay gratuity to such employees.

The Bank measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit method (PUC) as required by Sri Lanka Accounting Standards No. 16, Employee Benefits (Revised 2006).

An actuarial valuation is carried out at every year to ascertain the full liability under the Fund. The valuation was carried out as at 31st December 2011 by M/s. Piyal S. Goonetilleke & Associates, a qualified actuary.

For Group companies other than the Bank and Sampath Leasing & Factoring Ltd., the liabilities ascertained using the formula specified in Appendix E of SLAS 16.

#### Recognition of Actuarial Losses / Gains

Actuarial losses / gains to be recognised in this year's retirement expense was calculated according to the 10% corridor method specified by the SLAS 16 – para 92.

**Expected Return on Assets**

Expected return on assets is zero as the plan is not pre funded.

**Interest Cost**

Interest cost is the expected increase due to interest during the period in the present value of the plan liabilities because the benefits are one year closer to settlement.

**Funding Arrangements**

The Gratuity liability is not externally funded.

The principal assumptions, which have the most significant effect on the valuation, are the rate of Discount at 10%, rate of increase in salaries at 9%, rate of turnover at selected ages, rate of disability, death benefits and expenses. However, due to the long term nature of employment benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions and the results of the sensitivity analysis are given in Note No. 24.1 in Notes to the Accounts.

**4.5.1.2 Pension Fund**

The Bank has a Pension Fund for all members who joined the Bank for permanent employment before 1st June 2003. A member is eligible for a monthly pension after attainment of 55 years of age and completion of 10 years uninterrupted service.

The Bank measures the present value of the Pension obligation, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit method (PUC) as required by Sri Lanka Accounting Standards No. 16, Employee Benefits (Revised 2006).

An actuarial valuation is carried out at every year to ascertain the full liability under the Fund. The last such valuation was carried out as at 31st December 2011 by M/s. Piyal S. Goonetilleke & Associates, a qualified actuary.

**Recognition of Actuarial Losses / (Gains)**

Actuarial losses / (gains) occur when the actual plan experience differ from the assumed experience. This actuarial losses / (gains) will be considered for recognition in the next year's retirement benefit expense.

**Expected Return on Assets**

Expected return on assets is the expected return on pension fund at the assumed rate of return.

**Interest Cost**

Interest cost is the expected increase due to interest during the period in the present value of the plan liabilities because the benefits are one year closer to settlement.

**Funding Arrangements**

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 rate of discount at 10%, rate of increase in salaries at 9%, annual return on assets at 9%, rate of turnover at selected ages, rate of disability, death benefits and expenses. However, due to the long term nature of employment benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions and the results of the sensitivity analysis are given in Note No. 24.2 in Notes to the Accounts.

**4.5.2 Defined Contribution Plans**

Contributions to defined contribution plans covering all employees are recognised as an expense in the income statement, as incurred.

**4.5.2.1 Employees' Provident Fund**

The Bank and Employees contribute to the approved private Provident Fund at 12% and 8% respectively.

**4.5.2.2 Employees' Trust Fund**

The Bank contributes to the Employees' Trust Fund at 3%.

**4.6 Taxation**

Income Tax expense comprises of current and deferred tax. Income tax expense is recognised in the Income Statement.

**4.6.1 Current Taxation**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Provision for current taxation is made for Sampath Bank, S C Securities (Pvt) Ltd, Sampath Leasing and Factoring Ltd., and Sampath Information Technology Solutions Ltd., 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. 10 of 2006, and amendments thereto.

Sampath Centre Ltd., is a company approved under BOI law, as such the company was exempted from taxation for a period of 7 years commencing from the first year of assessment. Accordingly, the company is liable for taxation at the rate of 2.0% of the revenue from the year of assessment commencing 2006/2007.

#### 4.6.2 Deferred Taxation

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profits nor taxable profits or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised, or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Income Statement.

Deferred tax assets and liabilities are set off if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### 4.6.3 VAT on Financial Services

VAT on Financial Services is calculated in accordance with Amended VAT Act No. 7 of 2003.

#### 4.7 Commitments and Contingencies

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

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or can not be readily measured. Contingent Liabilities are not recognised in the Balance Sheet but are disclosed unless its occurrence is remote.

#### 4.8 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.

## 5. Income Statement

### 5.1 Revenue Recognition

#### 5.1.1 Interest Income on Loans & Advances

Interest receivable is recognised on accrual basis. Interest from loans and advances 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 non-performing overdrafts is credited to the 'Interest in suspense' account, which is netted in the Balance Sheet against the relevant advances.

#### 5.1.2 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.

#### 5.1.3 Income from Government Securities and Securities Purchased under Resale Agreement

Discounts/Premiums on Treasury Bills and Treasury Bonds are amortised over the period to reflect a constant yield. The coupon interest on Treasury Bonds is recognised on an accrual basis. The interest income on Securities Purchased under Resale Agreements is recognised in the Income Statement on an accrual basis over the period of agreement.

Interest income from Treasury Bills and Treasury Bonds is grossed by the addition of the tax credit inputted to 10% withholding tax on discount allowed at the time of issue. This notional tax credit is 1/9th of the net interest income.

#### 5.1.4 Interest Income on Investments

Interest income from investments is recognised on an accrual basis.

#### 5.1.5 Dividend Income

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

#### 5.1.6 Income on Discounting of Bills of Exchange

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

#### 5.1.7 Gains or losses arising from the sale of securities

Gains or losses arising from the sale of dealing securities, investment securities, shares, foreign bonds & units are accounted for on an accrual basis.

#### 5.1.8 Gains or Losses on Disposal of Property and Equipment

Gains or losses of a revenue nature arising from the disposal of Property, plant and equipment are accounted for on an accrual basis.

#### 5.1.9 Fees and Commission Income

Fees and commission income are recognised in the income statement on an accrual basis.

#### 5.1.10 Rental Income

Rental income is recognised on an accrual basis.

#### 5.1.11 Interest & Fees Receivable on Credit Cards

Fees & Commission income on credit cards is recognised on an accrual basis. Interest and fees ceases to be taken in to revenue when the recovery of minimum payment is in arrears for over three months. Thereafter, interest is recognised on cash basis.

#### 5.1.12 Other Income

Other income is recognised on an accrual basis.

## 5.2 Expenses

### 5.2.1 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 profit for the year.

### 5.2.2 Borrowing Costs

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

### 5.2.3 Off-Balance Sheet Transactions

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

## 6. Cash Flow Statement

The cash flow statement 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 cash balances, call deposits and short-term funds.

## 7. Fiduciary Assets

Assets held in a fiduciary capacity are not reported in these financial statements as they are not the assets of the Bank.

## 8. Earnings per Share

The Group presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

## 9. Dividend on Ordinary Shares

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividend are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividend on ordinary shares for the year that are recommended by the Directors after the Balance Sheet date for approval of the shareholders at the Annual General Meeting are disclosed as an event after the Balance Sheet date.

## 10. Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns different from those of other business segments. For the purposes of segment reporting disclosures, the information is presented in respect of the Group's business segments, which is based on the Group's management and internal reporting structure. The Group comprises the following major Business segments; banking, leasing, dealing / investments and others.

Inter-segment pricing is determined on an arms length basis.

Measurement of segment assets, liabilities, segment revenue and results is based on the accounting policies set out above. Segment revenue results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

## 11. Directors' Responsibility Statement

The Board of Directors takes the responsibility for preparation and presentation of these Financial Statements.

## 12. Sri Lanka Accounting Standards Effective from 01st January 2012

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Group has a 31st December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01st January 2011. This will form the basis of accounting for the new SLASs in the future, and is required when the Group prepares its first new SLAS compliant financial statements for the year ending 31st December 2012. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Group. The Group is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

- (a) **SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards** requires the Group to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Group shall use the same accounting policies in its opening new SLAS financial statements and throughout all periods presented in its first new SLAS financial statements. Those accounting policies should comply with each new SLAS effective at the end of 31st December 2012.
- (b) **LKAS 1 – Presentation of Financial Statements** requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Bank to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

- (c) **LKAS 16 – Property Plant and Equipment** requires Group to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period, unless such interest is capitalised in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

- (d) **LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures** will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortised cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. As such the current method of assessing for impairment will have to be based on the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortised cost. At present, the Group does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognised on the balance sheet, and hence would require a change in accounting policy.

- (e) **SLFRS 2 – Share Based Payments** will require the Group to reflect in its profit or loss and financial position the effects of share based payment transactions, including expenses associated with share options granted to employees. An entity is required to recognise share based payment transactions when goods are received or services obtained based on the fair value of goods or services or the fair value of equity instruments

granted. Hence the Group will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the statement of financial performance. This standard is not limited to options and extends to all forms of equity based remuneration and payments.

- (f) **SLFRS 3 – Business Combinations** will require the Group to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets (inputs) and activities (processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquiree and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognised as profit/loss on disposal of investments in the statement of financial performance.
- (g) **LKAS 23 – Borrowing Cost** requires the Group to capitalise borrowing costs in relation to qualifying assets. Since the current policy is to expense all borrowing cost, this will result in a change in accounting policy.
- (h) **LKAS 12 – Income Tax** requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.
- (i) **LKAS 18 – Revenue** requires the Group to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>01. Income</b>						
Interest Income (Note No. 2)	21,126,754	18,477,355	14.3	21,494,368	18,721,942	14.8
Foreign Exchange Profit (Note No. 2.1)	837,369	497,901	68.2	837,369	497,901	68.2
Fee & Commission Income (Note No. 2.2)	1,798,065	1,360,450	32.2	1,798,065	1,360,450	32.2
Other Income (Note No. 4)	2,980,718	3,996,854	(25.4)	3,339,470	4,235,771	(21.2)
	<b>26,742,906</b>	<b>24,332,560</b>	<b>9.9</b>	<b>27,469,272</b>	<b>24,816,064</b>	<b>10.7</b>
<b>02. Interest Income</b>						
Customer Advances	18,286,738	14,399,580	27.0	18,653,117	14,642,751	27.4
Placements with Other Banks	100,630	40,571	148.0	100,630	40,571	148.0
Treasury Bills, Treasury Bonds & Money Market Instruments	2,692,447	3,978,283	(32.3)	2,693,306	3,979,439	(32.3)
Other Interest Income	46,938	58,920	(20.3)	47,314	59,181	(20.1)
	<b>21,126,754</b>	<b>18,477,355</b>	<b>14.3</b>	<b>21,494,368</b>	<b>18,721,942</b>	<b>14.8</b>

**A Notional Tax Credit on Secondary Market Transactions**

According to Section 137 of the Inland Revenue Act No. 10 of 2006, Net interest income of the Bank derived from the secondary market transactions in Treasury Bills & Treasury Bonds (Interest income accrued or received on outright or reverse purchase transaction on such security, Bond or Bill less interest expenses on repurchase transaction with Securities, Treasury Bonds or Treasury Bills from which such interest income was earned) for the period 01st January 2011 to 31st December 2011 has been grossed up by Rs. 20.876 Mn (2010 - Rs 122.940 Mn) for the notional tax credit, consequent to the interest income on above instruments being subjected to withholding tax (Note No. 9.2(g)).

	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>2.1 Foreign Exchange Profit</b>						
Exchange Income Currency Notes	267,642	202,254	32.3	267,642	202,254	32.3
Exchange Income Revaluation	569,727	295,647	92.7	569,727	295,647	92.7
	<b>837,369</b>	<b>497,901</b>	<b>68.2</b>	<b>837,369</b>	<b>497,901</b>	<b>68.2</b>
<b>2.2 Fees &amp; Commission Income</b>						
Professional Services	631,479	491,154	28.6	631,479	491,154	28.6
Trade Related Services	518,670	399,275	29.9	518,670	399,275	29.9
Foreign Remittances	96,019	90,666	5.9	96,019	90,666	5.9
Credit & Debit Card Services	313,454	230,555	36.0	313,454	230,555	36.0
Other Banking Services	238,442	148,800	60.2	238,442	148,800	60.2
	<b>1,798,065</b>	<b>1,360,450</b>	<b>32.2</b>	<b>1,798,065</b>	<b>1,360,450</b>	<b>32.2</b>

			Bank		Group	
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>03. Interest Expenses</b>						
Customer Deposits	10,702,939	8,940,316	19.7	10,699,323	8,937,245	19.7
Short Term Borrowings	380,511	47,605	699.3	279,088	47,605	486.3
Refinance Borrowings	271,806	309,429	(12.2)	271,806	309,429	(12.2)
Repurchase Agreements	410,142	302,547	35.6	409,729	302,099	35.6
Due to Banks	105,149	96,332	9.2	327,604	183,675	78.4
Debentures	238,264	256,347	(7.1)	238,264	256,347	(7.1)
	<b>12,108,810</b>	<b>9,952,576</b>	<b>21.7</b>	<b>12,225,814</b>	<b>10,036,400</b>	<b>21.8</b>
<b>04. Other Income</b>						
Income from Investment Securities	17,395	41,565	(58.2)	17,395	41,565	(58.2)
Income from Dealing Securities	11,543	7,583	52.2	11,543	7,583	52.2
Income from Investment in Subsidiaries	15,102	36,438	(58.6)	-	-	-
Capital Gain on Sale of LBFL shares	427,693	654,836	(34.7)	402,553	623,606	(35.4)
Capital Gain on Sale of MASTER / VISA Shares *	376,808	-	100.0	376,808	-	100.0
Capital Gain/(Loss) from Dealing Securities & Unit Trusts	52,100	-	100.0	52,100	-	100.0
Bad Debt Recoveries	1,123,632	1,230,206	(8.7)	1,123,632	1,230,206	(8.7)
Recovery of Impaired Investment in						
Foreign Currency Bonds	-	1,331,400	(100.0)	-	1,331,400	(100.0)
Profit/(Loss) on Disposal of Property & Equipment	4,458	6,046	(26.3)	32,061	32,771	(2.2)
Rental and Other Income	5,170	4,471	15.6	32,422	40,665	(20.3)
Charges Recovered	649,405	509,773	27.4	648,966	509,383	27.4
Others	297,412	174,535	70.4	641,990	418,593	53.4
	<b>2,980,718</b>	<b>3,996,854</b>	<b>(25.4)</b>	<b>3,339,470</b>	<b>4,235,771</b>	<b>(21.2)</b>

\* During the year Bank disposed 6,793 and 13,055 shares received at no cost from Master Card International and VISA Incorporation respectively and recognised a capital gain of Rs. 376.8 Mn.

	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>05. Operating Expenses</b>						
Operating expenses include the following:						
Depreciation of Property & Equipment	503,149	409,676	22.8	550,807	447,015	23.2
Amortisation of Intangible Assets	36,110	45,178	(20.1)	40,135	49,188	(18.4)
Professional & Legal Expenses	44,506	45,193	(1.5)	49,172	48,796	0.8
Auditors' Remuneration						
Audit Fees and Expenses	7,574	6,597	14.8	9,085	7,841	15.9
Non - Audit Services	4,032	820	391.6	4,032	820	391.6
Directors' Emoluments	14,585	16,345	(10.8)	26,975	27,930	(3.4)
Advertising & Business Promotion Expenses	600,603	581,139	3.3	603,006	584,147	3.2
Deposit Insurance Premium	210,048	44,000	377.4	210,048	44,000	377.4
Employer's Contribution to EPF	228,674	186,701	22.5	238,169	193,769	22.9
Employer's Contribution to ETF	57,168	46,677	22.5	59,543	48,446	22.9
Financial Value Added Tax	970,514	1,613,897	(39.9)	987,517	1,642,790	(39.9)
Donations	4,980	10,250	(51.4)	4,980	10,250	(51.4)
(Donations in excess of Rs. 50,000/= include the following):						
Api Wenuwen Api Fund	-	10,000				
Wild Life & Nature Protection Society of Sri Lanka	2,980	-				
Ministry of Defence	1,000	-				
Prahita Organisation	500	250				
Sri Lanka Army	500	-				
<b>06. Provision for Retirement Benefits</b>						
Contribution made to Pension Fund (Note No. 6.1)	294,957	313,841	(6.0)	294,957	313,841	(6.0)
Contribution made to Gratuity Fund (Note No. 6.2)	49,175	41,592	18.2	53,180	44,251	20.2
	<b>344,132</b>	<b>355,433</b>	<b>(3.2)</b>	<b>348,137</b>	<b>358,091</b>	<b>(2.8)</b>
<b>6.1 Contribution made to Pension Fund</b>						
Current Service & Interest Cost	418,627	353,658	18.4	418,627	353,658	18.4
Expected Return on Assets & Recognition of Actuarial Loss/(Gain)	(261,325)	(177,472)	47.2	(261,325)	(177,472)	47.2
Recognition of Transitional Liability/(Asset)	137,655	137,655	-	137,655	137,655	-
	<b>294,957</b>	<b>313,841</b>	<b>(6.0)</b>	<b>294,957</b>	<b>313,841</b>	<b>(6.0)</b>
<b>6.2 Contribution made to Gratuity Fund</b>						
Current Service & Interest Cost	34,096	27,621	23.4	38,102	30,279	25.8
Expected Return on Assets & Recognition of Actuarial Loss/(Gain)	1,107	-	100.0	1,107	-	100.0
Recognition of Transitional Liability/(Asset)	13,971	13,971	-	13,971	13,971	-
	<b>49,175</b>	<b>41,592</b>	<b>18.2</b>	<b>53,180</b>	<b>44,251</b>	<b>20.2</b>

	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>07. Provision for Credit Losses</b>						
<b>Specific Provision for</b>						
- Loans and Advances	297,323	1,755,704	(83.1)	297,323	1,755,704	(83.1)
- Pawning	913	661	38.1	913	661	38.1
- Credit Cards	21,526	8,388	156.6	21,526	8,388	156.6
- Leases	-	-	-	(20,892)	(8,658)	141.3
	<b>319,761</b>	<b>1,764,753</b>	<b>(81.9)</b>	<b>298,870</b>	<b>1,756,096</b>	<b>(83.0)</b>
<b>General Provision for</b>						
- Loans, Advances & Leases	(190,942)	135,370	(241.1)	(190,942)	135,370	(241.1)
	<b>128,819</b>	<b>1,900,124</b>	<b>(93.2)</b>	<b>107,927</b>	<b>1,891,466</b>	<b>(94.3)</b>

Movement in the provision for bad & doubtful debts is given in Note No. 17.4.

	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>08. Provision for Diminution/(Appreciation) in Value of Investments</b>						
Securities held for dealing purposes						
- Shares (quoted) (Note No. 15.1)	34,710	(295,658)	(111.7)	34,710	(295,658)	(111.7)
- Treasury Bills (Note No. 14.1)	154,859	(37,362)	(514.5)	154,859	(37,362)	(514.5)
Provision written back on Union Bank shares	(275,953)	-	100.0	(275,953)	-	100.0
Provision made o/a of Investment Securities						
- Ordinary shares - Union Bank of Colombo (Note No. 16.2.2)	-	275,953	(100.0)	-	275,953	(100.0)
- Preference shares - Texpro Industries Ltd. (Note No. 16.2.1)	-	12,604	(100.0)	-	12,604	(100.0)
	<b>(86,384)</b>	<b>(44,463)</b>	<b>94.3</b>	<b>(86,384)</b>	<b>(44,463)</b>	<b>94.3</b>

	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>09. Provision for Taxation</b>						
<b>Bank</b>						
Taxation based on profits for the year (Note No. 9.1)	1,558,128	1,532,628	1.7	1,586,001	1,622,092	(2.2)
Transfers to/(from) deferred taxation (Note No. 26)	202,231	(333,663)	(160.6)	227,015	(343,682)	(166.1)
(Over)/under provision in the previous year (Note No 9.1)	-	-	-	(2,397)	(4,184)	42.7
	<b>1,760,359</b>	<b>1,198,964</b>	<b>46.8</b>	<b>1,810,618</b>	<b>1,274,226</b>	<b>42.1</b>
The Group tax expense includes the tax expense of following subsidiaries.						
- Sampath Centre Ltd.				4,879	4,484	8.8
- S C Securities (Pvt) Ltd.				11,752	36,850	(68.1)
- Sampath Leasing & Factoring Ltd.				32,246	32,355	(0.3)
- Sampath Information Technology Solutions Ltd.				1,381	1,573	(12.2)
<b>9.1 Reconciliation of the Accounting Profit to Income Tax Expense</b>						
Profit before tax	5,579,782	4,501,713	23.9	5,983,518	4,794,208	24.8
Add: Disallowable expenses	4,226,797	5,788,261	(27.0)	4,618,538	6,208,694	(25.6)
Less: Tax deductible expenses	(2,380,863)	(2,652,027)	(10.2)	(2,954,557)	(3,018,932)	(2.1)
Exempt income	(1,859,471)	(3,135,604)	(40.7)	(1,869,645)	(3,172,041)	(41.1)
Adjusted profit/(loss) for tax purposes	5,566,245	4,502,343	23.6	5,777,854	4,811,929	20.1
Income from other sources	-	-	-	-	2,668	(100.0)
<b>Assessable income</b>	<b>5,566,245</b>	<b>4,502,343</b>	<b>23.6</b>	<b>5,777,854</b>	<b>4,814,597</b>	<b>20.0</b>
Less: Qualifying payments	(1,500)	(10,500)	(85.7)	(1,500)	(19,598)	(92.3)
Tax losses	-	-	-	(19,589)	(61,820)	(68.3)
<b>Taxable income</b>	<b>5,564,745</b>	<b>4,491,843</b>	<b>23.9</b>	<b>5,756,765</b>	<b>4,733,179</b>	<b>21.6</b>
Turnover liable for income tax	-	-	-	189,850	188,520	0.7
Income tax @ 35%	-	1,426,188	(100.0)	-	1,510,568	(100.0)
Income tax @ 28%	1,558,128	-	100.0	1,582,204	-	100.0
Income tax @ 20%	-	83,454	(100.0)	-	83,454	(100.0)
Income tax @ 2% on liable turnover (Note No. 9.2(f))	-	-	-	3,797	3,770	0.7
Social responsibility levy at 1.5% (Note No. 9.2(e))	-	22,986	(100.0)	-	24,300	(100.0)
<b>Income tax on current year's profit</b>	<b>1,558,128</b>	<b>1,532,628</b>	<b>1.7</b>	<b>1,586,001</b>	<b>1,622,092</b>	<b>(2.2)</b>
(Over)/under provision in respect of previous years	-	-	-	(2,397)	(4,184)	42.7
Increase/(decrease) in current year provision (Note No. 25)	1,558,128	1,532,628	1.7	1,583,604	1,617,908	(2.1)
Deferred tax charge/(credit) (Note No. 9.3)	202,231	(333,663)	160.6	227,015	(343,682)	166.1
<b>Income tax expense</b>	<b>1,760,359</b>	<b>1,198,964</b>	<b>46.8</b>	<b>1,810,618</b>	<b>1,274,226</b>	<b>42.1</b>
<b>Effective tax rate</b>	<b>31.5%</b>	<b>26.6%</b>	<b>18.5</b>	<b>30.3%</b>	<b>26.6%</b>	<b>13.9</b>
<b>Effective tax rate (excluding deferred tax)</b>	<b>27.9%</b>	<b>34.0%</b>	<b>(18.0)</b>	<b>26.5%</b>	<b>33.7%</b>	<b>(21.6)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

## 9.2 Applicable Rates of Tax

	2011	2010
<b>9.2 (a) Income tax on Sampath Bank</b>		
(a) Domestic operation of the Bank	28%	35%
(b) Foreign currency banking unit of the Bank		
(1) On-shore operation	28%	35%
(2) Off-shore operation	28%	20%
<b>9.2 (b) Income tax on S C Securities (Pvt) Ltd.</b>	28%	35%
<b>9.2 (c) Income tax on Sampath Leasing &amp; Factoring Ltd.</b>	28%	35%
<b>9.2 (d) Income tax on Sampath Information Technology Solutions Ltd.</b>	28%	35%
<b>9.2 (e) Social responsibility levy (SRL)</b>	-	1.5%

**9.2 (f) Income Tax on Sampath Centre Ltd.**

Sampath Centre Ltd. is a company approved under BOI Law and the Company was 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 at the rate of 2.0% of the revenue from the year of assessment commencing 2006/2007.

**9.2 (g) A Notional Tax Credit on Secondary Market Transactions (for Withholding Tax)**

Any company which derived income from the secondary market transactions involving any security or treasury bonds or treasury bills on which the income tax has been deducted at the rate of 10% at the time of issue of such security, such Company is entitled to a notional tax credit at 10% of the grossed up amount of net 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 01st January 2011 to 31st December 2011 and the notional tax credit amounts to Rs.20.876 Mn.

	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>9.3 Deferred Tax Expense/(Income)</b>						
Impact on opening balance due to deferred tax rate change	-	(96,240)	100.0	-	(95,727)	100.0
Deferred tax expense/(income) arising due to origination and reversal of temporary differences (Note No. 26)	202,231	(237,423)	185.2	227,015	(247,955)	191.6
	<b>202,231</b>	<b>(333,663)</b>	<b>160.6</b>	<b>227,015</b>	<b>(343,682)</b>	<b>166.1</b>

## 10. Earnings Per Ordinary Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, as per the Sri Lanka Accounting Standard 34 (Revised 2005) - Earnings per Share.

	2011	2010	Group Change %
<b>Amount used as the numerator</b>			
Profit attributable to ordinary shareholders (Rs'000)	4,150,618	3,484,466	19.1
<b>Amount used as the denominator</b>			
Weighted average number of ordinary shares (Note No. 10.1)	156,460,497	156,329,266	0.1
<b>Basic Earnings per Ordinary Share (Rs.)</b>	<b>26.53</b>	<b>22.29</b>	<b>19.0</b>

### Weighted average number of ordinary shares

Number of shares held as at 31st December 2010 was 152,807,972. However, it was restated as 156,329,266 in the comparative column as a result of the change in number of ordinary shares outstanding without a corresponding change in resources, due to final scrip dividend - 2010 declared as required by SLAS 34 (Revised 2005) - Earnings per Share. (Please refer Note No 10.1)

### Final Scrip Dividend - 2010

Final dividend for 2010 was paid on 152,807,972 ordinary shares in the form of scrip dividend on 06th April 2011. The basis was Rs. 6.60 per existed share, valued at Rs.260/- per share, after providing for the 10% withholding tax. This move created 3,521,294 fully paid new shares, which were allotted to the shareholders as their final dividend for 2010. The entire cost of the scrip dividend was funded by the profits of the Bank for 2010 and hence there was no capitalisation of reserves. However, the stated capital of the Bank rose by Rs. 915.5 Mn being the value of the new shares created. Consequently, the number of shares in issue too rose from the existing 152,807,972 to 156,329,266 shares.

### 10.1 Weighted average number of ordinary shares for Basic EPS

	2011	
	Outstanding	Weighted Average
Number of shares held as at 1st January 2011	152,807,972	
Add : Number of Shares in issue due to Final Scrip Dividend 2010 - 06 April 2011	3,521,294	
	156,329,266	156,329,266
Add : Number of shares in issue due to ESOP 2010 - 30 September 2011 (Note No. 28.2)	524,924	131,231
Number of shares held as at 31st December 2011	156,854,190	156,460,497

### 10.2 Diluted Earnings Per Share

The calculation of Diluted Earnings Per Share as at Balance Sheet date was based on the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, after adjustment for the effects of all potentially dilutive weighted average number of ordinary shares under ESOP 2010 as follows:

	2011	2010	Group Change %
<b>Amount used as the numerator</b>			
Profit attributable to equity holders of the Parent Company. (Rs'000)	4,150,618	3,484,466	19.1
<b>Amount used as the denominator</b>			
Weighted average number of ordinary shares used for Basic EPS (Note No. 10.1)	156,460,497	156,329,266	
Weighted average number of potential ordinary shares outstanding under ESOP 2010 effective from 30 June 2011 (Note No. 28.2)	1,265,618	-	
Weighted average number of potential ordinary shares that would have been issued at average market price	(458,142)	-	
Weighted average number of potential ordinary shares that would have been issued for no consideration under ESOP 2010	807,475	-	
<b>Weighted average number of ordinary shares used for Diluted EPS</b>	<b>157,267,972</b>	<b>156,329,266</b>	
<b>Diluted Earnings per Ordinary Share (Rs.)</b>	<b>26.39</b>	<b>22.29</b>	<b>18.4</b>

	Bank 2011 (Rs.'000) Net Dividend			Bank 2010 (Rs.'000) Net Dividend		
	Gross Dividend	Dividend Tax	Net Dividend	Gross Dividend	Dividend Tax	Net Dividend
<b>11. Dividend Paid &amp; Proposed</b>						
<b>Final dividend paid for the years 2010 &amp; 2009 respectively</b>						
Out of dividend received - free of tax	78,572	-	78,572	115,719	-	115,719
Out of normal profits	929,961	92,996	836,965	357,883	35,788	322,095
<b>Scrip/Cash dividend paid</b>	<b>1,008,533</b>	<b>92,996</b>	<b>915,537</b>	<b>473,602</b>	<b>35,788</b>	<b>437,814</b>
<b>Interim scrip dividend paid</b>						
Out of current year's profits	-	-	-	227,329	22,733	204,596
	-	-	-	<b>227,329</b>	<b>22,733</b>	<b>204,596</b>
<b>Final dividend proposed - 2011 &amp; 2010 respectively</b>						
Out of dividend received - free of tax	44,039	-	44,039	78,572	-	78,572
Out of current year's profits	1,367,648	136,765	1,230,884	929,961	92,996	836,965
Scrip/Cash dividend payable/paid	1,411,688	136,765	1,274,923	1,008,533	92,996	915,537
<b>Dividend per Ordinary Share (Rs.)</b>	<b>9.00</b>	<b>-</b>	<b>8.34</b>	<b>8.09</b>	<b>-</b>	<b>7.33</b>

The Board of Directors of the Bank has recommended the payment of a final dividend of Rs. 9.00 per share to be paid 50% in the form of cash dividend and balance 50% in the form of scrip dividend for the year ended 31st December 2011, subject to approval of the shareholders of the Bank at the Annual General Meeting to be held on 30th March 2012.

In accordance with Sri Lanka Accounting Standard No. 12 (Revised 2005) on Events After Balance Sheet Date, above proposed final dividend has not been recognised as a liability as at the year end.

			Bank		Group	
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>12. Cash and Short Term Funds</b>						
Local currency in hand	3,862,785	3,185,353	21.3	3,862,958	3,185,482	21.3
Foreign currency in hand	759,346	543,588	39.7	759,346	543,588	39.7
Balances with local banks	32,757	77,374	(57.7)	40,985	82,966	(50.6)
Balances with foreign banks	979,003	403,142	142.8	979,003	403,142	142.8
Money at call and short notice	5,100,000	50,000	10,100.0	5,100,000	50,000	10,100.0
Placements with banks	5,323,471	1,787,373	197.8	5,323,471	1,787,373	197.8
	<b>16,057,361</b>	<b>6,046,830</b>	<b>165.6</b>	<b>16,065,762</b>	<b>6,052,551</b>	<b>165.4</b>
<b>13. Balance with Central Bank of Sri Lanka</b>						
	<b>13,232,130</b>	<b>8,221,068</b>	<b>61.0</b>	<b>13,232,130</b>	<b>8,221,068</b>	<b>61.0</b>

This represents the statutory reserve required to be maintained with the Central Bank of Sri Lanka under section 93 of the Monetary Law Act Chapter 422 and clearing balances in the name of the Bank. At present, the minimum cash reserve requirement is 8.0% of the Rupee Deposit Liabilities. (7.0% in 2010) There is no reserve requirement on deposit liabilities of the foreign currency banking unit (FCBU) and foreign currency deposit liabilities of the domestic banking unit (DBU).

			Bank		Group	
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>14. Government of Sri Lanka Treasury Bills &amp; Bonds</b>						
Treasury Bills - Trading (Note No. 14.1)	25,884,214	30,288,580	(14.5)	25,884,214	30,288,580	(14.5)
Treasury Bills - Investment (Note No. 14.2)	-	547,805	(100.0)	9,122	556,443	(98.4)
Treasury Bonds - Investments (Note No. 14.3)	9,951	557,892	(98.2)	9,951	557,892	(98.2)
	<b>25,894,165</b>	<b>31,394,278</b>	<b>(17.5)</b>	<b>25,903,287</b>	<b>31,402,915</b>	<b>(17.5)</b>

	2011 Cost (Rs.'000)	2011 Market Value (Rs.'000)	2010 Cost (Rs.'000)	2010 Market Value (Rs.'000)
<b>14.1 Treasury Bills - Trading</b>				
<b>Bank &amp; Group</b>				
	26,001,711	25,884,214	30,251,218	30,288,580
<b>Add/(Less):</b>				
Provision for appreciation/(diminution) in market value b/f	37,362	-	-	-
Provision for diminution in market value written back/(made) during the year	(154,859)	-	37,362	-
	<b>25,884,214</b>	<b>25,884,214</b>	<b>30,288,580</b>	<b>30,288,580</b>
<b>14.2 Treasury Bills - Investment</b>				
<b>Bank &amp; Group</b>				
<b>Bank</b>	-	-	547,805	548,305
S C Securities (Pvt) Ltd.	9,122	9,072	8,637	8,616
<b>Group</b>	<b>9,122</b>	<b>9,072</b>	<b>556,443</b>	<b>556,921</b>

	Face Value (Rs.'000)	Year of Maturity	2011 Cost (Rs.'000)	2011 Market Value (Rs.'000)	Face Value (Rs.'000)	Year of Maturity	2010 Cost (Rs.'000)	2010 Market Value (Rs.'000)
<b>14.3 Treasury Bonds - Investment</b>								
<b>Bank &amp; Group</b>								
	-	-	-	-	550,000	2011	547,923	549,849
	9,948	2012	9,951	10,393	9,948	2012	9,969	10,632
	<b>9,948</b>		<b>9,951</b>	<b>10,393</b>	<b>559,948</b>		<b>557,892</b>	<b>560,481</b>

Name of the Quoted Company	No of Ordinary Shares	Cost of Investment (Rs.'000)	% of Total Cost	2011 Market Value (Rs.'000)	No of Ordinary Shares	Cost of Investment (Rs.'000)	2010 Market Value (Rs.'000)
<b>15. Securities Held for Dealing Purposes (Quoted) - Bank &amp; Group</b>							
<b>15.1 Shares</b>							
<b>Banks, Finance &amp; Insurance</b>							
Nations Trust Bank PLC	170,000	6,453	0.6%	9,690	170,000	6,453	14,178
Commercial Bank of Ceylon PLC	781,976	78,426	7.3%	78,198	293,350	55,463	76,242
Pan Asia Banking Corporation PLC	1,380,532	10,932	1.0%	35,066	690,266	10,932	35,894
Merchant Bank of Sri Lanka PLC	207,600	3,354	0.3%	8,221	207,600	3,354	9,508
Hatton National Bank PLC	172,500	35,822	3.4%	26,099	115,000	35,822	45,989
NDB Bank PLC	600,000	107,943	10.1%	82,860	300,000	107,943	104,850
DFCC Bank PLC	39,000	7,559	0.7%	4,403	4,000	354	801
Union Bank PLC *	26,347,027	276,176	25.9%	500,594	-	-	-
Peoples Leasing PLC	5,901,600	106,229	9.9%	94,426	-	-	-
		<b>632,893</b>	<b>59.3%</b>	<b>839,556</b>		<b>220,320</b>	<b>287,461</b>
<b>Diversified Holdings</b>							
Hayleys PLC	-	-	-	-	354,740	58,731	122,385
Hemas Holdings PLC	647,000	16,252	1.5%	21,351	647,000	16,252	28,792
Aitken Spence PLC	270,000	54,512	5.1%	32,508	270,000	54,512	45,873
JKH PLC	587,335	101,344	9.5%	99,964	440,501	101,344	131,445
Softlogic Holdings PLC	3,594,000	104,226	9.8%	64,692	-	-	-
Vallibel One PLC	245,600	6,140	0.6%	5,845	-	-	-
		<b>282,474</b>	<b>26.5%</b>	<b>224,361</b>		<b>230,839</b>	<b>328,495</b>
<b>Hotel &amp; Travel</b>							
Asian Hotels & Properties PLC	1,237,800	33,110	3.1%	94,568	618,900	33,110	120,067
Fortress Resort PLC	-	-	-	-	233,400	4,587	4,808
		<b>33,110</b>	<b>3.1%</b>	<b>94,568</b>		<b>37,697</b>	<b>124,875</b>

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Name of the Quoted Company	No of Ordinary Shares	Cost of Investment (Rs.'000)	% of Total Cost	2011 Market Value (Rs.'000)	No of Ordinary Shares	Cost of Investment (Rs.'000)	2010 Market Value (Rs.'000)
<b>Manufacturing</b>							
Royal Ceramics PLC	483,200	10,237	1.0%	68,373	266,600	11,200	81,286
		<b>10,237</b>	<b>1.0%</b>	<b>68,373</b>		<b>11,200</b>	<b>81,286</b>
<b>Land &amp; Property</b>							
C T Land Development PLC	325,000	4,853	0.5%	9,393	325,000	4,853	9,100
		<b>4,853</b>	<b>0.5%</b>	<b>9,393</b>		<b>4,853</b>	<b>9,100</b>
<b>Power &amp; Energy</b>							
Lanka IOC PLC	2,547,600	104,333	9.8%	47,131	3,307,100	133,652	62,504
		<b>104,333</b>	<b>9.8%</b>	<b>47,131</b>		<b>133,652</b>	<b>62,504</b>
<b>Telecommunication</b>							
Dialog Axiata PLC		-	-	-	456,290	10,354	5,384
		-	-	-		<b>10,354</b>	<b>5,384</b>
<b>Total</b>		<b>1,067,900</b>	<b>100.0%</b>	<b>1,283,380</b>		<b>648,915</b>	<b>899,106</b>
<b>Add/(Less):</b>							
Provision for appreciation/(diminution) in market value b/f		250,190	23.4%			(45,468)	
Provision for diminution in market value written back/(made) during the year (Note No. 8)		(34,710)	(3.3%)			295,658	
		<b>1,283,380</b>	<b>1.2</b>			<b>899,106</b>	

Securities held for dealing purposes (quoted shares) are marked to market and carried at market value determined at the Colombo Stock Exchange and any gains or losses on marked to market are included in the Income Statement.

\* The Investment in Union Bank shares were transferred from Investment securities to Dealing securities in 2011 and marked to market gain is recognised. Union Bank Investment in 2010 was given in Note No. 16.2.2

	2011		2010		Bank Change %		Group Change %	
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
<b>16. Investment Securities</b>								
<b>Quoted (Note No. 16.1)</b>								
Shares (Note No. 16.1.1)	92,117	102,956			(10.5)	222,971	258,950	(13.9)
Debentures (Note No. 16.1.2)	435,740	435,740			-	435,740	435,740	-
	<b>527,857</b>	<b>538,696</b>			<b>(2.0)</b>	<b>658,711</b>	<b>694,690</b>	<b>(5.2)</b>
<b>Un-quoted (Note No. 16.2)</b>								
Preference Shares (Note No. 16.2.1)	117,500	235,000			(50.0)	117,500	235,000	(50.0)
Ordinary Shares (Note No. 16.2.2)	23,110	23,110			-	23,166	23,166	-
Debentures (Note No. 16.2.3)	10,000	10,000			-	10,000	10,000	-
Bonds (Note No. 16.2.4)	5,125,500	6,734,665			(23.9)	5,125,500	6,734,665	(23.9)
Leased backed Trust Certificates (Note No. 16.2.5)	-	106,267			(100.0)	-	106,267	(100.0)
	<b>5,276,110</b>	<b>7,109,041</b>			<b>(25.8)</b>	<b>5,276,166</b>	<b>7,109,097</b>	<b>(25.8)</b>
<b>Total Investment</b>	<b>5,803,967</b>	<b>7,647,737</b>			<b>(24.1)</b>	<b>5,934,877</b>	<b>7,803,788</b>	<b>(23.9)</b>

	2011		2010		2011		2010	
	Cost (Rs.'000)	Market Value / Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Market Value / Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Market Value / Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Market Value / Directors' Valuation (Rs.'000)
<b>16.1 Quoted - Shares/Debentures</b>								
<b>16.1.1 Quoted - Shares</b>								
<b>LankaBangla Finance Ltd</b>	60,604	1,858,787	72,259	4,900,320	191,458	1,858,787	228,253	4,900,320
(7,800,000 Ordinary Shares -2011)								
(6,000,000 Ordinary Shares -2010)								
(Holding Percentage - 9.47%)								
<b>LankaBangla Securities Ltd</b>	31,513	31,513	30,697	30,697	31,513	31,513	30,697	30,697
(60,000 Ordinary Shares -2011)								
(60,000 Ordinary Shares -2010)								
	<b>92,117</b>	<b>1,890,300</b>	<b>102,956</b>	<b>4,931,017</b>	<b>222,971</b>	<b>1,890,300</b>	<b>258,950</b>	<b>4,931,017</b>

	2011		Bank 2010		2011		Group 2010	
	Cost	Market Value / Directors' Valuation	Cost	Market Value / Directors' Valuation	Cost	Market Value / Directors' Valuation	Cost	Market Value / Directors' Valuation
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
<b>16.1.2 Quoted - Debentures</b>								
<b>Vanik Incorporation Ltd</b>	750	-	750	-	750	-	750	-
(7,500 Debentures of Rs 100/- each -2011)								
(7,500 Debentures of Rs 100/- each -2010)								
(17% redeemable un-secured debentures)								
(Redeemable on or before 31st August 2003)								
(Redeemable on or before 12 th May 2008)								
<b>Urban Development Authority</b>	217,870	217,870	217,870	217,870	217,870	217,870	217,870	217,870
(2,178,700 Debentures of Rs 100/- each -2011)								
(2,178,700 Debentures of Rs 100/- each -2010)								
(10% fully secured redeemable debentures)								
(Redeemable on 5th October 2015)								
<b>Urban Development Authority</b>	217,870	217,870	217,870	217,870	217,870	217,870	217,870	217,870
(2,178,700 Debentures of Rs 100/- each -2011)								
(2,178,700 Debentures of Rs 100/- each -2010)								
(11% fully secured redeemable debentures)								
(Redeemable on 5th October 2015)								
	<b>436,490</b>	<b>435,740</b>	<b>436,490</b>	<b>435,740</b>	<b>436,490</b>	<b>435,740</b>	<b>436,490</b>	<b>435,740</b>
<b>Add/(Less):</b>								
Provision for appreciation/(diminution) in market value b/f	(750)		(750)		(750)		(750)	
Provision for diminution in market value written back/(made) during the year	-		-		-		-	
	<b>435,740</b>		<b>435,740</b>		<b>435,740</b>		<b>435,740</b>	

	Cost (Rs.'000)	2011 Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Bank 2010 Directors' Valuation (Rs.'000)	Cost (Rs.'000)	2011 Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Group 2010 Directors' Valuation (Rs.'000)
<b>16.2 Un-quoted - Shares/ Debenture/Bonds</b>								
<b>16.2.1 Un-quoted - Preference Shares</b>								
<b>Texpro Industries Ltd</b>	12,604	-	12,604	-	12,604	-	12,604	-
(1,260,365 Preference Shares of Rs 10/- each -2011) (1,260,365 Preference Shares of Rs 10/- each -2010) (Non cumulative redeemable preference shares @ 15% interest. Redeemable over the period of 6 years Commencing from 30/06/2003.)								
<b>Dialog Axiata PLC</b>	117,500	117,500	235,000	235,000	117,500	117,500	235,000	235,000
(117,500,000 Preference Shares of Rs 1/- each -2011) (235,000,000 Preference Shares of Rs 1/- each -2010) (Rated cumulative redeemable preference shares @ AWPLR minus 0.9% interest. (Redemption Dates 31st May 2008, 31st May 2009, 31st May 2010, 31st May 2011 & 31st May 2012 and Redemption per preference share 10%, 15% 25%, 25% & 25% respectively)								
<b>Add/(Less):</b>								
Provision for appreciation/(diminution) in market value b/f	(12,604)	-	-	-	(12,604)	-		
Provision for diminution in market value written back/(made) during the year	-	-	(12,604)	-	-	-	(12,604)	
	<b>117,500</b>	<b>117,500</b>	<b>235,000</b>	<b>235,000</b>	<b>117,500</b>	<b>117,500</b>	<b>235,000</b>	<b>235,000</b>
<b>16.2.2 Un-quoted - Shares</b>								
<b>Union Bank of Colombo*</b>	-	-	275,953	-	-	-	275,953	-
(26,338,127 Ordinary Shares -2010) (Holding Percentage - 7.9%)								
<b>Credit Information Bureau</b>	170	170	170	170	226	226	226	226
(1,700 Ordinary Shares -2011) (1,700 Ordinary Shares -2010)								
<b>S.W.I.F.T</b>	65	65	65	65	65	65	65	65
<b>Fitch Rating Lanka Ltd</b>	625	625	625	625	625	625	625	625
(62,500 Ordinary Shares -2011) (62,500 Ordinary Shares -2010)								

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	Cost (Rs.'000)	2011 Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Bank 2010 Directors' Valuation (Rs.'000)	Cost (Rs.'000)	2011 Directors' Valuation (Rs.'000)	Cost (Rs.'000)	Group 2010 Directors' Valuation (Rs.'000)
<b>16.2.2 Un-quoted - Shares Contd.</b>								
<b>Lanka Clear (Pvt) Ltd</b>	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
(2,000,000 Ordinary Shares -2011)								
(2,000,000 Ordinary Shares -2010)								
<b>Lanka Financial Services Bureau Ltd</b>	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
<b>Add/(Less):</b>								
Provision for appreciation/(diminution) in market value b/f	-		-		-		-	
Provision for diminution in market value written back/(made) during the year	-		(275,953)		-		(275,953)	
	<b>23,110</b>	<b>23,110</b>	<b>23,110</b>	<b>23,110</b>	<b>23,166</b>	<b>23,166</b>	<b>23,166</b>	<b>23,166</b>
* During the year, investment made in Union Bank of Colombo was transferred from Investment Securities to Securities held for Dealing purposes. (Note No. 15.1)								
<b>16.2.3 Un-Quoted - Debentures</b>								
<b>Seylan Bank PLC</b>	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
(100,000 Debentures of Rs 100/- each -2011)								
(100,000 Debentures of Rs 100/- each -2010)								
(Unsecured subordinated redeemable debentures 2007/2012)								
(Redeemable on 9 th December 2012)								
(Floating Interest rate equal to the 3 months weighted average TBill rate + 2.5%)								
	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>16.2.4 Sri Lanka Development</b>								
<b>Bonds (SLDBs)</b>	5,125,500	5,125,500	6,734,665	6,799,821	5,125,500	5,125,500	6,734,665	6,799,821
(Redeemable Development Bonds)								
(Redeemable on or before 30th June 2013)								
	<b>5,125,500</b>	<b>5,125,500</b>	<b>6,734,665</b>	<b>6,799,821</b>	<b>5,125,500</b>	<b>5,125,500</b>	<b>6,734,665</b>	<b>6,799,821</b>
<b>16.2.5 Leased backed Trust Certificates</b>								
Issued by Deutsche Bank o/a People's Leasing PLC	-	-	104,167	104,167	-	-	104,167	104,167
Issued by Deutsche Bank o/a Orient Financial Services Corporation Ltd.	-	-	2,100	2,100	-	-	2,100	2,100
	<b>-</b>	<b>-</b>	<b>106,267</b>	<b>106,267</b>	<b>-</b>	<b>-</b>	<b>106,267</b>	<b>106,267</b>

## 17. Loans and Advances (Net of Provision for Possible Credit Losses and Interest in Suspense)

			Bank			Group
	2011	2010	Change	2011	2010	Change
	(Rs. '000)	(Rs. '000)	%	(Rs. '000)	(Rs. '000)	%
<b>17.1 Bills of Exchange</b>						
Cheques Purchased - Local	33,315	45,372	(26.6)	33,315	45,372	(26.6)
- Foreign	82,764	131,706	(37.2)	82,764	131,706	(37.2)
Bills Purchased - Export	1,823,960	1,901,141	(4.1)	1,823,960	1,901,141	(4.1)
- Import	784,320	369,379	112.3	784,320	369,379	112.3
	<b>2,724,359</b>	<b>2,447,599</b>	<b>11.3</b>	<b>2,724,359</b>	<b>2,447,599</b>	<b>11.3</b>
<b>Less:</b>						
(a) Provision for Credit Losses (Note No. 17.4)	(109,995)	(152,172)	(27.7)	(109,995)	(152,172)	(27.7)
	<b>2,614,364</b>	<b>2,295,427</b>	<b>13.9</b>	<b>2,614,364</b>	<b>2,295,427</b>	<b>13.9</b>
<b>17.2 Loans and Advances</b>						
<b>Sri Lanka Rupee Loans &amp; Advances</b>						
Overdraft	29,261,119	21,591,111	35.5	29,219,996	21,520,595	35.8
Term Loans	74,747,872	52,620,293	42.1	73,270,306	52,080,594	40.7
Trust Receipts	344,623	489,216	(29.6)	344,623	489,216	(29.6)
Staff Loans	3,340,154	2,743,938	21.7	3,340,154	2,743,938	21.7
Pawning Advances	39,049,053	27,844,218	40.2	39,049,053	27,844,218	40.2
Margin Trading	190,659	6,831	2,691.1	190,659	6,831	2,691.1
Other Advances	18,781	46,850	(59.9)	18,781	46,850	(59.9)
Interest Receivable	2,532,321	2,387,967	6.0	2,532,321	2,387,967	6.0
	149,484,581	107,730,425	38.8	147,965,893	107,120,209	38.1
<b>Foreign Currency Loans &amp; Advances</b>						
Overdraft	2,410,971	2,656,022	(9.2)	2,410,971	2,656,022	(9.2)
Trust Receipts	42,742	86,855	(50.8)	42,742	86,855	(50.8)
Packing Credit	207,271	238,861	(13.2)	207,271	238,861	(13.2)
Term Loans	14,436,743	11,962,100	20.7	14,436,743	11,962,100	20.7
Other Advances	2,283,422	2,507,435	(8.9)	2,283,422	2,507,435	(8.9)
Interest Receivable	569,704	594,473	(4.2)	569,704	594,473	(4.2)
	<b>19,950,854</b>	<b>18,045,747</b>	<b>10.6</b>	<b>19,950,854</b>	<b>18,045,747</b>	<b>10.6</b>
<b>Total Rupee &amp; Foreign Currency Loans &amp; Advances</b>	<b>169,435,435</b>	<b>125,776,172</b>	<b>34.7</b>	<b>167,916,747</b>	<b>125,165,956</b>	<b>34.2</b>
<b>Less:</b>						
Specific Provision for Credit Losses (Note No.17.4)	(3,455,428)	(4,306,824)	(19.8)	(3,455,428)	(4,306,824)	(19.8)
General Provision for Credit Losses (Note No.17.4)	(619,641)	(813,436)	(23.8)	(619,641)	(813,436)	(23.8)
	<b>(4,075,069)</b>	<b>(5,120,260)</b>	<b>(20.4)</b>	<b>(4,075,069)</b>	<b>(5,120,260)</b>	<b>(20.4)</b>
<b>Loans &amp; Advances after Credit Loss Provision</b>	<b>165,360,366</b>	<b>120,655,911</b>	<b>37.1</b>	<b>163,841,677</b>	<b>120,045,696</b>	<b>36.5</b>
Less: Interest Suspended (Note No.17.5)	(586,592)	(668,651)	(12.3)	(586,592)	(668,651)	(12.3)
Shortfall (Note No. 17.5)	(3,102,026)	(2,982,440)	4.0	(3,102,026)	(2,982,440)	4.0
	<b>161,671,747</b>	<b>117,004,821</b>	<b>38.2</b>	<b>160,153,059</b>	<b>116,394,605</b>	<b>37.6</b>

	2011 (Rs. '000)	2010 (Rs. '000)	Bank Change %	2011 (Rs. '000)	2010 (Rs. '000)	Group Change %
<b>17.3 Receivable on Leases</b>						
<b>17.3.1 Lease rentals receivable</b>						
Within one year from balance sheet date	2,146,887	1,787,194	20.1	3,657,670	2,696,148	35.7
Unearned income	(590,040)	(409,366)	44.1	(1,075,948)	(593,096)	81.4
Provision for credit losses (Note No.17.4)	(27,208)	(27,208)	-	(100,008)	(185,638)	(46.1)
	<b>1,529,638</b>	<b>1,350,620</b>	<b>13.3</b>	<b>2,481,714</b>	<b>1,917,414</b>	<b>29.4</b>
<b>17.3.2 Lease rentals receivable</b>						
After one year but before five years from balance sheet date	3,390,658	2,401,405	41.2	6,311,346	3,156,703	99.9
Unearned income	(503,781)	(425,768)	18.3	(1,131,126)	(576,707)	96.1
	<b>2,886,877</b>	<b>1,975,637</b>	<b>46.1</b>	<b>5,180,221</b>	<b>2,579,997</b>	<b>100.8</b>
<b>17.3.3 Lease rentals receivable</b>						
After five years from balance sheet date	806	-	100.0	8,572	7,248	18.3
Unearned income	(38)	-	(100.0)	(1,128)	(585)	93.0
	<b>768</b>	<b>-</b>	<b>100.0</b>	<b>7,444</b>	<b>6,663</b>	<b>11.7</b>
	<b>4,417,283</b>	<b>3,326,256</b>	<b>32.8</b>	<b>7,669,379</b>	<b>4,504,074</b>	<b>70.3</b>

	Bank		Group	
	2011 %	2010 %	2011 %	2010 %
<b>17.3.4 Analysis of Advances Portfolio - Product Wise</b>				
<b>Total Bills of Exchange</b>	<b>1.6%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>1.9%</b>
<b>Sri Lanka Rupee Loans &amp; Advances</b>				
Overdraft	16.8%	16.7%	16.5%	16.5%
Term Loans	42.8%	40.7%	41.3%	39.9%
Pawning Advances	22.4%	21.5%	22.0%	21.3%
Trust Receipts, Staff Loans, Margin Trading and Other Advances	2.2%	2.5%	2.2%	2.5%
<b>Total Rupee Loans &amp; Advances</b>	<b>84.2%</b>	<b>81.4%</b>	<b>81.9%</b>	<b>80.3%</b>
<b>Foreign Currency Loans &amp; Advances</b>				
Overdraft	1.4%	2.1%	1.4%	2.0%
Term Loans	8.3%	9.2%	8.1%	9.2%
Trust Receipts, Packing Credit and Other Advances	1.5%	2.2%	1.4%	2.2%
<b>Total Foreign Currency Loans &amp; Advances</b>	<b>11.1%</b>	<b>13.5%</b>	<b>10.9%</b>	<b>13.4%</b>
<b>Total Rupee &amp; Foreign Currency Loans &amp; Advances</b>	<b>95.3%</b>	<b>94.9%</b>	<b>92.8%</b>	<b>93.6%</b>
<b>Total Leases</b>	<b>3.2%</b>	<b>3.2%</b>	<b>5.6%</b>	<b>4.5%</b>
<b>Total Advances</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The maturity analysis of loans & advances is given in Note No. 33.

	As at 01.01.2011 (Rs.'000)	Provisions during the Year (Rs.'000)	Amounts Written-off (Rs.'000)	Amount Recovered (Rs.'000)	Exchange Rate Variance for FCY Provision (Rs.'000)	As at 31.12.2011 (Rs.'000)	As at 31.12.2010 (Rs.'000)	Change %
<b>17.4 Movement in the Provision for Bad and Doubtful Debts</b>								
<i>17.4.1.1 Movements in the Provision for Loan Losses - Bank</i>								
<b>Provision against advances</b>								
Specific - Bills of Exchange (Note No. 17.1)	152,172	13,569	(1,502)	(54,243)	-	109,995	152,172	(27.7)
Specific - Loans & Advances (Note No. 17.2)	4,306,824	277,792	(87,287)	(1,069,389)	27,488	3,455,428	4,306,824	(19.8)
Specific - Pawning (Note No. 17.2)	-	913	(913)	-	-	-	-	-
Specific - Leases (Note No. 17.3)	27,208	-	-	-	-	27,208	27,208	-
<b>Specific - Total</b>	<b>4,486,204</b>	<b>292,273</b>	<b>(89,702)</b>	<b>(1,123,632)</b>	<b>27,488</b>	<b>3,592,631</b>	<b>4,486,204</b>	<b>(19.9)</b>
<b>General - Loans &amp; Advances (Note No. 17.2)</b>	<b>813,436</b>	<b>(192,743)</b>	<b>(2,853)</b>	<b>-</b>	<b>1,801</b>	<b>619,641</b>	<b>813,436</b>	<b>(23.8)</b>
<b>Specific &amp; General - Total</b>	<b>5,299,640</b>	<b>99,530</b>	<b>(92,555)</b>	<b>(1,123,632)</b>	<b>29,289</b>	<b>4,212,272</b>	<b>5,299,640</b>	<b>(20.5)</b>
<i>17.4.1.2 Movements in the Provision for Loan Losses - Group</i>								
<b>Provision against advances</b>								
Specific - Bills of Exchange (Note No. 17.1)	152,172	13,569	(1,502)	(54,243)	-	109,995	152,172	(27.7)
Specific - Loans & Advances (Note No. 17.2)	4,306,824	277,792	(87,287)	(1,069,389)	27,488	3,455,428	4,306,824	(19.8)
Specific - Pawning (Note No. 17.2)	-	913	(913)	-	-	-	-	-
Specific - Leases (Note No. 17.3)	185,638	(20,892)	(64,739)	-	-	100,008	185,638	(46.1)
<b>Specific - Total</b>	<b>4,644,634</b>	<b>271,382</b>	<b>(154,441)</b>	<b>(1,123,632)</b>	<b>27,488</b>	<b>3,665,430</b>	<b>4,644,634</b>	<b>(21.1)</b>
<b>General - Loans &amp; Advances (Note No. 17.2)</b>	<b>813,436</b>	<b>(192,743)</b>	<b>(2,853)</b>	<b>-</b>	<b>1,801</b>	<b>619,641</b>	<b>813,436</b>	<b>(23.8)</b>
<b>Specific &amp; General - Total</b>	<b>5,458,070</b>	<b>78,638</b>	<b>(157,294)</b>	<b>(1,123,632)</b>	<b>29,289</b>	<b>4,285,072</b>	<b>5,458,070</b>	<b>(21.5)</b>

**\* General Provision**

The Bank was compliant with the requirement of the 0.5% as at 31st December 2011, as per the Direction issued by the Monetary Board of the Central Bank.

(As at 31st December 2011 General provision maintained for the above requirement was Rs. 619.6 Mn (0.5%)

(As at 31st December 2010 General provision maintained for the above requirement was Rs. 813.4 Mn (0.9%)

**\*\* Valuation of Securities for Provisioning Purposes**

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
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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	At the discretion of the management

As per the above amendment, an additional provision made by the Bank during the year was Rs. 45.0 Mn. ( 2010 - Rs. 90.8 Mn. )

	Bills of Exchange (Rs.'000)	Loans & Advances (Rs.'000)	Pawning (Rs.'000)	Leases (Rs.'000)	Bank 2011 (Rs.'000)	Bank 2010 (Rs.'000)	Change %
<b>17.4.2.1 Provision for Loan Losses - Bank</b>							
Balance as at 1st January	152,172	5,120,260	-	27,208	5,299,640	4,739,984	11.8
Specific provision on loans and advances	13,569	277,792	913	-	292,273	1,805,186	(83.8)
General provision on loans and advances	-	(192,743)	-	-	(192,743)	139,141	(238.5)
Exchange rate variance for foreign currency provision	-	29,289	-	-	29,289	(44,203)	(166.3)
Amount Recovered	(54,243)	(1,069,389)	-	-	(1,123,632)	(1,230,206)	(8.7)
Written off during the year	(1,502)	(90,140)	(913)	-	(92,555)	(110,261)	16.1
<b>Balance as at 31st December</b>	<b>109,995</b>	<b>4,075,069</b>	<b>-</b>	<b>27,208</b>	<b>4,212,272</b>	<b>5,299,640</b>	<b>(20.5)</b>
	2.6%	96.7%	-	0.6%	100.0%		
<b>17.4.2.2 Provision for Loan Losses - Group</b>							
Balance as at 1st January	152,172	5,120,260	-	185,638	5,458,070	4,909,915	11.2
Specific provision on loans and advances	13,569	277,792	913	(20,892)	271,382	1,796,528	(84.9)
General provision on loans and advances	-	(192,743)	-	-	(192,743)	139,141	(238.5)
Exchange rate variance for foreign currency provision	-	29,289	-	(64,739)	(35,450)	(47,047)	(24.6)
Amount Recovered	(54,243)	(1,069,389)	-	-	(1,123,632)	(1,230,206)	(8.7)
Written off during the year	(1,502)	(90,140)	(913)	-	(92,555)	(110,261)	16.1
<b>Balance as at 31st December</b>	<b>109,995</b>	<b>4,075,069</b>	<b>-</b>	<b>100,008</b>	<b>4,285,072</b>	<b>5,458,070</b>	<b>(21.5)</b>
	2.6%	95.1%	-	2.3%	100.0%		

	2011 (Rs.'000)			2010 (Rs.'000)		
	Shortfall	Interest in Suspense	Total	Shortfall	Interest in Suspense	Total
<b>17.5 Movement in Interest in Suspense &amp; Shortfall</b>						
<b>17.5.1 Movement in Interest in Suspense &amp; Shortfall - Bank</b>						
Balance as at 1st January	2,982,440	668,651	3,651,090	3,246,799	768,622	4,015,421
Interest suspended during the year	5,687,512	3,840	5,691,352	3,547,934	79,746	3,627,680
Suspended interest recovered	(5,567,926)	(85,898)	(5,653,824)	(3,812,293)	(179,718)	(3,992,011)
<b>Balance as at 31st December</b>	<b>3,102,026</b>	<b>586,592</b>	<b>3,688,618</b>	<b>2,982,440</b>	<b>668,651</b>	<b>3,651,090</b>
	84.1%	15.9%	100%	81.7%	18.3%	100%
<b>17.5.2 Movement in Interest in Suspense &amp; Shortfall - Group</b>						
Balance as at 1st January	2,982,440	668,651	3,651,090	3,246,799	768,622	4,015,421
Interest suspended during the year	5,687,512	3,840	5,691,352	3,547,934	79,746	3,627,680
Suspended interest recovered	(5,567,926)	(85,898)	(5,653,824)	(3,812,293)	(179,718)	(3,992,011)
<b>Balance as at 31st December</b>	<b>3,102,026</b>	<b>586,592</b>	<b>3,688,618</b>	<b>2,982,440</b>	<b>668,651</b>	<b>3,651,090</b>
	84.1%	15.9%	100%	81.7%	18.3%	100%

## 17.6 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 2011 (Rs.'000)	As a % of Total Advances	Bank 2010 (Rs.'000)	As a % of Total Advances	Group 2011 (Rs.'000)	As a % of Total Advances	Group 2010 (Rs.'000)	As a % of Total Advances
Bills of Exchange	84,378	0.05	163,007	0.13	84,378	0.05	163,007	0.13
Loans & Advances	5,048,634	2.92	5,357,298	4.19	5,048,634	2.89	5,357,298	4.16
Lease Rental Receivable	102,884	0.06	195,420	0.15	182,906	0.10	319,223	0.25
<b>Gross Non-Performing Advances (Note No. 17.7)</b>	<b>5,235,896</b>	<b>3.03</b>	<b>5,715,725</b>	<b>4.47</b>	<b>5,315,918</b>	<b>3.04</b>	<b>5,839,528</b>	<b>4.54</b>
Less: Interest in suspense included in overdrafts (Note No. 17.5)	(586,592)		(668,651)		(586,592)		(668,651)	
<b>Net Non-Performing Advances</b>	<b>4,649,304</b>	<b>2.69</b>	<b>5,047,074</b>	<b>3.95</b>	<b>4,729,326</b>	<b>2.71</b>	<b>5,170,878</b>	<b>4.02</b>
Less: Specific Provision for Credit Losses (Note No. 17.4)	(3,592,631)		(4,486,204)		(3,665,430)		(4,644,634)	
<b>Net Exposure</b>	<b>1,056,672</b>	<b>0.61</b>	<b>560,871</b>	<b>0.44</b>	<b>1,063,895</b>	<b>0.61</b>	<b>526,244</b>	<b>0.41</b>
<b>NPA Cover (Gross)</b>	3,592,631 X 100		4,486,204 X 100		3,665,430 X 100		4,644,634 X 100	
(Specific Provisions to Gross Non-Performing Loans)	5,235,896		5,715,725		5,315,918		5,839,528	
	<b>68.6%</b>		<b>78.5%</b>		<b>69.0%</b>		<b>79.5%</b>	
<b>NPA Cover (Net)</b>	3,592,631 X 100		4,486,204 X 100		3,665,430 X 100		4,644,634 X 100	
(Specific Provisions to Net Non-Performing Loans)	4,649,304		5,047,074		4,729,326		5,170,878	
	<b>77.3%</b>		<b>88.9%</b>		<b>77.5%</b>		<b>89.8%</b>	

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

## 17.7 Concentration of Credit Risk

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

Purpose	2011			2010		
	Performing (Rs.'000)	Non- Performing (Rs.'000)	Total (Rs.'000)	Performing (Rs.'000)	Non- Performing (Rs.'000)	Total (Rs.'000)
<b>17.7.1 Sector/Product wise Analysis of Gross Loans &amp; Advances - Bank</b>						
Agriculture & Fishing	18,146,173	932,804	19,078,977	12,038,329	930,557	12,968,886
Manufacturing	21,722,342	1,141,048	22,863,390	18,445,967	1,521,313	19,967,280
Tourism	4,808,874	49,104	4,857,978	4,287,507	121,356	4,408,863
Transport	1,484,683	37,254	1,521,937	1,173,000	57,537	1,230,537
Construction	15,389,192	588,272	15,977,464	13,155,751	658,606	13,814,357
Traders	25,943,254	1,299,807	27,243,061	20,882,626	1,054,601	21,937,227
New Economy	3,077,572	68,978	3,146,550	3,023,926	26,167	3,050,093
Financial and Business Services	16,072,170	13,195	16,085,365	6,528,731	14,292	6,543,023
Infrastructure	3,179,284	146,036	3,325,320	2,458,069	171,884	2,629,953
Other Services	4,768,354	116,677	4,885,031	4,619,039	178,790	4,797,829
Credit Cards	2,694,672	243,983	2,938,655	1,826,964	248,052	2,075,016
Pawning	39,049,053	-	39,049,053	27,844,218	-	27,844,218
Other Customers	11,930,742	598,739	12,529,481	6,594,943	732,571	7,327,514
	<b>168,266,364</b>	<b>5,235,896</b>	<b>173,502,260</b>	<b>122,879,070</b>	<b>5,715,725</b>	<b>128,594,795</b>
<b>17.7.2 Sector/Product wise Analysis of Gross Loans &amp; Advances - Group</b>						
Agriculture & Fishing	18,146,173	932,804	19,078,977	12,038,329	930,557	12,968,886
Manufacturing	21,722,342	1,141,048	22,863,390	18,445,967	1,521,313	19,967,280
Tourism	4,808,874	49,104	4,857,978	4,287,507	121,356	4,408,863
Transport	1,484,683	37,254	1,521,937	1,173,000	57,537	1,230,537
Construction	15,389,192	588,272	15,977,464	13,155,751	658,606	13,814,357
Traders	25,943,254	1,299,807	27,243,061	20,882,626	1,054,601	21,937,227
New Economy	3,069,933	68,978	3,138,911	3,017,376	26,167	3,043,543
Financial and Business Services	14,561,120	13,195	14,574,315	5,997,714	14,292	6,012,006
Infrastructure	3,179,284	146,036	3,325,320	2,458,069	171,884	2,629,953
Other Services	4,768,354	116,677	4,885,031	4,619,039	178,790	4,797,829
Credit Cards	2,694,672	243,983	2,938,655	1,826,964	248,052	2,075,016
Pawning	39,049,053	-	39,049,053	27,844,218	-	27,844,218
Other Customers	15,175,615	678,761	15,854,376	7,734,737	856,374	8,591,111
	<b>169,992,548</b>	<b>5,315,918</b>	<b>175,308,466</b>	<b>123,481,298</b>	<b>5,839,528</b>	<b>129,320,827</b>

	2011 Performing %	2010 Performing %	2011 Non- Performing %	2010 Non- Performing %	2011 Total %	2010 Total %
<b>17.7.3 Analysis of Sector Portfolio - Bank</b>						
Agriculture & Fishing	10.8%	9.8%	17.8%	16.3%	11.0%	10.1%
Manufacturing	12.9%	15.0%	21.8%	26.6%	13.2%	15.5%
Tourism	2.9%	3.5%	0.9%	2.1%	2.8%	3.4%
Transport	0.9%	1.0%	0.7%	1.0%	0.9%	1.0%
Construction	9.1%	10.7%	11.2%	11.5%	9.2%	10.7%
Traders	15.4%	17.0%	24.8%	18.5%	15.7%	17.1%
New Economy	1.8%	2.5%	1.3%	0.5%	1.8%	2.4%
Financial and Business Services	9.6%	5.3%	0.3%	0.3%	9.3%	5.1%
Infrastructure	1.9%	2.0%	2.8%	3.0%	1.9%	2.0%
Other Services	2.8%	3.8%	2.2%	3.1%	2.8%	3.7%
Credit Cards	1.6%	1.5%	4.7%	4.3%	1.7%	1.6%
Pawning	23.2%	22.7%	-	-	22.5%	21.7%
Other Customers	7.1%	5.4%	11.4%	12.8%	7.2%	5.7%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>17.7.4 Analysis of Sector Portfolio - Group</b>						
Agriculture & Fishing	10.7%	9.7%	17.5%	15.9%	10.9%	10.0%
Manufacturing	12.8%	14.9%	21.5%	26.1%	13.0%	15.4%
Tourism	2.8%	3.5%	0.9%	2.1%	2.8%	3.4%
Transport	0.9%	0.9%	0.7%	1.0%	0.9%	1.0%
Construction	9.1%	10.7%	11.1%	11.3%	9.1%	10.7%
Traders	15.3%	16.9%	24.5%	18.1%	15.5%	17.0%
New Economy	1.8%	2.4%	1.3%	0.4%	1.8%	2.4%
Financial and Business Services	8.6%	4.9%	0.2%	0.2%	8.3%	4.6%
Infrastructure	1.9%	2.0%	2.7%	2.9%	1.9%	2.0%
Other Services	2.8%	3.7%	2.2%	3.1%	2.8%	3.7%
Credit Cards	1.6%	1.5%	4.6%	4.2%	1.7%	1.6%
Pawning	23.0%	22.5%	-	-	22.3%	21.5%
Other Customers	8.9%	6.3%	12.8%	14.7%	9.0%	6.6%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

	Bank 2011		Bank 2010	
	(Rs.'000)	%	(Rs.'000)	%
<b>17.7.5 Collateral Wise Analysis of Gross Loans &amp; Advances - Bank</b>				
Cash/Gold	42,117,420	24.3%	31,146,776	24.2%
Government Securities	18,267	-	36,556	-
Immovable Properties	46,586,598	26.9%	36,576,322	28.4%
Stock in Trade	19,194,438	11.1%	14,870,436	11.6%
Personal Guarantees and Pro Notes	2,524,212	1.5%	2,736,975	2.1%
Movable Properties	7,369,588	4.2%	4,520,696	3.5%
Other Securities	44,949,130	25.9%	29,709,597	23.1%
Unsecured	10,742,607	6.2%	8,997,438	7.0%
	<b>173,502,260</b>	<b>100%</b>	<b>128,594,795</b>	<b>100%</b>

	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>18. Investment in Subsidiary Companies - Bank</b>			
Balance as at 1st January	991,626	991,626	-
Additions	63,295	-	100.0
<b>Balance as at 31st December</b>	<b>1,054,921</b>	<b>991,626</b>	<b>6.4</b>

Name	Principal Activity	% of Ownership	Cost (Rs.'000)	Directors' Valuation (Rs.'000)	2011 %	Cost (Rs.'000)	Directors' Valuation (Rs.'000)	2010 %
<b>Unquoted</b>								
<b>Sampath Centre Ltd</b>	Renting of Commercial Property	97.14	447,000	2,036,813	42.4%	447,000	1,951,447	45.1%
34,000,000 ordinary shares (Country of Incorporation - Sri Lanka)								
<b>S C Securities (Pvt) Ltd*</b>	Share Broking	100.00	78,921	78,921	7.5%	15,626	15,626	1.6%
2,720,000 ordinary shares -2011 1,387,200 ordinary shares -2010 (Country of Incorporation - Sri Lanka)								
<b>Sampath Leasing &amp; Factoring Ltd</b>	Leasing & Factoring	100.00	525,000	525,000	49.8%	525,000	525,000	52.9%
52,500,000 ordinary shares (Country of Incorporation - Sri Lanka)								

## 18. Investment in Subsidiary Companies - Bank contd.

Name	Principal Activity	% of Ownership	Cost (Rs.'000)	Directors' Valuation (Rs.'000)	2011 %	Cost (Rs.'000)	Directors' Valuation (Rs.'000)	2010 %
<b>Sampath Information Technology Solutions Ltd.</b>	Developing	100.00	4,000	4,000	0.4%	4,000	4,000	0.4%
400,000 ordinary shares (Country of Incorporation - Sri Lanka)	Software Solutions & Maintenance of Hardware							
			<b>1,054,921</b>	<b>2,644,734</b>	<b>100.0%</b>	<b>991,626</b>	<b>2,496,073</b>	<b>100.0%</b>

\* S C Securities (Pvt) Ltd. has become a fully owned subsidiary of the Bank with effect from 8th December 2011, due to acquisition of remaining 49% shares.

As at 31st December	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>19. Other Assets</b>						
Deposits and Pre-payments	224,821	307,415	(26.9)	279,244	461,847	(39.5)
Other Debtors	819,047	630,537	29.9	2,122,533	1,360,005	56.1
	<b>1,043,868</b>	<b>937,952</b>	<b>11.3</b>	<b>2,401,777</b>	<b>1,821,852</b>	<b>31.8</b>
<b>20. Goodwill and Other Intangible Assets</b>						
Unamortised Balance of Goodwill as at 31st December (Note No. 20.1)	-	-	-	5,256	6,266	(16.1)
Computer Software (Note No. 20.2)	67,294	78,723	(14.5)	73,371	88,799	(17.4)
<b>Balance as at 31st December</b>	<b>67,294</b>	<b>78,723</b>	<b>(14.5)</b>	<b>78,626</b>	<b>95,065</b>	<b>(17.3)</b>
<b>20.1 Goodwill on Consolidation</b>						
Goodwill as at 1st January				6,266	7,520	(16.7)
Additions				-	-	-
Less: Disposals				(1,010)	(1,254)	(19.4)
<b>Unamortised balance of Goodwill</b>				<b>5,256</b>	<b>6,266</b>	<b>(16.1)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>20.2 Computer Software</b>						
<b>Cost</b>						
Balance as at 1st January	676,204	623,474	8.5	694,280	631,361	10.0
Additions	24,681	52,730	(53.2)	24,706	62,809	(60.7)
Disposals	-	-	-	-	-	-
Transfers during the year	-	-	-	-	110	(100.0)
<b>Balance as at 31st December</b>	<b>700,885</b>	<b>676,204</b>	<b>3.6</b>	<b>718,986</b>	<b>694,280</b>	<b>3.6</b>
<b>Amortisation &amp; Impairment</b>						
Balance as at 1st January	597,481	552,303	8.2	605,481	556,251	8.9
Disposals	-	-	-	-	-	-
Amortisation charge for the year	36,110	45,178	(20.1)	40,135	49,188	(18.4)
Transfers during the year	-	-	-	-	41	(100.0)
<b>Balance as at 31st December</b>	<b>633,591</b>	<b>597,481</b>	<b>6.0</b>	<b>645,615</b>	<b>605,481</b>	<b>6.6</b>
<b>Net Book Value</b>						
Balance as at 1st January	78,723	71,171	10.6	88,799	75,110	18.2
Balance as at 31st December	67,294	78,723	(14.5)	73,371	88,799	(17.4)

**21. Property and Equipment**

	As at 01.01.2011	Additions during the year	Disposals during the year	Transfers / Adjustments	As at 31.12.2011	As at 31.12.2010	Change %
<b>21.1 Bank</b>							
<b>(Rs.'000)</b>							
<b>At Cost/Valuation</b>							
Land & Building	2,614,298	121,977	(89,340)	-	2,646,936	2,614,298	1.2
Leasehold Properties & Improvements	729,428	190,127	(5,817)	(10,873)	902,865	729,428	23.8
Computer Equipment	2,024,253	242,046	(5,894)	-	2,260,404	2,024,253	11.7
Motor Vehicles	183,988	47,892	(51,126)	10,874	191,628	183,988	4.2
Office Equipment	1,182,931	297,980	(6,882)	-	1,474,028	1,182,931	24.6
Work in Progress	96,555	54,941	-	(80,474)	71,023	96,555	(26.4)
	6,831,453	954,963	(159,059)	(80,473)	7,546,884	6,831,453	10.5
<b>Finance Leases</b>							
Motor Vehicles	13,617	-	-	(10,874)	2,743	13,617	(79.9)
	13,617	-	-	(10,874)	2,743	13,617	(79.9)
<b>Total</b>	<b>6,845,069</b>	<b>954,963</b>	<b>(159,059)</b>	<b>(91,347)</b>	<b>7,549,627</b>	<b>6,845,069</b>	<b>10.3</b>

	As at 01.01.2011	Charge for the year	Disposals during the year	Transfers / Adjustments	As at 31.12.2011	As at 31.12.2010	Change %
<b>Accumulated Depreciation</b>							
<b>On Cost/Valuation</b>							
Building	65,704	15,807	-	-	81,511	65,704	24.1
Leasehold Properties & Improvements	409,207	107,100	(5,095)	(1,065)	510,147	409,207	24.7
Computer Equipment	1,391,214	204,821	(5,153)	-	1,590,882	1,391,214	14.4
Motor Vehicles	102,174	40,101	(31,546)	10,873	121,602	102,174	19.0
Office Equipment	588,976	132,733	(6,016)	-	715,693	588,976	21.5
	2,557,274	500,562	(47,810)	9,808	3,019,835	2,557,274	18.1
<b>Finance Leases</b>							
Motor Vehicles	10,295	2,587	-	(10,873)	2,009	10,295	(80.5)
	10,295	2,587	-	(10,873)	2,009	10,295	(80.5)
<b>Total</b>	<b>2,567,569</b>	<b>503,149</b>	<b>(47,810)</b>	<b>(1,064)</b>	<b>3,021,843</b>	<b>2,567,569</b>	<b>17.7</b>
<b>Net Book Value of Assets</b>							
At Cost/Valuation	4,274,179				4,527,050	4,274,179	5.9
On Finance Leases	3,322				734	3,322	(77.9)
<b>Total</b>	<b>4,277,501</b>				<b>4,527,784</b>	<b>4,277,501</b>	<b>5.9</b>

Freehold land & buildings of the Bank were revalued by professionally qualified independent valuers as at 31st December 2010. (Please refer Note No. 21.3)

The carrying amount of Bank's revalued land and buildings, if they were carried at cost less depreciation, would be as follows:

	2011			2010		
	Cost (Rs.'000)	Accumulated Depreciation (Rs.'000)	Carrying Value (Rs.'000)	Cost (Rs.'000)	Accumulated Depreciation (Rs.'000)	Carrying Value (Rs.'000)
Land	704,441	-	704,441	732,938	-	732,938
Freehold Buildings	512,723	75,293	437,430	390,746	62,475	328,271
<b>Total</b>	<b>1,217,164</b>	<b>75,293</b>	<b>1,141,871</b>	<b>1,123,684</b>	<b>62,475</b>	<b>1,061,209</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

	As at 01.01.2011	Additions during the year	Disposals during the year	Transfers / Adjustments	As at 31.12.2011	As at 31.12.2010	Change %
<b>21.2 Property and Equipment - Group</b>							
<b>(Rs. '000)</b>							
<b>At Cost/Valuation</b>							
Land & Building	4,822,936	152,791	(89,340)	-	4,886,387	4,822,936	1.3
Leasehold Properties & Improvements	729,428	190,127	(5,817)	(10,873)	902,865	729,428	23.8
Computer Equipment	2,048,875	245,512	(5,894)	-	2,288,493	2,048,875	11.7
Motor Vehicles	282,963	59,848	(67,639)	10,874	286,046	282,963	1.1
Office Equipment	1,209,943	306,358	(7,679)	-	1,508,621	1,209,943	24.7
Work in Progress	96,555	54,941	-	(80,474)	71,023	96,555	(26.4)
	<b>9,190,700</b>	<b>1,009,577</b>	<b>(176,369)</b>	<b>(80,473)</b>	<b>9,943,436</b>	<b>9,190,700</b>	<b>8.2</b>
<b>Finance Leases</b>							
Motor Vehicles	20,443	-	(6,825)	(10,874)	2,744	20,443	(86.6)
Total	20,443	-	(6,825)	(10,874)	2,744	20,443	(86.6)
	<b>9,211,142</b>	<b>1,009,577</b>	<b>(183,194)</b>	<b>(91,346)</b>	<b>9,946,180</b>	<b>9,211,142</b>	<b>8.0</b>
<b>Accumulated Depreciation</b>							
<b>On Cost/Valuation</b>							
Building	203,343	42,658	-	-	246,001	203,343	21.0
Leasehold Properties & Improvements	409,209	107,100	(5,095)	(1,065)	510,149	409,209	24.7
Computer Equipment	1,409,789	207,947	(5,153)	-	1,612,583	1,409,789	14.4
Motor Vehicles	136,157	53,155	(45,988)	10,873	154,197	136,157	13.2
Office Equipment	601,918	135,702	(6,366)	-	731,254	601,918	21.5
	<b>2,760,416</b>	<b>546,561</b>	<b>(62,602)</b>	<b>9,808</b>	<b>3,254,184</b>	<b>2,760,416</b>	<b>17.9</b>
<b>Finance Leases</b>							
Motor Vehicles	14,033	4,245	(6,325)	(10,873)	1,081	14,033	(92.3)
Total	14,033	4,245	(6,325)	(10,873)	1,081	14,033	(92.3)
	<b>2,774,448</b>	<b>550,807</b>	<b>(68,927)</b>	<b>(1,064)</b>	<b>3,255,265</b>	<b>2,774,448</b>	<b>17.3</b>
<b>Net Book Value of Assets</b>							
<b>At Cost/Valuation</b>	<b>6,430,284</b>				<b>6,689,251</b>	<b>6,430,284</b>	<b>4.0</b>
<b>On Finance Leases</b>	<b>6,410</b>				<b>1,664</b>	<b>6,410</b>	<b>(74.0)</b>
<b>Total</b>	<b>6,436,694</b>				<b>6,690,915</b>	<b>6,436,694</b>	<b>3.9</b>

Freehold land & buildings of the Group were revalued by professionally qualified independent valuers during the year ended 31st December 2010. (Please refer Note No. 21.3)

The carrying amount of Group's revalued land and buildings, if they were carried at cost less depreciation, would be as follows:

	2011			2010		
	Cost (Rs.'000)	Accumulated Depreciation (Rs.'000)	Carrying Value (Rs.'000)	Cost (Rs.'000)	Accumulated Depreciation (Rs.'000)	Carrying Value (Rs.'000)
Land	839,441	-	839,441	867,938	-	867,938
Freehold Buildings	1,189,614	201,175	988,439	1,036,824	187,586	849,238
<b>Total</b>	<b>2,029,055</b>	<b>201,175</b>	<b>1,827,880</b>	<b>1,904,762</b>	<b>187,586</b>	<b>1,717,176</b>

### 21.3 Details of Group Land and Buildings stated at valuation are given below.

Bank Location	Date of Valuation	Method of Valuation	Cost (Rs. Mn)	2010 Revaluation (Rs. Mn)	2007 Revaluation (Rs. Mn)
<b>Valuer - Mr. P B Kalugalagedara</b>					
No.180 (part), People's Park, Bodhiraja Mawatha, Pettah	12.11.2010	Open Market Value	21.40	55.00	48.0
No.261, Galle Road, Ratmalana	01.11.2010	Open Market / Fair Value Basis	25.50	41.00	36.0
No.61 & 61A, Moratuwa Road, Piliyandala	01.11.2010	Open Market / Fair Value Basis	38.10	76.00	65.0
No.591, Galle Road, Wellawatte	10.11.2010	Open Market / Fair Value Basis	112.30	107.50	-
No.475, Elvittigala Mawatha, Narahenpita	12.11.2010	Open Market / Fair Value Basis	81.87	77.70	-
No.103, Dharmapala Mawatha, Hunupitiya, Colombo 07	08.11.2010	Open Market / Fair Value Basis	26.20	597.00	597.0
<b>Valuer - Mr. E M Wimalasena</b>					
No.268, Main Street, Anuradhapura	12.12.2010	Open Market / Fair Value Basis	10.90	92.80	45.0
<b>Valuer - Mr. C Wellappili</b>					
No.81 & 81A, High Level Road, Maharagama	09.11.2010	Income Basis / Contractor's Principle	34.42	59.38	55.7
No.371 & 371 1/1, Old Moor Street, Colombo 12	10.11.2010	Contractor's Principle	38.28	126.00	112.2
No.1022, Maradana Road, Borella	29.11.2010	Income Basis / Contractor's Principle	70.21	192.57	190.7
No.5, Wakwella Road, Galle	28.12.2010	Income Basis / Contractor's Principle	26.80	71.39	52.0
No.280 & 280/1, Negombo Road, Wattala	30.12.2010	Comparison Method	44.20	53.90	-
No.150, Colombo Road, Gampaha	04.12.2010	Comparison Method	20.00	29.88	-
No.312 (part), Galle Road, Kalutara	15.11.2010	Comparison Method	62.40	60.00	-
No.373, Galle Road, Panadura	30.12.2010	Income Basis / Contractor's Principle	42.00	55.28	-
No.167, Anguruwatota Road, Horana	28.12.2010	Comparison Method	18.50	20.75	-
No.7/5, Giriulla Road, Alawwa	16.11.2010	Income Basis / Contractor's Principle	6.50	25.40	-

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

Bank Location	Date of Valuation	Method of Valuation	Cost (Rs. Mn)	2010 Revaluation (Rs. Mn)	2007 Revaluation (Rs. Mn)
<b>Valuer - Mr. S G Fernando</b>					
No.29, Cross Street, Kandy	25.10.2010	Income Method / Comparative Method	102.18	300.00	180.0
No.187, Madawela Road, Katugastota	05.11.2010	Income Method / Comparative Method	14.35	43.38	-
No.31 & 33, Negombo Road, Kurunegala	04.11.2010	Income Method / Comparative Method	77.05	145.00	128.9
<b>Valuer - Mr. H J A Nisad</b>					
No.25-27, Main Street, Tissamaharama	29.10.2010	Contractor's Method/Income Method	34.28	37.00	-
No.3, Hakmana Road, Matara	29.10.2010	Contractor's Method	39.15	161.00	80.0
No.117, Ihalagama Road, Deniyaya	29.10.2010	Contractor's Method	3.95	4.20	4.0
No.69, Main Street, Deniyaya	27.10.2010	Contractor's Method	15.00	11.80	-
<b>Sampath Centre Ltd.</b>					
<b>Valuer - Mr. P B Kalugalagedara</b>					
No.1 10, Sir James Peiris Mawatha, Colombo 02	31.12.2010	Income Method	597.61	2,071.00	1,300.0

## 21.4 Freehold Land &amp; Buildings- Bank

Location	Buildings Sq.ft	Cost or Revaluation of Buildings (Rs.'000)	Extent Perches	Cost or Revaluation of Land (Rs.'000)	Total Value (Rs.'000)	Accumulated Depreciation (Rs.'000)	Net Book Value (Rs.'000)	%	
<b>Pettah</b> No.180 (part), People's Park, Bodhiraja Mawatha, Pettah	5,246	63,070	-	-	63,070	9,559	53,511	2.0%	
<b>Borella</b> No.1022, Maradana Road, Borella	9,100	75,581	25.5	127,500	203,081	12,341	190,740	7.2%	
<b>Kurunegala</b> No.31 & 33, Negombo Road, Kurunegala	12,027	78,451	37.4	74,760	153,211	9,985	143,226	5.4%	
<b>Wattala</b> No.280 & 280/1, Negombo Road, Wattala	Under Construction	-	515	43.1	53,900	54,415	-	54,415	2.1%
<b>Matara</b> No.3, Hakmana Road, Matara	8,413	37,733	45.3	131,170	168,903	9,255	159,648	4.2%	
<b>Maharagama</b> No.81 & 81A, High Level Road, Maharagama	5,400	30,415	14.8	33,990	64,405	5,741	58,664	2.3%	
<b>Deniyaya</b> No.117, Ihalagama Road, Deniyaya	Under Construction	-	753	40.0	4,200	4,953	-	4,953	0.2%
<b>Deniyaya</b> No.69, Main Street, Deniyaya	Bare Land	-	-	16.9	11,800	11,800	-	11,800	0.5%
<b>Gampaha</b> No.150, Colombo Road, Gampaha	Under Construction	-	461	25.0	29,880	30,341	-	30,341	1.2%

Location		Buildings Sq.ft	Cost or Revaluation of Buildings (Rs.'000)	Extent Perches	Cost or Revaluation of Land (Rs.'000)	Total Value (Rs.'000)	Accumulated Depreciation (Rs.'000)	Net Book Value (Rs.'000)	%
<b>Ratmalana</b> No.261, Galle Road, Ratmalana		5,480	27,148	10.9	19,075	46,223	5,038	41,185	1.6%
<b>Piliyandala</b> No.61 & 61A, Moratuwa Road, Piliyandala		8,200	35,769	37.5	46,875	82,644	7,410	75,234	2.9%
<b>Anuradhapura</b> No.268, Main Street, Anuradhapura	Under Construction	-	6,214	41.3	92,800	99,014	-	99,014	3.8%
<b>Panadura</b> No.373, Galle Road, Panadura		5,550	30,780	27.3	43,800	74,580	1,711	72,869	2.8%
<b>Old Moor Street</b> No.371 & 371 1/1, Old Moor Street, Colombo 12		8,248	5,097	24.0	122,000	127,097	1,116	125,981	4.9%
<b>Tissamaharama</b> No.25-27, Main Street, Tissamaharama		4,000	34,173	22.2	9,990	44,163	2,407	41,756	1.6%
<b>Katugastota</b> No.187, Madawela Road, Katugastota		8,700	63,020	24.1	43,380	106,400	1,303	105,097	4.1%
<b>Galle</b> No.5, Wakwella Road, Galle		6,197	22,613	17.5	52,440	75,053	4,197	70,856	2.7%
<b>Wellawatte</b> No.591, Galle Road, Wellawatte	Under Construction	-	46,074	21.5	107,500	153,574	-	153,574	5.9%
<b>Narahenpita</b> No.475, Elvitigala Mawatha, Narahenpita	Bare Land	-	-	18.5	77,700	77,700	-	77,700	3.0%
<b>Kalutara</b> No.312 (part), Galle Road, Kalutara	Bare Land	-	-	30.0	60,000	60,000	-	60,000	2.3%
<b>Alawwa</b> No.7/5, Giriulla Road, Alawwa		8,245	18,673	20.7	8,260	26,933	1,998	24,935	1.0%
<b>Horana</b> No.167, Anguruwathota, Horana	Bare Land	-	-	20.8	20,750	20,750	-	20,750	0.8%
<b>Kandy Corporate</b> No.29, Cross Street, Kandy		15,026	89,676	25.4	216,155	305,831	7,822	298,009	11.5%
<b>Dharmapala Mawatha</b> No.103, Dharmapala Mawatha, Hunupitiya, Colombo 07		5,000	50,205	119.4	597,000	647,205	1,062	646,143	25.0%
<b>Victoria Range</b> 1/87, Victoria Range, Digana, Kandy		2,035	15,938	-	-	15,938	565	15,373	0.6%
<b>Total</b>			<b>732,359</b>	<b>709.1</b>	<b>1,984,925</b>	<b>2,717,284</b>	<b>81,511</b>	<b>2,635,773</b>	<b>100%</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

21.5 The cost of fully depreciated assets of the Bank amounts to Rs. 2,218.0 Mn. (2010 - Rs. 1,902.3 Mn)

Details of cost of fully depreciated assets classwise are given below.

Asset Class	2011 (Rs.'000)	2010 (Rs.'000)
Leasehold Properties & Improvements	301,288	259,113
Computer Equipment	1,526,034	1,290,311
Motor Vehicles	49,021	52,711
Office Equipment	341,665	300,125
<b>Total</b>	<b>2,218,009</b>	<b>1,902,260</b>

	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>22. Deposits</b>						
<b>22.1 Type of Deposits</b>						
<b>Local Currency Deposits</b>						
Demand	11,858,818	11,265,244	5.3	11,835,606	11,198,763	5.7
Savings	60,512,228	54,599,241	10.8	60,434,723	54,599,241	10.7
Call Deposits	850,135	1,001,170	(15.1)	850,135	934,044	(9.0)
Fixed Deposits	94,497,575	61,216,871	54.4	94,497,575	61,216,871	54.4
Certificates of Deposits	7,415,405	5,344,890	38.7	7,415,405	5,344,890	38.7
Margin Deposits	868,644	555,871	56.3	868,644	555,871	56.3
<b>Local Currency Total</b>	<b>176,002,804</b>	<b>133,983,287</b>	<b>31.4</b>	<b>175,902,088</b>	<b>133,849,679</b>	<b>31.4</b>
<b>Foreign Currency Deposits</b>						
Demand	835,789	2,421,525	(65.5)	835,789	2,421,525	(65.5)
Savings	5,092,459	4,695,973	8.4	5,092,459	4,695,973	8.4
Call Deposits	241,811	6,432	3,659.6	241,811	6,432	3,659.6
Fixed Deposits	9,387,816	9,352,518	0.4	9,387,816	9,352,518	0.4
Margin Deposits	27,280	49,066	(44.4)	27,280	49,066	(44.4)
<b>Foreign Currency Total</b>	<b>15,585,154</b>	<b>16,525,514</b>	<b>(5.7)</b>	<b>15,585,154</b>	<b>16,525,514</b>	<b>(5.7)</b>
<b>Total Deposits</b>	<b>191,587,958</b>	<b>150,508,801</b>	<b>27.3</b>	<b>191,487,242</b>	<b>150,375,194</b>	<b>27.3</b>
<b>22.2.1 Analysis of Deposits - Customerwise</b>						
Deposits from Banks	707,808	1,393,492	(49.2)	707,808	1,393,492	(49.2)
Deposits from Finance Companies	629,598	215,161	192.6	628,506	195,687	221.2
Deposits from Other Customers	190,250,553	148,900,149	27.8	190,150,929	148,786,015	27.8
	<b>191,587,958</b>	<b>150,508,801</b>	<b>27.3</b>	<b>191,487,242</b>	<b>150,375,194</b>	<b>27.3</b>

	Bank		Group	
	2011 %	2010 %	2011 %	2010 %
<b>22.2.2 Analysis of Deposits Portfolio - Productwise</b>				
Demand	6.2%	7.5%	6.2%	7.4%
Savings	31.6%	36.3%	31.6%	36.3%
Call Deposits	0.4%	0.7%	0.4%	0.6%
Fixed Deposits	49.3%	40.7%	49.3%	40.7%
Certificates of Deposits	3.9%	3.6%	3.9%	3.6%
Margin Deposits	0.5%	0.4%	0.5%	0.4%
<b>Local Currency Total</b>	<b>91.9%</b>	<b>89.0%</b>	<b>91.9%</b>	<b>89.0%</b>
<b>Foreign Currency Deposits</b>				
Demand	0.4%	1.6%	0.4%	1.6%
Savings	2.7%	3.1%	2.7%	3.1%
Call Deposits	0.1%	-	0.1%	-
Fixed Deposits	4.9%	6.2%	4.9%	6.2%
Margin Deposits	-	-	-	-
<b>Foreign Currency Total</b>	<b>8.1%</b>	<b>11.0%</b>	<b>8.1%</b>	<b>11.0%</b>
<b>Total Deposits</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The maturity analysis of deposits is given in Note No. 33.

	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>23. Borrowings</b>						
Call Borrowings	-	875,000	(100.0)	-	875,000	(100.0)
Term Borrowings	5,500,000	-	100.0	6,633,600	370,000	1,692.9
Foreign Currency Borrowings	6,264,500	-	100.0	6,264,500	-	100.0
Finance Leases (Note No.23.1)	553	3,671	(84.9)	553	3,671	(84.9)
Other Borrowings	470,851	134,399	250.3	1,006,774	195,256	415.6
	<b>12,235,904</b>	<b>1,013,070</b>	<b>1,107.8</b>	<b>13,905,427</b>	<b>1,443,927</b>	<b>863.0</b>

The maturity analysis of borrowings is given in Note No 33.

			Bank		Group	
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>23.1 Details of Finance Leases - Bank</b>						
Gross liability to the lessor	565	3,754	(84.9)	565	3,754	(84.9)
Less: Finance charges allocated to future periods	(13)	(83)	(84.6)	(13)	(83)	(84.6)
Net liability	553	3,671	(84.9)	553	3,671	(84.9)
Repayable within one year						
Gross liability	565	3,190	(82.3)	565	3,190	(82.3)
Less: Finance charges allocated to future periods	(13)	(72)	(82.3)	(13)	(72)	(82.3)
Net liability	553	3,118	(82.3)	553	3,118	(82.3)
Repayable after one year before five years						
Gross liability	-	564	(100.0)	-	564	(100.0)
Less: Finance charges allocated to future periods	-	(11)	(100.0)	-	(11)	(100.0)
Net liability	-	553	(100.0)	-	553	(100.0)

There were no lease rentals repayable beyond one year.

			Bank		Group	
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>24. Other Liabilities</b>						
Cheques Sent on Clearing	12,422	2,533	390.3	12,422	2,533	390.3
Interest Payable	4,614,489	3,090,465	49.3	4,614,489	3,090,465	49.3
Provision for Retiring Gratuity (Note No. 24.1)	124,477	89,223	39.5	137,327	100,173	37.1
Provision for Deposit Insurance Scheme (Note No. 24.3)	57,310	44,000	30.2	57,310	44,000	30.2
Other Payable	3,020,146	2,164,485	39.5	3,671,432	2,736,843	34.1
	<b>7,828,843</b>	<b>5,390,706</b>	<b>45.2</b>	<b>8,492,979</b>	<b>5,974,014</b>	<b>42.2</b>
<b>24.1 Provision for Retiring Gratuity</b>						
Balance as at 1st January	89,223	57,941	54.0	100,173	66,021	51.7
Provision made during the year (Note No.6.2)	49,175	41,592	18.2	53,180	44,251	20.2
	138,398	99,533	39.0	153,354	110,271	39.1
Benefits paid by the plan	(13,921)	(10,310)	35.0	(16,027)	(10,098)	58.7
Balance as at 31st December	124,477	89,223	39.5	137,327	100,173	37.1

An actuarial valuation of the gratuity fund was carried out as at 31st December 2011 by M/s. Piyal S Goonetilleke and Associates, a professional actuary. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by SLAS No.16 Employee Benefits.

Actuarial assumptions	2011	2010
Discount Rate	10%	9%
Salary Increment	9%	9%
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Retirement Age	55 years	55 years

#### Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Balance Sheet is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase / (Decrease) in Discount Rate	Increase / (Decrease) in Salary Increment	2011		2010	
		Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (Rs. Mn)	Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (Rs. Mn)
1%		13.1	(13.1)	5.7	(5.7)
(1%)		(15.7)	15.7	(13.9)	13.9
	1%	(15.5)	15.5	(13.6)	13.6
	(1%)	13.2	(13.2)	11.6	(11.6)

#### 24.2 Pension Fund

The amounts recognised in the balance sheet are as follows:

	Bank		Group	
	2011	2010	2011	2010
Present value of funded obligations as at 31st December	2,882,369	2,885,617	2,882,369	2,885,617
Fair value of plan assets as at 31st December	(3,231,694)	(2,903,616)	(3,231,694)	(2,903,616)
	(349,325)	(17,999)	(349,325)	(17,999)
Present value of unfunded obligations	(137,655)	(275,310)	(137,655)	(275,310)
Unrecognised actuarial gains/losses	434,852	241,181	434,852	241,181
	(52,129)	(52,129)	(52,129)	(52,129)

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
Balance as at 1st January	-	160,619	(100.0)	-	160,619	-
Provision made during the year (Note No. 6.1)	294,957	313,841	(6.0)	294,957	313,841	(6.0)
Less: Payments/Investments made during the year	(294,957)	(474,460)	(37.8)	(294,957)	(474,460)	(37.8)
Balance as at 31st December	-	-	-	-	-	-

An actuarial valuation of the pension fund was carried out as at 31st December 2011 by M/s. Piyal S Goonetilleke and Associates, a professional actuary. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by SLAS No.16 Employee Benefits.

Actuarial assumptions	2011	2010
Discount Rate	10%	9%
Salary Increment	9%	9%
Annual Return on Assets	9%	9%
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Retirement Age	Normal retirement age or age on valuation date, if greater	Normal retirement age or age on valuation date, if greater

#### Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Balance Sheet is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase / (Decrease) in Discount Rate	Increase / (Decrease) in Salary Increment	2011		2010	
		Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability	Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability
1%		380.5	(380.5)	415.0	(415.0)
(1%)		(468.9)	468.9	(518.9)	518.9
	1%	(247.5)	247.5	(209.4)	209.4
	(1%)	220.9	(220.9)	242.0	(242.0)

**24.3** In terms of Banking Act Direction No.5 of 2010 on Insurance of Deposit Liabilities, Bank shall insure their eligible deposit liabilities, under the Deposit Insurance Scheme operated by the Monetary Board with effect from 1st October 2010. To comply with this requirement, Bank made a provision of 0.125%p.a. on the eligible deposit liabilities on each quarter ended in 2011.

	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>25. Current Taxation</b>						
Balance brought forward/(Paid in advance)	911,509	578,757	57.5	950,630	583,664	62.9
Current year provision (Note No. 9.1)	1,558,128	1,532,628	1.7	1,583,604	1,617,908	(2.1)
Less: Payment of tax	(523,585)	(1,199,875)	(56.4)	(577,662)	(1,250,942)	(53.8)
<b>Balance c/f</b>	<b>1,946,052</b>	<b>911,509</b>	<b>113.5</b>	<b>1,956,571</b>	<b>950,630</b>	<b>105.8</b>
<b>26. Deferred Taxation</b>						
Balance brought forward	196,440	481,199	(59.2)	183,859	478,636	(61.6)
Increase/(decrease) in provision (Note 9.3)	202,231	(333,663)	160.6	227,015	(343,682)	166.1
Deferred tax liability attributable to revaluation surplus charged to equity	-	48,904	(100.0)	-	48,904	(100.0)
<b>Balance c/f (Note No. 26.1)</b>	<b>398,671</b>	<b>196,440</b>	<b>102.9</b>	<b>410,873</b>	<b>183,859</b>	<b>123.5</b>

	2011 Temporary difference	2011 Tax effect	2010 Temporary difference	2010 Tax effect
<b>26.1 Analysis of Deferred Tax Assets and Liabilities</b>				
<b>26.1.1 Bank</b>				
<b>Deferred Tax Liability</b>				
Property and Equipment	618,867	173,283	526,623	147,454
Lease Rentals	754,775	211,337	844,212	236,379
Revaluation on Buildings	174,657	48,904	174,657	48,904
	1,548,299	433,524	1,545,493	432,738
<b>Deferred Tax Asset</b>				
Unclaimed Bad debt provision - Specific	-	-	478,806	134,066
Unclaimed Bad debt provision - Investment	-	-	275,953	77,267
Defined Benefit Obligation	124,477	34,853	89,163	24,966
	124,477	34,853	843,922	236,298
Net deferred tax (Asset) / Liability	1,423,822	398,671	701,571	196,440

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

	Temporary difference	2011 Tax effect	Temporary difference	2010 Tax effect
<b>26.1.2 Group</b>				
<b>Deferred Tax Liability</b>				
Property, Plant and Equipment	633,014	177,244	539,718	151,121
Lease Rentals	942,622	263,934	950,550	266,154
Revaluation on Building	174,657	48,904	174,657	48,904
	1,750,293	490,082	1,664,925	466,179
<b>Deferred Tax Asset</b>				
Unclaimed Bad debt provision - Specific	-	-	478,806	134,065
Unclaimed Bad debt provision - Investment	-	-	275,953	77,267
Defined Benefit Obligation	146,477	41,014	99,519	27,865
Brought forward tax losses	136,415	38,196	154,010	43,123
	282,892	79,210	1,008,287	282,320
Net deferred tax (Asset) / Liability	1,467,402	410,873	656,637	183,859

	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>27. Other liabilities evidenced by paper</b>						
Redeemable Debentures (Note No.27.1)	1,750,000	2,050,000	(14.6)	1,750,000	2,050,000	(14.6)
Long Term Bond (Note No 27.2)	1,253,949	1,148,800	9.2	1,253,949	1,148,800	9.2
	<b>3,003,949</b>	<b>3,198,800</b>	<b>(6.1)</b>	<b>3,003,949</b>	<b>3,198,800</b>	<b>(6.1)</b>
<b>27.1 Subordinated Debentures</b>						
Balance as at 1st January	2,050,000	2,050,000	-	2,050,000	2,050,000	-
Debentures issued	-	-	-	-	-	-
Debentures redeemed	(300,000)	-	(100.0)	(300,000)	-	(100.0)
<b>Balance as at 31st December</b> <b>(Note No.27.1.1, 27.1.2, &amp; 27.1.3)</b>	<b>1,750,000</b>	<b>2,050,000</b>	<b>(14.6)</b>	<b>1,750,000</b>	<b>2,050,000</b>	<b>(14.6)</b>

## 27.1.1

No of Debentures	2010 Value (Rs.'000)	2011 Value (Rs.'000)
3,000,000	300,000	-
<b>3,000,000</b>	<b>300,000</b>	<b>-</b>

This debenture was redeemed on 28th December 2011.

27.1.2 The debentures consist of 15,000,000 unsecured subordinated redeemable 5-year debentures of Rs.100/- each issued in 2007.

The debentures are quoted on the Colombo Stock Exchange.

No of Debentures	2010 Value (Rs.'000)	2011 Value (Rs.'000)	Allotment Date	Maturity Date	Rate of Interest
5,206,725	520,673	520,673	30 Aug 2007	29 Aug 2012	Fixed - 17.5 % per annum payable annually
222,650	22,265	22,265	30 Aug 2007	29 Aug 2012	Fixed - 15.5 % per annum payable monthly
9,570,625	957,063	957,063	30 Aug 2007	29 Aug 2012	Floating rate is equivalent to the three months Treasury Bill rate (gross) plus 1.5% p.a., payable quarterly.
<b>15,000,000</b>	<b>1,500,000</b>	<b>1,500,000</b>			

27.1.3 The debentures consist of 2,500,000 unsecured subordinated redeemable 5-year debentures of Rs.100/- each issued in 2007.

No of Debentures	2010 Value (Rs.'000)	2011 Value (Rs.'000)	Allotment Date	Maturity Date	Rate of Interest
2,500,000	250,000	250,000	30 June 2007	28 June 2012	Floating rate is equivalent to the six months weighted avg. Treasury Bill rate (gross) plus 1.75% p.a., payable semi annually.
<b>2,500,000</b>	<b>250,000</b>	<b>250,000</b>			

	Bank			Group		
	2011 (Rs.'000)	2010 (Rs.'000)	Change %	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>27.2 Long Term Bond</b>						
Balance as at 1st January	1,148,800	1,052,468	9.2	1,148,800	1,052,468	9.2
Interest Accrued	105,149	96,332	9.2	105,149	96,332	9.2
<b>Balance as at 31st December</b>	<b>1,253,949</b>	<b>1,148,800</b>	<b>9.2</b>	<b>1,253,949</b>	<b>1,148,800</b>	<b>9.2</b>
<b>28. Stated capital</b>						
Ordinary Shares	2,743,780	1,786,250	53.6	2,743,780	1,786,250	53.6
	<b>2,743,780</b>	<b>1,786,250</b>	<b>53.6</b>	<b>2,743,780</b>	<b>1,786,250</b>	<b>53.6</b>

Number of shares as at 31st December 2011 increased to 156,854,190 from 152,807,972 as at 31st December 2010, due to effect of the final scrip dividend - 2010 and ESOP - 2010 (Please refer Note No. 10.1)

### 28.1 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 the Annual General meeting of the Bank.

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

## 28.2 Employee Share Option Plan

## ESOP - 2010

As approved by the shareholders of the Bank at the Extraordinary General Meeting held on 21.08.2010, ESOP-2010 was introduced in the year 2011, having achieved the targets set for 2010.

Number of Options	Number of options exercised as at 31.12.2011	Number of options remaining	Option Price (Rs.)	Weighted Average Market Price (Rs.)
3,056,159	524,924	2,531,235	80.0	221

The option exercisable period would be 3 years, from the entitlement date of 30.06.2011. In the event of options being fully exercised by the eligible staff, the stated capital of the Bank would rise by Rs. 244.5 Mn, as a result of the consideration to be paid by the staff under the ESOP.

No financial assistance will be provided by the Bank to the staff to purchase the share options. The remaining contractual life of share options is 2 years and 6 months.

	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>29. Reserves</b>						
<b>29.1 Statutory/Risk Reserve Funds</b>						
Statutory Reserve Fund (Note 29.1.1)	805,805	614,834	31.1	823,171	622,004	32.3
Risk Reserve Fund (Note 29.1.2)	35,706	31,730	12.5	35,706	31,730	12.5
	<b>841,511</b>	<b>646,564</b>	<b>30.2</b>	<b>858,877</b>	<b>653,736</b>	<b>31.4</b>
<b>29.1.1 Statutory Reserve Fund</b>						
Balance as at 1st January	614,834	449,697	36.7	622,004	449,985	38.2
Transfer to Reserve Fund (Note No. 29.3)	190,971	165,137	15.6	201,167	172,019	16.9
<b>Balance as at 31st December</b>	<b>805,805</b>	<b>614,834</b>	<b>31.1</b>	<b>823,171</b>	<b>622,004</b>	<b>32.3</b>

The statutory reserve fund is maintained as required by the section 20 (1) of the Banking Act No. 30 of 1988. A sum equivalent to 5% of the profit after tax, but before any dividend is declared or any profits are transferred to elsewhere, should be transferred to above reserve until the reserve is equal to 50% of the paid-up capital of the Bank and thereafter a further sum equivalent to 2% of such profits until the amount of the said reserve fund is equal to the paid-up capital of the Bank. The balance in the statutory reserve fund will be used only for the purposes specified in the Section 20(2) of the Banking Act No. 30 of 1988.

However, the paid-up capital concept was abolished by the Companies Act No. 7 of 2007. Therefore, Bank considered the 'stated capital' as equivalent of 'paid-up' capital and transferred 5% of profit after tax to the Statutory Reserve Fund. The Bank's stated capital increased to Rs. 2,743.8 Mn during the year due to effecting the final scrip dividend - 2010 and ESOP -2010.

	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>29.1.2 Risk Reserve Fund</b>						
Balance as at 1st January	31,730	21,316	48.9	31,730	21,316	48.9
Adjustment	(169)	-	(100.0)	(169)	-	(100.0)
Transfer to Reserve Fund (Note No. 29.3)	4,144	10,414	(60.2)	4,144	10,414	(60.2)
<b>Balance as at 31st December</b>	<b>35,706</b>	<b>31,730</b>	<b>12.5</b>	<b>35,706</b>	<b>31,730</b>	<b>12.5</b>

In terms of section 12 of the Regulations issued by the Minister of Finance under the Registered Stocks and Securities Ordinance and the Local Treasury Bills Ordinance a sum equivalent to 25% of the profit after tax of the Primary Dealer Unit was transferred to a special risk reserve.

	Bank Revaluation Reserve (Rs.'000)	Subsidiary Revaluation Reserve (Rs.'000)	Group Total Reserve (Rs.'000)
Balance as at 1st January 2011	1,519,041	1,419,477	2,938,518
Disposals	(59,693)	-	(59,693)
<b>Balance as at 31st December 2011</b>	<b>1,459,349</b>	<b>1,419,477</b>	<b>2,878,825</b>

Revaluation reserve relates to the revaluation of property & equipment as described in Note No. 21.3.

	General Reserve (Rs.'000)	Investment Fund Account (Rs.'000)	Retained Profits (Rs.'000)	2011 Bank Total Revenue Reserves (Rs.'000)	Subsidiary Investment Fund Account (Rs.'000)	2011 Subsidiary/ Associate Retained Profits (Rs.'000)	2011 Group Total Revenue Reserves (Rs.'000)	2010 Group Total Revenue Reserves (Rs.'000)	Change %
<b>29.3 Revenue Reserves</b>									
Balance as at 1st January	10,058,522	-	1,008,643	11,067,164	-	320,179	11,387,342	8,790,299	29.5
Adjustments	(507)	-	-	(507)	-	(28,577)	(29,084)	-	(100.0)
Net profit for the year	-	-	3,819,423	3,819,423	-	366,901	4,186,324	3,552,364	17.8
Final cash dividend paid - 2009 (Note No. 11)	-	-	-	-	-	-	-	(473,602)	100.0
Final scrip dividend Paid - 2010 (Note No. 11)	-	-	(1,008,533)	(1,008,533)	-	-	(1,008,533)	-	(100.0)
Interim scrip dividend paid - 2010 (Note No. 11)	-	-	-	-	-	-	-	(227,329)	100.0
Dividend from subsidiary companies (Note No. 4)	-	-	-	-	-	(15,102)	(15,102)	(36,438)	58.6
Minority interest (Note No. 30)	-	-	-	-	-	(22,282)	(22,282)	(35,516)	37.3
Surplus/(Reversal) on revaluation of property	-	-	59,693	59,693	-	-	59,693	-	100.0
Transfer to statutory reserve fund (Note No. 29.1.1)	-	-	(190,971)	(190,971)	-	(10,195)	(201,167)	(172,019)	16.9
Transfer to risk reserve fund (Note No. 29.1.2)	-	-	(4,144)	(4,144)	-	-	(4,144)	(10,414)	60.2
Transfer to general reserve	1,678,299	-	(1,678,299)	-	-	-	-	-	-
Transfer to investment fund account (Note No. 29.3.1)	-	590,812	(590,812)	(590,812)	12,623	(12,623)	(603,435)	-	(100.0)
<b>Balance as at 31st December</b>	<b>11,736,313</b>	<b>590,812</b>	<b>1,415,000</b>	<b>13,151,314</b>	<b>12,623</b>	<b>598,300</b>	<b>13,749,614</b>	<b>11,387,342</b>	<b>20.7</b>
	85.3		10.3	95.6	0.1	4.4	100.0		

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

**29.3.1 Transfers to Investment Fund Account**

As proposed in the Budget 2011, as and when taxes are paid after 1 January 2011, licensed Banks shall make transfers to the Investment Fund Account to build up a permanent fund with in the Bank as follows.

- 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.
- 5% of the profit before tax calculated for payment of income tax purposes on dates specified in section 113 of the Inland Revenue Act for the self assessment payment of tax.

	2011 Bank Total Amount (Rs.'000)	2011 Subsidiary Investment Fund Account (Rs.'000)	2011 Group Total Amount (Rs.'000)
<b>29.3.2 Utilisation of Investment Fund Account (IFA)</b>			
Balance available for utilisation as at 01st January	-	-	-
Total transfers to Investment Fund Account (Note No. 29.3)	590,812	12,623	603,435
Total loans granted (Note No. 29.3.3)	(476,513)	(7,790)	(484,303)
Total Investments in Government Securities (Note No. 29.3.4)	(113,390)	(4,011)	(117,401)
<b>Balance available for utilisation as at 31st December</b>	<b>909</b>	<b>822</b>	<b>1,731</b>

	Interest rates (%)	Tenure (Years)	Number of Loans Granted	2011 Bank Total Amount Outstanding (Rs.'000)	Interest rates (%)	Tenure (Years)	Number of Loans Granted	2011 Group Total Amount Outstanding (Rs.'000)
<b>29.3.3 Total loans granted</b>								
<b>Sector</b>								
(a) Cultivation of Agriculture / Plantation crops	10.65	5	2	44,789	10.65-11.55	4 - 5	6	52,579
(b) Factory/Mills modernisation	10.65	5 - 7	14	158,084	10.65	5 - 7	14	158,084
(c) Small and Medium Enterprises	10.65	5 - 7	10	65,580	10.65	5 - 7	10	65,580
(d) Information Technology and BPO	-	-	-	-	-	-	-	-
(e) Infrastructure Development	10.65	5 - 8	11	178,770	10.65	5 - 8	11	178,770
(f) Education	10.65	7	1	29,290	10.65	7	1	29,290
(g) Housing	-	-	-	-	-	-	-	-
(h) Construction of hotels and related purposes	-	-	-	-	-	-	-	-
(i) Restructuring of loans extended for above purposes	-	-	-	-	-	-	-	-
			<b>38</b>	<b>476,513</b>			<b>42</b>	<b>484,303</b>

	Face Value (Rs.'000)	Year of Maturity	Cost of Investment (Rs.'000)	2011 Bank Total Outstanding (Rs.'000)	Face Value (Rs.'000)	Year of Maturity	Cost of Investment (Rs.'000)	2011 Group Total Outstanding (Rs.'000)
<b>29.3.4 Investments in Government Securities</b>								
(a) Treasury Bonds over 5 years	-	-	-	-	-	-	-	-
(b) Treasury Bills	113,390	2012	109,487	113,390	117,401	2012	113,498	117,401
<b>Total Investments in Government Securities</b>				<b>113,390</b>				<b>117,401</b>

	2011 (Rs.'000)	2010 (Rs.'000)	Change %
<b>30. Minority Interest - Group</b>			
Balance as at 1st January	151,896	95,228	59.5
Profit/(loss) applicable for the year	22,282	35,516	(37.3)
Add : Revaluation Surplus	-	23,635	(100.0)
Less : Dividend paid	(490)	(2,483)	(80.3)
Change in holding of share	(113,782)	-	(100.0)
<b>Balance as at 31st December</b>	<b>59,907</b>	<b>151,896</b>	<b>(60.6)</b>

### 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	2011 (Rs.'000)	2010 (Rs.'000)	Bank Change %	2011 (Rs.'000)	2010 (Rs.'000)	Group Change %
<b>Commitments</b>						
Commitment for unutilised facilities (direct advances)	25,295,333	22,968,058	10.1	25,295,333	22,968,058	10.1
	<b>25,295,333</b>	<b>22,968,058</b>	<b>10.1</b>	<b>25,295,333</b>	<b>22,968,058</b>	<b>10.1</b>
<b>Contingent Liabilities</b>						
Acceptances	5,126,187	3,133,328	63.6	5,126,187	3,133,328	63.6
Documentary credit	11,633,728	8,115,432	43.4	11,633,728	8,115,432	43.4
Guarantees	18,171,501	13,069,829	39.0	18,171,501	13,069,829	39.0
Bills sent for collection	70,410	154,878	(54.5)	70,410	154,878	(54.5)
Stock on travelers' cheques	411,568	334,661	23.0	411,568	334,661	23.0
	<b>35,413,394</b>	<b>24,808,129</b>	<b>42.7</b>	<b>35,413,394</b>	<b>24,808,129</b>	<b>42.7</b>
Forward exchange contracts	60,238,075	20,851,936	188.9	60,238,075	20,851,936	188.9
	<b>95,651,469</b>	<b>45,660,065</b>	<b>109.5</b>	<b>95,651,469</b>	<b>45,660,065</b>	<b>109.5</b>
<b>Commitments and Contingencies</b>	<b>120,946,802</b>	<b>68,628,122</b>	<b>76.2</b>	<b>120,946,802</b>	<b>68,628,122</b>	<b>76.2</b>

**31.2 Contingent Liabilities****31.2.1 Litigation against the Bank****I. Before the Labour Tribunal :**

- (a) Two LT applications are before the Labour Tribunal in Case No. 01/31/2008 & 01/14/06 are pending in High Court in Case No. 131/10 LT & 14/2012.

**II. To prevent the Bank from enforcing the mortgages to recover it's dues:**

- (a) Eight actions have been filed in Supreme Court in Case Nos. SC/CHC/12/2002, SC/CHC/21/2010,43/10/SC/CHC, 194/10/ SC/CHC, SC /83/2011, 63/2011/ SC, 453/2011/ SC & 193/11/ SC.
- (b) Twelve actions have been filed in Court of Appeal in Case Nos. CA/REV/690/2005, CALA/320/2011, CALA/48/2006, CA Writ 625/11, 523/10 CA, 12/97 (CA), 332/2011 CA,398/11 CA, 314/20141 CA, 189/99 CA,143/98 CA & 538/2000 CA.
- (c) Two cases have been filed against the Bank in Civil Appeal in Case Nos. WP/HCCA/109/11 LA & 53/11 CAL.
- (d) Fourteen cases have been filed against the Bank in the Commercial High Court Case Nos. HC/CIVIL/124/2009, CHC 421/10, CHC 326/10, CHC 91/10, CHC 70/10, CHC 423/10, CHC 500/10 MR, 490/09/MR, 608/10 MR, 217/11/MR, 352/11 MR, 463/11 MR, 213/11 MR & 83/10 MR.
- (e) Twenty five actions have been filed in District Court , Colombo by constituents in Case Nos. 0003/DHP, 58032/M, 21508/L, 103/11 DSP,86/11 DSP, 101/11 DLM, 112/11 DSP, DSP 119/2010, DSP 89/10, DSP 210/09, DSP 191/09, DSP 214/09, DSP 216/09, 7058/10 DMR, DSP 313/10, DSP 276/10, DSP 157/11, 03/10 DLM, 270/10 DSP, 04/11 DSP, 23/11 DSP, 89/11 DSP, 92/11 DSP, 102/11 DSP & 263/10 DSP.

Five in DC Marawila in Case Nos. 1613/L, 2984/M, 1615/L, 1617/L & 1747/L,two in DC Horana in Case Nos. 2504/MB & 5207/SPL, two in DC Kuliyapitiya in Case Nos. 15315/L & 212/L, one in DC Kurunegala in Case No. 7587/L,one in DC Nugegoda in Case No. L/267/09,two in DC Kandy in Case No. 263/10/DSP & DLM 1203/11,one in DC Polonnaruwa in case No.14421/L, one in DC Embilipitiya in Case No.11938/M,one in DC Monaragala in Case No.1655/SPL,one in DC Minuwagoda in Case No. 12/SPL,one in DC Chillaw in Case No.4127/11/L,one in DC Kalutara in Case No.4369/SPL have been filed to prevent the Bank from enforcing the mortgages to recover it's dues.

**III. Bank has been made a party only for the purpose of giving notice**

- (a) Eight actions have been filed in DC Colombo in Case Nos. DSP/205/2008, DSP/00251/09, DSP/00231/2009, DSP/5787/10/DMR, DSP/172/09, CHC/494/10, 39/Ejectment & 24208/P.

**IV. Commercial High Court Case No. 11/2004 (1)/HC(civil)**

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 272,232,259.16 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.

Judgment of the said case was delivered in favour of Sampath Bank on 20th January 2011. The plaint of the plaintiff has been dismissed with costs.

Claremont Capital subsequently filed a notice of Appeal and the Bank filed a motion objecting to the said notice on various grounds. The order with regard to the motion has been reserved for the 20th of January 2012 and the matter is ongoing.

31.2.2 Capital expenditure approved by the Board of Directors, for which provisions have not been made in these accounts, amounted to approximately;

As at 31st December	Bank		Group	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
Approved and contracted for	254,682	166,338	254,682	166,338
Approved but not contracted for	202,035	271,509	202,035	271,509
	<b>456,717</b>	<b>437,847</b>	<b>456,717</b>	<b>437,847</b>

### 32. Related Party Transactions

The Bank carries out transactions in the ordinary course of business with the related parties.

#### 32.1 Transactions with Key Managerial Personnel (KMPs)

Key managerial personnel include members of the Board of Directors of the Bank and key employees of the Bank holding directorships in Subsidiary companies of the Bank.

32.1.1 Short term employment benefits to key managerial personnel amounted to Rs. 22,076 thousand for the year 2011. (Rs. 33,810 thousand in 2010)

32.1.1.1 Directors fees & expenses amounted to Rs. 14,585 thousand for the year 2011. (Rs 16,345 thousand in 2010)

32.1.1.2 Post employment benefits amounted to Rs. 24,884 thousand for the year 2011. (2010 - Nil)

32.1.2 Loans & advances to key managerial personnel and their close family members are detailed below.

Limit 2011 (Rs. '000)	Balances as at 31st December 2011 (Rs. '000)	Limit 2010 (Rs. '000)	Balances as at 31st December 2010 (Rs. '000)
4,023	338	4,258	265

32.1.3 Credit card facilities to key managerial personnel and their close family members are detailed below.

Limit 2011 (Rs. '000)	Balances as at 31st December 2011 (Rs. '000)	Limit 2010 (Rs. '000)	Balances as at 31st December 2010 (Rs. '000)
8,375	808	9,475	1,077

32.1.4 Deposits and investments from key managerial personnel amounted to Rs. 194,708 thousand for the year 2011. (Rs. 191,815 thousand in 2010)

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**32.1.5** Facilities given to entities controlled by key managerial personnel and their close family members including following entities.

LB Finance PLC, Alutec Anodizing & Machine Tools (Pvt) Ltd., Alco Industries (Pvt) Ltd, Hayleys MGT Knitting Mills PLC, Negombo Hotels Ltd, Hunas Falls Hotels PLC, Jetwings Hotels Ltd, Vallibel Willwind (Pvt) Ltd, Hayleys Advantis Ltd, Hayleys Agro Biotech (Pvt) Ltd, Hayleys Consumer Products Ltd, Hayleys Electronics (Retailing) Ltd, Haycarb PLC, Quality Seeds Company (Pvt) Ltd, Hayleys Agro Products Ltd, Agro Tecnica Ltd, Hayleys Agro Farms (Pvt) Ltd, Hayleys Consumer Marketing (Pvt) Ltd, Hayleys Industrial Solutions (Pvt) Ltd, Hayleys Agro Fertilizer (Pvt) Ltd, Bhagya Hydro (Pvt) Ltd, TTEL Hydro Company (Pvt) Ltd, Kelani Valley Plantation PLC, Mabroc Teas (Pvt) Ltd and Talawakelle Tea Estates PLC.

Facility	2011 (Rs. '000)	2010 (Rs. '000)
Loans & Advances	1,119,592	2,055,872
Documentary Credits	236,883	328,473
Bills of Acceptances	121,760	54,500
Guarantees	34,390	-

**32.2 Transactions with Subsidiary Companies**

The Bank had the following financial dealings during the year with related parties.

Subsidiary Company	Nature of Facility/ Transaction	2011 (Rs. '000)	2010 (Rs. '000)
Sampath Centre Ltd.	Deposits	81,372	67,206
	Loans & advances	-	74,400
	Income & fees received	158,194	153,976
	Expenses & fees paid	2,776	15,129
	Other assets	4,893	4,324
	Other liabilities	62,754	62,754
S C Securities (Pvt) Ltd.	Loans & advances	35,062	14,545
	Off - balance sheet accommodations	1,750	1,750
	Deposits	16	46,929
	Income & fees received	413	1,413
	Expenses & fees paid	10,611	6,725
Sampath Leasing & Factoring Ltd.	Loans & advances	1,475,988	516,472
	Deposits	19,328	19,473
	Expenses & fees paid	99,219	46,531
Sampath Information Technology Solutions Ltd.	Loans & advances	7,639	6,549
	Expenses & fees paid	1,440	1,171

**32.3 Transactions with Entities where Key Managerial Personnel have either Significant Influence or Control**

During the year, the Bank purchased goods and services to the value of Rs. 26.2 Mn from entities where key managerial personnel have either significant influence or control. (2010 - Rs.51.1 Mn)

## 32.4 Transactions with Post Employment Benefits of the Bank

Name of the Related Party	Nature of Transaction	2011 (Rs.'000)	2010 (Rs.'000)
<b>32.4.1 Sampath Bank Employees Provident Fund</b>			
	Treasury Bills	197,392	1,537,988
	Revers Repo	37,555	-
	Deposits	2,703,559	943,919
	Debentures	72,035	-
	Investment in Sampath Bank Shares (No. of shares)	7,816,301	7,640,240
	Market Value as at 31st December	1,524,179	2,077,381
<b>32.4.2 Sampath Bank Employees Pension Fund</b>			
	Fixed Deposits	1,256,244	1,024,934
	Treasury Bills	976,811	1,553,990
	Revers Repo	657,000	-
	Investment in Sampath Bank Shares (No. of shares)	2,594,737	2,536,292
	Market Value as at 31st December	505,974	689,618

## 33. Maturity Analysis

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

## 33.1 Bank

Maturity Period (Rs.'000)	Up to 3 months	3-12 months	1-3 years	3 to 5 years	More than 5 years	Total as at 31.12.2011	Total as at 31.12.2010
<b>Interest Earning Assets</b>							
Money at Call & Short Notice	10,134,151	289,320	-	-	-	10,423,471	1,837,373
Government of Sri Lanka Treasury Bills & Bonds	16,157,772	9,736,392	-	-	-	25,894,165	31,394,278
Investment Securities	569,500	2,629,700	1,936,300	435,740	-	5,571,240	7,317,369
Securities Purchased under Re-sale Agreements	4,600,000	-	-	-	-	4,600,000	-
Bills of Exchange	2,541,387	72,977	-	-	-	2,614,364	2,295,427
Loans & Advances	67,204,551	32,396,102	11,114,205	29,436,795	21,520,095	161,671,747	117,004,821
Lease Rentals Receivable	101,664	176,425	1,285,651	2,847,090	6,453	4,417,283	3,326,256
<b>Total Interest Earning Asset - 31.12.2011</b>	<b>101,309,025</b>	<b>45,300,916</b>	<b>14,336,157</b>	<b>32,719,625</b>	<b>21,526,548</b>	<b>215,192,271</b>	
Total Interest Earning Asset - 31.12.2010	64,552,912	48,676,434	13,545,948	21,596,827	14,803,402		163,175,523

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Maturity Period (Rs.'000)	Up to 3 months	3-12 months	1-3 years	3 to 5 years	More than 5 years	Total as at 31.12.2011	Total as at 31.12.2010
<b>Non - Interest Earning Assets</b>							
Cash and Cash equivalents	4,654,887	979,003	-	-	-	5,633,890	4,209,457
Balances with Central Bank of Sri Lanka	9,687,285	3,135,355	188,825	39,316	181,350	13,232,130	8,221,068
Dealing Securities	-	1,283,380	-	-	-	1,283,380	899,106
Interest and Fees Receivable	2,482,140	-	-	-	-	2,482,140	1,959,236
Investment in Subsidiary Companies	-	-	-	-	1,054,921	1,054,921	991,626
Other Investments	-	117,500	-	-	115,227	232,727	330,369
Property and Equipment	-	-	-	-	4,527,784	4,527,784	4,277,501
Intangible Assets	-	-	-	-	67,294	67,294	78,723
Other Assets	881,219	57,224	27,045	2,385	75,995	1,043,868	937,951
<b>Total Non - Interest Earning Asset - 31.12.2011</b>	<b>17,705,531</b>	<b>5,572,462</b>	<b>215,869</b>	<b>41,701</b>	<b>6,022,571</b>	<b>29,558,134</b>	
Total Non - Interest Earning Asset - 31.12.2010	12,744,419	3,068,661	349,731	75,447	5,666,778		21,905,037
<b>Total Asset - 31.12.2011</b>	<b>119,014,556</b>	<b>50,873,378</b>	<b>14,552,026</b>	<b>32,761,326</b>	<b>27,549,118</b>	<b>244,750,405</b>	
<b>Percentage - 31.12.2011</b>	<b>48.6%</b>	<b>20.8%</b>	<b>5.9%</b>	<b>13.4%</b>	<b>11.3%</b>	<b>100.0%</b>	
Total Asset - 31.12.2010	77,297,332	51,745,094	13,895,679	21,672,274	20,470,180	-	185,080,560
Percentage - 31.12.2010	41.8%	28.0%	7.5%	11.7%	11.1%	-	100.0%
<b>Interest Bearing Liabilities</b>							
Deposits	127,364,836	45,168,805	2,518,295	524,831	2,420,661	177,997,428	136,822,032
Refinance Borrowings	104,329	688,877	1,152,770	637,990	2,266,405	4,850,371	4,442,929
Securities Sold Under Re-Purchase Agreement	3,716,648	358,070	-	-	-	4,074,718	4,361,363
Other Liabilities Evidenced by Paper	-	1,750,000	-	-	1,253,949	3,003,950	3,198,800
Other Borrowings	3,417,000	6,818,904	2,000,000	-	-	12,235,904	1,013,070
<b>Total Interest Bearing Liabilities - 31.12.2011</b>	<b>134,602,813</b>	<b>54,784,657</b>	<b>5,671,064</b>	<b>1,162,821</b>	<b>5,941,015</b>	<b>202,162,371</b>	
Total Interest Bearing Liabilities - 31.12.2010	105,303,266	32,007,854	6,734,747	2,131,923	3,660,403	-	149,838,194
<b>Non - Interest Bearing Liabilities</b>							
Deposits	13,590,530	-	-	-	-	13,590,530	13,686,769
Deferred Taxation	-	-	-	-	398,671	398,671	196,440
Unclaimed Dividends	-	-	-	-	37,173	37,173	37,922
Other Liabilities	6,352,998	2,066,102	-	-	1,355,795	9,774,895	6,302,215
Shareholders' Funds	-	-	-	-	18,786,766	18,786,766	15,019,020
<b>Total Non - Interest Bearing Liabilities - 31.12.2011</b>	<b>19,943,528</b>	<b>2,066,102</b>	<b>-</b>	<b>-</b>	<b>20,578,404</b>	<b>42,588,035</b>	
Total Non - Interest Bearing Liabilities - 31.12.2010	17,266,942	468,334	-	-	17,507,089	-	35,242,366
<b>Total Liabilities - 31.12.2011</b>	<b>154,546,341</b>	<b>56,850,760</b>	<b>5,671,064</b>	<b>1,162,821</b>	<b>26,519,420</b>	<b>244,750,405</b>	
<b>Percentage - 31.12.2011</b>	<b>63.1%</b>	<b>23.2%</b>	<b>2.3%</b>	<b>0.5%</b>	<b>10.8%</b>	<b>100.0%</b>	
Total Liabilities - 31.12.2010	122,570,209	32,476,188	6,734,747	2,131,923	21,167,492	-	185,080,560
Percentage - 31.12.2010	66.2%	17.5%	3.6%	1.2%	11.4%	-	100.0%
<b>GAP 2011</b>	<b>(35,531,786)</b>	<b>(5,977,381)</b>	<b>8,880,962</b>	<b>31,598,505</b>	<b>1,029,699</b>		
GAP 2010	(45,272,877)	19,268,906	7,160,933	19,540,351	(697,313)		

## 33.2 Group

Maturity Period (Rs.'000)	Up to 3 months	3-12 months	1-3 years	3 to 5 years	More than 5 years	Total as at 31.12.2011	Total as at 31.12.2010
<b>Interest Earning Assets</b>							
Money at Call & Short Notice	10,134,151	289,320	-	-	-	10,423,471	1,837,373
Government of Sri Lanka Treasury Bills & Bonds	16,160,149	9,743,138	-	-	-	25,903,287	31,402,915
Investment Securities	569,500	2,629,700	1,936,300	435,740	-	5,571,240	7,473,419
Securities Purchased under Re-sale Agreements	4,604,045	-	-	-	-	4,604,045	-
Bills of Exchange	2,541,387	72,977	-	-	-	2,614,364	2,295,427
Loans & Advances	65,685,863	32,396,102	11,114,205	29,436,795	21,520,095	160,153,060	116,394,605
Lease Rentals Receivable	390,588	3,132,921	1,292,326	2,847,090	6,453	7,669,379	4,504,074
<b>Total Interest Earning Asset - 31.12.2011</b>	<b>100,085,683</b>	<b>48,264,158</b>	<b>14,342,832</b>	<b>32,719,625</b>	<b>21,526,548</b>	<b>216,938,846</b>	
Total Interest Earning Asset - 31.12.2010	63,945,802	49,249,497	14,150,308	21,596,827	14,965,380		163,907,813
<b>Non - Interest Earning Assets</b>							
Cash and Cash equivalents	4,663,289	979,003	-	-	-	5,642,291	4,215,178
Balances with Central Bank of Sri Lanka	9,687,285	3,135,355	188,825	39,316	181,350	13,232,130	8,221,068
Dealing Securities	-	1,283,380	-	-	-	1,283,380	899,106
Interest and Fees Receivable	2,482,140	-	-	-	-	2,482,140	1,959,236
Other Investments	-	117,500	-	-	246,137	363,637	330,369
Property and Equipment	-	-	-	-	6,690,915	6,690,915	6,436,694
Intangible Assets	-	-	-	-	78,627	78,627	95,065
Other Assets	2,224,135	126,673	27,045	2,385	21,539	2,401,777	1,821,852
<b>Total Non - Interest Earning Asset - 31.12.2011</b>	<b>19,056,848</b>	<b>5,641,911</b>	<b>215,869</b>	<b>41,701</b>	<b>7,218,568</b>	<b>32,174,897</b>	
Total Non - Interest Earning Asset - 31.12.2010	13,509,051	3,186,873	354,516	75,447	6,852,680		23,978,567
<b>Total Asset - 31.12.2011</b>	<b>119,142,531</b>	<b>53,906,069</b>	<b>14,558,701</b>	<b>32,761,326</b>	<b>28,745,115</b>	<b>249,113,742</b>	
<b>Percentage - 31.12.2011</b>	<b>47.8%</b>	<b>21.6%</b>	<b>5.8%</b>	<b>13.2%</b>	<b>11.5%</b>	<b>100.0%</b>	
Total Asset - 31.12.2010	77,454,853	52,436,370	14,504,824	21,672,274	21,818,059		187,886,380
Percentage - 31.12.2010	41.2%	27.9%	7.7%	11.5%	11.6%		100.0%
<b>Interest Bearing Liabilities</b>							
Deposits	127,264,120	45,168,805	2,518,295	524,831	2,420,661	177,896,712	136,688,425
Refinance Borrowings	104,329	688,877	1,152,770	637,990	2,266,405	4,850,371	4,442,929
Securities Sold Under Re-Purchase Agreement	3,716,648	358,070	-	-	-	4,074,718	4,361,363
Other Liabilities Evidenced by Paper	-	1,750,000	-	-	1,253,949	3,003,950	3,198,800
Other Borrowings	3,729,783	7,245,739	2,929,905	-	-	13,905,426	1,443,927
<b>Total Interest Bearing Liabilities - 31.12.2011</b>	<b>134,814,880</b>	<b>55,211,492</b>	<b>6,600,969</b>	<b>1,162,821</b>	<b>5,941,015</b>	<b>203,731,178</b>	
Total Interest Bearing Liabilities - 31.12.2010	105,248,845	32,092,258	7,002,014	2,131,923	3,660,403		150,135,444

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## 33.2 Group contd.

Maturity Period (Rs.'000)	Up to 3 months	3-12 months	1-3 years	3 to 5 years	More than 5 years	Total as at 31.12.2011	Total as at 31.12.2010
<b>Non - Interest Bearing Liabilities</b>							
Deposits	13,590,530	-	-	-	-	13,590,530	13,686,769
Deferred Taxation	-	-	-	-	410,873	410,873	183,859
Unclaimed Dividends	-	-	-	-	37,173	37,173	37,922
Other Liabilities	6,808,253	2,197,502	-	-	1,443,796	10,449,551	6,924,644
Shareholders' Funds	-	-	-	-	20,834,531	20,834,531	16,765,846
Minority Interest	-	-	-	-	59,907	59,907	151,896
<b>Total Non - Interest Bearing Liabilities - 31.12.2011</b>	<b>20,398,783</b>	<b>2,197,502</b>	<b>-</b>	<b>-</b>	<b>22,786,280</b>	<b>45,382,565</b>	
Total Non - Interest Bearing Liabilities - 31.12.2010	17,739,268	509,957	11,062	86,469	19,404,180		37,750,936
<b>Total Liabilities and Shareholders' funds- 31.12.2011</b>	<b>155,213,663</b>	<b>57,408,994</b>	<b>6,600,969</b>	<b>1,162,821</b>	<b>28,727,295</b>	<b>249,113,742</b>	
<b>Percentage - 31.12.2011</b>	<b>62.3%</b>	<b>23.0%</b>	<b>2.6%</b>	<b>0.5%</b>	<b>11.5%</b>	<b>100.0%</b>	
Total Liabilities - 31.12.2010	122,988,113	32,602,214	7,013,076	2,218,392	23,064,583		187,886,380
Percentage - 31.12.2010	65.5%	17.4%	3.7%	1.2%	12.3%		100.0%
<b>GAP 2011</b>	<b>(36,071,131)</b>	<b>(3,502,926)</b>	<b>7,957,732</b>	<b>31,598,505</b>	<b>17,820</b>		
GAP 2010	(45,533,260)	19,834,156	7,491,748	19,453,882	(1,246,524)		

## 33.3 Interest Rate Sensitivity - Interest Rate Risk Analysis of Assets and Liabilities

The Bank is exposed to various risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow. The following table indicates the periods in which the financial instruments reprice or mature , whichever is earlier.

## Bank

Maturity Period	Up to 3 months	3-12 months	1-3 years	3 to 5 years	More than 5	Non Interest Sensitive	Total as at 31.12.2011	Total as at 31.12.2010
<b>Assets</b>								
Cash and Cash equivalents	10,134,151	289,320	-	-	-	5,633,890	16,057,361	6,046,830
Balances with Central Bank of Sri Lanka	-	-	-	-	-	13,232,130	13,232,130	8,221,068
Government of Sri Lanka Treasury Bills & Bonds	25,884,214	9,951	-	-	-	-	25,894,165	31,394,278
Dealing Securities	-	-	-	-	-	1,283,380	1,283,380	899,106
Investment Securities	569,500	4,566,000	-	435,740	-	232,727	5,803,967	7,647,737
Securities Purchased under Re-sale Agreements	4,600,000	-	-	-	-	-	4,600,000	-
Bills of Exchange	2,541,387	72,977	-	-	-	-	2,614,364	2,295,427
Loans & advances	67,204,551	94,467,196	-	-	-	-	161,671,747	117,004,821
Lease rentals receivable	101,664	176,425	1,285,651	2,847,090	6,453	-	4,417,283	3,326,256
Investment in subsidiary companies	-	-	-	-	-	1,054,921	1,054,921	991,626
Interest and fees receivable	-	-	-	-	-	2,482,140	2,482,140	1,959,236
Other Assets	-	-	-	-	-	1,043,868	1,043,868	1,016,674
Intangible Assets	-	-	-	-	-	67,294	67,294	78,723
Property and equipment	-	-	-	-	-	4,527,784	4,527,784	4,198,778

## 33.3 Interest Rate Sensitivity - Interest Rate Risk Analysis of Assets and Liabilities contd.

Maturity Period	Up to 3 months	3-12 months	1-3 years	3 to 5 years	More than 5	Non Interest Sensitive	Total as at 31.12.2011	Total as at 31.12.2010
<b>Total Assets as at 31.12.2011</b>	<b>111,035,466</b>	<b>99,581,870</b>	<b>1,285,651</b>	<b>3,282,830</b>	<b>6,453</b>	<b>29,558,134</b>	<b>244,750,405</b>	
<b>Percentage - 31.12.2011</b>	<b>45.4%</b>	<b>40.7%</b>	<b>0.5%</b>	<b>1.3%</b>	<b>0.0%</b>	<b>12.1%</b>	<b>100.0%</b>	
Total Assets as at 31.12.2010	64,552,912	48,676,434	13,545,948	21,596,827	14,803,402	21,905,037		185,080,560
Percentage - 31.12.2010	34.9%	26.3%	7.3%	11.7%	8.0%	11.8%		100.0%
<b>Liabilities</b>								
Deposits	127,364,836	45,168,805	2,518,295	524,831	2,420,661	13,590,530	191,587,959	150,508,801
Refinance borrowings	104,329	688,877	1,152,770	637,990	2,266,405	-	4,850,371	4,442,929
Securities Sold Under re-purchase agreement	3,716,648	358,070	-	-	-	-	4,074,718	4,361,363
Debentures/Securities evidenced by paper	957,063	792,938	-	-	1,253,949	-	3,003,950	3,198,800
Other Borrowings	3,417,000	6,818,904	2,000,000	-	-	-	12,235,904	1,013,070
Deferred Taxation	-	-	-	-	-	398,671	398,671	196,440
Unclaimed Dividends	-	-	-	-	-	37,173	37,173	37,922
Other Liabilities	-	-	-	-	-	9,774,895	9,774,895	6,302,215
Shareholders' Funds	-	-	-	-	-	18,786,766	18,786,766	15,019,020
<b>Total Liabilities as at 31.12.2011</b>	<b>135,559,876</b>	<b>53,827,594</b>	<b>5,671,064</b>	<b>1,162,821</b>	<b>5,941,015</b>	<b>42,588,035</b>	<b>244,750,405</b>	
<b>Percentage - 31.12.2011</b>	<b>55.4%</b>	<b>22.0%</b>	<b>2.3%</b>	<b>0.5%</b>	<b>2.4%</b>	<b>17.4%</b>	<b>100.0%</b>	
Total Liabilities as at 31.12.2010	105,303,266	32,007,854	6,734,747	2,131,923	3,660,403	35,242,366		185,080,560
Percentage - 31.12.2010	56.9%	17.3%	3.6%	1.2%	2.0%	19.0%		100.0%
<b>Net Interest Sensitivity GAP 2011</b>	<b>(24,524,410)</b>	<b>45,754,275</b>	<b>(4,385,413)</b>	<b>2,120,009</b>	<b>(5,934,562)</b>	<b>(13,029,901)</b>		
Net Interest Sensitivity GAP 2010	(40,750,354)	16,668,580	6,811,202	19,464,904	11,142,998	(13,337,329)		

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

## 33.4 Interest Rate sensitivity - Interest rate risk analysis of assets and liabilities

The following table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

## Group

Maturity Period	Up to 3 months	3-12 months	1-3 years	3 to 5 years	More than 5	Non Interest Sensitive	Total as at 31.12.2011	Total as at 31.12.2010
<b>Assets</b>								
Cash and Cash equivalents	10,134,151	289,320	-	-	-	5,642,291	16,065,762	6,052,551
Balances with Central Bank of Sri Lanka	-	-	-	-	-	13,232,130	13,232,130	8,221,068
Government of Sri Lanka Treasury Bills & Bonds	25,893,336	9,951	-	-	-	-	25,903,287	31,402,915
Dealing Securities	-	-	-	-	-	1,283,380	1,283,380	899,106
Investment Securities	569,500	4,566,000	-	435,740	-	363,637	5,934,877	7,803,788
Securities Purchased under Re-sale Agreements	4,604,045	-	-	-	-	-	4,604,045	-
Bills of Exchange	2,541,387	72,977	-	-	-	-	2,614,364	2,295,427
Loans & advances	65,685,863	94,467,196	-	-	-	-	160,153,060	116,394,606
Lease rentals receivable	390,588	3,132,921	1,292,326	2,847,090	6,453	-	7,669,379	4,504,074
Interest and fees receivable	-	-	-	-	-	2,482,140	2,482,140	1,959,236
Other Assets	-	-	-	-	-	2,401,777	2,401,777	1,916,917
Intangible Assets	-	-	-	-	-	78,627	78,627	95,065
Property and equipment	-	-	-	-	-	6,690,915	6,690,915	6,341,629
<b>Total Assets as at 31.12.2011</b>	<b>109,818,870</b>	<b>102,538,366</b>	<b>1,292,326</b>	<b>3,282,830</b>	<b>6,453</b>	<b>32,174,897</b>	<b>249,113,742</b>	
<b>Percentage - 31.12.2011</b>	<b>44.1%</b>	<b>41.2%</b>	<b>0.5%</b>	<b>1.3%</b>	<b>0.0%</b>	<b>12.9%</b>	<b>100%</b>	
Total Assets as at 31.12.2010	63,945,802	49,249,497	14,150,308	21,596,827	14,965,380	23,978,567	187,886,380	
Percentage - 31.12.2010	34.0%	26.2%	7.5%	11.5%	8.0%	12.8%	100.0%	
<b>Liabilities</b>								
Deposits	127,264,120	45,168,805	2,518,295	524,831	2,420,661	13,590,530	191,487,243	150,375,194
Refinance borrowings	104,329	688,877	1,152,770	637,990	2,266,405	-	4,850,371	4,442,929
Securities Sold Under re-purchase agreement	3,716,648	358,070	-	-	-	-	4,074,718	4,361,363
Debentures/Securities evidenced by paper	957,063	792,938	-	-	1,253,949	-	3,003,950	3,198,800
Other Borrowings	3,729,783	7,245,739	2,929,905	-	-	-	13,905,426	1,443,927
Deferred Taxation	-	-	-	-	-	410,873	410,873	183,859
Unclaimed Dividends	-	-	-	-	-	37,173	37,173	37,922
Other Liabilities	-	-	-	-	-	10,449,551	10,449,551	6,924,644
Shareholders' Funds	-	-	-	-	-	20,834,531	20,834,531	16,765,846
Minority Interest	-	-	-	-	-	59,907	59,907	151,896
<b>Total Liabilities as at 31.12.2011</b>	<b>135,771,943</b>	<b>54,254,429</b>	<b>6,600,969</b>	<b>1,162,821</b>	<b>5,941,015</b>	<b>45,382,566</b>	<b>249,113,742</b>	
<b>Percentage - 31.12.2011</b>	<b>54.5%</b>	<b>21.8%</b>	<b>2.6%</b>	<b>0.5%</b>	<b>2.4%</b>	<b>18.2%</b>	<b>100%</b>	
Total Liabilities as at 31.12.2010	105,248,845	32,092,258	7,002,014	2,131,923	3,660,403	37,750,936	187,886,380	
Percentage - 31.12.2010	56.0%	17.1%	3.7%	1.1%	1.9%	20.1%	100.0%	
<b>Net Interest Sensitivity GAP 2011</b>	<b>(25,953,073)</b>	<b>48,283,937</b>	<b>(5,308,643)</b>	<b>2,120,009</b>	<b>(5,934,562)</b>	<b>(13,207,668)</b>		
Net Interest Sensitivity GAP 2010	(41,303,043)	17,157,239	7,148,294	19,464,904	11,304,977	(13,772,368)		

## 34. Segment Reporting

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		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest	20,526,399	17,889,439	-	-	1,493	2,545	3,615	2,392	(109,028)	(68,217)	20,422,480	17,826,157
Leasing	-	-	1,071,888	895,784	-	-	-	-	-	-	1,071,888	895,784
Dividends	81,037	49,148	-	-	15,102	36,438	-	-	(15,102)	(36,438)	81,037	49,148
Commissions	1,798,065	1,360,450	-	-	-	-	-	-	-	-	1,798,065	1,360,450
Exchange	837,369	497,901	-	-	-	-	-	-	-	-	837,369	497,901
Others	2,884,579	3,911,267	148,203	102,102	125,939	165,341	237,403	195,871	(137,691)	(187,959)	3,258,432	4,186,622
Total revenue from external customers	26,127,449	23,708,205	1,220,091	997,886	142,534	204,324	241,018	198,262	(261,821)	(292,614)	27,469,272	24,816,064
Inter segment revenue	(81,037)	(49,148)	-	-	81,037	49,148	-	-	-	-	-	-
<b>Total revenue</b>	<b>26,046,411</b>	<b>23,659,057</b>	<b>1,220,091</b>	<b>997,886</b>	<b>223,572</b>	<b>253,472</b>	<b>241,018</b>	<b>198,262</b>	<b>(261,821)</b>	<b>(292,614)</b>	<b>27,469,272</b>	<b>24,816,064</b>
Segment result	5,399,675	4,325,338	416,253	321,859	42,514	103,823	115,841	112,112	9,234	(68,923)	5,983,518	4,794,208
Income tax expense	-	-	-	-	-	-	-	-	-	-	1,810,618	1,274,226
Minority Interest	-	-	-	-	-	-	-	-	-	-	22,282	35,516
<b>Net profit for the year</b>											<b>4,150,618</b>	<b>3,484,466</b>
Segment assets	225,170,373	170,274,116	24,024,260	16,712,219	320,457	355,531	2,204,516	2,186,535	(2,605,863)	(797,197)	249,113,742	187,886,380
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>225,170,373</b>	<b>170,274,116</b>	<b>24,024,260</b>	<b>16,712,219</b>	<b>320,457</b>	<b>355,531</b>	<b>2,204,516</b>	<b>2,186,535</b>	<b>(2,605,863)</b>	<b>(797,197)</b>	<b>249,113,742</b>	<b>187,886,380</b>
Segment liabilities	209,320,612	157,476,062	20,388,643	13,967,963	96,839	162,673	100,263	174,592	(1,687,052)	(812,652)	228,219,305	170,968,638
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>209,320,612</b>	<b>157,476,062</b>	<b>20,388,643</b>	<b>13,967,963</b>	<b>96,839</b>	<b>162,673</b>	<b>100,263</b>	<b>174,592</b>	<b>(1,687,052)</b>	<b>(812,652)</b>	<b>228,219,305</b>	<b>170,968,638</b>
Cash flows from operating activities	(3,583,474)	(3,056,142)	(2,182,912)	309,093	(59,102)	7,336	136,886	9,553	1,055,641	(28,194)	(4,632,962)	(2,758,354)
Cash flows from investing activities	2,210,330	3,861,926	(12,444)	(56,496)	(10,322)	(987)	(32,193)	(684)	(131,050)	1,232	2,024,321	3,804,991
Cash flows from financing activities	11,383,675	(627,150)	2,249,995	(273,592)	-	-	(91,163)	(3,358)	(920,656)	34,305	12,621,851	(869,795)
Capital expenditure	890,039	907,083	11,894	70,380	10,322	987	32,073	684	209,490	416	1,153,818	979,551

**35. Trust Activities****Employees' Share Trust Loan**

The Sampath Bank Employees' Share Trusts namely, Sampath Trust, Sampath Team Trust & Sampath Middle Management Trust were set up by the Directors of the Bank. This was in line with the Articles of the Bank which empowers the directors to create an ESOP and 6,536,800 shares were purchased for this purpose, to be allocated to employees. Payment for the shares being made by the trustees from the proceeds of loans ( Interest rate at 5 % ) granted by the Bank.

Trustees	Sampath Trust		Sampath Team Trust		Sampath Middle Management Trust	
	SSP Corporate Services (Pvt) Ltd		Varners International (Pvt) Ltd		Corporate Services Ltd	
	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)	2010 (Rs.'000)
<b>Loan Amount (Rs '000)</b>	-	<b>173,620</b>	-	<b>169,689</b>	-	<b>175,119</b>
Balance at beginning of the year	-	93,059	-	100,304	-	106,796
Additions	-	2,220	-	840	-	671
Repayments during the year	-	(95,279)	-	(101,144)	-	(107,467)
<b>Balance at end of the year</b>	-	-	-	-	-	-
Number of Shares ('000)	5,215	5,721	5,595	5,469	5,853	5,097
Market price as at 31st December	195.00	271.90	195.00	271.90	195.00	271.90
<b>Market value of the shares held (Rs.'000)</b>	<b>1,016,844</b>	<b>1,555,540</b>	<b>1,091,041</b>	<b>1,487,021</b>	<b>1,141,378</b>	<b>1,385,874</b>

**ESOP 2002**

On recommendation of the Central Bank of Sri Lanka the Shares under the Year 2002 ESOP were re-allocated taking in to consideration of the benefits of scrip dividend and sub-division of shares and converted the scheme to transfer the absolute ownership in lieu of beneficial ownership to the team members as and when they complete 10 years of service.

**ESOP 2010**

Through this ESOP Plan the team members will get an opportunity to contribute towards the capital of the Bank and to increase their portion of ownership of which the limit boundary is 2% of the total issued number of shares.

The option exercisable period would be 3 years, from the entitlement date of 30.06.2011 fixed in the scheme. In the event of options being fully exercised by the eligible staff, the stated capital of the Bank would rise by Rs. 244.5 Mn, as a result of the consideration to be paid by the staff under the ESOP.

No financial assistance will be provided by the Bank to the staff to purchase the share options. The remaining contractual life of share options is 2 years and 6 months.

**ESOP 2010 Plan position as at 31st December 2011**

Number of options available under this plan	- 3,056,159 Shares
Number of options exercised	- 524,924 Shares
Number of options remaining	- 2,531,235 Shares
Option price	- Rs 80.00
Weighted average market price	- Rs 221.00

**ESOP 2011**

Further, in order to increase the motivation of the team members a new ESOP (ESOP 2011) plan was introduced, as per the terms and conditions approved by the shareholders at the EGM held on 31 March 2011. Under this, again new shares are to be created up to 2% of the current number of shares which would amount to 3,056,159 to be offered to the eligible staff. However, this ESOP will not be implemented as some of the performance criteria set therein for 2011 were not achieved.

**36. Assets Pledged as Security**

The following assets have been pledged as securities for liabilities.

			<b>Bank</b>		<b>Group</b>	
	<b>2011</b> <b>(Rs.'000)</b>	<b>2010</b> <b>(Rs.'000)</b>	<b>Change</b> <b>%</b>	<b>2011</b> <b>(Rs.'000)</b>	<b>2010</b> <b>(Rs.'000)</b>	<b>Change</b> <b>%</b>
<b>36.1 Nature of liabilities</b>						
Securities Sold under re-purchase Agreements						
Balance as at 1st January	4,361,363	2,887,480	51.0	4,361,362	2,887,480	51.0
Additions/(Disposals)	(286,645)	1,473,883	(119.4)	(286,644)	1,473,883	(119.4)
<b>Balance as at 31st December</b>	<b>4,074,718</b>	<b>4,361,363</b>	<b>(6.6)</b>	<b>4,074,718</b>	<b>4,361,362</b>	<b>(6.6)</b>

	<b>Carrying amounts pledged - Bank</b>			<b>Carrying amounts pledged - Group</b>		
	<b>2011</b> <b>(Rs.'000)</b>	<b>2010</b> <b>(Rs.'000)</b>	<b>Change</b> <b>%</b>	<b>2011</b> <b>(Rs.'000)</b>	<b>2010</b> <b>(Rs.'000)</b>	<b>Change</b> <b>%</b>
<b>36.2 Nature of assets</b>						
Assets pledged as Security						
Treasury Bills & Bonds included under Note No. 14	4,074,718	4,361,363	(6.6)	4,074,718	4,361,363	(6.6)
	<b>4,074,718</b>	<b>4,361,363</b>	<b>(6.6)</b>	<b>4,074,718</b>	<b>4,361,363</b>	<b>(6.6)</b>

**37. 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.

Final dividend of Rs.9.00 per share , less 10.0% withholding tax will be paid, if the proposal is approved by the shareholders at the Annual General Meeting to be held on 30th March 2012. This will be paid by 50% in the form of cash dividend and balance 50% in the form of scrip dividend.

However, in accordance with Sri Lanka Accounting Standard 12 (Revised) on events after balance sheet date, proposed final dividend have not been recognised as a liability as at 31st December 2011. As required by section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed that the Bank has satisfied the 'Solvency Test' in accordance with section 57 of the Companies Act No. 7 of 2007, having obtained a certificate from the auditors, prior to recommending the final dividend for the year 2011.

Mr. I W Senanayake (Chairman), Mr. S G Wijesinha, Mr. M A Abeynaike, Mr. D J Gunaratne, Dr. S Kelegama and Mr. L J K Hettiaratchi vacated their Directorships of Sampath Bank PLC on the 31st December 2011 in terms of the Corporate Governance Code of Central Bank of Sri Lanka for Licensed Commercial Banks. Mr. G L H Premaratne also vacated his Directorship of Sampath Bank PLC on 31st December 2011 on completion of his contract.

Mr. S Senanayake, Mr. C Palansuriya, Mr. D De Mel, Mr. R Pathirana and Miss. A Senanayake were appointed as Non-Executive Directors with effect from 01st January 2012.

Mr. K D D Perera and Mr. M Y A Perera were appointed as Chairman and Managing Director respectively with effect from 01st January 2012 while Mr. C Palansuriya and Mr. S Senanayake were appointed as Deputy Chairman and Senior Director of the Bank respectively with effect from 26th January 2012.

# ANNEX C 74

## INCOME STATEMENT IN US\$

For the year ended 31st December	Bank			Group		
	2011 (US\$. '000)	2010 (US\$. '000)	Growth %	2011 (US\$. '000)	2010 (US\$. '000)	Growth %
<b>Income</b>	<b>234,793</b>	<b>219,311</b>	<b>7.1</b>	<b>241,170</b>	<b>223,669</b>	<b>7.8</b>
Interest Income	185,485	166,538	11.4	188,713	168,742	11.8
Less : Interest Expenses	106,311	89,703	18.5	107,338	90,459	18.7
<b>Net Interest Income</b>	<b>79,174</b>	<b>76,834</b>	<b>3.0</b>	<b>81,374</b>	<b>78,283</b>	<b>3.9</b>
Foreign Exchange Profit	7,352	4,488	63.8	7,352	4,488	63.8
Fees & Commission Income	15,786	12,262	28.7	15,786	12,262	28.7
Other Income	26,170	36,024	(27.4)	29,319	38,177	(23.2)
<b>Operating Income</b>	<b>128,482</b>	<b>129,608</b>	<b>(0.9)</b>	<b>133,832</b>	<b>133,210</b>	<b>0.5</b>
<b>Operating Expenses</b>						
Personnel Cost	28,302	23,223	21.9	29,441	23,874	23.3
Premises, Equipment & Establishment Expenses	22,526	18,854	19.5	22,600	18,584	21.6
Provision for Retirement Benefits	3,021	3,204	(5.7)	3,057	3,228	(5.3)
Provision for Credit Losses - Specific	2,807	15,906	(82.3)	2,624	15,828	(83.4)
- General	(1,676)	1,220	(237.4)	(1,676)	1,220	(237.4)
Provision for Diminution/(Appreciation) in Value of Investments	(758)	(401)	89.2	(758)	(401)	89.2
Other Overhead Expenses	25,271	27,028	(6.5)	26,013	27,667	(6.0)
<b>Operating Expenses</b>	<b>79,494</b>	<b>89,034</b>	<b>(10.7)</b>	<b>81,299</b>	<b>90,000</b>	<b>(9.7)</b>
<b>Profit before Tax</b>	<b>48,988</b>	<b>40,574</b>	<b>20.7</b>	<b>52,533</b>	<b>43,211</b>	<b>21.6</b>
Less : Provision for Taxation	15,455	10,806	43.0	15,897	11,485	38.4
<b>Profit after Tax</b>	<b>33,533</b>	<b>29,768</b>	<b>12.6</b>	<b>36,637</b>	<b>31,726</b>	<b>15.5</b>
<b>Attributable to:</b>						
Equity Holders of the Parent	33,533	29,768	12.6	36,441	31,406	16.0
Minority Interest	-	-	-	196	320	(38.9)
<b>Profit for the Year</b>	<b>33,533</b>	<b>29,768</b>	<b>12.6</b>	<b>36,637</b>	<b>31,726</b>	<b>15.5</b>
Earnings per Share - Basic (USD)	-	-	-	0.23	0.21	-
Earnings per Share - Diluted (USD)	-	-	-	0.23	0.21	-
Dividend per Share - Gross	0.08	0.07	-	0.08	0.07	-
Dividend per Share - Net	0.07	0.07	-	0.07	0.07	-

# ANNEX C 75

## BALANCE SHEET IN US\$

As at 31st December	2011 (US\$. '000)	2010 (US\$. '000)	Bank Growth %	2011 (US\$. '000)	2010 (US\$. '000)	Group Growth %
<b>Assets</b>						
Cash and Cash Equivalents	140,978	54,501	158.7	141,051	54,552	158.6
Balance with Central Bank of Sri Lanka	116,173	74,097	56.8	116,173	74,097	56.8
Government of Sri Lanka Treasury Bills & Bonds	227,341	282,959	(19.7)	227,421	283,037	(19.6)
Dealing Securities	11,268	8,104	39.0	11,268	8,104	39.0
Investment Securities	50,957	68,930	(26.1)	52,106	70,336	(25.9)
Securities Purchased under Re-sale Agreements	40,386	-	100.0	40,422	-	100.0
<b>Loans and Advances</b>						
Bills of Exchange	22,953	20,689	10.9	22,953	20,689	10.9
Loans and Advances	1,419,418	1,054,573	34.6	1,406,085	1,049,073	34.0
Lease Receivable within One Year	13,430	12,173	10.3	21,789	17,282	26.1
Lease Receivable from One to Five Years	25,346	17,807	42.3	45,480	23,254	95.6
Lease Receivable after Five Years	7	-	100.0	65	60	8.8
Investment in Subsidiary Companies	9,262	8,938	3.6	-	-	-
Interest and Fees Receivable	21,792	17,659	23.4	21,792	17,659	23.4
Other Assets	9,165	8,454	8.4	21,087	16,420	28.4
Goodwill and Other Intangible Assets	591	710	(16.7)	690	857	(19.4)
Property and Equipment	39,752	38,553	3.1	58,744	58,014	1.3
<b>Total Assets</b>	<b>2,148,818</b>	<b>1,668,144</b>	<b>28.8</b>	<b>2,187,127</b>	<b>1,693,433</b>	<b>29.2</b>
<b>Liabilities</b>						
Deposits	1,682,072	1,356,546	24.0	1,681,187	1,355,342	24.0
Unclaimed Dividend	326	342	(4.5)	326	342	(4.5)
Refinance Borrowings	42,584	40,044	6.3	42,584	40,044	6.3
Other Borrowings	107,427	9,131	1,076.5	122,085	13,014	838.1
Securities Sold Under Re-purchase Agreements	35,775	39,309	(9.0)	35,775	39,309	(9.0)
Other Liabilities	68,734	48,587	41.5	74,565	53,844	38.5
Taxation	17,086	8,215	108.0	17,178	8,568	100.5
Deferred Taxation	3,500	1,771	97.7	3,607	1,657	117.7
Other Liabilities Evidenced by Paper	26,374	28,831	(8.5)	26,374	28,831	(8.5)
<b>Total Liabilities</b>	<b>1,983,877</b>	<b>1,532,776</b>	<b>29.4</b>	<b>2,003,681</b>	<b>1,540,952</b>	<b>30.0</b>
<b>Shareholders' Funds</b>						
Stated Capital	24,089	16,100	49.6	24,089	16,100	49.6
<b>Reserves</b>						
<b>Capital Reserves</b>						
Statutory / Risk Reserve Funds	7,388	5,828	26.8	7,541	5,892	28.0
Other Capital Reserves	12,813	13,691	(6.4)	25,275	26,485	(4.6)
Investment Fund Account	5,187	-	100.0	5,298	-	100.0
Revenue Reserves	115,464	99,749	15.8	120,717	102,635	17.6
	<b>164,941</b>	<b>135,367</b>	<b>21.8</b>	<b>182,920</b>	<b>151,112</b>	<b>21.0</b>
Minority Interest	-	-	-	526	1,369	(61.6)
<b>Total Equity</b>	<b>164,941</b>	<b>135,367</b>	<b>21.8</b>	<b>183,445</b>	<b>152,481</b>	<b>20.3</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>2,148,818</b>	<b>1,668,144</b>	<b>28.8</b>	<b>2,187,127</b>	<b>1,693,433</b>	<b>29.2</b>
<b>Net Asset Value per Share (Rs.)</b>	<b>1.05</b>	<b>0.87</b>	<b>21.4</b>	<b>1.17</b>	<b>0.97</b>	<b>20.6</b>
<b>Commitments and Contingencies</b>	<b>1,061,868</b>	<b>618,550</b>	<b>71.7</b>	<b>1,061,868</b>	<b>618,550</b>	<b>71.7</b>

Exchange rate of USD was Rs. 113.90 as at 31st December 2011. (Rs. 110.95 as at 31st December 2010)

# ANNEX C 76

## TEN YEARS AT A GLANCE

Year Ended 31st December	2002	2003	2004	2005	2006	2007	2008	2009	2010	Rs.Mn. 2011
<b>Profit Performance</b>										
Income	5,432	6,044	6,953	8,704	12,340	17,400	22,243	25,213	24,333	26,743
Interest income	4,612	4,948	5,412	7,227	9,997	14,950	19,451	20,970	18,477	21,127
Interest expenses	2,834	2,602	2,859	3,913	5,890	9,947	12,801	13,165	9,953	12,109
Net interest income	1,778	2,346	2,553	3,314	4,107	5,003	6,650	7,805	8,525	9,018
Exchange income	296	288	617	192	646	505	647	774	498	837
Other income	569	808	924	1,284	1,697	1,944	2,144	3,469	5,357	4,779
Operating expenses	1,682	2,094	2,308	3,493	4,183	5,234	6,877	8,072	9,878	9,054
Profit before tax	525	740	965	1,297	2,268	2,218	2,564	3,976	4,502	5,580
Income tax expense	84	179	344	476	1,240	1,167	1,150	1,878	1,199	1,760
Profit after tax	441	561	621	821	1,028	1,052	1,414	2,098	3,303	3,819
<b>Assets</b>										
Cash and short term funds	2,840	3,449	4,813	5,848	8,814	9,108	6,923	5,868	6,047	16,057
Bills of exchange	1,945	2,262	2,424	2,748	2,572	2,947	2,827	2,985	2,448	2,724
Loans and advances	29,556	34,723	43,548	54,043	67,061	83,695	87,380	92,189	122,794	166,333
Lease rentals receivable	238	677	1,972	3,304	6,337	6,788	5,448	3,511	3,353	4,444
Investment in associates & subsidiaries	386	452	452	862	1,096	970	970	992	992	1,055
Fixed assets	1,060	1,131	1,183	1,435	1,823	3,080	3,289	3,420	4,278	4,528
Total assets	43,017	54,054	67,483	84,811	109,550	133,196	138,539	156,162	185,081	244,750
<b>Liabilities</b>										
Deposits	34,152	42,386	53,305	65,900	81,432	99,419	107,380	126,091	150,509	191,588
Refinance borrowings	844	1,123	1,564	1,900	2,774	4,157	4,592	4,819	4,443	4,850
Other liabilities evidenced by paper	500	1,128	2,196	2,491	2,734	4,433	4,514	3,102	3,199	3,004
Other liabilities	4,634	6,035	6,501	8,889	15,984	16,618	12,276	10,304	11,911	26,521
Total liabilities	40,130	50,672	63,566	79,180	102,924	124,627	128,762	144,316	170,062	225,964
<b>Shareholders' Fund</b>										
Stated capital	443	443	517	689	1,582	1,582	1,582	1,582	1,786	2,744
Reserves	2,444	2,940	3,401	4,943	5,044	6,987	8,195	10,265	13,233	16,043
<b>Investor Information</b>										
Dividend paid	88.6	66.4	88.6	137.8	172.2	206.7	275.6	473.6	1,235.8	1,411.7
Dividend cover (times)	5.0	8.4	7.0	6.0	6.0	5.1	5.1	4.4	2.7	2.7
Net assets per share (Rs)	65.20	65.48	75.82	81.75	96.17	124.39	141.92	77.52	96.07	119.77
Market price per share (Rs)-Max	79.80	133.00	105.00	114.00	117.25	135.00	120.00	205.00	550.00	307.00
Market price per share (Rs)-Min	50.00	65.00	60.25	61.00	75.25	100.00	65.00	65.00	201.00	191.00
Market price as at 31 December (Rs)	72.00	83.50	62.75	90.00	109.75	120.00	68.00	204.25	271.90	195.00

## TEN YEARS AT A GLANCE CONTD.

Year Ended 31st December	2002	2003	2004	2005	2006	2007	2008	2009	2010	Rs.Mn. 2011
<b>Other Information</b>										
Export turnover	15,669	15,823	17,240	19,524	18,789	24,071	23,800	20,648	19,625	19,800
Import turnover	29,099	28,523	30,459	35,220	54,020	54,490	57,036	54,361	78,058	105,728
Number of staff as at 31 December	1,492	1,579	1,702	1,875	2,039	2,213	2,364	2,388	2,688	3,230
Number of branches as at 31 December	53	63	71	83	96	105	112	131	171	206
<b>Ratios</b>										
Growth of income (%)	3.1	11.3	15.0	25.2	41.8	41.0	27.8	13.4	(3.5)	9.9
Cost to income ratio (%)	64.7	60.8	60.1	60.0	58.0	56.8	59.6	57.0	55.8	61.6
Growth of deposits (%)	13.9	24.4	25.9	23.6	23.5	22.4	8.1	17.5	19.4	27.3
Growth of advances (%)	7.5	18.7	27.3	25.3	26.4	23.0	2.4	3.2	30.3	34.9
Dividend per share	2.00	2.00	2.00	2.00	2.50	3.00	4.00	6.25	8.09	9.00
Return on assets (after tax) (%)	1.10	1.19	1.02	1.08	1.06	0.87	1.04	1.42	1.94	1.78
Return on equity (after tax) (%)	16.30	17.89	17.02	17.20	16.78	13.84	15.41	19.41	24.59	22.60
Advance to deposits & refinance (%)	91.7	87.3	88.0	89.3	90.9	90.7	85.8	75.6	83.0	88.3
Fixed assets to shareholders' fund (%)	36.7	33.4	30.2	25.5	28.9	35.9	33.6	28.9	28.5	24.1
Total assets to shareholders' fund (Times)	14.9	16.0	17.2	15.1	17.4	15.5	14.2	13.2	12.3	13.0
<b>(As specified in Banking Act No. 30 of 1988)</b>										
Liquid Assets Ratio (%)	25.2	27.4	23.6	25.3	31.3	29.0	29.5	30.5	26.3	25.0
Capital Adequacy Ratios (%) - TIER I	11.50	9.59	9.14	10.14	8.38	7.58	8.10	10.40	10.71	10.24
- TIER I+II	13.11	11.02	13.30	13.53	10.82	11.58	11.95	13.45	12.91	11.45

# ANNEX C 78

## CAPITAL ADEQUACY

Commercial Banks, as financial intermediaries need capital to run their business operations and to safeguard against unforeseen losses that may arise in the process. Adequate capital buffer also helps financial intermediaries to absorb these unforeseen losses, without endangering the depositors' funds and survive even during crises periods, thereby giving time to re-establish the business and avoid any breakdown in operations.




In addition, in order to promote soundness and the stability of the banking system, the Central Bank has specified the minimum capital requirements for banks which operate as a limiting factor on creation of risk-associated assets by banks. This requirement is called Capital Adequacy and it is specific for banks and a few other financial institutions. Under this requirement there is a universally accepted risk measurement framework and minimum capital levels to be maintained by banks, as put forward by the Basel committee on Banking Supervision of the Bank for International Settlements.

Capital Adequacy is usually expressed as a ratio of the Bank's risk weighted assets as follows.

$$\text{Capital Adequacy Ratio (CAR)} = \frac{\text{Bank's Capital}}{\text{Bank's Risk Weighted Assets}} \times 100$$

Basel II is the current international standard framework for assessing capital adequacy of banks, which replaced the initially designed framework of Basel I. The Basel II framework is a more forward-looking approach to capital supervision and this encourages banks facilitating them to identify and measure the risks that are faced with and to develop or improve their ability to manage these risks.

Basel II is built on three pillars.

- Pillar 1  Minimum capital requirement
- Pillar 2  Supervisory review processes
- Pillar 3  Market discipline

### Pillar 1 - Minimum capital requirement

There are three main risks covered under Pillar I.

- Credit Risk
- Market Risk
- Operational Risk

There are two options for calculating the capital charge for credit risk;

- (1) The standardised Approach
- (2) The Internal Rating based Approach

Under the standardized approach the credit risk is measured on the basis of external credit ratings of the borrowers, whereas under the IRB approach this is done based on bank's own internal credit risk assessment systems. The Standardized approach is currently adopted by local banks in Sri Lanka according to the CBSL directives.

There are three methods for calculating operational risk, which is a new feature in Basel II, namely the basic indicator approach, the standardized approach and the advanced measurement approach. Accordingly to CBSL directives, the basic indicator Approach is currently adopted by local Banks to measure the operational risk. A similar structure is applied for measurement of market risk.

### Pillar 2 - Supervisory review processes

The supervisory review process aims to give supervisors a greater responsibility to verify whether the banks have taken account of their entire risk profile including some of the risks not specifically covered under Pillar 1 and determine whether banks maintain sufficient capital for their total risk profile. The additional risks that should be considered by their Pillar 2 are;

- Credit Concentration Risk
- Interest rate risk in the banking book
- Liquidity Risk
- Strategic and Reputation Risk

Accordingly, the regulators have the authority to prescribe additional capital requirements to mitigate such additional risks of banks.

### Pillar 3 - Market discipline

Market discipline requires banks to publicly disclose key information regarding their risk exposure, risk appetite and performance, with a view to promoting market discipline. It is expected that and transparency and enhanced disclosure requirements, will allow market participants to better assess the safety and soundness of banks.

### Migration to Basel III

Basel III new Capital and Liquidity Standards were published by the Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlement (BIS) at the end of 2010. This includes new standards for capital, leverage and liquidity to strengthen the regulations, supervision and risk management of the banking sector. The new regulations would raise the quality, consistency and transparency of the capital base and strengthen the risk coverage of the capital framework. The major regulatory elements of the proposals are summarised below;

#### 1. Higher minimum Tier I capital requirement

Tier I capital ratio increases from 4% to 6%. Presently regulatory requirement for Tier I capital ratio for local banks in Sri Lanka context is 5%.

#### 2. New capital conservation buffer

- a) Used to absorb losses during periods of financial and economic stress.
- b) Banks will be required to hold a capital conservation buffer of 2.5% to withstand future periods of stress bringing the total common equity requirement to 7% (4.5% common equity requirement and the 2.5% capital conservation buffer)
- c) The capital conservation buffer must be met exclusively with common equity.
- d) Banks that do not maintain the capital conservation buffer will face restrictions on payouts of dividends, share buybacks and bonuses.

#### 3. Countercyclical capital buffer

- a) A countercyclical buffer within a range of 0% - 2.5% of common equity or other fully loss absorbing capital will be implemented according to national circumstances.
- b) In effect, this is an extension to the conservation buffer.

#### 4. Higher Minimum Tier 1 Common Equity Requirement

Tier 1 Common Equity Requirement to be increased from 2% to 4.5%.

#### 5. Liquidity Standard

- a) Liquidity Coverage Ratio (LCR) to be ensured that sufficient high quality liquid resources are available for one month survival in case of a stress scenario.
- b) Net Stable Funding Ratio (NSFR) to promote resiliency over longer-term time horizons by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing structural basis.

- c) Additional liquidity monitoring metrics, focused on maturity mismatches, concentration of funding and available unencumbered assets.

#### 6. Leverage Ratio

A supplementary 3% non-risk based leverage ratio which serves as a backstop to the measures outlined above.

#### 7. Minimum Total Capital Ratio

- a) Total Capital Ratio to be remained at 8%. Currently the minimum total capital ratio is maintained at 10% for local banks in Sri Lanka confirming more prudent basis.
- b) The addition of the capital conservation buffer increases the total amount of Capital that a bank must hold to 10.5% of risk-weighted assets, of which 8.5% must be tier 1 capital.
- c) Tier 2 capital instruments will be harmonized; tier 3 capital will be phased out

Local Banks are currently following the Basel II guidelines issued by the regulator for calculation of Capital Adequacy Ratios and waiting for new directions to be published by the regulator pertaining to BASEL III framework.

The Core capital ratios as well as the total capital ratio of the Bank are currently maintained above the regulatory requirements.

# ANNEX C 80 CAPITAL ADEQUACY CONTD.

## Computation of Capital Adequacy Ratios - Basel II

(Rs. Mn)

	2011		2010		2011		2010	
	Assets	Risk weighted Assets	Assets	Risk weighted Assets	Assets	Risk weighted Assets	Assets	Risk weighted Assets
<b>Risk-weighted Assets for Credit Risk</b>								
Claims on Central Government and Central Bank of Sri Lanka	20,005.0	-	16,140.2	-	20,009.0	-	16,148.8	-
Claims on Public Sector Entities	511.7	76.0	512.2	76.4	511.7	76.0	512.2	76.4
Claims on Banks Exposures	14,898.2	4,085.5	2,314.1	566.5	14,906.4	4,087.2	2,319.7	567.6
Claims on Financial Institutions	9,180.5	6,180.9	6,235.6	4,126.4	7,669.4	4,669.8	5,745.9	3,636.7
Claims on Corporates	103,463.1	101,799.6	73,837.6	73,335.9	106,301.4	104,637.9	74,619.5	74,117.8
Retail claims	17,932.5	13,449.4	13,836.7	10,377.6	17,932.5	13,449.4	13,836.7	10,377.6
Claims Secured by Residential Property	8,085.6	5,880.8	6,743.4	4,891.7	8,085.6	5,880.8	6,743.4	4,891.7
Past Due Loans	825.2	1,165.3	221.3	244.9	832.4	1,172.5	186.0	209.7
Past Due Residential Mortgage Loans	231.4	213.1	339.6	320.4	231.4	213.1	339.6	320.4
Cash/ Gold against loans	52,527.2	20.4	39,259.2	17.5	52,527.4	20.4	39,259.4	17.5
Other Assets	7,866.3	7,866.3	7,008.3	7,008.3	11,387.3	11,387.3	10,051.4	10,051.4
	<b>235,526.9</b>	<b>140,737.3</b>	<b>166,448.1</b>	<b>100,965.6</b>	<b>240,394.8</b>	<b>144,594.4</b>	<b>169,762.6</b>	<b>104,266.9</b>

	Credit Conversion Factor (%)	2011		2010		2011		2010	
		Principal amount of Off-balance sheet items	Credit equivalent of Off-balance sheet items	Principal amount of Off-balance sheet items	Credit equivalent of Off-balance sheet items	Principal amount of Off-balance sheet items	Credit equivalent of Off-balance sheet items	Principal amount of Off-balance sheet items	Credit equivalent of Off-balance sheet items
<b>Off-balance sheet Items</b>									
<b>Direct Credit Substitutes</b>		<b>8,803.4</b>	<b>8,803.4</b>	<b>5,874.0</b>	<b>5,874.0</b>	<b>8,803.4</b>	<b>8,803.4</b>	<b>5,874.0</b>	<b>5,874.0</b>
General Guarantees of Indebtedness	100.0	8,803.4	8,803.4	5,874.0	5,874.0	8,803.4	8,803.4	5,874.0	5,874.0
<b>Transaction-related Contingencies</b>		<b>5,294.6</b>	<b>3,079.3</b>	<b>4,773.2</b>	<b>2,750.1</b>	<b>5,294.6</b>	<b>3,079.3</b>	<b>4,773.2</b>	<b>2,750.1</b>
Performance Bonds, Bid Bonds & Warranties	50.0	3,134.6	1,567.3	2,696.4	1,348.2	3,134.6	1,567.3	2,696.4	1,348.2
Others	70.0/67.5	2,159.9	1,511.9	2,076.9	1,401.9	2,159.9	1,511.9	2,076.9	1,401.9
<b>Short-Term Self-Liquidating Trade-Related Contingencies</b>		<b>18,117.8</b>	<b>3,623.6</b>	<b>12,056.3</b>	<b>2,411.3</b>	<b>18,117.8</b>	<b>3,623.6</b>	<b>12,056.3</b>	<b>2,411.3</b>
Shipping Guarantees	20.0	1,357.8	271.6	807.5	161.5	1,357.8	271.6	807.5	161.5
Documentary Letters of Credit	20.0	11,633.7	2,326.7	8,115.4	1,623.1	11,633.7	2,326.7	8,115.4	1,623.1
Trade related acceptances	20.0	5,126.2	1,025.2	3,133.3	626.7	5,126.2	1,025.2	3,133.3	626.7
<b>Other Commitments with an Original maturity of up to one year or which can be unconditionally cancelled at any time</b>		<b>21,649.4</b>	<b>-</b>	<b>21,000.4</b>	<b>-</b>	<b>21,649.4</b>	<b>-</b>	<b>21,000.4</b>	<b>-</b>
Undrawn Overdraft Facilities/Unused Credit Card Lines	-	21,649.4	-	21,000.4	-	21,649.4	-	21,000.4	-
<b>Other Commitments with an Original Maturity of over one year</b>		<b>3,646.0</b>	<b>1,823.0</b>	<b>1,967.7</b>	<b>983.8</b>	<b>3,646.0</b>	<b>1,823.0</b>	<b>1,967.7</b>	<b>983.8</b>
Undrawn Term Loans	50.0	3,646.0	1,823.0	1,967.7	983.8	3,646.0	1,823.0	1,967.7	983.8
<b>Foreign Exchange Contracts</b>		<b>60,238.1</b>	<b>1,204.8</b>	<b>20,851.9</b>	<b>417.0</b>	<b>60,238.1</b>	<b>1,204.8</b>	<b>20,851.9</b>	<b>417.0</b>
Original Maturity-less than one year	2.0	60,238.1	1,204.8	20,851.9	417.0	60,238.1	1,204.8	20,851.9	417.0
		<b>117,749.1</b>	<b>18,534.0</b>	<b>66,523.5</b>	<b>12,436.2</b>	<b>117,749.1</b>	<b>18,534.0</b>	<b>66,523.5</b>	<b>12,436.2</b>

Risk-weighted amounts for Market Risk	Bank		Group	
	2011	2010	2011	2010
<b>Interest Rate Risk</b>	<b>184.03</b>	<b>306.09</b>	<b>184.03</b>	<b>306.09</b>
General risk	184.03	306.09	184.03	306.09
Specific risk	-	-	-	-
<b>Equity Risk</b>	<b>95.96</b>	<b>106.36</b>	<b>95.96</b>	<b>106.36</b>
General risk	53.83	61.16	53.83	61.16
Specific risk	42.13	45.19	42.13	45.19
<b>Foreign Exchange &amp; Gold Risk</b>	<b>22.22</b>	<b>8.73</b>	<b>22.22</b>	<b>8.73</b>
<b>Total Capital Charge for Market Risk</b>	<b>302.21</b>	<b>421.18</b>	<b>302.21</b>	<b>421.18</b>
<b>Total Risk-weighted amount for Market Risk</b>	<b>3,022.05</b>	<b>4,211.84</b>	<b>3,022.05</b>	<b>4,211.84</b>

(Total Capital Charge X 10)

Risk-weighted Assets for Operational Risk	Bank		Group	
	2011	2010	2011	2010
Average Net Income for last three financial years	13,687.5	11,956.4	14,037.0	12,144.9
<b>Deductions :</b>				
Realised profits from the sale of securities (average of last three financial years)	1,502.6	1,290.9	1,424.3	1,197.8
Extraordinary / irregular item of income (average of last three financial years)	6.3	5.3	24.8	14.7
<b>Gross Income</b>	<b>12,178.5</b>	<b>10,660.2</b>	<b>12,587.9</b>	<b>10,932.5</b>
Total Capital Charge for Operational Risk (Gross Income X 15%)	1,826.8	1,599.0	1,888.2	1,639.9
<b>Total Risk-weighted amount for Operational risk (Total Capital Charge for Operational Risk X 10)</b>	<b>18,267.8</b>	<b>15,990.2</b>	<b>18,881.9</b>	<b>16,398.8</b>
Risk-weighted assets for credit risk	140,737.3	100,965.6	145,594.4	104,266.9
Risk-weighted amounts for market risk	3,022.1	4,211.8	3,022.1	4,211.8
Risk-weighted amounts for operational risk	18,267.8	15,990.2	18,881.9	16,398.8
<b>Total Risk-weighted Assets</b>	<b>162,027.2</b>	<b>121,167.7</b>	<b>167,498.4</b>	<b>124,877.5</b>

# ANNEX C 82

## CAPITAL ADEQUACY CONTD.

### Calculation of Total Capital Base

	Bank		Group	
	2011	2010	2011	2010
<b>Core Capital (Tier I)</b>				
Stated Capital	2,743.8	1,786.2	2,743.8	1,786.2
Statutory Reserve Fund	1,432.3	646.6	1,462.3	653.7
Published Retained Profits/(Accumulated Losses)	1,415.0	1,008.6	2,268.7	1,584.2
General and Other Reserves	11,736.3	10,058.5	11,481.0	9,803.2
Minority Interests (consistent with the above capital constituents)	-	-	59.9	151.9
<b>Deductions/Adjustments - Tier I</b>				
Goodwill	-	-	5.3	6.3
Other intangible assets	67.3	78.7	73.4	88.8
50% of investments in unconsolidated banking and financial subsidiary companies.	262.5	262.5	-	-
50% investments in the capital of other banks and financial institutions	407.9	184.9	407.9	184.9
<b>Total Core Capital</b>	<b>16,589.8</b>	<b>12,973.9</b>	<b>17,529.1</b>	<b>13,699.3</b>
<b>Supplementary Capital (Tier II)</b>				
Revaluation Reserves (as approved by CBSL)	405.1	398.6	405.1	398.6
General Provisions	619.6	813.4	619.6	813.4
Approved Subordinated Term Debt	1,603.9	1,908.8	1,603.9	1,908.8
Actual amount of Approved Subordinated Term Debt	3,003.9	3,198.8	3,003.9	3,198.8
<b>Deductions-Tier II</b>				
50% of investments in unconsolidated banking and financial subsidiary companies.	262.5	262.5	-	-
50% investments in the capital of other banks and financial institutions	407.9	184.9	407.9	184.9
<b>Eligible Tier II Capital</b>	<b>1,958.3</b>	<b>2,673.4</b>	<b>2,220.8</b>	<b>2,935.9</b>
<b>Base Capital ( Tier I + Tier II )</b>	<b>18,548.0</b>	<b>15,647.3</b>	<b>19,749.9</b>	<b>16,635.2</b>

### LIMITS :

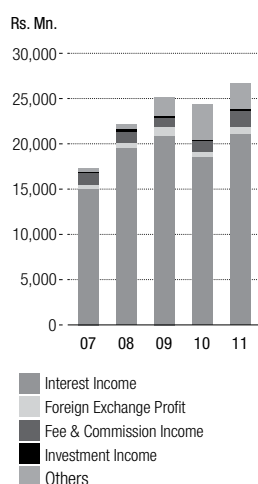
- Approved subordinated Term Debt is limited to 50% of Total Tier I Capital.
- The total of Tier II Supplementary Elements should not exceed a maximum of 100% of Tier I Elements.
- General Provision should not exceed 1.25% of Risk Weighted Assets.

	Bank		Group	
	2011	2010	2011	2010
<b>Core Capital Ratio (Minimum Ratio - 5%)</b>				
$\frac{\text{Core Capital (Tier I)} \times 100}{\text{Total Risk-weighted Assets}}$	$\frac{16,589.8 \times 100}{162,027.2}$	$\frac{12,973.9 \times 100}{121,167.7}$	$\frac{17,529.1 \times 100}{167,498.4}$	$\frac{13,699.3 \times 100}{124,877.5}$
<b>Total Capital Ratio (Minimum Ratio - 10%)</b>				
$\frac{\text{Capital Base} \times 100}{\text{Total Risk-weighted Assets}}$	$\frac{18,548.0 \times 100}{162,027.2}$	$\frac{15,647.3 \times 100}{121,167.7}$	$\frac{19,749.9 \times 100}{167,498.4}$	$\frac{16,635.2 \times 100}{124,877.5}$
<b>Core Capital (Tier I) Ratio (%)</b>	<b>10.24</b>	<b>10.71</b>	<b>10.47</b>	<b>10.97</b>
<b>Total Capital Ratio (%)</b>	<b>11.45</b>	<b>12.91</b>	<b>11.79</b>	<b>13.32</b>

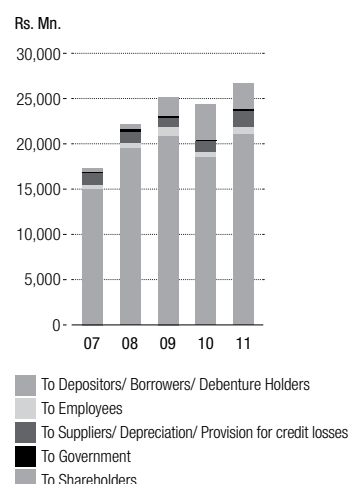
## SOURCES &amp; DISTRIBUTION OF INCOME

For the year ended 31st December	2011 (Rs. Mn)	2010 (Rs. Mn)	2009 (Rs. Mn)	2008 (Rs. Mn)	2007 (Rs. Mn)
<b>Sources of Income</b>					
Interest Income	21,127	18,477	20,970	19,451	14,950
Foreign Exchange Profit	837	498	774	647	505
Fee & Commission Income	1,798	1,360	1,206	1,355	1,211
Investment Income	44	86	116	136	85
Others	2,937	3,911	2,147	654	648
	<b>26,743</b>	<b>24,333</b>	<b>25,213</b>	<b>22,243</b>	<b>17,400</b>
<b>Distribution of Income</b>					
<b>To Depositors/ Borrowers/Debenture Holders</b>					
Interest Paid	12,109	9,953	13,165	12,801	9,947
<b>To Employees</b>					
Salaries & Other Payments	3,568	2,932	2,662	2,138	1,575
<b>To Suppliers / Depreciation set aside / Provision for Credit Losses</b>					
	<b>4,516</b>	<b>5,332</b>	<b>4,025</b>	<b>3,776</b>	<b>3,041</b>
Depreciation	539	455	393	387	287
Credit Losses	129	1,900	285	809	937
Other Expenses	3,848	2,977	3,347	2,580	1,817
<b>To Government</b>					
	<b>2,731</b>	<b>2,813</b>	<b>3,263</b>	<b>2,114</b>	<b>1,784</b>
VAT	971	1,614	1,385	964	617
Income Tax	1,760	1,199	1,878	1,150	1,167
<b>To Shareholders</b>					
	<b>3,819</b>	<b>3,302</b>	<b>2,098</b>	<b>1,414</b>	<b>1,052</b>
Dividends	1,009	701	276	207	172
Retained Profit	2,811	2,602	1,823	1,207	880
	<b>26,743</b>	<b>24,333</b>	<b>25,213</b>	<b>22,243</b>	<b>17,400</b>

Sources of Income



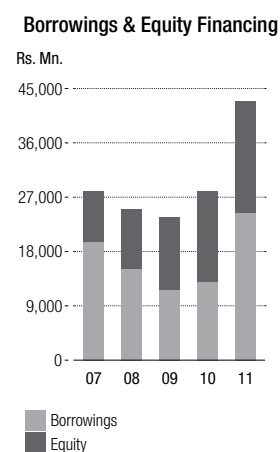
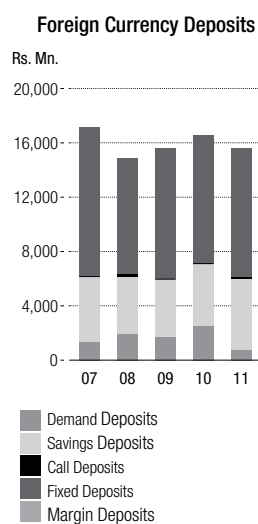
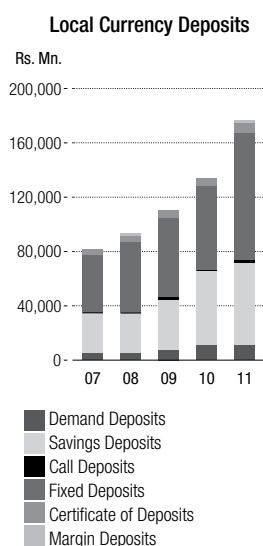
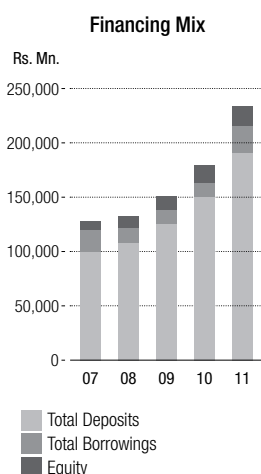
Distribution of Income



# ANNEX C 84

## SOURCES OF FINANCING

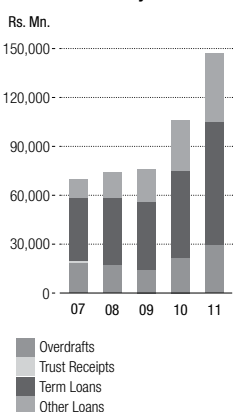
	2011 (Rs Mn)	2010 (Rs Mn)	2009 (Rs Mn)	2008 (Rs Mn)	2007 (Rs Mn)
<b>Deposits</b>					
<b>Local Currency Deposits</b>					
Demand Deposits	11,859	11,265	7,966	6,525	6,367
Savings Deposits	60,512	54,599	37,491	28,414	28,108
Call Deposits	850	1,001	1,591	354	904
Fixed Deposits	94,498	61,217	57,873	51,675	42,536
Certificate of Deposits	7,415	5,345	5,247	5,151	3,811
Margin Deposits	869	556	376	398	488
<b>Total</b>	<b>176,003</b>	<b>133,983</b>	<b>110,544</b>	<b>92,517</b>	<b>82,214</b>
<b>Foreign Currency Deposits</b>					
Demand Deposits	836	2,422	1,661	1,866	1,382
Savings Deposits	5,092	4,696	4,336	4,304	4,709
Call Deposits	242	6	59	129	131
Fixed Deposits	9,388	9,353	9,466	8,513	10,936
Margin Deposits	27	49	25	52	47
<b>Total</b>	<b>15,585</b>	<b>16,526</b>	<b>15,547</b>	<b>14,864</b>	<b>17,205</b>
<b>Total Deposits</b>	<b>191,588</b>	<b>150,509</b>	<b>126,091</b>	<b>107,380</b>	<b>99,419</b>
<b>Borrowings/Debt Financing</b>					
Securities sold under repurchase agreements	4,075	4,361	2,887	2,423	1,730
Refinance Borrowings	4,850	4,443	4,819	4,592	4,157
Other liabilities evidenced by paper	3,004	3,199	3,102	4,514	4,433
Foreign Currency Borrowings	6,265	-	29	1,526	7,251
Other Borrowings	5,971	1,013	843	2,302	1,936
<b>Total Borrowings</b>	<b>24,165</b>	<b>13,016</b>	<b>11,680</b>	<b>15,357</b>	<b>19,507</b>
<b>Equity Financing</b>					
Stated Capital	2,744	1,786	1,582	1,582	1,582
Reserves	16,043	13,233	10,264	8,194	6,987
<b>Total Equity</b>	<b>18,787</b>	<b>15,019</b>	<b>11,846</b>	<b>9,776</b>	<b>8,569</b>
<b>Total Deposits, Borrowings and Equity</b>	<b>234,540</b>	<b>178,544</b>	<b>149,617</b>	<b>132,513</b>	<b>127,495</b>



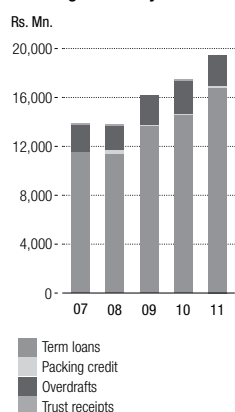
# ANNEX C 85 UTILISATIONS OF FUNDS

	2011 (Rs Mn)	2010 (Rs Mn)	2009 (Rs Mn)	2008 (Rs Mn)	2007 (Rs Mn)
<b>Advances</b>					
<b>Local Currency Advances</b>					
Overdrafts	29,452	21,598	14,346	17,249	19,292
Trust Receipts	345	489	290	386	447
Term Loans	74,748	52,620	41,072	41,162	38,891
Other Loans	42,408	30,635	20,260	14,804	11,200
<b>Total</b>	<b>146,953</b>	<b>105,342</b>	<b>75,968</b>	<b>73,601</b>	<b>69,830</b>
<b>Foreign Currency Advances</b>					
Overdrafts	2,411	2,656	2,390	2,008	2,108
Trust Receipts	43	87	96	131	141
Packing Credit	207	239	115	165	115
Term Loans	16,720	14,470	13,620	11,475	11,501
<b>Total</b>	<b>19,381</b>	<b>17,451</b>	<b>16,221</b>	<b>13,779</b>	<b>13,865</b>
<b>Lease Rentals Receivable</b>	<b>4,444</b>	<b>3,353</b>	<b>3,511</b>	<b>5,448</b>	<b>6,788</b>
<b>Bills of Exchange</b>					
Cheques Purchased - Local	33	45	58	83	66
- Foreign	83	132	85	71	118
Bills Purchased - Export	1,824	1,901	2,290	1,995	2,262
- Import	784	369	552	678	501
<b>Total Bills of Exchange</b>	<b>2,724</b>	<b>2,448</b>	<b>2,985</b>	<b>2,827</b>	<b>2,947</b>
<b>Total Advances</b>	<b>173,502</b>	<b>128,595</b>	<b>98,685</b>	<b>95,655</b>	<b>93,430</b>
<b>Investments</b>					
Treasury Bills & Bonds	25,894	31,394	31,768	20,282	12,218
Dealing Securities	1,283	899	276	1,224	4,275
Placements & Loans with Banks	10,423	1,837	2,473	4,093	6,643
Investment in Subsidiaries	1,055	992	992	824	824
Investment in Associates	-	-	-	146	146
Investment Securities	5,804	7,648	7,264	5,397	4,392
Commercial Papers	-	-	459	-	100
Reverse Repo	4,600	-	2,677	-	-
<b>Total Investments</b>	<b>49,059</b>	<b>42,770</b>	<b>45,909</b>	<b>31,966</b>	<b>28,598</b>
<b>Total Advances &amp; Investments</b>	<b>222,562</b>	<b>171,365</b>	<b>144,594</b>	<b>127,621</b>	<b>122,028</b>

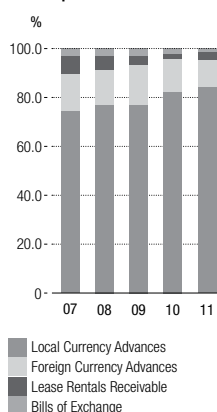
Local Currency Advances



Foreign Currency Advances



Composition of Advances



Composition of Funds Utilised in 2011



# ANNEX C 86

## VALUE ADDITION

### Economic Value Addition

Year	2011 (Rs. Mn)	2010 (Rs. Mn)	2009 (Rs. Mn)	2008 (Rs. Mn)	2007 (Rs. Mn)
Shareholders' funds	16,902.9	13,432.6	10,811.2	9,172.7	7,597.2
Accumulated provision for credit losses	4,212.3	5,299.6	4,740.0	4,815.0	4,007.9
	<b>21,115.2</b>	<b>18,732.2</b>	<b>15,551.2</b>	<b>13,987.7</b>	<b>11,605.1</b>
Profit attributable to share holders	3,819.4	3,302.7	2,098.3	1,413.9	1,051.7
Provision for credit losses	128.8	1,900.1	284.6	809.0	936.9
Actual credit losses written off	(92.6)	(110.3)	(359.7)	(33.2)	(40.1)
	<b>3,855.7</b>	<b>5,092.6</b>	<b>2,023.2</b>	<b>2,189.7</b>	<b>1,948.5</b>
Economic cost % (12 months average Treasury Bill rate plus 2% risk premium)	9.5	10.6	15.3	20.4	18.8
<b>Economic cost</b>	<b>2,005.9</b>	<b>1,978.1</b>	<b>2,382.5</b>	<b>2,859.1</b>	<b>2,180.6</b>
<b>Economic value addition</b>	<b>1,849.7</b>	<b>3,114.5</b>	<b>(359.2)</b>	<b>(669.4)</b>	<b>(232.1)</b>

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

### Financial Value Addition

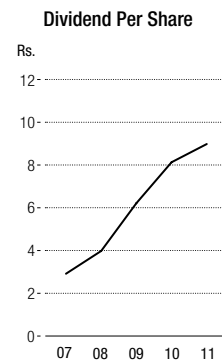
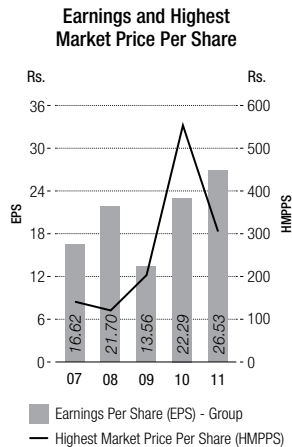
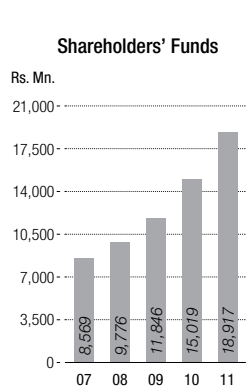
	2011 (Rs. '000)	%	2010 (Rs. '000)	%
<b>Value Added</b>				
Income earned by providing banking services	25,837,807		22,254,691	
Cost of services	14,848,014		12,147,061	
Value added by banking services	10,989,794		10,107,630	
Non-banking income	905,098		2,077,868	
Provision for bad debts and diminution value of dealing securities	(42,435)		(1,855,661)	
	<b>11,852,457</b>		<b>10,329,838</b>	
<b>Value allocated</b>				
<b>To employees</b>	<b>3,567,782</b>	<b>30.1</b>	<b>2,932,005</b>	<b>28.4</b>
Salaries, wages and other benefits	3,567,782	30.1	2,932,005	28.4
<b>To providers of capital</b>	<b>1,246,797</b>	<b>10.5</b>	<b>957,279</b>	<b>9.3</b>
Dividends to shareholders	1,008,533	8.5	700,932	6.8
Interest to debenture holders	238,264	2.0	256,347	2.5
<b>To government</b>	<b>2,528,642</b>	<b>21.3</b>	<b>3,146,524</b>	<b>30.5</b>
Income tax	1,558,128	13.1	1,532,628	14.8
Value Added Tax & Debit Tax	970,514	8.2	1,613,897	15.6
<b>To expansion and growth</b>	<b>4,509,236</b>	<b>38.0</b>	<b>3,294,030</b>	<b>31.9</b>
Retained income	3,767,745	31.8	3,172,839	30.7
Depreciation	539,260	4.5	454,854	4.4
Deferred taxation	202,231	1.7	(333,663)	(3.2)
	<b>11,852,457</b>	<b>100.0</b>	<b>10,329,838</b>	<b>100.0</b>

# ANNEX C 87

## SHARE INFORMATION

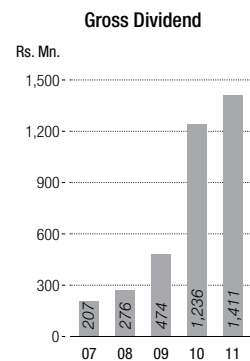
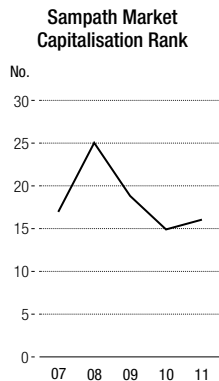
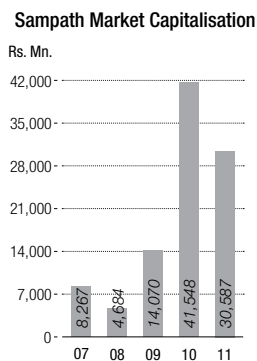
### Value Creation for Shareholders

	2011	2010	Change %
Net Assets Per Share (Rs.)	119.77	96.07	24.67
Earnings Per Share (Basic)- Group (Rs.)	26.53	22.29	19.02
Dividend Per Share (Rs.)	9.00	8.09	11.25
Market Price Per Share (Year End)	195.00	271.90	(28.28)
Return On Equity - After Tax (%)	22.60	24.59	(8.09)



### Bank's Market Capitalisation

	2011	2010	2009	2008	2007
Sampath Bank Market Capitalisation (Rs.Mn)	30,587	41,548	14,070	4,684	8,267
Increase/Decrease % in Market Capitalisation (Y on Y)	(26%)	195%	200%	(43%)	11%
CSE Market Capitalisation (Rs.Mn)	2,213,873	2,210,452	1,092,137	488,812	820,700
As a % of CSE Market Capitalisation	1.38	1.88	1.29	0.96	1.01
Market Capitalisation Rank	16	15	19	25	17



# ANNEX C 88

## SHARE INFORMATION CONTD.

### Analysis of Shareholders

#### Resident / Non - Resident

	31.12.2011			31.12.2010		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Resident Shareholders	17,181	149,306,088	95.19	16,847	146,933,576	96.16
Non-Resident Shareholders	334	7,548,102	4.81	339	5,874,396	3.84
<b>Total</b>	<b>17,515</b>	<b>156,854,190</b>	<b>100.00</b>	<b>17,186</b>	<b>152,807,972</b>	<b>100.00</b>

#### Individuals / Institutions

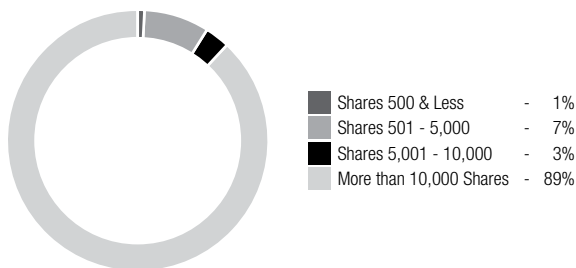
	31.12.2011			31.12.2010		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals / Public	9,868	14,450,927	9.21	10,910	17,912,390	11.72
Institutions	7,647	142,403,263	90.79	6,276	134,895,582	88.28
<b>Total</b>	<b>17,515</b>	<b>156,854,190</b>	<b>100.00</b>	<b>17,186</b>	<b>152,807,972</b>	<b>100.00</b>

### Composition of Share Ownership

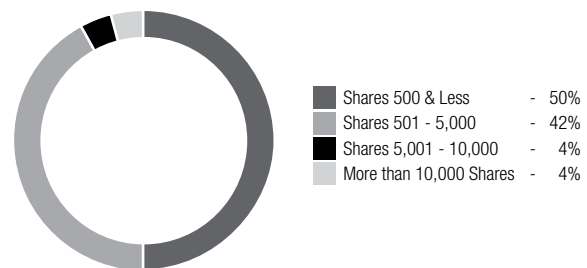
(No. of Shareholders)

	31.12.2011				31.12.2010			
	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
Shares 500 & Less	8,709	49.72	1,786,425	1.14	8,287	48.22	1,838,735	1.20
Shares 501 - 5,000	7,416	42.34	11,087,948	7.07	7,513	43.72	11,274,196	7.38
Shares 5,001 - 10,000	679	3.88	4,586,386	2.92	686	3.99	4,702,473	3.08
More than 10,000 Shares	711	4.06	139,393,431	88.87	700	4.07	134,992,568	88.34
	<b>17,515</b>	<b>100.00</b>	<b>156,854,190</b>	<b>100.00</b>	<b>17,186</b>	<b>100.00</b>	<b>152,807,972</b>	<b>100.00</b>

Composition of Share Ownership (No. of Shares)



Composition of Share Ownership (No. of Shareholders)



Share Trading

Market

	2011	2010	2009	2008	2007
No of Transactions	4,579,352	3,355,126	1,266,299	776,244	876,928
Number of Shares Traded	24,543,700,782	18,489,195,424	4,928,999,666	3,189,135,408	2,887,300,000
Value of Shares Traded (Rs.Mn)	546,255	570,326	142,463	110,454	104,985

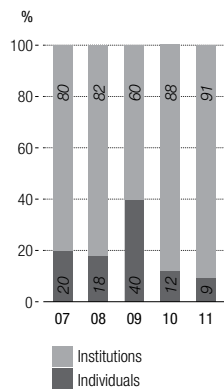
Bank

	2011	2010	2009	2008	2007
No of Transactions	15,335	20,154	8,578	1,280	3,071
Number of Shares Traded	26,951,903	67,672,164	19,077,355	5,356,600	9,530,000
As a % of total shares in issue	17.18	44.20	27.69	7.77	13.83
Average Daily Turnover (Rs.Mn)	30.23	90.78	10.41	2.41	4.79
Value of Shares Traded (Rs.Mn)	7,225.70	20,427.00	2,457.52	574.74	1,154.80

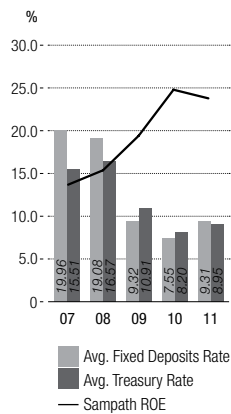
Sampath Share Price Fluctuation

	2011	2010	2009	2008	2007
Minimum Market Price	191.00	201.00	65.00	65.00	100.00
Maximum Market Price	307.00	550.00	205.00	120.00	135.00
Price as at 31st December	195.00	271.90	204.25	68.00	120.00

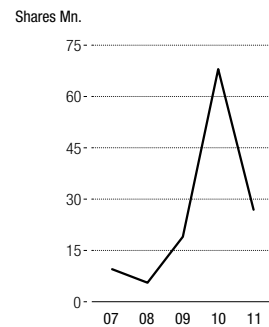
Shareholding of Individuals & Institutions as at 31st December



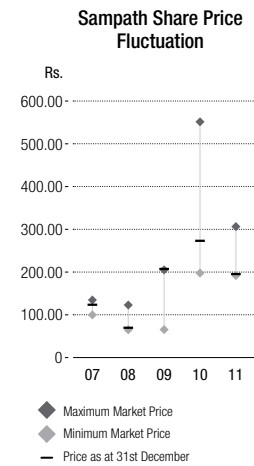
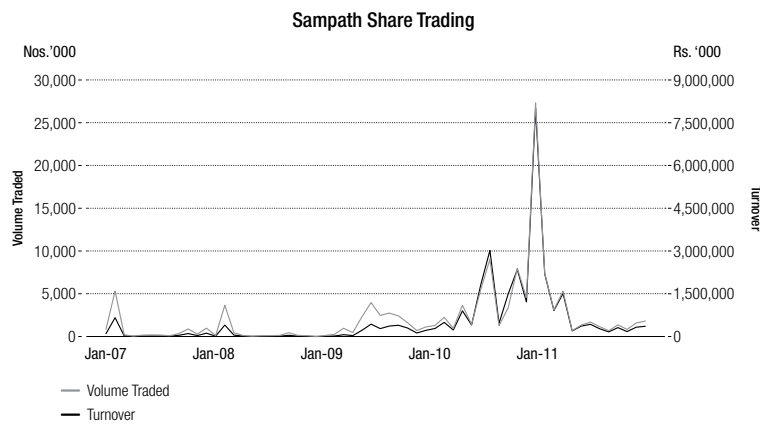
Sampath Return on Equity & Market Interest Rates



No. of Sampath Shares Traded in CSE



# ANNEX C 90 SHARE INFORMATION CONTD.



## Sampath Bank PLC - Ordinary Shares

Frequency Distribution of Shareholders as at 31 December 2011

Share Range	Resident				Non-Resident				Total			
	No. of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
1 - 250	3,914	22.35	330,111	0.21	46	0.26	3,936	0.00	3,960	22.61	334,047	0.21
251 - 500	4,692	26.79	1,433,719	0.91	57	0.33	18,659	0.01	4,749	27.11	1,452,378	0.93
501 - 1000	3,112	17.77	2,047,328	1.31	62	0.35	43,041	0.03	3,174	18.12	2,090,369	1.33
1001 - 2000	2,291	13.08	3,170,103	2.02	58	0.33	81,815	0.05	2,349	13.41	3,251,918	2.07
2001 - 5000	1,841	10.51	5,583,681	3.56	52	0.30	161,980	0.10	1,893	10.81	5,745,661	3.66
5001 - 10000	660	3.77	4,460,267	2.84	19	0.11	126,119	0.08	679	3.88	4,586,386	2.92
10001 - 20000	333	1.90	4,529,632	2.89	16	0.09	201,235	0.13	349	1.99	4,730,867	3.02
20001 - 30000	117	0.67	2,876,788	1.83	3	0.02	70,036	0.04	120	0.69	2,946,824	1.88
30001 - 40000	58	0.33	2,009,929	1.28	1	0.01	36,757	0.02	59	0.34	2,046,686	1.30
40001 - 50000	27	0.15	1,199,957	0.77	1	0.01	40,921	0.03	28	0.16	1,240,878	0.79
50001 - 100000	58	0.33	3,901,992	2.49	5	0.03	384,337	0.25	63	0.36	4,286,329	2.73
100001 - 1000000	64	0.37	17,804,901	11.35	12	0.07	2,945,854	1.88	76	0.43	20,750,755	13.23
1000001 - Over	14	0.08	99,957,680	63.73	2	0.01	3,433,412	2.19	16	0.09	103,391,092	65.92
<b>Total</b>	<b>17,181</b>	<b>98.09</b>	<b>149,306,088</b>	<b>95.19</b>	<b>334</b>	<b>1.91</b>	<b>7,548,102</b>	<b>4.81</b>	<b>17,515</b>	<b>100.00</b>	<b>156,854,190</b>	<b>100.00</b>

**Sampath Bank PLC - Ordinary Shares**

Top 20 Shareholders as at 31st December 2011

<b>Name of Shareholder</b>	<b>Shareholding</b>	<b>%</b>
Vallibel One PLC	23,445,302	14.95
Employees' Provident Fund	15,070,074	9.61
Mr. Y S H I K Silva	14,199,298	9.05
Rosewood (Pvt) Limited - Account No.3	10,906,176	6.95
Sampath Bank PLC - Account No.2	7,816,301	4.98
Corporate Services Limited A/c No.2	5,853,223	3.73
Varners International (Pvt) Limited	5,595,084	3.57
SSP Corporate Services (Pvt) Limited A/c No.1	5,214,587	3.32
Sri Lanka Insurance Corporation Limited - Life Fund	3,805,870	2.43
Sampath Bank PLC - Account No.4	2,594,737	1.65
HSBC International Nominees Limited - SSBT - American	2,363,231	1.51
Mr. B A Mahipala	1,681,698	1.07
Mr. S V Somasunderam	1,580,500	1.01
Keystone (Pvt) Limited	1,316,757	0.84
Employees Trust Fund Board	1,262,942	0.81
Northern Trust Co.S/A - Northern Trust Fiduciary Services	1,070,181	0.68
Aviva NDB Insurance PLC Account No.7	849,831	0.54
Ceylon Guardian Investment Trust PLC Account No.1	823,448	0.52
Ceylon Investment PLC Account No.1	818,100	0.52
Mr. B W Kundanmal	775,890	0.49
	<b>107,043,230</b>	<b>68.24</b>
Total No. of Shares Registered	156,854,190	100.00
Total No. of Shares Unregistered	-	-
<b>Total No. of Shares Issued</b>	<b>156,854,190</b>	<b>100.00</b>
Shares held by Directors	831,673	0.53
Shares held by Institutions	142,403,263	90.79
Balance held by Public	13,619,254	8.68
<b>Total No. of Shares Issued</b>	<b>156,854,190</b>	<b>100.00</b>
% of Shares held by Public		84.52%
% of Shares held by Directors and Related Parties		15.48%

## ANNEX C 92

### SHARE INFORMATION CONTD.

#### Record of Scrip Issues

Year	Issue	Basis	New No. of Shares	Stated Capital (Rs. Mn)	Reason for Issue
2010	Consolidation and Subdivision	11 for 10	6,888,762	1,581.65	Increase the Liquidity
2010	Scrip Dividend	1 for 120.7	627,596	1,786.25	Increase stated Capital
2010	Subdivision	1 for 1	76,403,986	1,786.25	Give benefit to Shareholder
2011	Scrip Dividend	1 for 43.39	3,521,294	2,701.79	Increase stated Capital
2011	ESOP	2% of Issued shares	524,924	2,743.78	Benefit for Staff Members

#### Dividend Payment Details

Year	Total Dividend Paid (Rs. Mn)	Dividend Per Share (Rs.)
2000	58.70	1.75
2001	52.14	1.75
2002	88.57	2.00
2003 (Interim)	59.78	2.00
2003 (Final)	21.99	2.00
2004 (Interim)	65.98	2.00
2004 (Final)	34.30	2.00
2005 (Interim)	87.14	2.00
2005 (Final)	32.21	2.00
2006	172.22	2.50
2007	206.66	3.00
2008	275.55	4.00
2009	473.60	6.25
2010	1,235.86	8.09
2011 (Proposed)	1,411.68	9.00

# ANNEX C 93

## DEBENTURE INFORMATION

### (a) Market Values

	Highest		Lowest		Year End	
	2011	2010	2011	2010	2011	2010
Debentures - 2007/2012						
Fixed - 17.5%	100.00	100.00	95.00	100.00	95.00	100.00
Fixed - 15.5%	105.37	100.00	100.00	83.99	105.37	100.00
Floating rate	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

### (b) Interest Rates

	2011		2010	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures - 2007/2012				
Fixed - 17.5%	17.50%	17.50%	17.50%	17.50%
Fixed - 15.5%	15.50%	16.65%	15.50%	16.65%
Floating rate	-	-	-	-

#### Debentures - 2006/2011 (Not Listed)

Floating rate is equivalent to the one year weighted average Treasury Bill rate (gross) plus 1.5% p.a., payable annually.  
This debenture was redeemed on 28th December 2011.

#### Debentures - 2007/2012

Floating rate is equivalent to the three months Treasury Bill rate (gross) plus 1.5% p.a., payable quarterly.

#### Debentures - 2007/2012 (Not listed)

Floating rate is equivalent to the six months weighted average Treasury Bill rate (gross) plus 1.75% p.a., payable semi annually.

### (c) Interest rate of comparable government securities

	2011	2010
2 Year Treasury Bond	7.77%	8.27%
3 Year Treasury Bond	7.95%	8.15%
4 Year Treasury Bond	8.20%	8.60%
5 Year Treasury Bond	8.60%	8.75%

### (d) Current Yield & Yield to maturity

	Fixed - 17.50%		Fixed - 15.50%		Floating	
	2011	2010	2011	2010	2011	2010
Debentures - 2007/2012						
Current yield	18.42	17.50	15.80	16.65	Not Traded	Not Traded
Yield to maturity of last trade	22.02	17.47	8.76	16.61	Not Traded	Not Traded

### (e) Ratios

	2011	2010
Debt to Equity Ratio (%)	16.0%	21.3%
Interest Cover (Times)	24.4	18.6
Quick Asset Ratio (%)	80.4%	83.2%

## ANNEX I

TRUST DEED FOR FIFTEEN MILLION UNSECURED SUBORDINATED REDEEMABLE FIVE (05) YEAR DEBENTURES 2012/2017, OF A PAR VALUE OF RS. 100/- EACH ISSUED AT PAR BY SAMPATH BANK PLC, WITH AN OPTION TO ISSUE AN ADDITIONAL TEN MILLION UNSECURED SUBORDINATED REDEEMABLE DEBENTURES AT A PAR VALUE OF RS. 100/- EACH IN THE EVENT THE ISSUE IS OVER SUBSCRIBED.

**This Trust Deed** made and entered into at Colombo in the Democratic Socialist Republic of Sri Lanka on this **eighteenth (18) day of September in the Year Two Thousand and Twelve (2012)**

by and between

**Sampath Bank PLC** holding Company Registration No. PQ 144 a Banking company duly incorporated under the Companies Law of the Democratic Socialist Republic of Sri Lanka and having its Registered Office at No. 110, Sir James Peiris Mawatha , Colombo 02 in the said Republic (hereinafter referred to as “the Issuer” which term or expression as herein used shall where the context so requires or admits mean and include the said Sampath Bank PLC . its successors and assigns) of the **ONE PART**

And

**Deutsche Bank AG, Colombo Branch** a banking corporation duly incorporated in the Federal Republic of Germany and having its Head Office at No. 12, Taunusanlage, Frankfurt am Main, Federal Republic of Germany and a Branch Office at No. 86, Galle Road, Colombo 3 in the said Republic of Sri Lanka (hereinafter sometimes called and referred to as “ the Trustee” which term or expression as herein used shall where the context so requires or admits mean and include the said **Deutsche Bank AG, Colombo Branch** its successors and any additional or new trustee or trustees appointed under this Deed whether in substitution or in addition and holding office of Trustee for the time being of this Deed and their successors) of the **OTHER PART**

= WITNESSETH=

### WHEREAS:

- a. The Issuer being duly empowered in that behalf has by a Resolution passed on 13th March 2012 by its Board of Directors, resolved to raise a sum not exceeding **Sri Lankan Rupees Two Billion Five Hundred Million (LKR 2,500,000,000/-)** by the issue of Twenty Five Million (25,000,000) Five (05) year 2012/2017 **Debentures of Rupees One Hundred (Rs.100/-) each of Issuer**
- b. The said Debentures shall be constituted in the manner and upon the terms and conditions hereinafter contained.
- c. The Trustee being duly qualified to act as a Trustee as per the Listing Rules of Colombo Stock Exchange has agreed to accept the office of Trustee and act under the provisions of this Deed as Trustee for the benefit of and in the interests of the Debenture holders on the terms and conditions hereinafter contained.

## NOW THIS DEED WITNESSETH AND IT IS HEREBY AGREED AND DECLARED AS FOLLOWS:

### 1. DEFINITIONS

(a) In these presents unless the subject or context otherwise requires the following expressions shall have the respective meanings given below:

1. **“BANKING ACT”** means the Banking Act No. 30 of 1988 of Sri Lanka as amended from time to time.
2. **“CENTRAL DEPOSITORY or CDS”** means the Central Depository Systems (Private) Limited.
3. **“CSE”** means the Colombo Stock Exchange.
4. **“CERTIFICATE”** or **“THE ISSUER’S CERTIFICATE”** means a certificate issued by the Issuer and signed by Two Directors or a Director and the Company Secretary of the Issuer.
5. **“DEBENTURE HOLDERS”** means the persons in whose account the Debentures are lodged as at the relevant date.
6. **“DEBENTURES”** shall mean upto Twenty Five Million (25,000,000) Five Year Unsecured Subordinated Debentures of the par value of Rupees One Hundred (Rs 100/-) each to be issued and allotted by the Issuer at par in terms of the Prospectus to be issued in this connection to raise a sum up to the aggregate value of Sri Lankan Rupees Two Billion Five Hundred Million (LKR 2,500,000,000/-) categorized as **Types A, B, and C** and morefully described below. These Debentures shall rank equal and pari passu with each other without any preference or priority one over another except for the value, interest rates and the frequency at which the interest is paid. These Debentures shall be Subordinated to the unsecured creditors of the Issuer. These Debentures will be listed on the Main Board of the Debt system of the Colombo Stock Exchange.

**“Type A Debentures”** mean the Unsecured Subordinated Redeemable Five (05) Year Debentures of LKR 100/- each bearing interest at a fixed rate of Fifteen per centum (15.00%) per annum on the par value, payable monthly with an Annual Effective Rate of 16.08% per annum, from the date of allotment until the expiry of five (05) years.

**“Type B Debentures”** mean the Unsecured Subordinated Redeemable Five (05) Year Debentures of LKR 100/- each at a Fixed Interest Rate of Sixteen point Five per centum (16.50%) per annum payable annually with an Annual effective Rate of 16.50% per centum per annum from the date of allotment until the expiry of five (05) years.

**“Type C Debentures”** mean the Unsecured Subordinated Redeemable Five (05) Year Debentures of LKR 100/- each at a floating Rate of Interest equivalent to the six months Gross Treasury Bill rate as published by the Central Bank of Sri Lanka immediately prior to the commencement of each interest period plus Two per centum (2.0%) payable semi-annually from the date of allotment until the expiry of five (05) years (present gross at 14.58% + 2.00% = 16.58%).

7. **“DUE DATE OF INTEREST”** means the dates on which the interest payments shall fall due in respect of the Debentures (on the basis that all the allotments will be made on or before 5th of November 2012). Interest payments shall fall due in respect of Debentures of,
  - **On Type A Debentures interest** will be payable monthly within three market days from the end of each month. The first interest payment being made from the date of allotment until the last date of that particular month. The final interest payment will be made with the repayment of the principal sum on the Date of Redemption. The interest calculation will be based upon the actual number of days in each month.

- **On Type B Debentures interest** will be paid annually within three market days from the 31st December of each year. The payment of interest due on account of the period commencing from the date of allotment until the 31st December 2012 will be made within three market days from 31st December 2012. The final interest payment will be made with the repayment of the principal sum on the Date of Redemption. The interest calculation will be based upon the actual number of days in each year.
- **On Type C Debentures interest** will be payable semi annually within three market days from the end of every six (06) months. The first interest payment being made on 31st of December 2012, being the interest due on account of the period commencing from the date of allotment until the 31st December 2012. The final interest payment will be made with the repayment of the principal sum on the Date of Redemption. Interest calculation shall be carried out on an actual/actual basis for each interest payment period.

In order to accommodate the Debenture interest cycles in the Debt Trading System (DEX) the payment of interest shall not include Debenture holders holding Debentures in the DEX as at the last day of the payment cycle but one day prior to the Due Date of Interest (entitlement date). If the entitlement date is a holiday interest shall be calculated including the entitlement date.

8. **“EVENT OF DEFAULT”** means any event set out in Clause 12.
9. **“MARKET DAY”** means a day on which trading takes place at the Colombo Stock Exchange.
10. **“LISTED”** means tradable on the Colombo Stock Exchange.
11. **“PROSPECTUS”** means the document issued by the Issuer pertaining to the issue of the Debentures , containing all applicable conditions and details thereof.
12. **“RATE OF INTEREST”** means in respect of Debentures of,
 

**Type A** - A fixed rate of Fifteen per centum (15.00%) per annum on the par value, payable monthly with an Annual Effective Rate of 16.08% per annum commencing from the expiry of one (01) month from the date of allotment of the Debentures.

**Type B** - A fixed rate of Sixteen point Five per centum (16.50%) per annum on the par value payable annually with an Annual Effective Rate of 16.50% per annum commencing at the expiry of every One (01) year period from the date of allotment of the Debentures.

**Type C** - A floating rate of interest equivalent to the six months Gross Treasury Bill rate as published by the Central Bank of Sri Lanka immediately prior to the commencement of each interest period plus Two per centum (2.0%) payable semi-annually from the date of allotment until the Date of Redemption (present gross at 14.58% + 2.00% = 16.58%).
13. **“REGISTERED ADDRESS”** when used in relation to a Debenture holder means the respective address of the Debenture holder provided by the Debenture holder to the CDS.
14. **“ REGISTRARS’ CONFIRMATION”** means the confirmation issued by the Registrars.
15. **“RESOLUTION”** means a Resolution passed by the Debenture holders in terms of Clause 22 unless otherwise provided for.
16. **“SRI LANKAN RUPEES”** and the sign **“LKR”** mean the lawful currency of the Republic of Sri Lanka.

- 17 **“SUBORDINATED”** in relation to the Debentures means that the claims of the Debenture holders shall in the event of winding up of the Issuer, rank after all the claims of secured and other unsecured Creditors of the Issuer and any preferential claims under any Statutes governing the Issuer but in priority to and over the claims and rights of the Shareholders of the Issuer.
- 18 **“DATE OF ALLOTMENT”** means the date on which the Debentures will be allotted to the Debenture holders under the Prospectus, which date will be stated in the Registrars’ Confirmation.
- 19 **“DATE OF MATURITY”** means the date on which the period of Five (05) years from the date of allotment expires, which date will be stated in the Registrars’ Confirmation.
- 20 **“DATE OF REDEMPTION”** means the Date of Maturity of the Debentures, which will be stated in the Registrars’ Confirmation or such earlier date on which the Debentures become payable in terms of these Presents and the Conditions set out in the Debenture Prospectus issued by the Issuer pertaining to the Debentures.
21. **“THE REGISTER”** means the register of the Debenture holders hereinafter covenanted to be kept by the Issuer.
- 22 **“THE REGISTRARS”** means the Board Secretary of the Issuer or such other person or persons to be appointed as the Registrars for the purpose of these Presents by the Issuer.
- 23 **“THESE PRESENTS”** means this Trust Deed including the Schedules hereto as from time to time modified in accordance with the provisions herein contained and/or according to law and shall include any Supplementary Trust Deed executed in accordance with the provisions hereof.
- 24 **“WORKING DAY”** means any day (other than a Saturday or Sunday or any statutory or other holiday) on which Banks and Foreign Exchange Markets are open for business in Sri Lanka.
- 25 **“TRUST DEED”** means these Presents including the Schedules hereto as from time to time modified in accordance with the provisions herein contained and/or according to law and shall include any Supplementary Trust Deed executed in accordance with the provisions hereof.
- 26 **“TRUSTEE”** means a banking institution duly recognized by the Securities and Exchange Commission of Sri Lanka to perform the role thus meeting all regulatory requirements pertaining to the same.
- (b) Words denoting or importing the singular number shall include the plural number and vice versa and words denoting or importing the masculine gender only shall include the feminine gender and shall include corporate and unincorporated bodies of persons.
- (c) In these Presents references to:
- (i) any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made there under or under such modifications or re-enactment.
- (ii) principal and/or interest in respect of the Debentures or to any monies payable by the Issuer under these Presents or under the Debentures shall be deemed also to include references to any additional amounts which may be payable under these Presents.
- (iii) Costs, charges or expenses shall include (but not be limited to) the Value Added Tax, Turnover Tax or similar tax charged or chargeable in respect thereof.
- (d) References in this Trust Deed to Schedules, clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the Schedules to this Trust Deed and the clauses, sub clauses, paragraphs and sub-paragraphs of this Trust Deed respectively.

- (e) The headings are inserted herein only for conveniences and shall not affect the construction of these presents.

## **2. APPOINTMENT OF THE TRUSTEE**

The Trustee is hereby appointed as Trustee for the purposes of the Debentures and for the benefit of and in the interests of the Debenture holders as provided herein and the Trustee accordingly accepts the appointment upon the terms and conditions contained herein and agrees to act under the provisions of this Deed as the Trustee.

## **3. AMOUNT OF THE DEBENTURE ISSUE**

The aggregate principal amount of the Debentures shall not exceed Sri Lankan Rupees Two Billion Five Hundred Million (LKR 2,500,000,000/-).

## **4. COVENANTS TO REPAY THE PRINCIPAL SUM AND INTEREST ON DEBENTURES LODGED IN THE CDS**

- 4.1 (a) The Issuer hereby covenants with the Trustee for the benefit of the Debenture holders that it will,
- as and when the Debentures ought to be redeemed in accordance with the provisions of these Presents and upon the principal sum becoming payable to the Debenture holders and the Debenture holders claiming same from the Issuer, pay to the Debenture holders registered as at the market day prior to the date of redemption/maturity, by crossed cheque marked "Account payee only" sent by ordinary mail to the registered addresses of the Debenture holders the principal sum of the Debentures which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Redemption of the Debentures.
  - pay to the Debenture holders registered as at the due date of interest by crossed cheque marked "Account Payee Only" sent by ordinary mail to the registered addresses of the Debenture holders or if so requested for by the Debenture holder by SLIPS transfer the interest on the principal sum of the Debentures for the time being outstanding at the respective Rates of Interest in accordance with the provisions of these Presents.

Interest payments over Rs.5 Mn will be made through cheques only.

Payment of the principal sum and interest shall be made in Sri Lankan Rupees after deducting any withholding tax and/or such other taxes and charges thereon, if applicable.

- The Debentures shall be redeemed in accordance with the provisions contained in these Presents on the Date of Maturity or on such earlier date in the Event of Default together with interest (if any) remaining unpaid therefore.
- The Issuer shall always act on the information furnished by the CDS regarding the beneficial ownership of the Debentures and it shall be the responsibility of each such Debenture holder to keep all the information in respect of such Debenture holder updated. Each Debenture holder shall absolve the Issuer from any responsibility or liability in respect of any error or absence of necessary changes in the information recorded with the CDS.
- The Issuer shall be entitled to make payment on redemption of all such Debentures on the Date of Redemption to such Debenture holders without any request for claim from such Debenture holders and the Issuer shall accordingly send the crossed cheques marked "Account Payee Only" for such payments to the addresses (as furnished by the CDS) of such Debenture holders.
- In order to accommodate the Debenture interest cycles in the Debt Trading System (DEX) the payment of interest shall not include Debenture Holders holding Debentures in the DEX as at the last day of the payment cycle but one day prior to the due date of interest (entitlement date). If the entitlement date is a holiday interest shall be calculated including the entitlement date.

- (f) If any of the cheques referred to in (d) above were returned undelivered the Issuer shall transfer the amount represented by each of such returned cheques to a suspense account at the end of 90 days after the Date of Redemption of the Debentures and shall be paid by the Issuer to the holder of the Debentures when such sum is subsequently claimed by the Debenture holder and no interest will be payable by the Issuer on such Debentures for the period between the date of maturity and the date of the said payment.

If any cheques for redemption and interest payment sent by post to the Debenture holders are returned to the Issuer undelivered, the amounts represented by each of such returned cheques shall also be transferred by the Issuer to the aforementioned suspense account and retained therein for a period of Six (06) years from the Date of Maturity of the Debentures. Such monies will be repaid to the Debenture holders if the same is claimed in writing by such Debenture holder within the said Six (06) years' period. No person shall be entitled to claim any such redemption and interest payment after the completion of six years from the Date of Maturity and all unclaimed monies shall cease to be owed and payable by the Issuer to any Debenture holder after the said period of Six (06) years.

- (g) All Debentures redeemed as aforementioned shall be cancelled and shall not be reissued.
- (h) The claims of the Debenture holders shall in the event of winding up of the Issuer rank after all the claims of secured and other unsecured creditors of the Issuer and any preferential claims under any statutes governing the Issuer but in priority to and over the claims and rights of shareholder/s of the Issuer.

- 4.2 If the Date of Redemption falls on a non working day on which the Banks are closed for business in Sri Lanka, then the Debentures will be redeemed without any additional interest on the next working day when the Banks are open for business in Sri Lanka.

## **5. DEPOSIT OF DEBENTURES IN THE CDS**

The Issuer shall within 18 market days from the date of closing of the issue deposit the Debentures with the CDS, on account of all Debenture holders who are required to maintain CDS accounts with the CSE, as per the Directive of the Securities and Exchange Commission made under Circular No.08/2010 dated November 22, 2010 and Circular No.13/2010 issued by the Central Depository System (Private) Limited dated November 30, 2010.

## **6. STAMP DUTY & OTHER CHARGES (IF ANY)**

The Issuer shall pay all charges, stamp duties and other similar duties or taxes (if any) payable on or in connection with (I) the issue of the Debentures and (II) the execution of these Presents.

## **7. ELIGIBILITY FOR DEBENTURES**

The Debentures may be issued to:

- (a) Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age.
- (b) Corporate bodies and societies registered/ incorporated/established in Sri Lanka and authorized to invest in the Debentures.
- (c) Approved Provident Funds, Trust Funds and Contributory Pension Schemes registered/established in Sri Lanka and authorized to invest in the Debentures.

In the case of Approved Provident Funds, Trust Funds and Contributory Pension schemes the Application should be in the name of the Board of Management/Trustee of such Approved Provident Funds, Trust Funds and Contributory Pension Schemes in order to facilitate the opening of the CDS Accounts.

Applications will not be accepted from foreign citizens, non-residents and individuals under the age of 18 years, or in the names of sole proprietorships. Partnerships or unincorporated trusts.

#### **8. NON ISSUANCE OF CERTIFICATES AND REGISTRATION OF DEBENTURE HOLDERS**

- (a) In order to comply with the rules issued by the Securities and Exchange Commission of Sri Lanka, no certificates shall be issued by the Issuer to any Debenture holder under any circumstance.
- (b) The Issuer shall not be bound to register more than Three (03) persons (including the Principal holder) as joint holders of any of the Debentures (except in the case of executors, administrators or heirs of a deceased member). The structure and the applicable conditions in respect of Debentures of **Types A, B, and C** shall be as set out in the Prospectus and every Debenture shall be to the benefit of its holder in the manner provided for by the Companies Act No 7 of 2007.

#### **9. TRANSFER OF DEBENTURES**

- (a) These Debentures shall be freely transferable and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable through the CDS as long as the Debentures are listed in the CSE. Subject to the provisions contained herein the Issuer may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- (c) In the case of death of a Debenture holder
  - \* The survivor where the deceased was a joint holder; and
  - \* The executors or administrators of the deceased or where the administration of the Estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture holder was the sole or only surviving holder; shall be the only persons recognized by the Issuer as having any title to his/her Debentures.
- (d) Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture holder, upon producing proper evidence that he/she sustains the character in respect of which he/she proposes to act or his/her title as the Board of Directors of the Issuer thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture holder in respect of such Debentures subject to the applicable laws rules and regulations of the Issuer, CDS, CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognized by the Issuer.

#### **10 COVENANT TO OBSERVE PROVISIONS OF THE TRUST DEED AND SCHEDULES.**

The Issuer hereby covenants with the Trustee to comply with the provisions contained herein and to perform and observe the same. It is expressly agreed between the Issuer and the Trustee that the Trustee shall not be liable for any loss or damage however caused by non-observance or non-compliance with the covenants contained in Clause 11 by the Issuer.

#### **11 COVENANTS BY THE ISSUER**

The Issuer hereby covenants with the Trustee for the benefit of the Debenture holders that, so long as any of the Debentures remain outstanding

- (a) The Issuer shall at all times carry on and conduct its affairs in a proper and appropriate manner.

- (b) The Issuer shall at all times keep such books of accounts as it is obliged to keep under the applicable laws and (to the extent not prohibited by law or otherwise by virtue of any duty of confidentiality) at any time after an Event of Default shall have occurred or the Trustee shall have reasonable cause to substantiate that an Event of Default will occur, allow a reputed Audit Firm appointed by the Trustee in consultation with the Issuer free access to the same at all times during working hours and to discuss the same with the directors and officers of the Issuer, Provided however that the Trustee and the Audit Firm shall, to the extent legally permitted, maintain confidentiality in respect of all the matters relating to the Issuer and its business and shall not use any information they acquire pursuant to these provisions for any other purpose.
- (c) The Issuer shall give a Certificate in writing to the Trustee within **30 days** from the date of expiry of every **bi-annual** period commencing 31st December 2012 , signed by Two Directors or a Director and the Company Secretary, certifying that the interest on the Debentures has been paid to the Debenture holders in terms of the Clause 4.1 above. In the event the Issuer defaults in submitting such Certificate the Trustee shall treat it as an Event of Default as set out in Clause 12.1 hereof.
- (d) The Issuer shall at all times keep a correct Register of Debenture holders showing:
- i. The date of issue of Debentures.
  - ii. The names and addresses (which shall be the registered addresses of the Debenture holders) of all Debenture holders.
  - iii. The number, type and the value of the Debentures held by each Debenture holder.
  - iv. The date on which each Debenture holder became registered as the holder of any Debentures and the date on which such holder ceased to be so registered.
- Provided however, that the Issuer may treat the records maintained by the CDS as an accurate record of the details required above.
- (e) The Issuer shall permit the,
- i. Trustee at all reasonable times without payment of any fee to inspect the Register of Debenture holders and to take copies thereof.
  - ii Debenture holders at all reasonable times without payment of any fee to inspect the Register of Debenture holders pertaining to such Debenture holder and to take copies thereof
- (f) The Issuer shall forthwith upon the issuer becoming aware of the happening of any and every such event as in mentioned in Clause 12.1 hereof give notice thereof in writing to the Trustee PROVIDED that the Issuer shall in any event issue a Certificate to the Trustee within **30 days** from the end of every **bi-annual** period commencing from 31st December 2012 signed by Two Directors or a Director and the Company Secretary certifying that no event mentioned in paragraphs (c) and (d) of Clause 12.1 hereof has occurred during the previous Six (06) month period which would have resulted in the Debentures becoming payable in terms of the said Clause.
- (g) The Issuer shall issue to the Trustee such certificates and confirmations as the Trustee may require to carry out its obligations in terms of these presents PROVIDED such certificates and confirmations can be issued by the Issuer without committing any breach of its duty of confidentiality to any person or entity.
- (h) The Issuer shall reproduce the Trust Deed in full in the Prospectus relating to the issue of these Debentures, and shall make available to any Debenture holder on request a certified copy of the Trust Deed upon payment of a fee of LKR 1000/-.

- (i) The Issuer shall send to the Colombo Stock Exchange the Interim Financial Statements in a CD ROM as an unprotected PDF document as well as a signed copy of the financial statements no later than forty five days (45) from the end of the first, second and third quarters and two months from the end of the fourth quarter.
- (j) The Issuer shall send the Trustee all published financial information, which is normally provided to ordinary shareholders at the same time that it is sent to the shareholders.
- (k) The Issuer shall not without the prior written approval of the Trustee which approval shall not be unreasonably withheld declare or pay any dividend to its shareholders during any financial year unless it has paid all the dues to the Debenture holders upon the date on which the dividend is proposed to be declared or paid or has made satisfactory provisions therefore.
- (l) The Issuer shall reimburse all reasonable expenses incurred by the Debenture holders/Trustee after an Event of Default has occurred in connection with:
  - (i) Preservation of the Issuers assets (whether then or thereafter existing)
  - (ii) Collection of amounts due under this Deed.  
All such sums shall be reimbursed by the Issuer within 30 days from the date of notice of demand from the Debenture holders or the Trustee. Provided in any event that the issuer shall give the Trustee immediate notice upon it being aware of the occurrence of an Event of Default and/or if the Issuer becomes aware that any condition of the Trust Deed cannot be fulfilled and in any such event, to forward to the Trustee, as and when required by the Trustee, a confirmation that no Event of Default has occurred or is continuing.
- (m) The Issuer shall submit to the Trustee a certificate in writing that the principal amount has been paid to the Debenture Holders in accordance with the terms or conditions of the Debentures and provisions of the Trust Deed, within 30 days of such payments becoming due.
- (n) The Issuer shall immediately notify the Trustee in the event that the issuer becomes aware of the occurrence of any of the following events that has caused or could cause:
  - (i) Any amount secured or payable under the Debenture to become immediately payable
  - (ii) Any event in the opinion of the Issuer that may lead to the acceleration of either the payment of interest or redemption.
  - (iii) Any other right or remedy under the terms and conditions of the Debentures or the provisions or covenants of the Trust Deed to become immediately enforceable.
- (o) The Issuer shall submit to the Trustee within one month after the end of every quarter, a Certificate that the issuer has complied with each and all of the covenants. The Certificate should be in accordance with the resolution of the directors and should include;
  - (a) the extent of liabilities or borrowing as per Articles of Association and whether or not they have been exceeded.
  - (b) whether any material trading or capital loss has been sustained by the Issuer.
  - (c) whether or not any circumstances materially affecting the Issuer has occurred which adversely affect the Debentures.

- (d) whether any contingent liabilities have been incurred by the Issuer, and if so, the amount incurred and whether or not any contingent liability has matured or is likely to mature within the next twelve months, which will materially affect the ability of the Issuer to repay the Debentures.
- (e) whether the Issuer has assumed a liability of a related corporate body during the quarter, the extent of the liability assumed during the quarter and the extent of the liability at the end of the quarter.
- (f) Whether or not there has been any change in any accounting method or method of valuation of assets or liabilities of the Issuer.
- (g) Whether or not any circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities of the Issuer misleading and inappropriate.
- (h) Any substantial change in the nature of Issuer's business since the issue of the Debentures.
- (i) Whether or not any action has been taken by the Board of Directors of the Issuer in terms sections 219 and 220 the Companies No. 7 of 2007 during the quarter.
- (j) Whether or not the Issuer has observed and performed all the covenants and obligations binding upon them respectively pursuant to the Trust Deed.
- (k) The date of the certificate.
- (p) In the event that the Issuer creates a charge, the issuer shall submit to the Trustee the written details of the charge within 21 days after it is created. If the amount to be advanced on the security of the charge is indeterminate, the Issuer shall submit to the Trustee the written details of the amount of each claim, within 5 market days from the date the claim is made.
- (q) The Issuer shall at all times maintain records of all its published information and make them available for inspection by the Trustee and Debenture holders
- (r) the Trustee shall be entitled to a reimbursement of all reasonable costs, charges and expenses which the Trustee may incur in relation to the exercise of its duties hereunder from and out of the funds lying to the credit of the Trust hereby created.

## 12 EVENTS OF DEFAULT

12.1 Subject to the provisions of Clause 12.2 below, the Debentures shall become immediately payable in any of the following events:

- a) If the Issuer defaults the payment of principal sum or any interest due on the whole or any part of the Debentures in accordance with the provisions contained in these Presents.
- b) If the Debentures cease to be listed in the CSE at any time between the time of issue and the Date of Redemption, due to any default on the part of the Issuer.
- c) If the issuer stops or threatens to stop payment of its debts or ceases to carry on its business, which may lead to the winding up of the Issuer.
- d) If any liquidation, bankruptcy, insolvency, receivership or similar action or proceeding is commenced against the Issuer or an order shall be made or an effective Resolution shall be passed for the winding up of the Issuer.

- e) If the Issuer does not submit a Certificate to the Trustee as set out in Clause 11 (c) above certifying that the interest has been paid to the Debenture holders in terms of the Trust Deed.
- f) If the Issuer does not submit a Certificate to the Trustee as set out in Clause 11 (f) above certifying that no event mentioned in paragraphs (c ) and (d) of this clause has occurred during the previous six (06) month period, which would have resulted in the Debentures becoming payable in terms of this Clause.
- g) If the Issuer does not submit a Certificate to the Trustee as set out in Clause 11 (o) above certifying that all of the covenants set out in clause 11 of the Trust Deed have been fully complied with.
- h) If the Issuer commits a breach of any of the other covenants or provisions herein contained and on its part to be observed and performed provided however that the Trustee shall give the Issuer up to 30 days notice to remedy such breach before declaring such breach to be an Event of Default.
- i) Where any other indebtedness of Issuer becomes due and payable prior to its stated maturity or where security created for any of their indebtedness becomes enforceable.
- j) Where there is revocation, withholding or modification of a license, authorization or approval that impairs or prejudices the Issuer's ability to comply with the terms and conditions of the Debentures or the provisions of the Trust Deed or any other document relating to the issue, offer or invitation in respect of the Debentures.
- k) Where any mortgage, charge, pledge, lien or any other encumbrance, present or future is created or assumed by the Issuer contrary to the terms or conditions of the Debentures and the provisions of the Trust Deed.

12.2 Upon the occurrence of an Event of Default the Trustee may at its discretion and if so requested in writing by the Debenture holders of at least (3/4)th of the face value of the Debentures outstanding, or if so directed by a Special Resolution of the Debenture holders give notice to the Issuer that the principal and interest on the Debentures becomes immediately due and payable.

12.3 Repayment before the maturity of the principal sum on the Debentures or any part thereof in any circumstances shall be subject to the prior written consent of the Central Bank of Sri Lanka.

### 13. ENFORCEMENT OF OBLIGATIONS

At any time after the Debentures shall have become repayable on maturity or otherwise under any provision of these Presents, the Trustee may at its discretion, or upon the request in writing of the Debenture holders of at least (3/4)ths of the capital outstanding of the Debentures, and in the event that there is no Trustee, the Debenture holders pursuant to a Special Resolution and without any further notice, may institute such proceedings as they think fit to enforce repayment and other obligations of the Issuer under these Presents.

Provided that nothing in these Presents shall preclude a Debenture holder from initiating legal action on his own right.

### 14. APPLICATION OF MONIES RECEIVED BY THE TRUSTEE

In the event of the Trustee recovering or receiving any monies from the Issuer consequent to any action taken by the Trustee against the Issuer, the Trustee shall apply such monies,

- (a) In the first place in paying or providing for the payment or satisfaction of the costs charges expenses and liabilities incurred in or about the execution of the trust constituted by these Presents (including remuneration of the Trustee).

- (b) Secondly, in or towards payment to the Debenture holders of all arrears of interest remaining unpaid on the Debentures held by them respectively.
- (c) Thirdly in or towards payment to the Debenture holders of all principal monies due in respect of the Debentures held by them respectively; and
- (d) Finally, the Trustee shall pay the surplus (if any) of such monies to the Issuer or its assigns, PROVIDED that at the discretion of the Trustee payments may be made on account of principal monies before any part of the interest or the whole of the interest on the Debentures have been paid but such alteration in the order of payment of the principal monies and interest shall not prejudice the right of the Debenture holder to receive the full amount to which they would have been entitled if the ordinary order of payment had been observed. Any payment to the Debenture holders under this clause shall be made pari passu in proportion to the Debentures held by them respectively.

## **15. MANNER OF PAYMENT AND ENFORCEMENT OF DEBENTURES**

Any payment to be made in respect of the Debentures by the Issuer or the Trustee may be made in the manner provided in this Trust Deed and any payments so made shall be good discharge pro tanto to the Issuer or the Trustee, as the case may be. Any payment of interest in respect of a Debenture shall extinguish any claim which may arise directly or indirectly in respect of such interest from a Debenture holder.

Upon any payment under the provisions of Clause 14 the Debentures in respect of which such payment is made in full shall be produced to the Trustee through whom such payment is made and the Issuer shall call such Debentures to be cancelled and shall certify or procure the certification of such cancellation.

## **16 REMUNERATION OF THE TRUSTEE**

a. The Issuer shall pay the Trustee during the continuation of these presents a sum of Sri Lankan Rupees Three Hundred and sixty Thousand (LKR 360,000/-) per annum plus the applicable government taxes on account of remuneration for the Trustee for its services under these Presents. The said fee shall be paid at the expiry of every one (01) year period commencing from the date of allotment of the Debentures.

b. Further, the Trustees shall be entitled to reimbursement of all reasonable costs, charges and expenses which the Trustee may incur in relation to the exercise of its duties hereunder from and out of the funds lying to the credit of the Trust hereby created.

## **17. GENERAL POWERS AND THE DUTIES OF THE TRUSTEE**

Without prejudice to the powers and reliefs conferred on Trustees by these Presents or by the laws relating to the Trusts or any other applicable law the Trustee shall have the following powers:-

- (a) the Trustee may in relation to these Presents act on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert (whether obtained by the Trustee or the Issuer) and shall not be responsible for any loss occasioned by acting on any such opinion, advice, certificate or information and that the Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same shall contain some error as long as the Trustee has acted in good faith and has reasonable grounds for believing that the Auditor or the Officer was competent to give or make the certificate, report or statement.
- (b) The Trustee shall as regards all the trusts, powers authorities and discretion vested in it by these Presents or by operation of law, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and the Trustee shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non exercise thereof but whether the Trustee is under the provisions of these presents bound to act at the request or direction of the Debenture holders the Trustee shall nevertheless not

be bound unless first indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. However nothing in this Clause shall preclude a Debenture holder from filing action on his own if he so wishes.

- (c) To summon any meeting of the Debenture holders in accordance with the provisions of Clause 22 hereof.
- (d) In case of default by the Issuer, the Trustee may but shall not be bound unless directed either by an instrument in writing signed by the Debenture holders of at least Seventy Five per centum (75%) of the value of the capital outstanding of the Debentures for the time being or in accordance with a Special Resolution passed by the debenture holders in accordance with Clause 22 of these Presents, to waive such terms and conditions as they shall deem expedient any of the covenants and provisions contained in these Presents on the part of the Issuer to be performed and observed.
- (e) The Trustee as between itself and the Debenture holders shall have full power to determine all questions and doubts arising in relation to any of the provisions of these presents and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee. If a Debenture holder is not satisfied with the said determination provided by the Trustee then the Debenture holder may challenge such determination in a court of law.

**PROVIDED**

- \* Such Debenture holder has the written consent of the Debenture holders of at least Ten per centum (10%) of the value of capital of Debentures for the time being outstanding.
- \* Such application to Court of law is instituted within Thirty (30) days of notification of such determination to the Debenture holders.
- (f) The Trustee may, in the conduct of the trusts of these Presents, instead of acting through its staff, employ and pay a professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee.
- (g) Whenever in these Presents the Trustee is required in connection with any exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Debenture holders, it shall have regard to the interests of the Debenture holders as a class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of such exercise for any individual Debenture holders resulting from his or its being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and
- (h) The Trustee may, accept a certificate signed by Two Directors or a Director and the Company Secretary certifying that all Debentures have been redeemed or relating to any other matter primarily in the knowledge of the Issuer as sufficient evidence thereof and such Certificate shall be a complete protection to the Trustee who acts thereon.
- (i) The Trustee shall give notice in writing to the Debenture holders as and when the Trustee is notified by the Issuer of any occurrence mentioned in Clause 12.1 or any condition of the Trust Deed which cannot be fulfilled.

PROVIDED nevertheless that none of the provisions of these Presents shall, in any case in which the Trustee has failed to show the degree of care and diligence required by it, having regard to the provisions of these Presents, conferring on the Trustee the powers, authorities or discretions, relieve or indemnify the Trustee against any liabilities which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties under these Presents.

PROVIDED FURTHER that it shall exercise reasonable diligence to ascertain whether the Issuer has committed any breach of the terms and conditions of the Debentures or provisions of the Trust Deed or whether an Event of Default has occurred or is continuing to occur, on perusal of the documents submitted in terms of the covenants set out in the Trust Deed.

- (j) The Trustee's role shall be passive prior to the Trustee being notified of any occurrence of an Event of Default and the Trustee shall not have any other duty apart from those expressly stated herein.
- (k) For the avoidance of doubt, the Trustee shall not be considered, nor have any responsibility or liability, as a lender or borrower. The obligation to repay any debts owing to Debenture holders shall remain with the issuer and the Trustee shall not be liable nor responsible for any act, omission or default of the issuer nor any other party. The Trustee shall also not be liable for any loss due to any cause beyond its control, nor to take any action in relation to any event of default which it is not aware of, nor for consequential or indirect loss, nor for market loss, risk or movement affecting any investments. The Issuer shall fully indemnify the Trustee for any liability, claim, expense, damage or loss that the Trustee may incur in connection with this Trust Deed, save where such liability or loss is due solely to the negligence default, breach of duty or breach of trust or willful misconduct of the Trustee. The Trustee shall be entitled to rely and act on any document or instrument which it has received from the issuer and to treat it as authentic and authorized unless the Trustee has actual notice otherwise. In performing its duties, the Trustee shall maintain the confidentiality of confidential information received by it, but the Trustee may disclose any such information to a branch, head office, subsidiary or agent of the Trustee on a need to know basis in connection with this Trust Deed, to any government body or court and/or to any party in accordance with the requirement of a law, regulatory directive or regulation.
- (l) The Trustee shall ensure that all documents required to be submitted by the Issuer in terms of the covenants set out in the Trust Deed are forwarded in a timely manner.
- (m) The Trustee is not liable for anything done or omitted to be done in accordance with a direction given to the Trustee by the Debenture holders' at any meeting held.

## **18. EXEMPTIONS AND INDEMNIFICATIONS OF TRUSTEE FROM LIABILITY**

Terms and conditions of the Debentures and provisions in the Trust Deed or a term of a contract with the Debenture Holders secured by the Trust Deed, shall be void in so far as the term or provision would have the effect of

- (i) Exempting the Trustee from liability for;
  - a. The failure to carry out its duties as the Trustee; or
  - b. The failure to exercise the degree of care and diligence required of it as the Trustee;
- (ii) Indemnify the Trustee against that liability, unless the term or provision,
  - a. Release the Trustee from liability for something done or omitted to be done before the release is given;
  - b. Enables a meeting of Debenture holders to approve the release of the Trustee from liability for something done or omitted to be done before the release is given.

Such release will be effective when approved by Debenture holders by way of a special resolution.

## 19 APPOINTMENT AND REMOVAL OF THE TRUSTEE

- (a) Subject to the provisions of this Trust Deed, the power of appointing new trustees shall be vested in the Issuer, provided further that the issuer shall obtain the approval of Debenture holders holding not less than twenty per centum (20%) of the par value of the Debentures for the time being outstanding prior to the appointment of the new trustee. Notice of such appointment shall be given to the Debenture holders within thirty (30) days of such appointment by an advertisement published in national newspapers in all three languages (Sinhala, Tamil and English) of the issuer's choice circulating in Sri Lanka.
- (b) In the event the Issuer does not or cannot exercise its power to appoint a new trustee and there being no new trustee appointed as of thirty (30) days before the removal/retirement of the Trustee taking effect in accordance with the terms hereof, the Debenture holders of not less than 20% of the par value of the Debentures for the time being outstanding may convene a meeting to appoint a new trustee by an ordinary resolution.
- (c) Any removal of a Trustee and the subsequent appointment of a replacement Trustee by the issuer shall be by way of a special resolution.
- In the event of the Debenture Holders not being satisfied with the Trustee, they have the right to remove the Trustee by way of a special resolution passed at a General Meeting convened under Clause 22 hereof.
  - The Issuer shall be notified of any removal of the Trustee and subsequent appointment of a replacement Trustee by the Debenture holders.
  - The Issuer shall take reasonable steps to replace the Trustee as soon as practicable after becoming aware that:
    - a. The Trustee has ceased to exist
    - b. The Trustee is in the situation of conflict of interests
    - c. The Trustee has ceased to perform its function as a Trustee
    - d. The Trustee is in the situation of unsuitability and does not eliminate such situation within 90 days, after the Issuer has ascertained or the Issuer has been informed that the Trustee has such a situation.
  - In the event the Trustee discovers that it is not eligible to be appointed or act as Trustee, the Trustee shall give notice in writing to the Issuer regarding the same.

## 20. COMPLIANCE OF MAJORITY OF TRUSTEES

If there be more than one Trustee under these Presents the Trustees shall with majority consent exercise all or any of the Trustees' powers and discretions vested in the Trustees generally under any Clause of these Presents.

## 21. RETIREMENT OF TRUSTEE

In the event of the Trustee, in its sole and absolute discretion, desiring to retire, the Trustee shall give not less than 90 days' notice to the Issuer in writing to that effect, and the Issuer shall thereupon appoint a new Trustee in accordance with Clause 19 of these presents. The Trustee shall continue in its capacity as Trustee until such time a new Trustee is appointed.

In the event of such a retirement, the Trustee at its cost shall publish a notice to this effect in Newspapers in all three languages (Sinhala, Tamil and English) of its choice circulating in Sri Lanka and such notice shall be deemed to be sufficient notice to the Debenture holders notwithstanding anything to the contrary herein contained.

The aforesaid shall mutatis mutandis apply where there is a removal of a Trustee.

## **22. MEETINGS OF DEBENTURE HOLDERS**

- (a) The Trustee shall call a meeting/cause a meeting to be called of Debenture holders on its own accord or with notice to the issuer and all Debenture holders on a requisition being received in writing signed by the Debenture holder (s) of at least 1/10th of the par value of the Debentures outstanding for the time being or if requested by the Issuer. Furthermore, the Issuer is entitled to convene a meeting of the Debenture holders with the consent of at least one-tenth in par value of the Debentures outstanding.
- (b) Not less than 15 working days notice shall be given of a meeting for the purpose of passing a Resolution.
- (c) The quorum for the meeting (other than adjourned meeting) for the purpose of passing a Special Resolution shall be the Debenture holders representing 20% of the par value of the Debentures for the time being outstanding, provided however, that the quorum for passing an ordinary resolution should be the Debenture holders representing 10% in value of the outstanding Debentures present in person or by proxy or by attorney or proxy.
- (d) If such a quorum cannot be obtained, such meeting shall be adjourned for not less than fourteen (14) days in which event notice of adjourned meeting shall be sent to every Debenture holder and shall state in such notice that if a quorum as above defined shall not be present at the adjourned meeting the Debenture holders then present shall form a quorum.
- (e) The necessary majority for passing a special resolution and ordinary resolution respectively shall not be less than 3/4ths and a simple majority of the persons voting thereat on a show of hands and if a poll is demanded then not less than 3/4ths and a simple majority of the votes given on such poll.
- (f) On a poll, each debenture holder will be entitled to one vote for each Debenture held by such person.
- (g) A proxy need not be a holder of the Debentures.
- (h) The Trustee shall be the chairman of any meeting of the Debenture holders and shall appoint a person or body to act as a Secretary of such meeting and a copy of a resolution certified by the Trustee and such Secretary shall deem to be conclusive evidence that such Resolution has been duly adopted. Provided however that if the Trustee is not present for the meeting the Debenture holders may appoint a person from amongst them to chair the meeting.
- (h) In the event the Issuer fails to remedy any breach of the terms and conditions of the Debentures or the provisions/covenants of the Trust Deed, the Trustee shall:
  - Call a meeting of the Debenture holders with notice to the Issuer.
  - Inform the Debenture holders of the failure at the meeting; and
  - Submit proposals for the protection of the Debenture holders interests or call for proposals from the Debenture holders at the meeting as the Trustee considers necessary or appropriate and obtain the directions.

## **23. MODIFICATION OF THE TRUST DEED**

The Trustee and the Issuer may by mutual agreement agree to modify these Presents which are not detrimental to the Debenture holders provided such modifications are of a routine nature. Provided however that any modification which is detrimental to the interest of the Debenture holders shall only be made with the consent of the Debenture holders of at least 3/4ths of the par value of the Debentures for the time being outstanding.

Upon a modification being duly made, the issuer shall inform the Debenture holders that a memorandum of such modification has been executed and the effect thereof .

## 24 NOTICES

- a. Any notice or demand to the issuer, Debenture holder(s) or the Trustee required to be given, made or served for any purpose hereof shall be given, made or served by sending the same by prepaid registered post in the case of the issuer or Trustee and by prepaid ordinary mail in the case of Debenture holder(s), by delivering it by hand to the issuer Debenture holders or the Trustee as the case may be, in the case of the issuer or the Trustee at the address shown in this Deed and in the case of Debenture holder(s) to the address which appear in the Register or at such other address as shall have been notified (in accordance with this clause) for the purpose of this Clause, and any notice sent by post as provided in this Clause shall be deemed to have been given, made or served 72 hours after dispatch and any notice sent by by facsimile transmission as provided in the clause shall be deemed to have been given, made or served at the time of dispatch and in proving the giving, making or service of the same it shall be sufficient to prove, in the case of a letter, that such letter was properly stamped, addressed and placed in the post and, in the case of a facsimile transmission that such telegrams, cablegrams, telex or by facsimile transmission was duly dispatched and received in the readable and understandable condition.
- b. The Trustee shall at any time be entitled to give notice of any meeting or make any communication to the Debenture holders by notice published in Newspapers in all three languages (Sinhala, Tamil and English) of its choice circulating in Sri Lanka and such notice will notwithstanding anything to the contrary herein contained be deemed to be sufficient notice to the Debenture holders including the provisions of the above clause.

## 25 MISCELLANEOUS

- (a) Nothing in the provisions of these Presents shall require disclosure to the Trustee by the Issuer of any information as to the affairs of any of its customers except,
  - i) when required to do so by a Court of Law, or
  - ii) in order to comply with any of the provisions of any Law.  
PROVIDED however that the issuer shall be obliged to furnish to the Audit Firm referred to in the clause 11(b) information in respect of the Issuer's books of accounts.
- (b) In the event of any inconsistency between these provisions and any rules, regulations or directions of the Securities and Exchange Commission of Sri Lanka, or the Colombo Stock Exchange such rules, regulations or directions shall prevail.
- (c) this Trust Deed is governed by the laws of Sri Lanka and the parties submit to the jurisdiction of the courts of Sri Lanka.

**IN WITNESS WHEREOF** the authorized signatories of **Deutsche Bank AG, Colombo Branch** have set their hands and Sampath Bank PLC has caused its Common Seal to be affixed hereunto and to three others of the same tenor and date as these Presents at Colombo on the day herein before mentioned.

The Common Seal of the said Sampath Bank PLC )

is hereto affixed hereto on this 18th day of September )  
Two Thousand and Twelve in the presence of )

..... Director and)

..... Director who do hereby )

Attest the sealing hereof )

Witnesses:

1.

2.

Signed for and on behalf of the Deutsche )  
Bank AG Colombo Branch by \_\_\_\_\_ )  
and \_\_\_\_\_ its duly authorized )  
representatives

Witnesses:

1.

2.

## ANNEX II LIST OF BRANCHES

### Ahangama

No. 71A, Matara Road, Ahangama.  
Telephone - +94(0)91 2282902/3  
Fax - +94 (0)91 2282 904  
Email - ahangama.mgr@sampath.lk

### Akkaraipattu

No. 61, Sulaiman Shopping Complex,  
Main Street, Akkaraipattu.  
Telephone - +94(0)67 2279 197/8  
Fax - +94 (0)67 2279 199  
Email - akkaraipattu.mgr@sampath.lk

### Akuressa

No. 14/16, Pitabeddara Road, Akuressa.  
Telephone - +94(0)41 2284 650/1  
Fax - +94 (0)41 2284 652  
Email - akuressa.mgr@sampath.lk

### Alawwa

No. 9, 9/1, Giriulla Road, Alawwa.  
Telephone - +94(0)37 2279 209/463  
Fax - +94(0)37 2279 209  
Email - alawwa.mgr@sampath.lk

### Aluthgama

No. 405, Galle Road, Aluthgama.  
Telephone - +94 (0)34 2290 861/2  
Fax - +94 (0)34 2290 863  
Email - aluthgama.mgr@sampath.lk

### Ambalangoda

No. 118 A, New Road, Ambalangoda.  
Telephone : +94 (0)91 2255 571/3  
Fax - +94 (0)91 2255 573  
E-mail : ambalangoda.mgr@sampath.lk

### Ambalantota

No. 138 D, Tissa Road, Ambalantota.  
Telephone : +94 (0)47 2225 506-8  
Fax - +94 (0)47 2225 508  
E-mail : ambalantota.mgr@sampath.lk

### Ampara

No. 9, D S Senanayake Road, Ampara.  
Telephone - +94(0)63 2223 840/1  
Fax - +94(0)63 2223 444  
Email - ampara.mgr@sampath.lk

### Anamaduwa

No. 69, Galgamuwa Road, Anamaduwa.  
Telephone - +94(0)32 2263 042/3  
Fax - +94(0)32 2263 044  
Email - anamaduwa.mgr@sampath.lk

### Anuradhapura

No 38 Rex Building, Main Street, Anuradhapura.  
Telephone - +94(0)25 2235 026/7  
Fax - +94(0)25 2235 028  
Email - anuradhapura.mgr@sampath.lk

### Anuradhapura New Town

No. 521/19, Maithripala Senanayake Mawatha,  
New Town, Anuradhapura.  
Telephone - +94(0)25 2226 190/1  
Fax - +94(0)25 2226 192  
Email - anuradhapura\_newt.mgr@sampath.lk

### Aralaganwila

No. 113, Sandaliya Trade Centre, New Town,  
Aralaganwila.  
Telephone - +94(0)27 2257 204/5  
Fax - +94(0)27 2257 206  
Email - aralaganwila.mgr@sampath.lk

### Athurugiriya

No. 106, Borella Road, Athurugiriya.  
Telephone - +94 (0)11 2563 612  
+94 (0)11 2156 081  
Fax - +94 (0)11 2156 080  
Email - athurugiriya.mgr@sampath.lk

### Attidiya

No. 202, Main Road, Attidiya.  
Telephone - +94 (0)11 2725 668  
Email - attidiya.mgr@sampath.lk

### Avissawella

No. 64, Yatiyantota Road, Avissawella.  
Telephone - +94 (0)36 2222 011/2  
Fax - +94 (0)36 2222 010  
Email - avissawella.mgr@sampath.lk

### Baddegama

No. 112, Diyawagura, Kumme, Baddegama.  
Telephone - +94 (0)91 2293 230/1  
Fax - +94 (0)91 2293 232  
Email - baddegama.mgr@sampath.lk

### Badulla

No. 14, Dharmadutha Road, Badulla.  
Telephone - +94 (0)55 2225 450/1  
Fax - +94 (0)55 2225 452  
Email: badulla.mgr@sampath.lk

### Balangoda

No. 117, Barnes Ratwatta Mawatha, Balangoda.  
Telephone - +94 (0)45 2288 793-5  
Fax - +94 (0)45 2288 795  
Email - balangoda.mgr@sampath.lk

### Bambalapitiya

No. 1-01 Majestic City, Station Road,  
Bambalapitiya, Colombo 04.  
Telephone - +94(0)11 2502 686, 2501 829  
Fax - +94(0)11 2501 829  
Email - bambalapitiya.mgr@sampath.lk

### Bandaragama

No. 61 A, Kalutara Road, Bandaragama.  
Telephone - +94 (0)38 2289 898/9  
Fax - +94 (0)38 2293 056  
Email - bandaragama.mgr@sampath.lk

### Bandarawela

No. 253,255, Main Street, Bandarawela.  
Telephone - +94 (0)57 2223 720/1  
Fax - +94 (0)57 2223 722  
Email - bandarawela.mgr@sampath.lk

### Battaramulla

No. 157, Main Street, Battaramulla.  
Telephone - +94 (0)11 2861 805/6  
Fax - +94 (0)11 2861 807  
Email - battaramulla.mgr@sampath.lk

### Batticaloa

No. 32, Thamaraikeny Road, Batticaloa.  
Telephone - +94(0)65 2227 581/2  
Fax - +94(0)65 2227 583  
Email - batticaloa.mgr@sampath.lk

### Batticaloa 02

No. 395, Trinco Road, Batticaloa.  
Telephone - +94(0)65 2228 240/1  
Fax - +94(0)65 2228 242  
Email - batticaloa2.mgr@sampath.lk

### Beliatta

No. 53/1, Dickwella Road, Beliatta.  
Telephone - +94(0)47 2251 551/2  
Fax - +94(0)47 2251 553  
Email - beliatta.mgr@sampath.lk

### Bibile

No. 31, Mahiyangana Road, Bibile.  
Telephone - +94(0)55 2265 398/9  
Fax - +94(0)55 2265 400  
Email - bibile.mgr@sampath.lk

### Boralesgamuwa

No. 192, Kesbawa Road, Boralesgamuwa.  
Telephone - +94(0)11 2545 245/6  
Fax - +94(0)11 2545 248  
Email - boralesgamuwa.mgr@sampath.lk

### Borella

No. 1022, Maradana Road, Borella, Colombo 08.  
Telephone - +94 (0)11 2691 121/3, 2687 222  
Fax - +94 (0)11 2686 066  
Email - borella.mgr@sampath.lk

### Buttala

"Madurapperuma Building", Kataragama Road,  
Buttala.  
Telephone - +94 (0)55 2273 530/4  
Fax - +94 (0)55 2273 537  
Email - buttala.mgr@sampath.lk

### Chankanai

Main Street, Chankanai.  
Telephone - +94 (0)21 2250 072/3  
Fax - +94 (0)21 2250 072  
Email - chankanai.mgr@sampath.lk

### Chavakachcheri

Kandy Road, Chavakachcheri.  
Telephone - +94 (0)21 2270 091/2  
Fax - +94 (0)21 2270 093  
Email - chavakachcheri.mgr@sampath.lk

### Chenkalady

"Sellam" Building, Boundary Road Junction,  
Main Road, Chenkalady.  
Telephone - +94 (0)65 2241 348/9  
Fax - +94 (0)65 2241 350  
Email - chenkalady.mgr@sampath.lk

### Chilaw

No. 64, Colombo Road, Chilaw.  
Telephone - +94 (0)32 2222 677/8  
Fax - +94 (0)32 2222 777  
Email - chilaw.mgr@sampath.lk

**Chunnakam**

No. 160, K.K.S. Road, Chunnakam.  
Telephone - +94 (0)21 2240 721/2  
Fax - +94 (0)21 2240 723  
Email - chunnakam.mgr@sampath.lk

**City**

No. 55, D R Wijewardena Mawatha, Colombo 10.  
Telephone - +94 (0)11 2434 431, 2328 569  
+94 (0)11 2447 195 (Direct)  
Fax - +94 (0)11 2434 217  
Email - city.mgr@sampath.lk

**City**

Telephone - +94 (0)11 2434 431, 2328 569  
+94 (0)11 2333 589 (Direct)  
Fax - +94 (0)11 2338 243  
Email - chinthaka@sampath.lk

**Colombo Super Branch at Dharmapala Mawatha**

No. 103, Dharmapala Mawatha, Colombo 07.  
Telephone - +94 (0)11 233 6112/3  
Fax - +94 (0)11 2336 115  
Email - colombosuper.mgr@sampath.lk

**Dambulla**

No. 622, Anuradhapura Road, Dambulla.  
Telephone - +94(0)66 2283 067, 2283 085/87  
Fax - +94(0)66 2283 067  
Email - dambulla.mgr@sampath.lk

**Dankotuwa**

No. 63, Nattandiya Road, Dankotuwa.  
Telephone - +94 (0)31 2261 361/2  
Fax - +94(0)31 2261 360  
Email - dankotuwa.mgr@sampath.lk

**Dehiattakandiya**

No. F 79, New Town, Dehiattakandiya.  
Telephone - +94 (0)27 2250 418/9  
Fax - +94 (0)27 2250 420  
Email - dehiattakandiya.mgr@sampath.lk

**Dehiwala**

No. 155, Galle Road, Dehiwala.  
Telephone - +94 (0)11 2738 481, 22  
Fax - +94 (0)11 2738 461  
Email - dehiwala.mgr@sampath.lk

**Delgoda**

No.351/1, New Kandy Road, Delgoda.  
Telephone - +94 (0)11 2403 383/4  
Fax - +94 (0)11 2403 385  
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**Deniyaya**

No. 28-30 Main Street, Deniyaya.  
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Fax - +94(0)41 2273 255  
Email - deniyaya.mgr@sampath.lk

**Deraniyagala**

No. 63, Noori Road, Deraniyagala.  
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Fax - +94(0)36 2249 500  
Email - deraniyagala.mgr@sampath.lk

**Digana**

No. 42, Mahiyangana Road, Digana – Rajawella.  
Telephone - +94 (0)81 2376 765  
Fax - +94(0)81 2376 765  
Email: digana.mgr@sampath.lk

**Divulapitiya**

No. 69, Kurunegala Road, Divulapitiya  
Telephone - +94(0)31 2243 431/13  
Fax - +94(0)31 2243 423  
Email: divulapitiya.mgr@sampath.lk

**Eheliyagoda**

No. 02, Ratnapura Road, Eheliyagoda.  
Telephone - +94(0)36 2258 031/2  
Fax - +94(0)36 2258 031  
Email - eheliyagoda.mgr@sampath.lk

**Elpitiya**

No.10, Ambalangoda Road, Elpitiya.  
Telephone - +94(0)91 2291 961/2  
Fax - +94(0)91 2291 963  
Email - elpitiya.mgr@sampath.lk

**Embilipitiya**

No. 62, Main Street, Embilipitiya.  
Telephone - +94(0)47 2261 203/4  
Fax - +94(0)47 2261 205  
Email - embilipitiya.mgr@sampath.lk

**Embuldeniya**

No. 282, Old Kottawa Road, Embuldeniya,  
Nugegoda.  
Telephone - +94(0)11 2836 410/1  
Fax - +94(0)11 2836 412  
Email - embuldeniya.mgr@sampath.lk

**Fort**

No. 98 Chatham Street, Colombo 01.  
Telephone - +94 (0)11 2327 379, 2447  
231/2, 2436 889  
Fax - +94(0)11 2421 453  
Email - fort.mgr@sampath.lk

**Galewela**

No. 31C, Kurunegala Road, Galewela.  
Telephone - +94 (0)66 2287 725/6  
Fax - +94(0)66 2287 727  
Email - galewela.mgr@sampath.lk

**Galle**

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Fax - +94(0)91 2245 645  
Email - galle.mgr@sampath.lk

**Galle Bazaar**

'Krishna Building', No. 69, Old Matara Road,  
Pettigalawatte, Galle.  
Telephone - +94(0)91 2248 582/3  
Fax - +94(0)91 2248 584  
Email - galle\_bazaar.mgr@sampath.lk

**Gampaha**

No. 08, Mangala Road, Gampaha.  
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Fax - +94(0)33 2226 642  
Email - gampaha.mgr@sampath.lk

**Gampola**

No. 06, Panabokke Mawatha, Gampola  
Telephone - +94(0)81 2350 564/5  
Fax - +94(0)81 2350 571  
Email - gampola.mgr@sampath.lk

**Ganemulla**

No. 367/E, Kadawatha Road, Ganemulla.  
Telephone - +94 (0)33 2264 630  
Fax - +94 (0)11 5336 558  
Email - ganemulla.mgr@sampath.lk

**Gangodawila**

No. 374, High Level Road, Gangodawila,  
Nugegoda.  
Telephone - +94 (0)11 2814 147/8  
Fax - +94 (0)11 2814 149  
Email - gangodawila.mgr@sampath.lk

**Giriulla**

No. 103/A, Negombo Road, Giriulla.  
Telephone - +94(0)37 2289 482  
Email - giriulla.mgr@sampath.lk

**Gothatuwa New Town**

No. 55/4, Kotikawatte Road, Gothatuwa New Town.  
Telephone - +94(0)11 2411 609/610  
Fax - +94 (0)11 2411 612  
Email - gothatuwa.mgr@sampath.lk

**Grandpass**

No. 64, Jethawana Road, Colombo 14.  
Telephone - +94 (0)11 2472 390/1  
Fax - +94 (0)11 2472 392  
Email - grandpass.mgr@sampath.lk

**Gregory's Road**

No. 106, Wijerama Mawatha, Colombo 07.  
Telephone - +94 (0)11 2681 144  
Email - gregorysroad.mgr@sampath.lk

**Habaraduwa**

No. 1270, 'Lanerolle' Super Centre, Matara Road,  
Habaraduwa.  
Telephone - +94 (0)91 2282772/3  
Fax - +94(0)91 2282 774  
Email - habaraduwa.mgr@sampath.lk

**Harbourview**

No. 256, Srimath Ramanathan Mawatha,  
Colombo 15.  
Telephone - +94(0)11 2393 017  
Fax - +94(0)11 2393 017  
Email - harbourview.mgr@sampath.lk

**Hatton**

No. 173, Dimbula Road, Hatton.  
Telephone - +94 (0)51 2225403/5  
Fax - +94(0)51 2225 405  
Email - hatton.mgr@sampath.lk

**Hendala**

No. 210, Hendala Road, Hendala, Wattala.  
Telephone - +94 (0)11 2933 098 / 2931 021  
Fax - +94(0) 11 2981 644  
Email - hendala.mgr@sampath.lk

**Hanwella**

No. 148/A, Pahala Hanwella, Hanwella.  
Telephone - +94 (0)36 2254 445/6  
Fax - +94 (0)36 2254 447  
Email - hanwella.mgr@sampath.lk

**Head Quarters**

No. 110, Sir James Peiris Mawatha, Colombo 02.  
Telephone - +94 (0)11 2358 358  
Fax - +94(0)11 5331 485  
Travel Shop Fax - +94(0)11 4730 315  
Email - headq.mgr@sampath.lk

**Hettipola**

Kurunegala Road, Hettipola.  
Telephone - +94 (0)37 2291 082/3  
Fax - +94(0)37 2291 084  
Email - hettipola.mgr@sampath.lk

**Hingurakgoda**

No. 88, D S Senanayake Veediya, Hingurakgoda  
Telephone - +94(0)27 2245300/1  
Fax - +94 (0)27 2245 302  
Email - hingurakgoda.mgr@sampath.lk

**Homagama**

No. 46,1st Lane, Station Road, Homagama.  
Telephone - +94 (0)11 2855 975/6  
Fax - +94 (0)11 2855 985  
Email - homagama.mgr@sampath.lk

**Horana**

No. 114, Sri Somananda Mawatha, Horana.  
Telephone - +94(0)34 2260 345/6  
Fax - +94(0)34 2260 377  
Email - horana.mgr@sampath.lk

**Ingiriya**

No. 68D, Panadura Road, Ingiriya.  
Telephone - +94 (0)34 2268 288, 488  
Fax - +94 (0)34 2268 588  
Email - ingiriya.mgr@sampath.lk

**Ja-Ela**

No. 165, Realty Plaza, Negombo Road, Ja-ela.  
Telephone - +94(0)11 2245 896/7  
Fax - +94(0)11 2245 895  
Email - jaela.mgr@sampath.lk

**Jaffna**

No. 56/16, Link Road, Off Stanley Road, Jaffna.  
Telephone - +94(0)21 2221 025/6  
Fax - +94(0)21 2221 027  
Email - jaffna.mgr@sampath.lk

**Kadawatha**

No. 174/3, Ragama Road, Kadawatha.  
Telephone - +94(0)11 2921 001-2/5  
Fax - +94 (0)11 2921 001  
Email - kadawatha.mgr@sampath.lk

**Kaduwela**

No. 510/1 & 510/2, Avissawella Road, Kaduwela.  
Telephone - +94(0)11 2537 539/40  
Fax - +94(0)11 2537 541  
Email - kaduwela.mgr@sampath.lk

**Kaduruwela**

No. 626B, Dharmasiri Building, Main Street, Kaduruwela.  
Telephone - +94(0)27 2225 567/8  
Fax - +94(0)27 2225 569  
Email - kaduruwela.mgr@sampath.lk

**Kahatagasdigiliya**

No. 67, Anuradhapura Road, Kahatagasdigiliya.  
Telephone - +94(0)25 2247 087/70  
Fax - +94(0)25 2247 069  
Email - kahatagasdigiliya.mgr@sampath.lk

**Kalawana**

No. 54/B, 54/C Manana, Kalawana.  
Telephone - +94(0)45 2255 793/4  
Fax - +94(0)45 2255 795  
Email - kalawana.mgr@sampath.lk

**Kalmunai**

No. 18, Police Station Road, Kalmunai.  
Telephone - +94(0)67 2220 448/9  
Fax - +94(0)67 2222 020  
Email - kalmunai.mgr@sampath.lk

**Kalutara**

No. 314, Main street, Kalutara South.  
Telephone - +94(0)34 2235 600/1  
Fax - +94(0)34 2235 602  
Email - kalutara.mgr@sampath.lk

**Kaluwanchikudy**

Hospital Road, Kaluwanchikudy.  
Telephone - +94(0)65 2251 177, 2250 807  
Fax - +94(0)65 2250 208  
Email - kaluwanchikudy.mgr@sampath.lk

**Kamburupitiya**

No.48, Mulatiyana Road, Kamburupitiya.  
Telephone - +94(0)41 2294 701/2  
Fax - +94(0)41 2294 703  
Email - kamburupitiya.mgr@sampath.lk

**Kandana**

No. 72, Colombo Road, Kandana.  
Telephone - +94 (0)112 229 218/9  
Fax - +94 (0)11 2229 249  
Email - kandana.mgr@sampath.lk

**Kandy Dalada Veediya**

No. 19 Dalada Veediya, Kandy.  
Telephone +94(0)81 2232 778, 2233 838  
Fax - +94(0)81 2232 779  
Email - kandy.mgr@sampath.lk

**Kandy City Centre**

Shop No. L1-6 Level One,  
Kandy City Centre Building, Dalada Veediya, Kandy.  
Telephone +94(0)81 2205 825/6  
Fax - +94(0)81 2205 827  
Email - kandy\_city.mgr@sampath.lk

**Kandy Metro Branch**

No. 29 Cross Street, Kandy.  
Telephone +94(0)81 2200 096/8  
Fax - +94(0)81 2200 098  
Email - kandy\_metro.mgr@sampath.lk

**Kandy Metro Branch (PLATINUM PLUS UNIT)**

No. 29 Cross Street, Kandy.  
Telephone +94(0)81 2200 096/7  
Fax - +94(0)81 22200 096  
Email - platinum\_kandymetro.ofc1@sampath

**Kantale**

No.70/1, Agrabodhi Road, Kantale.  
Telephone - +94(0)26 2234 490/1  
Fax - +94(0)26 2234 492  
Email - kantale.mgr@sampath.lk

**Karapitiya**

No. 598F, Hiribura Road, Karapitiya.  
Telephone - +94(0)91 2248 456/7  
Fax - +94(0)91 2248 458  
Email - karapitiya.mgr@sampath.lk

**Kattankudy**

No. 57, 59, Main Street, Kattankudy-03.  
Telephone - +94(0)65 2247 930/2  
Fax - +94(0)65 2247 932  
Email - kattankudy.mgr@sampath.lk

**Katugastota**

No:187, Madawala Road, Katugastota.  
Telephone - +94(0)81 2498 932/4  
Fax - +94(0)81 2499 123  
Email - katugastota.mgr@sampath.lk

**Katunayaka Pay Office**

Bandaranayake International Airport, Katunayake.  
Telephone - +94(0)11 2253 776  
Fax - +94(0)11 2253 776  
Email - kpo&ir\_exec@international.sampath.lk

**Kayts**

Suruvil Road, Kayts.  
Telephone - +94(0)21 3215 432/4  
Fax - +94(0)21 3215 428  
Email - kayts.mgr@sampath.lk

**Kegalle**

No.142, 142A, Kandy Road, Kegalle.  
Telephone - +94(0)35 2230 597/8  
Fax - +94(0)35 2230 519  
Email - kegalle.mgr@sampath.lk

**Kekirawa**

No. 56, Main Street, Kekirawa.  
Telephone - +94(0)25 2265 266/7  
Fax - +94(0)25 2265 268  
Email - kekirawa.mgr@sampath.lk

**Keselwatta**

No. 41 A, Galle Road, Keselwatta, Panadura.  
Telephone - +94(0)38 2299 633, 566  
Fax - +94(0)38 2299 550  
Email - keselwatta.mgr@sampath.lk

**Kilinochchi**

Unit 1-4, Antonipillai Building, Kilinochchi.  
Telephone - +94(0)21 2285 340/1  
Fax - +94(0)21 2285 342  
Email - killinochchi.mgr@sampath.lk

**Kinniya**

No. 106, 108, 110 Main Road [Right Side],  
Kinniya 03.  
Telephone - +94(0)26 2236 348/9  
Fax - +94(0)26 2236 350  
Email - kinniya.mgr@sampath.lk

**Kiribathgoda**

No. 259, Kandy Road, Dalugama, Kelaniya.  
Telephone - +94(0)11 2910 514/457  
Fax - +94(0)11 2910 515  
Email - kiribathgoda.mgr@sampath.lk

**Kiribathgoda Super Branch**

No.139, Kandy Road, Kiribathgoda.  
Telephone - +94(0)11 2910 368/9  
Fax - +94(0)11 2910 367  
Email: kiribathgodasuper.mgr@sampath.lk

**Kirindiwela**

No. 91, Gampaha Road, Kirindiwela.  
Telephone - +94(0)33 2247 150  
Fax - +94(0)33 2247 150  
Email: kirindiwela.mgr@sampath.lk

**Kirulapone**

No. 136, 138 & 140, High Level Road,  
Kirulapone.  
Telephone - +94(0)11 2513 828/9  
Fax - +94(0)11 2513 830  
Email: kirulapone.mgr@sampath.lk

**Kochchikade**

No. 163, Chillaw Road, Kochchikade.  
Telephone - +94(0) 31 2279 647/8  
Fax - +94(0)31 2279 522  
Email: kochchikade.mgr@sampath.lk

**Kohuwala**

No. 81, S De S Jayasinghe Mawatha, Kohuwala.  
Telephone - +94 (0)11 2814 480/455  
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**Kollupitiya**

Ground Floor, Platinum Residencies Building  
No. 01, Bagatale Road, Colombo 03.  
Tel - +94(0)11 2590 682/3  
Fax - +94(0)11 2590 684  
Email - kollupitiya.mgr@sampath.lk

**Kotahena**

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Colombo 13.  
Telephone - +94(0)11 2384 010/1  
Fax - +94(0)11 2384 012  
Email - kotahena.mgr@sampath.lk

**Kottawa**

No. 124/8, High-level Road, Kottawa  
Telephone - +94 (0)11 2782 684/6, 690  
Fax - +94 (0)11 2782 684  
Email - kottawa.mgr@sampath.lk

**Kottawa Laugfs Sun Up**

No. 364/10, Hightlevel Road, Kottawa.  
Telephone - +94 (0)11 2783 100  
Email - kottawa\_sunup.mgr@sampath.lk

**Kuliyapitiya**

No. 259, Madampe Road, Kuliyapitiya.  
Telephone - +94(0)37 2281 860/1,866  
Fax - +94(0)37 2281 861  
Email - kuliyapitiya.mgr@sampath.lk

**Kundasale**

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Fax - +94(0)81 2421 767  
Email - kundasale.mgr@sampath.lk

**Kurunegala**

No. 31 Negombo Road, Kurunegala.  
Telephone - +94(0)37 2223 500-2  
Fax - +94(0)37 2223 509  
Email - kurunegala.mgr@sampath.lk

**Madampe**

No. 16, New Town, Medagama Road, Madampe.  
Telephone - +94(0)32 2249 222/444  
Fax - +94(0)32 2249 555  
Email - madampe.mgr@sampath.lk

**Maharagama**

No. 81 High Level Road, Maharagama.  
Telephone - +94(0)11 2840 950/2/3  
Fax - +94(0)11 2851 352  
Email - maharagama.mgr@sampath.lk

**Maharagama Singer Mega**

No. 272, Highlevel Road, Maharagama.  
Telephone - +94 (0)11 2842 442  
Email - maharagama\_sin.mgr@sampath.lk

**Mahiyangana**

No. 28, 29, New Town, Mahiyangana.  
Telephone - +94(0)55 2258 180  
Fax - +94(0)55 2258 181  
Email - mahiyangana.mgr@sampath.lk

**Maho**

No. 112-114, Moragollagama Road, Maho.  
Telephone - +94(0)37 2275 170/1  
Fax - +94(0)37 2275 172  
Email - maho.mgr@sampath.lk

**Main Street**

No. 110, 114 Main Street, Colombo 11.  
Telephone - +94(0)11 2386 732/3  
Fax - +94(0)11 2386 734  
Email - mainst.mgr@sampath.lk

**Makola**

No.94/3A, Makola South, Makola.  
Telephone - +94(0)11 2964 978/9  
Fax - +94(0)11 2964 980  
Email - makola.mgr@sampath.lk

**Malabe**

No. 895 Athurugiriya Road, Malabe.  
Telephone - +94(0)11 2762 222/3  
Fax - +94(0)11 2762 224  
Email - malabe.mgr@sampath.lk

**Maligawatte**

No. 65, Maligawatte Road, Colombo 10.  
Telephone - +94(0)112 672 507/8  
Fax - +94(0)112 672 509  
Email - maligawatta.mgr@sampath.lk

**Mallavi**

No. 06, Thunnukai Road, Mallavi.  
Telephone - +94(0)21 3734 802/3  
Fax - +94(0)21 3734 804  
Email - mallavi.mgr@sampath.lk

**Manipay**

No. 103, Jaffna Road, Manipay.  
Telephone - +94(0)21 2255 041/2  
Fax - +94(0)21 2255 043  
Email - manipay.mgr@sampath.lk

**Mannar**

No. 28, Field Street, Ward No:06, Mannar.  
Telephone - +94(0)23 2251 320/1  
Fax - +94(0)23 2251 322  
Email - mannar.mgr@sampath.lk

**Maradana**

No. 657, Kularathne Mawatha, Maradana Road,  
Colombo 10.  
Telephone - +94(0)11 2678 541/2  
Fax - +94(0)11 2678 543  
Email - maradana.mgr@sampath.lk

**Marandagahamula**

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Fax - +94(0)31 2243 518  
Email - marandagahamula.mgr@sampath.lk

**Marawila**

No. 87, Chilaw Road, Marawila.  
Telephone - +94(0)32 2250 862/3  
Fax - +94(0)32 2250 861  
Email - marawila.mgr@sampath.lk

**Matale**

No. 184-186, Trincomalee Street, Matale.  
Telephone - +94(0)66 2223 861/2  
Fax - +94(0)66 2224 094  
Email - matale.mgr@sampath.lk

**Matara**

No. 3, Hakmana Road, Matara.  
Telephone - +94(0)41 2223 260/1  
Fax - +94(0)41 2223 268  
Email - matara.mgr@sampath.lk

**Matara Bazaar**

No. 37, New Tangalle Road, Kotuwegoda, Matara.  
Telephone - +94(0)41 2234 055/6  
Fax - +94(0)41 2234 057  
Email - matara\_bazaar.mgr@sampath.lk

**Mattegoda**

No. 102/40, Salgas Junction, Mattegoda.  
Telephone - +94(0)11 2178 444/5  
Fax - +94(0)11 2178 446  
Email - mattegoda.mgr@sampath.lk

**Matugama**

No. 214 A, Aluthgama Road, Matugama.  
Telephone - +94(0)34 2247 233/4  
Fax - +94(0)34 2247 235  
Email - matugama.mgr@sampath.lk

**Mawanella**

No. 209, New Kandy Road, Mawanella.  
Telephone - +94(0)35 2246 961/2  
Fax - +94(0)35 2246 963  
Email - mawanella.mgr@sampath.lk

**Mawathagama**

No. 95, Kurunegala Road, Mawathagama.  
Telephone - +94 (0)37 2296 088  
Email - mawathagama.mgr@sampath.lk

**Menikhinna**

No. 54A, Madawala Road, Menikhinna.  
Telephone - +94 (0)81 2376 547/8  
Fax - +94 (0)81 2376 549  
Email - menikhinna.mgr@sampath.lk

**Middeniya**

'Abeysinghe Building', Walasmulla Road, Middeniya  
Telephone - +94 (0)47 2248 231/2  
Fax - +94 (0)47 2248 233  
Email - middeniya.mgr@sampath.lk

**Minuwangoda**

No. 31/1, Negombo Road, Minuwangoda.  
Telephone - +94 (0)11 2299 131/2  
Fax - +94 (0)11 2299 133  
Email - minuwangoda.mgr@sampath.lk

**Mirigama**

No. 54, Giriulla Road, Mirigama.  
Telephone - +94(0)33 2276 901/3  
Fax - +94 (0)33 2276 903  
Email - mirigama.mgr@sampath.lk

**Monaragala**

No. 75, Pothuwil Road, Monaragala.  
Telephone - +94 (0)55 2277 222/290/1  
Fax - +94 (0)55 2277 222  
Email - monaragala.mgr@sampath.lk

**Moratumulla**

No.38, Sri Premarathne Mawatha, Moratumulla.  
Telephone - +94 (0)112 654 040/075  
Fax - +94 (0)112 654 048  
Email - moratumulla.mgr@sampath.lk

**Moratuwa**

No. 653 Galle Road, Moratuwa.  
Telephone - +94(0)11 2644 737/8  
Fax - +94 (0)11 2644 739  
Email - moratuwa.mgr@sampath.lk

**Morawaka**

Ranaweera Building, Akuressa , Deniyaya Road,  
Morawaka.  
Telephone - +94(0)41 2282 310/1  
Fax - +94(0)41 2282 312  
Email - morawaka.mgr@sampath.lk

**Mount Lavinia**

No. 294, Galle Road, Mount Lavinia.  
Telephone - +94(0)11 2719 581/7  
Fax - +94(0)11 2719 582  
Email - mountlavinia.mgr@sampath.lk

**Muttur**

No. 67, Main Street, Muttur.  
Telephone - +94(0)26 2238 181/ 2  
Fax - +94(0)26 2238 183  
Email - muttur.mgr@sampath.lk

**Mutwal**

No. 811, Aluthmawatha Road, Colombo 15.  
Telephone - +94(0)112 540 575/6  
Fax - +94(0)112 540 577  
Email - mutwal.mgr@sampath.lk

**Narahenpita**

No. 193 Kirula Road, Narahenpita,  
Colombo 05.  
Telephone - +94(0)11 2552 820/1  
Fax - +94(0)11 2552 822  
Email - narahenpita.mgr@sampath.lk

**Narammala**

No. 77 & 89 1/1, Kuliyaipitiya Road, Narammala.  
Telephone - +94(0)37 2248 945/6  
Fax - +94(0)37 2248 947  
Email - narammala.mgr@sampath.lk

**Nattandiya**

No. 149, Kuliyaipitiya Road, Nattandiya.  
Telephone - +94(0)32 2250 263/4  
Fax - +94(0)32 2250 265  
Email - nattandiya.mgr@sampath.lk

**Navam Mawatha**

No. 46/38, Navam Mawatha, Colombo 02.  
Telephone - +94(0)11 2305 025  
Fax - +94(0)11 2305 028  
Email - navam.mgr@sampath.lk

**Nawala**

No. 143, Nawala Road, Nugegoda.  
Telephone - +94 (0)11 2812 331/2  
Fax - +94 (0)11 2812 333  
Email - nawala.mgr@sampath.lk

**Nawalapitiya**

No. 92, Gampola Road, Nawalapitiya.  
Telephone - +94(0)54 2223 277 / 700  
Fax - +94(0)54 2223 920  
Email - nawalapitiya.mgr@sampath.lk

**Negombo**

No. 293 Main Street, Negombo.  
Telephone - +94(0)31 2224 345-7  
Fax - +94(0)31 2224 347  
Email - negombo.mgr@sampath.lk

**Negombo 02**

No. 203D, Telwatte Junction, Colombo Road,  
Negombo.  
Telephone - +94(0)31 2221 930/1  
Fax - +94(0)31 2227 282  
Email - negombo2.mgr@sampath.lk

**Nelliady**

No. 169, Jaffna Road, Nelliady.  
Telephone - +94(0) 21 2264 950, 2262 474  
Fax - +94(0)21 2264 951  
Email - nelliady.mgr@sampath.lk

**Neluwa**

Dellawa Road, Main Street, Neluwa.  
Telephone - +94(0)91 3783 010/1  
Email - neluwa.mgr@sampath.lk

**Nikaweratiya**

No. 136, Kurunegala Road, Nikaweratiya.  
Telephone - +94(0)37 2260 918/9  
Fax - +94(0)37 2260 920  
Email - nikaweratiya.mgr@sampath.lk

**Ninthavur**

No. 45/4A, Main Street, Ninthavur.  
Telephone - +94(0)67 2251 388/9  
Fax - +94(0)67 2251 390  
Email - ninthavur.mgr@sampath.lk

**Nittambuwa**

Sri Ramya Building, Kandy Road, Nittambuwa.  
Telephone - +94 (0)33 2295 905/6  
Fax - +94 (0)33 2295 907  
Email - nittambuwa.mgr@sampath.lk

**Nochchiyagama**

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Fax - +94 (0)25 2257 334  
Email - nochchiyagama.mgr@sampath.lk

**Nugegoda**

No. 79A, Stanley Thilakarathna Mawatha,  
Nugegoda.  
Telephone - +94(0)11 2816 288, 2856 907-9  
Fax - +94(0)11 2856 908  
Email - nugegoda.mgr@sampath.lk

**Nuwara Eliya**

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Telephone - +94 (0)52 2222 946/7  
Fax - +94(0)52 2222 948  
Email - nuwaraeliya.mgr@sampath.lk

**Oddamavady**

Colombo Road, Mavadichenai, Oddamavady.  
Telephone - +94 (0)65 2257 372, 2258 210  
Fax - +94 (0)65 2258 211  
Email - oddamavady.mgr@sampath.lk

**Old Moor Street**

No. 371 Old Moor Street, Colombo 12.  
Telephone - +94(0)11 2452 490/2, 2424 075  
Fax - +94(0)11 2424 074  
Email - oldmoor.mgr@sampath.lk

**Padukka**

No. 15, Horana Road, Padukka.  
Telephone - +94(0)112 757 731/2  
Fax - +94(0)112 757 733  
Email - padukka.mgr@sampath.lk

**Panadura**

No. 373 Galle Road, Panadura.  
Telephone - +94(0)38 2235 100  
Fax - +94(0)38 2235 101  
Email - panadura.mgr@sampath.lk

**Panadura Wekada**

No. 111B & 111C, Horana Road, Wekada,  
Panadura.  
Telephone - +94(0)38 2244 534/545  
Fax - +94(0)38 2244 457  
Email - panadura\_wekada.mgr@sampath.lk

**Pannala**

No. 100, Negombo Road, Pannala.  
Telephone - +94(0)37 2246 250, 2245 270  
Fax - +94(0)37 2245 272  
Email - pannala.mgr@sampath.lk

**Passara**

No. 187/1, Badulla Road, Passara.  
Telephone - +94(0)55 2288 311/2  
Fax - +94(0)55 2288 313  
Email - passara.mgr@sampath.lk

**Pelawatte**

No.424, Pannipitiya Road, Thalagama South,  
Pelawatte, Battaramulla.  
Telephone - +94(0)11 2787 209, 2786 119  
Fax - +94(0)11 2786 118  
Email - pelawatte.mgr@sampath.lk

**Pelmadulla**

No. 77 B, Main Street, Pelmadulla.  
Telephone - +94(0)45 2275 920-2  
Fax - +94(0)45 2275 922  
Email - pelmadulla.mgr@sampath.lk

**Peliyagoda**

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Telephone - +94 (0)11 2940 279, 2938 797  
Fax - +94 (0)11 2940 156  
Email - peliyagoda.mgr@sampath.lk

**Peradeniya**

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Telephone - +94 (0)81 2387 876/7,  
+94 (0)81 2384 054  
Fax - +94 (0)81 2384 054  
Email - peradeniya.mgr@sampath.lk

**Pettah**

No. 999 People's Park, Bodiraja Mawatha,  
Colombo 11.  
Telephone - +94 (0)11 2432 324, 262, 2394 596  
Fax - +94(0)11 2432 303  
Email - pettah.mgr@sampath.lk

**Pilimalawa**

No. 246, Colombo Road, Pilimalawa.  
Telephone - +94 (0)81 2577 341, 336  
Fax - +94(0)81 2577 396  
Email - pilimalawa.mgr@sampath.lk

**Piliyandala**

No. 61 Moratuwa Road, Piliyandala.  
Telephone - +94(0)11 2614 664/5  
Fax - +94 (0)11 2614 664  
Email - piliyandala.mgr@sampath.lk

**Pitakotte**

No. 463, Kotte Road, Pitakotte.  
Telephone - +94 (0)11 2874 574/ 2874 577  
Email: pitakotte.mgr@sampath.lk

**"PLATINUM PLUS" (Cambridge Place )**

No.18, Cambridge Place, Colombo 07.  
Telephone - +94 (0)112 695 073/237  
Fax - +94 (0)112 695 196  
Email - platinumc.mgr@sampath.lk

**Pottuvil**

Cassim Moulavi Building, Main Street,  
Pottuvil.  
Telephone - +94(0)63 2248 190/4  
Fax - +94 (0)63 2248 196  
Email: pottuvil.mgr@sampath.lk

**Pussellawa**

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Telephone - +94(0)81 2478 034/5  
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**Puttalam**

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Telephone - +94(0)32 2266 312/3  
Fax - +94 (0)32 2266 314  
Email: puttalam.mgr@sampath.lk

**Ragama**

No 26/05, 26/06, UDA Premises, Kadawatha Road,  
Ragama.  
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Fax - +94 (0)11 2960 659  
Email - ragama.mgr@sampath.lk

**Rajagiriya**

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Telephone - +94 (0)11 2864 922/44  
Fax - +94 (0)11 2864 988  
Email - rajagiriya.mgr@sampath.lk

**Rambukkana**

New Pradeshiya Saba Building, Rambukkana.  
Telephone - +94 (0)35 2265 641, 2266 466  
Fax - +94 (0)35 2266 244  
Email - rambukkana.mgr@sampath.lk

**Ratmalana**

No. 261, Galle Road, Ratmalana.  
Telephone - +94 (0)11 2730 820/1  
Fax - +94 (0)11 2730 819  
Email - ratmalana.mgr@sampath.lk

**Ratnapura**

No. 180-82 Main Street, Ratnapura.  
Telephone - +94 (0)45 2232 261/2  
Fax - +94 (0)45 2224 361  
Email - ratnapura.mgr@sampath.lk

**Rikillagaskada**

No. 120, Kandy Road, Rikillagaskada.  
Telephone - +94 (0)81 2365 021/2  
Fax - +94 (0)81 2365 023  
Email - rikillagaskada.mgr@sampath.lk

**Ruwanwella**

No.4, Veyangoda Road, Ruwanwella.  
Telephone - +94 (0)36 2266 971/2  
Fax - +94 (0)36 2266 973  
Email - ruwanwella.mgr@sampath.lk

**Sainthamaruthu**

Main Street, Sainthamaruthu -16.  
Telephone - +94(0)67 2225 310/320  
Fax - +94(0)67 2225 330  
Email - sainthamaruthu.mgr@sampath.lk

**Sooriyawewa**

No.6719, Ambalantota Road, Sooriyawewa.  
Telephone - +94(0)47 2288 155/6  
Fax - +94(0)47 2288 157  
Email - sooriyawewa.mgr@sampath.lk

**Tangalle**

No. 61, Muhudu Mawatha, Tangalle.  
Telephone - +94 (0)47 2241 865/6  
Fax - +94 (0)47 2241 870  
Email - tangalle.mgr@sampath.lk

**Thalawathugoda**

No. 244/4, Pannipitiya Road, Thalawathugoda.  
Telephone - +94 (0)11 2796 670/1  
Fax - +94 (0)11 2796 672  
Email - thalawathugoda.mgr@sampath.lk

**Thambuttegama**

No. 255 C, Anuradhapura Road, Thambuttegama.  
Telephone - +94 (0)25 2276 836, 2275 072  
Fax - +94 (0)25 2275 072  
Email - thambuththegama.mgr@sampath.lk

**Thimbirigasyaya**

No. 154 Havelock Road, Colombo 05.  
Telephone - +94 (0)11 2505 001/2  
Fax - +94 (0)11 2505 003  
Email - thimbirigasyaya.mgr@sampath.lk

**Thirunelveli**

Palaly Road, Thirunelveli North, Jaffna.  
Telephone - +94 (0)21 2224 801/3  
Fax - +94 (0)21 2224 802  
Email - thirunelveli.mgr@sampath.lk

**Tissamaharamaya**

No. 25-27 Main Street, Tissamaharamaya.  
Telephone - +94 (0)47 2237 056/8  
Fax - +94 (0)47 2237 058  
Email - tissa.mgr@sampath.lk

**Trincomalee**

No. 262, Central Road, Trincomalee.  
Telephone - +94(0)26 2225 387/9  
Fax - +94(0)26 2225 389  
Email - trinco.mgr@sampath.lk

**Vavuniya**

No. 25, Station Road, Vavuniya  
Telephone - +94(0)24 2222 959  
Fax - +94(0)24 4589 500  
Email - vavuniya.mgr@sampath.lk

## ANNEX II CONTD.

### Vavuniya Super Branch

No. 7A, Horowpatana Road, Vavuniya.  
Telephone - +94(0)24 2226 227/8  
Fax - +94(0)24 2226 229  
Email - vavuniya\_super.mgr@sampath.lk

### Veyangoda

No. 121, Negombo Road, Veyangoda.  
Telephone - +94(0)33 2296 330  
Email - veyangoda.mgr@sampath.lk

### Wadduwa

No. 555, Galle Road, Wadduwa.  
Telephone - +94 (0) 38 2284 960 / 2285132  
Fax - +94(0)38 2284 505  
Email - wadduwa.mgr@sampath.lk

### Warakapola

No. 95, Kandy Road, Warakapola.  
Telephone - +94 (0) 35 2267 981/2  
Fax - +94(0)35 2267 983  
Email - warakapola.mgr@sampath.lk

### Wariyapola

Nawinna Office & Shopping Complex,  
Kalugamuwa Road, Wariyapola.  
Telephone - +94(0)37 2268 707/8  
Fax - +94(0)37 2268 144  
Email - wariyapola.mgr@sampath.lk

### Wattala

No. 165 Negombo Road, Wattala.  
Telephone - +94(0)11 2931 569/70, 2941 526/7  
Fax - +94(0)11 2931 568  
Email - wattala.mgr@sampath.lk

### Wattegama

No. 134/A/1, Kandy Road, Wattegama.  
Telephone - +94(0)81 2476 876/7  
+94 (0)81 2470 600  
Email - wattegama.mgr@sampath.lk

### Weligama

No. 253, Matara Road, Weligama.  
Telephone - +94 (0)41 2253 003 / 2254 002  
Fax - +94 (0)41 2254 003  
Email - weligama.mgr@sampath.lk

### Welimada

No. 54, Nuwara Eliya Road, Welimada.  
Telephone - +94 (0)57 2244 466/7  
Fax - +94 (0)57 2244 468  
Email - welimada.mgr@sampath.lk

### Wellampitiya

No. 268, Kolonnawa Road, Wellampitiya.  
Telephone - +94(0)11 2533 498  
wellampitiya.mgr@sampath.lk

### Wellawatta Super Branch

No. 591A, Galle Road, Colombo 06.  
Telephone - +94(0)11 2507 607/8  
Fax - +94(0)11 2507 609  
Email - wellawattesuper.mgr@sampath.lk

### Wellawaya

No. 70/D, Kumaradasa Mawatha, Wellawaya.  
Telephone - +94(0)55 2274 419/445/470  
Fax - +94(0)55 2274 470  
Email - wellawaya.mgr@sampath.lk

### Wennappuwa

No. 191/A Colombo Road, Wennappuwa.  
Telephone - +94(0)31 2256 925/7  
Fax - +94(0)31 2256 926  
Email - wennappuwa.mgr@sampath.lk

### Yakkala

No. 88, Kandy Road, Yakkala.  
Telephone - +94 (0)33 2232 670/2234 230  
Fax - +94 (0)33 4674 602  
Email - yakkala.mgr@sampath.lk

# Fitch Ratings

26 June 2012

Mr. Ranjith Samaranayake,  
Chief Financial Officer,  
Sampath Bank PLC,  
110, Sir James Peiris Mawatha,  
Colombo 2.

Dear Sir,

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

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

- National Long -Term Rating of A+(lka) on proposed subordinated debt issuance of upto LKR2.5billion

The rating is listed and updated on Fitch's public website under  
[http://www.fitchratings.com/creditdesk/ratings/issr\\_rtng.cfm?issr\\_id=80362146](http://www.fitchratings.com/creditdesk/ratings/issr_rtng.cfm?issr_id=80362146)

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

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

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

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Fitch Ratings Lanka Limited  
East Tower, World Trade Centre, Colombo 1, Sri Lanka. T + 94 11 2541900 F + 94 11 2541903 www.fitchratings.lk

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We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact me at +94 112 541900.

Sincerely,  
Fitch

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**Maninda Wickramasinghe**  
Country Head









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சம்பத் வங்கி  
*SampathBank*