

BALANCE SHEET

AS AT 31ST DECEMBER, 2002

	Notes	BANK		GROUP	
		2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
ASSETS					
Cash and Short Term Funds	10	14,592,828	6,878,117	14,606,052	6,962,832
Balances with the Central Bank	11	14,028,604	14,536,040	14,028,604	14,536,040
Treasury Bills	12	7,637,681	3,403,645	7,640,093	3,423,049
Bills of Exchange	13	5,316,783	20,413,569	5,316,783	20,413,569
Loans and Advances	14	95,813,565	85,728,626	95,823,027	85,728,626
Due from Subsidiaries	15.1	424,252	75,751	-	-
Due from Associates	15.2	-	23,387	-	23,387
Lease rentals receivable- before 31.12.2003	16.1	8,022	39,695	1,714,192	1,063,802
Lease rentals receivable- after 31.12.2003	16.2	46,284	100,145	2,378,018	1,470,455
Accrued Interest and Other Assets	17	5,483,500	7,927,414	5,569,169	8,193,898
Dealing Securities	18	204,483	151,352	205,745	153,280
Investment Securities	19	15,923,671	7,712,993	16,068,828	7,831,936
Investments in Subsidiaries	20	185,700	312,700	-	-
Investment in Associate Companies	21	79,500	79,500	106,528	96,452
Government of Sri Lanka Restructuring Bonds	22	17,379,320	17,379,320	17,379,320	17,379,320
Property, Plant and Equipment	23	4,487,628	2,834,299	4,610,570	3,072,905
TOTAL ASSETS		<u>181,611,821</u>	<u>167,596,553</u>	<u>185,446,929</u>	<u>170,349,551</u>
LIABILITIES					
Amounts due to Banks		254,012	167,466	254,012	167,466
Deposits from Customers	24	141,835,503	127,543,687	141,835,503	127,543,347
Borrowings from Banks	25	24,003,146	28,368,744	26,920,219	30,696,216
Due to Subsidiaries	26	124,465	304,566	-	-
Due to Associates	27	16,181	3,727	16,181	3,727
Accrued Interest and Other Liabilities	28	14,998,037	13,995,645	15,637,574	14,387,908
Provision for Taxation	29	(315,000)	(341,734)	(315,000)	(341,734)
Pension Liabilities	30	3,831,949	3,555,262	3,833,320	3,555,990
TOTAL LIABILITIES		<u>184,748,293</u>	<u>173,597,363</u>	<u>188,181,809</u>	<u>176,012,920</u>
FUNDS EMPLOYED					
Share Capital	31	49,998	49,998	49,998	49,998
Capital Pending Allotment	32	1,152,000	1,152,000	1,152,000	1,152,000
Reserves	33	(4,338,470)	(7,202,808)	(4,013,005)	(6,969,209)
		<u>(3,136,472)</u>	<u>(6,000,810)</u>	<u>(2,811,007)</u>	<u>(5,767,211)</u>
Minority Interest	34	-	-	76,126	103,842
TOTAL FUNDS EMPLOYED		<u>(3,136,472)</u>	<u>(6,000,810)</u>	<u>(2,734,880)</u>	<u>(5,663,369)</u>
TOTAL LIABILITIES & FUNDS EMPLOYED		<u>181,611,821</u>	<u>167,596,553</u>	<u>185,446,929</u>	<u>170,349,551</u>
COMMITMENTS AND CONTINGENCIES	35	<u>24,350,333</u>	<u>26,726,306</u>	<u>24,350,333</u>	<u>26,726,306</u>

The Notes set out page to from an integral part of this Balance Sheet.

These financial statements were approved by the Board of Directors on

2003 and signed on their behalf on

Lal Nanayakkara
Chairman

Asoka de Silva
General Manager

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	Note	BANK		GROUP	
		2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
INCOME	3	23,975,961	25,198,356	24,601,371	25,662,078
Interest Income	4	21,895,051	23,270,549	22,518,854	23,734,516
Interest Expense	5	(13,645,413)	(15,257,536)	(13,984,953)	(15,550,540)
NET INTEREST INCOME		8,249,638	8,013,013	8,533,901	8,183,976
Other Income	6	2,080,910	1,927,807	2,082,516	1,927,562
TOTAL INCOME		10,330,548	9,940,820	10,616,418	10,111,538
LESS: OPERATING EXPENSES	7				
Personnel Costs		4,474,374	4,256,515	4,519,424	4,310,502
Provision for Staff Retirement Benefits	30	424,846	481,970	425,004	482,334
Premises, Equipment and Establishment Expenses		1,341,626	1,236,116	1,304,234	1,217,980
Fee and Commission Expenses		9,506	8,361	9,530	12,472
Provision for Loan Losses / Write off		1,399,572	807,876	1,504,604	821,750
Provision for Fall in Value of Dealing Securities / Others		(91,538)	(42,650)	(91,538)	(25,683)
Other Overhead Expenses		1,845,209	2,884,166	1,935,072	2,939,049
		(9,403,595)	(9,632,354)	(9,606,331)	(9,758,404)
OPERATING PROFITS		926,953	308,466	1,010,087	353,134
Share of Associate Companies' Profit/Loss					
Before Taxation		-	-	11,162	(1,045)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		926,953	308,466	1,021,249	352,089
Taxation	8	218,099	-	216,363	(9,912)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		1,145,052	308,466	1,237,612	342,177
Less: Extraordinary Items:					
Investment in subsidiary - written off		(139,394)	-	(139,394)	-
PROFIT AFTER EXTRAORDINARY ITEMS		1,005,658	308,466	1,098,218	342,177
Less: Minority Interest	34	-	-	4,851	3,114
PROFIT FOR THE YEAR	33	1,005,658	308,466	1,103,069	345,291
Earnings Per Share Before Extraordinary Items.					
Basic (Rs.)	9.1	1,145	308	1,238	345
Diluted (Rs.)	9.2	48	13	51	14
Earnings Per Share After Extraordinary Items.					
Basic (Rs.)	9.1	1,006	308	1,103	345
Diluted (Rs.)	9.2	42	13	46	14

The notes set out on pages - to - form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Share capital Rs.000	Cap. Pend. Allotment Rs.000	Permanent Reserve Rs.000	Valuation Reserve Rs.000	Capital Reserve Rs.000	General Reserve Rs.000	Accumulated Losses Rs.000	Total Rs.000
BANK								
Balance as at 01.01.2001	49,998	1,152,000	49,998	877,493	6,663	1,000	(8,446,428)	(6,309,276)
Net profit							308,466	308,466
Balance as at 01.01.2002	49,998	1,152,000	49,998	877,493	6,663	1,000	(8,137,962)	(6,000,810)
Revaluation Surplus (Note 23.1)				1,858,680				1,858,680
Net profit							1,005,658	1,005,658
Balance as at 31.12.2002	49,998	1,152,000	49,998	2,736,173	6,663	1,000	(7,132,304)	(3,136,472)
GROUP								
Balance as at 01.01.2001	49,998	1,152,000	49,998	877,493	6,663	1,000	(8,249,654)	(6,112,502)
Net profit							345,291	345,291
Balance as at 01.01.2002	49,998	1,152,000	49,998	877,493	6,663	1,000	(7,904,363)	(5,767,211)
Revaluation Surplus (Note 23.1)				1,858,680				1,858,680
Net profit							1,103,069	1,103,069
Transfer during the year								
Reversal of opening reserve o/a subsidiary							(5,544)	(5,544)
Balance as at 31.12.2002	49,998	1,152,000	49,998	2,736,173	6,663	1,000	(6,806,839)	(2,811,007)

The notes set out on pages - to - form an integral part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	BANK	
	2,002	2,001
	(Rs. '000)	(Rs. '000)
<u>Cash Flows From Operating Activities</u>		
Net Operating Profit/(Loss) before Taxation	926,953	308,466
Adjustment for non cash transactions -		
Associate Profit Adjustment	-	-
Pension Related Provision	424,846	481,970
Depreciation	551,498	397,728
Profit on Disposal of Fixed Assets	(18,258)	(8,320)
Provision for Bad Debts	1,399,572	807,876
Foreign Exchange Profit	(343,114)	(543,844)
Investment Income	(13,375)	(25,034)
Profit/Loss on Share Trading	(16,372)	-
Deferred Expenditure Written off	-	-
Provision for Diminution in Value of Shares	(91,538)	(42,650)
Operating Profit before changes in Operating Assets / Liabilities	<u>2,820,212</u>	<u>1,376,192</u>
(Increase)/Decrease in Operating Assets	2,752,513	(25,490,936)
Increase/(Decrease) in Operating Liabilities	<u>15,126,561</u>	<u>11,866,944</u>
Cash Generated from Operations	20,699,286	(12,247,800)
Income Taxes Paid	-	(16,361)
Net Cash Flow from /(used in) Operating Activities	<u>20,699,286</u>	<u>(12,264,161)</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds on Sale of Investments	-	6,518,705
Dividend Received	13,375	25,034
Proceed from Sales of Property, Plant & Equipment	18,258	8,354
Purchase of Property, Plant & Equipment	(415,128)	(294,054)
Transfers to Pension Funds	(111,517)	(181,709)
Investment in Treasury Bonds	<u>(8,210,678)</u>	<u>-</u>
Net Cash from / (used in) Investing Activities	<u>(8,705,690)</u>	<u>6,076,330</u>
<u>Cash Flows from Financing Activities</u>		
Net decrease in Borrowings	<u>(4,365,598)</u>	<u>(11,375,237)</u>
Net Cash from / (used in) Financing Activities	<u>(4,365,598)</u>	<u>(11,375,237)</u>
Net increase / (decrease) in cash and cash equivalents	7,627,998	(17,563,068)
Cash and cash equivalents at the beginning of the year	<u>6,710,818</u>	<u>24,273,719</u>
Cash and cash equivalents at the end of the year	<u>14,338,816</u>	<u>6,710,651</u>

Cash and Short Term Funds(Note 10)	14,592,828	6,878,117
Amounts due to Banks	(254,012)	(167,466)
	<u>14,338,816</u>	<u>6,710,651</u>

The notes set out on pages - to - form an integral part of these Financial Statement

Cash Flows From Operating Activities

Net Operating Profit/(Loss) before Taxation
Adjustment for non cash transactions -
Associate Profit Adjustment
Pension Related Provision
Depreciation
Profit on Disposal of Fixed Assets
Provision for Bad Debts
Foreign Exchange Profit
Investment Income
Profit/Loss on Share Trading
Deferred Expenditure Written off
Provision for Diminution in Value of Shares
Operating Profit before changes in Operating Assets / Liabilities
(Increase)/Decrease in Operating Assets
Increase/(Decrease) in Operating Liabilities
Cash Generated from Operations
Income Taxes Paid
Net Cash Flow from(used in) Operating Activities

Cash Flows from Investing Activities

Proceeds on Sale of Investments
Dividend Received
Proceeds from Sales of Property, Plant & Equipment
Purchase of Property, Plant & Equipment
Transfers to Pension Funds
Investment in Treasury Bonds

Net Cash from /(used in) Investing Activities

Cash Flows from Financing Activities

Net increase in Borrowings

Net Cash from Financing Activities

Effects of exchange rate changes on cash and
Cash equivalents

Net increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

Cash and Short Term Funds(Note 10)

Amounts due to Banks

Effect of Exchange Rate Changes

GROUP

2002	2001
(Rs. '000)	(Rs. '000)

1,021,249	352,089
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4,851	3,433
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425,004	420,725
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563,055	401,747
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(18,258)	(8,320)
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1,504,604	821,512
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(332,953)	(528,165)
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(15,751)	(26,221)
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(17,168)	(10,805)
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-	1,251
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(91,538)	(45,379)
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<u>3,043,095</u>	<u>1,381,867</u>
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1,275,428	(26,650,626)
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<u>15,554,278</u>	<u>11,528,862</u>
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19,872,801	(13,739,897)
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-	(16,361)
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<u>19,872,801</u>	<u>(13,756,258)</u>
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10,805	7,282,821
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15,751	26,221
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18,258	8,354
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(236,567)	(394,607)
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(111,517)	(181,709)
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<u>(8,236,892)</u>	<u>(801,487)</u>
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(8,540,162)	5,939,593
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<u>(3,775,997)</u>	<u>(9,754,130)</u>
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(3,775,997)	(9,754,130)
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7,556,642	(17,570,795)
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<u>6,795,366</u>	<u>24,366,161</u>
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<u>14,352,008</u>	<u>6,795,366</u>
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14,606,020	6,962,832
(254,012)	(167,466)
<u>14,352,008</u>	<u>6,795,366</u>

BANK

2002	2001	
(Rs. '000)	(Rs. '000)	
926,953	308,466	
424,846	481,970	
551,498	551,498	
(18,258)	(8,320)	
1,399,572	807,876	
(343,114)	(543,844)	
(13,375)	(25,034)	
(16,372)		
<u>(91,538)</u>	<u>(42,650)</u>	
2,820,212	1,529,962	(25,644,706)
2,752,513	(25,644,706)	2,752,513
15,126,561	11,866,944	
<u>20,699,286</u>	<u>(12,247,800)</u>	
	(16,361)	
<u>20,699,286</u>	<u>(12,264,161)</u>	
-	6,518,705	
13,375	25,034	
18,258	8,354	
(415,128)	(294,054)	
(111,517)	(181,709)	
<u>(8,210,678)</u>		

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2002 (Rs. '000)	2,001 (Rs. '000)	2002 # (Rs. '000)	2001 (Rs. '000)
3. INCOME				
Gross Income	24,796,456	27,020,743	25,421,866	27,484,465
Less: Turnover Tax :				
Recovered from Customers	-	(130,390)	-	(130,390)
Borne by the Bank	-	(49,030)	-	(49,030)
Defence Levy :				
Recovered from Customers	(607,108)	(1,134,783)	(607,108)	(1,134,783)
Borne by the Bank	(213,387)	(508,184)	(213,387)	(508,184)
	<u>23,975,961</u> 0	<u>25,198,356</u>	<u>24,601,371</u>	<u>25,662,078</u>
4. INTEREST INCOME				
Loans and Advances	15,261,293	17,283,305	15,883,188	17,725,717
Treasury Bills and Government Securities(Note 22)	3,297,824	2,085,416	3,297,824	2,087,885
Government of Sri Lanka Restructuring Bonds	2,286,645	2,286,645	2,286,645	2,286,645
Money at Call & Short Notice	384,260	326,000	384,260	342,702
Government Securities & Unquoted Bonds	57,921	24,010	59,830	26,394
Recovery of Defence Levy	607,108	1,134,783	607,108	1,134,783
Recovery of Turnover Tax	-	130,390	0	130,390
	<u>21,895,051</u> 0	<u>23,270,549</u>	<u>22,518,854</u> 0	<u>23,734,516</u>
5. INTEREST EXPENSE				
Customer Deposits	9,425,149	9,375,791	9,418,149	9,366,180
Restructuring Bonds (Note 5.1)	571,661	571,661	571,661	571,661
Refinance & Bank Borrowings	3,287,067	4,919,724	3,633,607	5,222,339
Widow's & Orphan's Pension Fund	348,000	380,000	348,000	380,000
Others	13,536	10,360	13,536	10,360
	<u>13,645,413</u> 0	<u>15,257,536</u>	<u>13,984,953</u>	<u>15,550,540</u>
5.1				
According to the Agreement between Government of Sri Lanka and People's Bank, the Bank is required to pay back 25% of the Restructuring interest to the General Treasury.				
5.2				
	Bank			
	2,002	2,001		
Average Interest rate	6.9%	7.7%		
Average Interest earning assets (Rs. '000)	164,238,266	130,552,305		
Average Interest earning Liabilities (Rs. '000)	165,004,354	132,744,468		
6 OTHER INCOME				
Foreign Exchange Gain net of Losses	343,114	543,844	332,953	528,165
Commission and Fees	1,492,446	1,224,539	1,496,643	1,234,437
Dividends from Investments				
Quoted	1,781	4,048	2,953	5,235
Unquoted	11,594	20,986	11,594	20,986
Subsidiaries and Associate Companies	26,204	20,565	1,204	20,565
Profit/(Loss) on Share Trading	16,372	-	17,168	10,261
Profit/(Loss) on Sale of Investments	-	544	-	544
Recovery of Bad Debts Written Off	112,132	49,977	112,132	49,977
Other Operating Income	77,268	63,304	107,870	57,392
	<u>2,080,910</u> #	<u>1,927,807</u>	<u>2,082,516</u>	<u>1,927,562</u>

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
7. OPERATING EXPENSES				
Operating Expenses include the following				
Directors' Emoluments - Fees	25	300	47	300
Others	-	232	-	232
Auditors' Remuneration	14,218	13,067	14,415	13,253
Depreciation (Note 23)	551,498	397,728	563,055	401,747
Legal Expenses	14,765	10,815	14,765	10,815
	<u>14,765</u>	<u>10,815</u>	<u>14,765</u>	<u>10,815</u>
8. TAXATION				
Tax Refunded	218,099	-	218,099	-
Share of Taxation of Associate Companies	-	-	(1,736)	(9,912)
	<u>218,099</u>	<u>-</u>	<u>216,363</u>	<u>(9,912)</u>

8.1 Tax Losses

Income tax has not been provided in the financial statement in view of accumulated tax losses. Accumulated loss at the year end.31st December 2002 amounts to Rs. 3,902 Million

8.2 Tax Credit 218 Mn

A Tax Credit of Rs 218 Mn has been reflected in the financial statements. This relates to a refund that, have been agreed as being due to the Bank on reasolution of outstanding assessments between the Inland Revenue Department and the Bank.

9 EARNINGS PER SHARE

9.1 Basic Earnings Per Share

Basic earnings per share has been calculated by dividing the net profit after tax attributable to ordinary share holders by the total number of shares in issue.

	2002	2001
Total Number of Ordinary shares in issue (Rs '000)	1,000	1,000
Net profit after Tax (Rs. Mn)	1,006	308.5
Earnings per share Rs.	1,006	308.5

9.2 Diluted Earnings Per Share

	2002	2001
Number of ordinary shares in issue (Rs '000)	1,000	1,000
Number of ordinary shares pending allotment (Note 32) (R	23,040	23,040
	<u>24,040</u>	<u>24,040</u>
Diluted Earnings Per Share Rs.	<u>41.83</u>	<u>12.83</u>

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
10 CASH AND SHORT TERM FUNDS				
Cash in Hand and Balances with Banks	5,460,805	5,270,819	5,474,028	5,354,409
Money at Call and Short Notice	9,132,023	1,607,298	9,132,023	1,608,423
	<u>14,592,828</u>	<u>6,878,117</u>	<u>14,606,052</u>	<u>6,962,832</u>
11 BALANCES WITH THE CENTRAL BANK				
Mandatory Reserve Deposits				
Reserves on Rupee Deposits	<u>14,028,604</u>	<u>14,536,040</u>	<u>14,028,604</u>	<u>14,536,040</u>
Balances with the Central Bank comprise a statutory cash reserve and a current account, both of which are non interest bearing. The minimum cash reserve required to be maintained at the Central Bank of Sri Lanka as at 31st December, 2002 represented 10% of rupee Deposits Liabilities after permitted adjustments.				
12 TREASURY BILLS				
Treasury Bills	<u>7,637,681</u>	<u>3,403,645</u>	<u>7,640,093</u>	<u>3,423,049</u>
13 BILLS OF EXCHANGE,				
13.1 Bills of Exchange				
Export bills	672,416	996,618	672,416	996,618
Import bills	1,139,666	1,266,250	1,139,666	1,266,250
Local bills	4,344,306	18,990,306	4,344,306	18,990,306
	<u>6,156,388</u>	<u>21,253,174</u>	<u>6,156,388</u>	<u>21,253,174</u>
Less: Provision (Refer 13.2 below)	<u>(839,605)</u>	<u>(839,605)</u>	<u>(839,605)</u>	<u>(839,605)</u>
	<u>5,316,783</u>	<u>20,413,569</u>	<u>5,316,783</u>	<u>20,413,569</u>
13.2 Provision for Doubtful Bills				
At beginning of year	839,605	839,605	839,605	839,605
New provision (reversals) during the year	-	-	-	-
At end of year	<u>839,605</u>	<u>839,605</u>	<u>839,605</u>	<u>839,605</u>
14 LOANS AND ADVANCES				
14.1 Loans and Advances				
Overdrafts	21,740,037	26,491,664	21,740,037	26,491,664
Trust receipts	1,725,084	1,406,450	1,725,084	1,406,450
Staff loans	9,065,031	8,706,491	9,065,031	8,706,491
Other loans	77,638,644	63,784,400	77,648,106	63,784,400
Total Loans and Advances	<u>110,168,796</u>	<u>100,389,005</u>	<u>110,178,257</u>	<u>100,389,005</u>
Less: Provision (Refer 14.2 below)	<u>(14,355,231)</u>	<u>(14,660,379)</u>	<u>(14,355,231)</u>	<u>(14,660,379)</u>
	<u>95,813,565</u>	<u>85,728,626</u>	<u>95,823,027</u>	<u>85,728,626</u>
14.2 Provision for Doubtful Loans				
At beginning of year - Specific	14,575,650	13,777,411	14,575,650	13,777,411
-General	84,729	100,000	84,729	100,000
Translation difference on FCBU conversion	40,654		40,654	
New provision during the year	1,399,572	807,876	1,399,572	807,876
Amount written off against the provision	(1,740,476)	(24,908)	(1,740,476)	(24,908)
Reversal of general provision	(4,898)	-	(4,898)	-
	<u>14,355,231</u>	<u>14,660,379</u>	<u>14,355,231</u>	<u>14,660,379</u>
	15,194,836			
14.3 Loan Loss Provision				

The Bank has accounted Rs. 1399.5 Mn. as the Loan Loss Provision for the year under review. This provision has been made in accordance with the stipulation on provisioning as set out by the Central Bank and of Sri Lanka and SLAS 23. It includes Rs. 532 Mn which is an additional provision that has been recommended by the Board of Directors in respect of advances granted to the state sector. The purposes of this incremental provision is to reduce the loss that may be faced by the Bank, in the event of non - payment of current outstanding.

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
15.1 DUE FROM SUBSIDIARIES				
Loans and Advances	<u>424,252</u>	<u>75,751</u>	<u>-</u>	<u>-</u>
15.2 DUE FROM ASSOCIATES				
Loans and Advances	<u>-</u>	<u>23,387</u>	<u>-</u>	<u>23,387</u>
16 LEASES				
16.1 Leases Rentals Receivable before 31.12.2003				
Gross Lease rentals receivable	101,048	219,587	6,247,130	3,982,958
Lease rentals receivable after one year from Balance Sheet date (Refer 16.2)	<u>(91,769)</u>	<u>(169,139)</u>	<u>(3,620,450)</u>	<u>(2,436,513)</u>
Lease rentals receivable within one year from Balance Sheet date	9,279	50,448	2,626,680	1,546,445
Unearned lease income	(1,257)	(10,753)	(803,969)	(445,558)
Lease rentals receivable			(7,834)	0
Provisions for bad and doubtful debts -Specific	-	-	(100,685)	(37,085)
Net lease rental receivable	<u>8,022</u>	<u>39,695</u>	<u>1,714,192</u>	<u>1,063,802</u>
16.2 Lease rentals receivable after 31.12.2003				
Gross Lease rentals receivable after one year from Balance Sheet date	91,769	169,139	3,620,450	2,436,513
Unearned lease income	(19,347)	(29,320)	(837,425)	(537,594)
Initial rentals received	(26,138)	(39,674)	(276,862)	(381,265)
Provisions for bad and doubtful debts -Specific	-	-	(128,145)	(47,199)
	<u>46,284</u>	<u>100,145</u>	<u>2,378,018</u>	<u>1,470,455</u>
17 ACCRUED INTEREST AND OTHER ASSETS				
Interest Receivable	3,342,821	4,358,165	3,396,036	4,449,338
Other Assets and Prepayments	2,503,263	3,981,594	2,535,717	4,156,905
Less: Provision for loss against other assets	<u>(362,584)</u>	<u>(412,345)</u>	<u>(362,584)</u>	<u>(412,345)</u>
	<u>5,483,500</u>	<u>7,927,414</u>	<u>5,569,169</u>	<u>8,193,898</u>

NOTES TO THE FINANCIAL STATEMENTS

	2002 Cost (Rs. '000)	2001 Cost (Rs. '000)
18 Dealing Securities		
Bank (Refer 18.1)		
Quoted Shares at Cost	322,741	187,493
Less: Provision for fall in value	(118,258)	(36,141)
Quoted Shares at Market Value	<u>204,483</u>	<u>151,352</u>

Group (Refer 18.2)		
Quoted Shares at Cost	324,002	189,421
Less: Provision for fall in value	(118,357)	(36,141)
Quoted Shares at Market Value	<u>205,745</u>	<u>153,280</u>

18.1 Dealing Securities - Bank

Quoted Shares/Units	No. Of Share(s) units	Cost 2002 (Rs. '000)	Market Value as at 31.12.02 (Rs. '000)	No. Of Share(s)/ units	Cost 2001 (Rs. '000)	Market Value as at 31.12.01 (Rs. '000)
John Keells Holdings Ltd.	-	-	-	2,023,338	106,359	106,359
Magpeck Limited	125,000	5,000	-	125,000	5,000	-
Overseas Reality (Ceylon) Ltd.	30,200,852	241,607	151,004	-	-	-
National Equity Fund	5,112,735	76,134	53,479	5,112,735	76,134	44,993
		<u>322,741</u>	<u>204,483</u>		<u>187,493</u>	<u>151,352</u>

18.2 Dealing Securities - Group

Quoted Shares/Units	No. Of Share(s) units	Cost 2002 (Rs. '000)	Market Value as at 31.12.02 (Rs. '000)	No. Of Share(s) units	Cost 2001 (Rs. '000)	Market Value as at 31.12.01 (Rs. '000)
DFCC Bank	3,000	188	188	3,000	188	188
National Development Bank	6,550	255	255	6,550	255	255
Eden Hotel Limited				38	-	-
John Keells Holdings Ltd.	7,875	264	264	2,031,213	106,623	106,623
Magpeck Limited	125,000	5,000	-	125,000	5,000	-
National Equity Fund	5,112,735	76,134	53,479	5,112,735	76,134	44,993
Overseas Reality (Ceylon) Ltd.	30,200,852	241,607	151,004	-	-	-
Aitken Spence & Company Ltd	1,800	141	141	1,800	141	141
Commercial Bank of Ceylon Ltd				3,000	227	227
Hatton National Bank	3,850	140	140	3,500	140	140
Hayleys Ltd				3,644	255	255
Caltex Lubricants Lanka Ltd				4,000	184	184
Tokyo Cement Company (Lanka) Ltd	2,800	98	98	2,800	98	98
Nestle Lanka	2,600	176	176	2,600	176	176
		<u>324,002</u>	<u>205,745</u>		<u>189,421</u>	<u>153,280</u>

The market value of the investments in quoted equity shares are based on the market value ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

19 Investment Securities	2002	2001
Bank	Cost	Cost
	(Rs. 000)	(Rs. 000)
	139,745	361,388
Less: Provision for Permanent Diminution in value of Investments	(42,658)	(217,055)
	<u>97,091</u>	<u>144,333</u>
Long Term Investments - Debt Securities		
Unquoted Bonds	-	-
Treasury Bonds	13,422,07	6,902,660
Sri Lanka Development Bonds US\$	1,692,600	466,000
Reddemable Debenture	50,000	-
Investment Pro Notes	661,907	200,000
	<u>15,826,58</u>	<u>7,568,660</u>
	<u>15,923,67</u>	<u>7,712,99</u>
Group		
Long Term Investments - Equities		
Unquoted Shares (Refer 19.2)	322,067	511,755
	<u>322,067</u>	<u>511,755</u>
Less: Provision for Permanent Diminution in value of Investments	(82,869)	(248,479)
	<u>239,198</u>	<u>263,276</u>
Long Term Investments - Debt Securities		
Treasury Bond	13,422,07	6,902,660
Sri Lanka Development Bonds US\$	1,692,600	466,000
Reddemable Debenture	50,000	-
Investment Subsidiaries & Non Quoted Shares	3,049	-
Investment Pro Notes	661,907	200,000
	<u>15,829,62</u>	<u>7,568,660</u>
	<u>16,068,82</u>	<u>7,831,93</u>

19.1 Unquoted Shares - Bank

	No. of Share(s)	Director's Valuation as at 31/12/02 Rs' 000	Cost as at 31/12/02 Rs' 000	Director's Valuation as at 31/12/01 Rs' 000	Cost as at 31/12/01 Rs' 000
Air Lanka Limitec	1	-	-	-	-
Credit Information Bureau of Sri Lanka	22,400	-	2,240	-	2,240
Southern Venture Capital Co. Limitec	2,500,000	18,750	25,000	18,750	25,000
SWIFT	14	-	1,168	-	1,168
Rajarata Development Bank	1,200,000	9,000	12,000	9,000	12,000
Kandurata Development Bank	1,200,000	9,000	12,000	9,000	12,000
Ruhunu Development Bank	1,200,000	9,000	12,000	9,000	12,000
Sabaragamuwa Development Bank	1,200,000	9,000	12,000	9,000	12,000
Uva Development Bank	1,200,000	9,000	12,000	9,000	12,000
Wayamba Development Bank	1,200,000	9,000	12,000	9,000	12,000
Puttalam Salt Ltd	325,398	2,716	17,716	2,716	17,716
Overseas Reality (ceylon) Ltd - (Preference Shares)	-	-	-	68,242	242,635
Duff and Phelps Credit Rating Lanka Ltd	62,500	625	625	625	625
Lanka Clear (Pvt) Ltd	2,100,000	21,000	21,000	-	-
		<u>97,091</u>	<u>139,745</u>	<u>144,333</u>	<u>361,388</u>

19.2 Unquoted Shares - Group

	No. Of Share(s)	Director's Valuation as at 31/12/ 02 Rs' 000	Cost as at 31/12/ 02 Rs' 000	Director's Valuation as at 31/12/ 01 Rs' 000	Cost as at 31/12/ 01 Rs' 000
Air Lanka Limitec	1	-	-	-	-
Credit Information Bureau of Sri Lanka	22,400	-	2,240	-	2,240
District Corporate Union	135	-	-	-	-
Southern Venture Capital Co. Limitec	2,500,000	18,750	25,000	18,750	25,000
SWIFT	14	-	1,168	-	1,168
Rajarata Development Bank	1,200,000	9,000	12,000	9,000	12,000
Kandurata Development Bank	1,200,000	9,000	12,000	9,000	12,000
Ruhunu Development Bank	1,200,000	9,000	12,000	9,000	12,000
Sabaragamuwa Development Bank	1,200,000	9,000	12,000	9,000	12,000
Uva Development Bank	1,200,000	9,000	12,000	9,000	12,000
Wayamba Development Bank	1,200,000	9,000	12,000	9,000	12,000
Puttalam Salt Ltd	325,398	2,716	17,716	2,716	17,716
Overseas Reality (ceylon) Ltd - (Preference Shares)	-	-	-	68,242	242,635
Duff and Phelps Credit Rating Lanka Ltd	62,500	625	625	625	625
Lanka Clear (Pvt) Ltd	2,100,000	21,000	21,000	-	-
Barter Card South Asia Ltd	443,100	1	4,431	1	4,431
Compusoft (pvt.) Ltd.	-	4,752	4,752	2,795	2,795
Ceylon Tapes (Pvt) Ltd	346,555	2,855	3,375	3,375	3,375
Geomics (Pvt) Ltd	-	18,935	18,935	14,442	14,442
Impressions (Pvt) Ltd	-	10,800	14,500	14,500	14,500
Kale (Pvt) Ltd	230,000	1	2,300	1	2,600
Korea Zippers (Pvt) Ltd	530,000	1	5,300	1	5,300
Lanka Geo Products (Pvt) Ltd	275,000	1	2,750	1	2,750
Lynnsun Textile Industries (Pvt) Ltd	1,000,000	1	10,000	1	10,000
Millenium Information Technologies	661,100	6,611	6,611	6,611	6,611
Resco Asia (Pvt) Ltd	594,000	940	940	940	940
Sherapak Lanka (Pvt) Ltd	200,000	-	2,000	1	2,000
Softshoe Lanka (Pvt) Ltd	300,000	1	3,000	1	3,000
Sri Lanka Technology Incubator(Pvt) Ltd	-	2,500	2,500	2,000	2,000
Temptation Technologies (Pvt) Ltd	-	12,000	12,000	7,863	7,863
The Wrap Factory (Pvt) Ltd	670,000	480	6,700	2,335	3,684
Vidullanka Ltd	1,000,000	10,000	10,000	10,000	10,000
Interblocks (pvt.)Ltd.	-	27,000	27,000	12,000	12,000
emPrise I.T	-	22,450	22,450	19,300	19,300
Laksoft Technologies (Pvt.)Ltd.	-	22,775	22,775	22,775	22,775
		<u>239,198</u>	<u>322,067</u>	<u>263,276</u>	<u>511,755</u>

The market value of all unquoted investments is based on Directors valuation

NOTES TO THE FINANCIAL STATEMENTS

20 INVESTMENTS IN SUBSIDIARIES

Subsidiary	Principal Activity	Holding at 31.12.02 %	Cost	
			2002 (Rs. '000)	2001 (Rs. '000)
People's Travels (Pvt) Ltd.	Travel Agent	99	4,950	4,950
People's Leasing Co. (Pvt) Ltd.	Leasing	100	65,000	65,000
People's Property Development (Pvt) Ltd.	Property Development	89	-	127,000
People's Venture Investment Co. (Pvt) Ltd.	Venture Capital Company	62	115,750	115,750
			<u>185,700</u>	<u>312,700</u>

Note. Investment in PPDL has been written off during the year.

21 INVESTMENTS IN ASSOCIATE COMPANIES

Bank	Principal Activity	Holding at 31.12.02 %	Bank Cost		Group Cost	
			2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
National Asset Management Limited	Fund Manager	20	22,000	22,000	30,304	25,407
People's Merchant Bank Limited	Merchant Bank	39.2	57,500	57,500	76,224	71,045
Smart Net Lanka (pvt) Ltd	Defunct		25,000	25,000	25,000	25,000
			<u>104,500</u>	<u>104,500</u>	<u>131,528</u>	<u>121,452</u>
Provision for Smart Net Lanka (Pvt) Ltd			(25,000)	(25,000)	(25,000)	(25,000)
			<u>79,500</u>	<u>79,500</u>	<u>106,528</u>	<u>96,452</u>

Group

As at 1.1.02

Share of Profit/(Loss) for the Year net of Dividend Received

As at 31.12.02

People's Merchant Bank I (Rs.'000)	National Asset Mgt. Ltd. (Rs.'000)	Total (Rs.'000)
71,045	25,407	96,452
5,179	4,897	10,076
<u>76,224</u>	<u>30,304</u>	<u>106,528</u>

NOTES TO THE FINANCIAL STATEMENTS

23 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings (Rs. '000)	Leasehold Land and Buildings (Rs. '000)	Motor Vehicles (Rs. '000)	Furniture Equipment & Machinery (Rs. '000)	Total (Rs. '000)
Bank					
Cost or Valuation					
At 1st January, 2002	1,626,009	793,495	299,312	2,990,495	5,709,311
Re valuation surplus (Note 38.8)	1,036,923	821,757			1,858,680
Additions	66,721	30,893	570	316,944	415,128
Disposals	-	-	(14,518)	-	(14,518)
At 31st December, 2002	<u>2,729,653</u>	<u>1,646,145</u>	<u>285,364</u>	<u>3,307,439</u>	<u>7,968,601</u>
Depreciation					
At 1st January, 2002	236,199	193,012	266,200	2,279,708	2,975,119
Charge for the Year (Note 7)	25,676	46,593	21,632	457,596	551,498
Adj for Depreciation					-
Disposals	-	-	(14,518)	-	(14,518)
At 31st December, 2002	<u>261,875</u>	<u>239,605</u>	<u>273,314</u>	<u>2,737,304</u>	<u>3,512,099</u>
Net Book Value at 31.12.2002	<u>2,467,778</u>	<u>1,406,540</u>	<u>12,050</u>	<u>570,135</u>	<u>4,456,502</u>
Capital work in progress, at cost					25,798
Furniture Equipment and Machinery at store					5,328
					<u>4,487,628</u>
Net Book Value at 31.12.2001	<u>1,389,810</u>	<u>600,483</u>	<u>33,112</u>	<u>710,787</u>	<u>2,734,192</u>
Capital work in progress, at cost					62,185
Furniture Equipment and Machinery at store					37,922
					<u>2,834,299</u>

23.1

The Bank has carried out a valuation of all of its land & building except certain properties in some areas of the Northern & Eastern provinces due to inability to determine the reasonable market values. The valuation was carried out by a panel of competent and qualified valuers, as at 30/08/2002 and has resulted in a revaluation surplus of LKR 1,859 Mn. In keeping with the accounting policy of the Bank, all revalued buildings have been depreciated in the year under review on the of the revalued amounts.

Group					
Cost or Valuation					
At 1st January, 2002	1,640,226	795,721	371,799	3,026,676	5,834,422
Re valuation surplus (Note 38.8)	1,036,923	821,757			1,858,680
Additions	73,471	30,893	11,714	319,382	435,459
Disposals	-	-	(15,817)	(5)	(15,822)
At 31st December, 2002	<u>2,750,620</u>	<u>1,648,371</u>	<u>367,695</u>	<u>3,346,053</u>	<u>8,112,739</u>
Depreciation					
At 1st January, 2002	237,025	193,801	266,971	2,288,266	(2,986,063)
Charge for the Year (Note 7)	25,676	46,449	25,442	465,487	563,055
Adj for Depreciation					-
Disposals	-	-	(15,817)	(5)	(15,822)
At 31st December, 2002	<u>262,701</u>	<u>240,250</u>	<u>276,596</u>	<u>2,753,748</u>	<u>3,533,295</u>
Net Book Value at 31.12.2002	<u>2,487,919</u>	<u>1,408,121</u>	<u>91,100</u>	<u>592,304</u>	<u>4,579,444</u>
Capital work in progress, at cost					25,798
Furniture Equipment and Machinery at store					5,328
					<u>4,610,570</u>
At 31 December 2001	<u>1,403,201</u>	<u>601,920</u>	<u>104,828</u>	<u>738,410</u>	<u>2,848,359</u>
Capital work in progress, at cost					186,624
Furniture Equipment and Machinery at store					37,922
					<u>3,072,905</u>

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROU
	2002	2001	2002
	(Rs. '000)	(Rs. '000)	(Rs. '000)
24 DEPOSITS FROM CUSTOMERS			
Non Interest bearing current accounts	19,484,664	15,760,754	19,484,664
Interest bearing :			
Saving Deposits	73,974,488	65,322,908	73,974,488
Time Deposits	48,014,309	46,129,723	48,014,309
Certificates of Deposits	362,043	330,302	362,043
	<u>141,835,503</u>	<u>127,543,687</u>	<u>141,835,503</u>
24.1 Maturity grouping of above deposits are as follows			
Due within one year	130,199,605	114,527,592	130,199,605
Due after one year	11,635,898	13,016,095	11,635,898
	<u>141,835,503</u>	<u>127,543,687</u>	<u>141,835,503</u>
25 BORROWINGS FROM BANKS			
Refinance borrowings :			
Central Bank of Sri Lanka	1,021,140	1,290,071	1,021,140
Government of Sri Lanka	-	0	-
Financial Institutions	1,128,728	1,004,934	2,728,984
Long Term Borrowings			
Financial Institutions Sri Lanka	271,799	10,663,139	271,799
Other Borrowings			
Call Money Borrowings	3,520,608	2,430,000	4,837,426
Treasury Bills/ Bonds/Pro notes Repurchases	18,060,870	12,980,600	18,060,870
	<u>24,003,146</u>	<u>28,368,744</u>	<u>26,920,219</u>
26 DUE TO SUBSIDIARIES			
Lease Rental Payable	124,465	304,566	-
	<u>124,465</u>	<u>304,566</u>	<u>-</u>
27 DUE TO ASSOCIATE COMPANIES			
Others	16,181	3,727	16,181
	<u>16,181</u>	<u>3,727</u>	<u>16,181</u>
28 ACCRUED INTEREST AND OTHER LIABILITIES			
Accrued Interest and Expenditure	6,462,690	5,701,546	6,892,271
Cheques sent for Collection	4,415,977	4,196,062	4,415,977
Pay Orders and Drafts	809,644	640,923	809,644
Other Liabilities	3,309,727	3,457,114	3,519,683
	<u>14,998,037</u>	<u>13,995,645</u>	<u>15,637,574</u>

UP

2001
(Rs. '000)

15,760,414

65,322,908

46,129,723

330,302

127,543,347

114,527,252

13,016,095

127,543,347

1,290,071

194,008

1,832,292

10,663,139

3,737,106

12,979,600

30,696,216

-

-

3,727

5,740,271

4,196,062

640,923

3,810,652

14,387,908

NOTES TO THE FINANCIAL STATEMENTS

29 PROVISION FOR TAXATION AND DEEMED DIVIDEND TAX

	BANK		GROUP	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Provision at the beginning of year	(341,734)	(335,285)	(341,734)	(335,285)
Provision for tax for the year	-	-	-	-
Withholding Tax	(6,276)	(6,449)	(6,276)	(6,449)
Taxation refunded	33,010	-	33,010	-
Carried forward at the end of year	<u>(315,000)</u>	<u>(341,734)</u>	<u>(315,000)</u>	<u>(341,734)</u>

In view of accumulated tax Losses available for carry forward there is no tax liability for 2002

30 PENSION LIABILITIES

Widows and Orphans' Pension Fund	<u>3,831,949</u>	<u>3,555,262</u>	<u>3,833,320</u>	<u>3,555,990</u>
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NOTES TO THE FINANCIAL STATEMENTS

33.6 FCBU Reserves

This reserve has been created by appropriation of FCBU profit.

33.7 Dividends

Under the agreement between the Bank and the Government of Sri Lanka on capitalising and granting of autonomy to the Bank the Government reserves the option of allowing the Bank to retain any level of profit after tax. All profit after deduction of tax, loan loss provision and any such portion for reserves, if any, as the Government shall determine, will be issued as dividends to the Government at the end of each year.

33.8 Movement in Reserves

	Permanent Reserve (Rs.'000)	Valuation Reserve (Rs.'000)	Capital Reserve (Rs.'000)	General Reserve (Rs.'000)	Accum. P & L (Rs.'000)	2002 Total (Rs.'000)	2001 Total (Rs.'000)
BANK							
Balance at beginning of year							
Balance at beginning of year	49,998	877,493	6,663	1,000	(8,137,962)	(7,202,808)	(7,511,274)
Revaluation surplus -2002(Note 23)	-	1,858,680	-	-	-	1,858,680	-
Profit for the year	-	-	-	-	1,005,658	1,005,658	308,466
Appropriations to Reserves	-	-	-	-	-	-	-
	<u>49,998</u>	<u>2,736,173</u>	<u>6,663</u>	<u>1,000</u>	<u>(7,132,304)</u>	<u>(4,338,470)</u>	<u>(7,202,808)</u>

	(Rs.'000)
Capital Reserve	5,663
Building Reserve	1,000
	<u>6,663</u>
FCBU Reserve	(103,339)
Other Reserves	(7,028,965)
	<u>(7,132,304)</u>

The General Reserve represents accumulated unallocated profits and losses which are available for distribution.

	Permanent Reserve (Rs.'000)	Valuation Reserve (Rs.'000)	Capital Reserve (Rs.'000)	General Reserve (Rs.'000)	Accum. P & L (Rs.'000)	2,002 Total (Rs.'000)	2,001 Total (Rs.'000)
GROUP							
Balance at beginning of year	49,998	877,493	6,663	1,000	(7,904,363)	(6,969,209)	(7,314,500)
Revaluation surplus -2002(Note 23)	-	1,858,680	-	-	-	1,858,680	-
Profit for the year	-	-	-	-	1,103,069	1,103,069	345,291
Account	-	-	-	-	-	-	-
Appropriations to Reserves	-	-	-	-	-	-	-
Reversal of opening reserve o/a Subsidiary	-	-	-	-	(5,544)	(5,544)	-
	<u>49,998</u>	<u>2,736,173</u>	<u>6,663</u>	<u>1,000</u>	<u>(6,806,839)</u>	<u>(4,013,005)</u>	<u>(6,969,209)</u>

	(Rs.'000)
Capital Reserves	5,663
Building Reserve	1,000
	<u>6,663</u>
FCBU Reserve	(103,339)
Other Reserves	(6,703,500)
	<u>(6,806,839)</u>

The General Reserve represents accumulated unallocated retained profits which are available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

34 MINORITY INTEREST

	GROUP	
	2002 (Rs. '000)	2001 (Rs. '000)
Balance at beginning of year	103,842	106,956
Share of net loss for the year	(4,851)	(3,114)
Share of Subsidiary Share Holding	(22,865)	-
Balance at end of year	76,126	103,842

35 COMMITMENTS AND CONTINGENCIES

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

35.1 These commitments are quantified below :

	BANK		GROUP	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Acceptances	1,686,461	2,582,720	1,686,461	2,582,720
Documentary Credit	9,681,384	9,568,938	9,681,384	9,568,938
Forward Exchange Contracts	3,872,636	3,357,014	3,872,636	3,357,014
Guarantees	7,672,670	11,010,535	7,672,670	11,010,535
Commercial Paper Endorsed	200,000	200,000	200,000	200,000
	23,113,152	26,719,207	23,113,152	26,719,207

35.2 Capital Commitments

Capital expenditure approved by the Directors for which no provision has been made in these financial statements amounts to : Rs. 716 Mn

The following indicates the contractual amounts of the Group's off-balance sheet financial instruments that commits it to extend credit customers

	BANK		GROUP	
	2002 (Rs. '000)	2001 (Rs. '000)	2002 (Rs. '000)	2001 (Rs. '000)
Approved and Contracted for	280,891	7,099	280,891	7,099
Approved but not contracted for	956,290	-	956,290	-
	1,237,181	7,099	1,237,181	7,099
Total Commitments and Contingencies	24,350,333	26,726,306	24,350,333	26,726,306

35.3 Commitments to extend credit (Rs.000)

The commitment to extend credit that cannot be withdrawn at the discretion of the Bank are disclosed below;

Non disbursed loans	95,735
Non disbursed overdraft	3,005,067
	3,100,802

35.4 Litigation

In the normal course of business, the Bank is involved in various types of litigation, including litigation with borrowers who are in default under terms of their loan agreements. In certain circumstances, borrowers have asserted or threatened counter claims defences. The Bank is also contesting certain Labour Tribunal cases. In the opinion of management, based on its assessment and consultation with outside counsel, litigation which is currently pending against the Bank and the Group will not have a material impact on the financial condition or future operations of the Bank and the Group as a whole. The total value of litigation against the bank amounts to approximately Rs.10 Billion.

43 GROUP DIVISIONAL PERFORMANCE

	Banking		Leasing		Venture		Travels		Property Development		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000
Interest	21,842,844	23,236,108	-	-	-	25,159	-	2	-	2,469	21,842,844	23,297,094
Exchange	343,114	543,844	-	(15,679)	-	-	-	-	-	-	343,114	528,165
Leasing	18,276	33,356	670,027	437,422	-	-	-	-	-	-	688,303	437,422
Share Trading/Dividend	55,951	46,143	-	-	3,876	11,448	-	-	-	-	59,827	57,591
Commissions and Fees	1,492,446	1,224,539	5,097	4,194	-	-	4,197	5,704	-	-	1,501,740	1,234,437
Other	189,400	78,537	21,388	28,808	653	24	-	-	-	-	211,441	107,369
Total revenue from External customers	23,942,031	25,162,527	696,512	454,745	4,529	36,631	4,197	5,706	-	2,469	24,647,269	25,662,078
Inter-segment revenue	33,931	35,829	50,277	32,554	9,956	-	1,228	1,591	-	3,213	95,392	73,187
Total revenue	23,975,962	25,198,356	746,789	487,299	14,485	36,631	5,425	7,297	-	5,682	24,742,661	25,735,265
Segment result	1,010,087	308,466	118,581	48,827	(12,810)	(5,002)	1,713	1,340	-	(497)	1,010,087	353,134
Extra ordinary Items											(139,394)	
Income from associates											11,162	(1,045)
Income Tax expenses											216,363	(9,912)
Minority Interest											4,851	3,114
Net profit for the year											1,103,069	345,291
Segment Assets	181,532,321	167,517,053	4,369,750	3,019,729	206,392	221,744	12,722	11,865	-	177,440	185,340,401	170,267,594
Investment in associates	79,500	79,500									106,528	96,452
Total Assets	181,611,821	167,596,553	4,369,750	3,019,729	206,392	221,744	12,722	11,865	-	177,440	185,446,929	170,364,046
Segment Liabilities	184,748,293	173,597,363	4,019,055	2,762,615	4,728	7,094	4,819	4,076	-	23,804	188,181,810	176,012,920
Total Liabilities	181,664,568	167,596,553	4,369,750	3,019,729	206,392	221,744	12,723	11,865	-	177,440	185,499,676	170,349,551
Capital Expenditure	415,128	294,054	15,279	69,271	5,052	5,052	-	-	-	-	435,459	368,145
Depreciation	551,498	397,728	9,223	5,495	2,334	1,558	-	-	-	-	563,055	401,747

43 GROUP DIVISIONAL PERFORMANCE

	Banking		Leasing		Venture		Travels		Property Development		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000
Interest	21,842,844	23,236,108	-	-	-	25,159	-	2	-	2,469	21,842,844	23,297,094
Exchange	343,114	543,844	-	(15,679)	-	-	-	-	-	-	343,114	528,165
Leasing	18,276	33,356	670,027	437,422	-	-	-	-	-	-	688,303	437,422
Share Trading/Dividend	55,951	46,143	-	-	3,876	11,448	-	-	-	-	59,827	57,591
Commissions and Fees	1,492,446	1,224,539	5,097	4,194	-	-	4,197	5,704	-	-	1,501,740	1,234,437
Other	189,400	78,537	21,388	28,808	653	24	-	-	-	-	211,441	107,369
Total revenue from External customers	23,942,031	25,162,527	696,512	454,745	4,529	36,631	4,197	5,706	-	2,469	24,647,269	25,662,078
Inter-segment revenue	33,931	35,829	50,277	32,554	9,956	-	1,228	1,591	-	3,213	95,392	73,187
Total revenue	23,975,962	25,198,356	746,789	487,299	14,485	36,631	5,425	7,297	-	5,682	24,742,661	25,735,265
Segment result	1,010,087	308,466	118,581	48,827	(12,810)	(5,002)	1,713	1,340	-	(497)	1,010,087	353,134
Extra ordinary Items											(139,394)	
Income from associates											11,162	(1,045)
Income Tax expenses											216,363	(9,912)
Minority Interest											4,851	3,114
Net profit for the year											1,103,069	345,291
Segment Assets	181,532,321	167,517,053	4,369,750	3,019,729	206,392	221,744	12,722	11,865	-	177,440	185,340,401	170,267,594
Investment in associates	79,500	79,500									106,528	96,452
Total Assets	181,611,821	167,596,553	4,369,750	3,019,729	206,392	221,744	12,722	11,865	-	177,440	185,446,929	170,364,046
Segment Liabilities	184,748,293	173,597,363	4,019,055	2,762,615	4,728	7,094	4,819	4,076	-	23,804	188,181,810	176,012,920
Total Liabilities	181,664,568	167,596,553	4,369,750	3,019,729	206,392	221,744	12,723	11,865	-	177,440	185,499,676	170,349,551
Capital Expenditure	415,128	294,054	15,279	69,271	5,052	5,052	-	-	-	-	435,459	368,145
Depreciation	551,498	397,728	9,223	5,495	2,334	1,558	-	-	-	-	563,055	401,747

**PEOPLE'S BANK
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2002**

	Note	BANK	SUBDIARIES				ELEMINTIONS/ADJUSTMENTS					ASSOCIATE		GROUP
		2001 (Rs. '000)	PTL	PVIC	PLCL	PPDL	BANK	PTL	PVIC	PLCL	PPDL	NAMAL	PMBL	2001
% Holding		100%	99%	62%	100%	89%		99%	62%	100%	89%	20%	39.2%	
INCOME	3	23,155,466	5,425	14,485	746,788		(48,131)	(1,228)	(9,956)	(81,973)				23,780,876
Interest Income	4	21,895,051	1,228	11,864	720,304		(48,131)	(1,228)	(9,956)	(50,277)				22,518,854
Interest Expense	5	(13,645,413)	-	-	(405,552)		7,000	-	-	59,012				(13,984,953)
NET INTEREST INCOME		8,249,638	1,228	11,864	314,752		(41,132)	(1,228)	(9,956)	8,735				8,533,901
Other Income	6	2,080,910	4,197	2,621	26,485			-	-	(31,696)				2,082,516
TOTAL INCOME		10,330,548	5,425	14,485	341,236	-	(41,132)	(1,228)	(9,956)	(22,961)				10,616,418
LESS: OPERATING EXPENSES	7													-
Personnel Costs		4,474,374	1,054		43,996									4,519,424
Provision for Staff Retirement Benefits	30	424,846	158		-									425,004
Premises, Equipment and Estab. Expen.		1,341,626	118	2,334	10,433		(50,277)							1,304,234
Fee and Comm. Exp.		9,506	24		-									9,530
Provision for Loan Losses		1,399,572	-		105,032									1,504,604
Provision for Fall in Value of Dealing Securities		(91,538)												(91,538)
Other Overhead Expenses		1,845,209	1,709	24,961	63,194					-				1,935,072
		9,403,595	3,062	27,295	222,655		(50,277)	-	-					9,606,331
OPERATING PROFIT		926,953	2,363	(12,810)	118,581									1,035,087
Share of Associate Companies' Profit before Taxation		-	-	-	-							5,983	5,179	11,162
PROFIT BEFORE TAXATION		926,953	2,363	(12,810)	118,581			-	-	-				1,035,087
Taxation	8	218,099	(650)		-							(1,086)	-	216,363
PROFIT/(LOSS) AFTER TAXATION		1,145,052	1,713	(12,810)	118,581			-	-	-		4,897	5,179	1,262,612
Extra - Ordinary Items	9	(139,394)	-	-	-									(139,394)
PROFIT/(LOSS) AFTER EXTRA ORDINARY ITEMS		1,005,658	1,713	(12,810)	118,581			-	-	-		4,897	5,179	1,123,218
Dividend Paid	8				(25,000)					25,000				-
PROFIT/(LOSS) BEFORE MINORITY INTEREST		1,005,658	1,713	(12,810)	93,581			-	-			4,897	5,179	1,098,218
Minority Interest	29		17	(4,868)										(4,851)
PROFIT/(LOSS) FOR THE YEAR	28	1,005,658	1,696	(7,942)	93,581			-	-	-		4,897	5,179	1,103,069

1,103,069

CAPITAL ADEQUACY**Computation of Risk-Weighted Assets**

As at 31st December

On - Balance Sheet Items

	2002	Balance	Risk Weight	Risk Weighted Balance	
	Rs.' 000	2001 Rs.' 000	%	2002 Rs.' 000	2001 Rs.' 000
ASSETS					
Cash, Statutory Deposit with Central Bank of Sri Lanka, Treasury Bills Government and other Securities	57,007,586	46,445,882	-	-	-
Loans secured by Cash and guaranteed by Central Bank of Sri Lanka & Government	35,619,929	38,526,537	-	-	-
Loans guaranteed by OECD					
Central Government & Central Banks	308	8,557	10	31	856
Loans guaranteed by Non OECD					
Central Government & Central Banks	190,246	446,979	20	38,049	89,396
Loans guaranteed by SLFCIC	99,325	85,332	50	49,663	42,666
Loans secured by Primary Mortgages over Residential Property	15,564,724	15,854,583	50	7,782,362	7,927,292
Other Loans and Advances	22,128,114	28,652,624	100	22,128,114	28,652,624
Due from Banks Abroad	1,493,280	2,209,789	20	298,656.00	441,958
Due from Local Banks including Development Financial Institutions	8,228,553	200,000	20	1,645,711	40,000
Due from off - Shore Banking Centre	9,069,918	7,504,044	10	906,992	750,404
Cash Items in process of collection	3,600,673	3,612,374	20	720,135	722,475
Investment excluding Investment in Financial Associates & Subsidiaries	11,886,425	8,115,635	100	11,886,425	8,115,635
Property, plant & Equipment	4,540,376	2,834,300	100	4,540,376	2,834,300
Other Assets	5,730,840	8,202,813	100	5,730,840	8,202,813
Credit Equivalent of Off - Balance sheet Items (as shown below)	5,624,041	5,880,471	100	5,624,041	5,880,471
Total	180,784,338	168,579,920		61,351,394	63,700,889

Off - Balance Sheet Items

	2002	Balance	Credit	Credit Equivalent	
	Rs.' 000	2001 Rs.' 000	Conversion Facto (%)	2002 Rs.' 000	2001 Rs.' 000
INSTRUMENTS					
General Guarantees of Indebtedness (Credit Guarantees and Advances payment Guarantees)	1,603,717	1,431,144	100	1,603,717	1,431,144
Performance Bonds, Bid Bonds and Warranties	2,115,385	2,634,879	50	1,057,693	1,317,440
Shipping Guarantees	537,454	481,428	20	107,491	96,286
Documentary Letter of Credit	2,220,059	5,298,726	20	444,012	1,059,745
Trade related acceptances	1,509,513	979,389	20	301,903	195,878
Undrawn term Overdraft Facilities	2,436,902	1,366,611	-	-	-
Undrawn term Loans	345,815	202,943	50	172,908	101,472
Foreign Exchange and Interest rate related Contracts	3,872,636	3,357,014	50	1,936,318	1,678,507
TOTAL	14,641,481	15,752,134		5,624,040	5,880,471

Computation of Capital

	2002 Rs.' 000	2001 Rs.' 000
TIER 1 : CORE CAPITAL		
Paid-up Ordinary Shares	49,998	49,998
Capital pending allotment	1,152,000	1,152,000
Statutory Reserve Fund	49,998	49,998
General and Other Reserve	(7,124,641)	(8,130,298)
Total Tier 1 Capital	(5,872,645)	(6,878,302)
TIER 2 SUPPLEMENTARY CAPITAL		
Revaluation Reserve (as approved by the Central Bank of Sri Lanka)	438,746	438,746
Total Tier 2 Capital	(5,433,899)	(6,439,556)
Total Capital		
Deductions		
Investments in Banks and Financial Associates	180,750	180,750
Investments in Banks and Financial Subsidiaries	57,500	57,500
Capital base	(5,672,149)	(6,677,806)

Computation of Ratios

	2002 Rs.' 000	2001 Rs.' 000
Total Tier 1 : Core Capital	(5,872,645)	(6,878,302)
Total Capital Base	(5,672,149)	(6,677,806)
Total Risk Weighted Assets	61,351,394	63,700,889

Core Capital Ratio - Tier I (Minimum required Ratio is 4.5%)

	%	%
$\frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \times 100$	-9.6%	-10.8%

Total Risk Weighted Capital Ratio - Tier I & II (Minimum required Ratio is 9%)

	%	%
$\frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \times 100$	-9.2%	-10.5%

Capital requirement and guaranteed

	2002 Rs.' 000	2001 Rs.' 000
Total Risk Weighted Assets	61,351,394	63,700,889
Capital Required for CAR (9%)	5,521,832	5,733,116
Capital In Hand	(4,995,152)	(6,000,810)
Total Capital Required and Guaranteed in Letter of Comfort	10,516,984	11,733,926

Notes :

- The Bank has carried out a revaluation of Land and Buildings as at end of August 2002 and a surplus of Rs. 1.9 Ban. has been recorded on this revaluation.
- As this revaluation is the first since 1991, The Bank intends, to make a formal application to Central Bank of Sri Lanka to consider 50% of this value to be eligible for Capital Adequacy purposes.
- The above computation however, does not reflect this value as Capital. Bank awaits Central bank of Sri Lanka approval for this purpose. When such approval is received a value of Rs. 929 Mn. will be available as Capital. Thus the required Capital funding will be Rs. 9,587 Mn.
- The full incremental value of Land and Buildings, has been recognized for Risk Weighting, thus reflecting an updated yet conservative estimate of the Banks latest Risk Weighting & Capital needs..

PEOPLE'S BANK CAPITAL ADEQUACY

Computation of Risk-Weighted Assets As at 31st December

On - Balance Sheet Items

	Balance		Risk Weight	Risk Weighted Balance	
	2002	###	%	2002	2001
	Rs.' 000	' 000		Rs.' 000	Rs.' 000
ASSETS					
Cash, Statutory Deposit with Central Bank of Sri Lanka, Treasury Bills Government and other Securities	57,007,586	##	-	-	-
Loans secured by Cash and guaranteed by Central Bank of Sri Lanka & Government	35,619,929	##	-	-	-
Loans guaranteed by OECD	308	##	10	31	856
Loans guaranteed by Non OECD					
Central Government & Central Banks	190,246	##	20	38,049	89,396
Loans guaranteed by SLECIC	99,325	##	50	49,663	42,666
Loans secured by Primary Mortgages over Residential Property	15,564,724	##	50	7,782,362	7,927,292
Other Loans and Advances	22,128,114	##	100	22,128,114	28,652,624
Due from Banks Abroad	1,493,280	##	20	298,656.00	441,958
Due from Local Banks including Development Financial Institutions	8,228,553	##	20	1,645,711	40,000
Due from off - Shore Banking Centre	9,069,918	##	10	906,992	750,404
Cash items in process of collection	3,600,673	##	20	720,135	722,475
Investment excluding Investment in Financial Associates & Subsidiaries	11,886,425	##	100	11,886,425	8,115,635
Property, plant & Equipment	4,540,376	##	100	4,540,376	2,834,300
Other Assets	5,730,840	##	100	5,730,840	8,202,813
Credit Equivalent of Off - Balance sheet Items (as shown below)	5,624,041	##	100	5,624,041	5,880,471
Total	180,784,338	##		61,351,394	63,700,889

Off - Balance Sheet Items

	Balance		Credit	Credit Equivalent	
	2002	###	Conversion	2002	2001
	Rs.' 000	' 000	Facto (%)	Rs.' 000	Rs.' 000
INSTRUMENTS					
General Guarantees of Indebtedness (Credit Guarantees and Advances payment Guarantees)	1,603,717	##	100	1,603,717	1,431,144
Performance Bonds, Bid Bonds and Warranties	2,115,385	##	50	1,057,693	1,317,440
Shipping Guarantees	537,454	##	20	107,491	96,286
Documentary Letter of Credit	2,220,059	##	20	444,012	1,059,745
Trade related acceptances	1,509,513	##	20	301,903	195,878
Undrawn term Overdraft Facilities	2,436,902	##	-	-	-
Undrawn term Loans	345,815	##	50	172,908	101,472
Foreign Exchange and Interest rate related Contracts	3,872,636	##	50	1,936,318	1,678,507
TOTAL	14,641,481	##		5,624,040	5,880,471

Computation of Capital

	2002	2001
	Rs.' 000	Rs.' 000
TIER 1 : CORE CAPITAL		
Paid-up Ordinary Shares	49,998	49,998
Capital pending allotment	1,152,000	1,152,000
Statutory Reserve Fund	49,998	49,998
General and Other Reserve	(7,124,641)	(8,130,288)
Total Tier 1 Capital	(5,872,645)	(6,878,302)
TIER 2 SUPPLEMENTARY CAPITAL		
Revaluation Reserve (as approved by the Central Bank of Sri Lanka)	438,746	438,746
Total Tier 2 Capital	(5,433,899)	(6,439,556)
Total Capital		
Deductions		
Investments in Banks and Financial Associates	180,750	180,750
Investments in Banks and Financial Subsidiaries	57,500	57,500
Capital base	(5,672,149)	(6,677,806)

Computation of Ratio

	2003.06.30	2003.06.30
	Rs.' 000	Rs.' 000
	BANK	DBU
Total Tier 1 : Core Capital	(5,872,645)	(5,872,645)
Total Capital Base	(5,772,149)	(5,772,149)
Total Risk Weighted Assets	71,308,559	68,730,661

Core Capital Ratio - Tier I (Minimum required Ratio is 5%)	%	%
Core Capital	x 100	-8.2%
Risk Weighted Assets		-8.5%

Total Risk Weighted Capital Ratio - Tier I & II (Minimum required Ratio is 10%)		
Core Capital	x 100	-8.1%
Risk Weighted Assets		-8.4%

Capital requirement and guarantee	2003.06.30	DBU
	Rs.' 000	Rs.' 000
Total Risk Weighted Assets	71,308,559	68,730,661
Capital Required for CAR(10%)	7,130,856	6,873,066
Total Capital Base	(2,079,224)	(2,079,224)
Total Capital Required and Guaranteed in Letter of Comfort	9,210,880	8,952,290

Notes :

- The Bank has carried out a revaluation of Land and Buildings as at end of August 2002 and a surplus of Rs. 1.9 Bn. has been recorded on this revaluation.
- As this revaluation is the first since 1991, The Bank intends, to make a formal application to Central Bank of Sri Lanka to consider 50% of this value to be eligible for Capital Adequacy purposes.
- The above computation however, does not reflect this value as Capital. Bank awaits Central bank of Sri Lanka approval for this purpose. When such approval is received a value of Rs. 929 Mn. will be available as Capital. Thus the required Capital funding will be Rs. 9,587 Mn.
- The full incremental value of Land and Buildings, has been recognized for Risk Weighting, thus reflecting an updated yet conservative estimate of the Banks latest Risk Weighting & Capital needs.

##

929340

###

##

Due to Associates

2001

Merchant Bank

Rs.

Cash with PB Branches

PB head Quarters	46,606.22
PB head Quarters	357,386.67
PB Queens Branch	8,911.82
PB Queens Branch	70,714.10
PB Queens Branch	15,608.19
PB Queens Branch	-
PB Dharmapala mawata - Matara	260,451.11
PB Uyanwatta - Mataras	6,919.72
PB Queens Branch	181,739.22
PB Kurunegala	<u>2,778,477.22</u>
	<u><u>3,726,814.27</u></u>

Namal

Cash with PB Branches

	-
	<u><u>3,726,814.27</u></u>

2002

60,942.22
703,185.00
7,622,326.66
253,275.79
70,714.10
144,538.41
2,825,265.23
6,919.72
257,133.82
2,920,623.39

14,864,924.34

1,315,894.09

16,180,818.43
