



PEOPLE'S BANK

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2007

	BANK			GROUP		
	2007 (Rs. '000) (Audited)	2006 (Rs. '000) (Audited)	Change %	2007 (Rs. '000) (Audited)	2006 (Rs. '000) (Audited)	Change %
Gross Income	48,083,735	35,130,972	36.9	52,231,920	38,282,020	36.4
Interest Income	43,074,181	31,429,436	37.1	46,685,022	34,376,018	35.8
Interest Income on Loans and Advances	35,115,310	23,249,174	51.0	38,716,585	26,182,244	47.9
Interest Income on Other Interest Earning Assets	7,958,871	8,180,262	(2.7)	7,968,437	8,193,774	(2.8)
Less: Interest Expenses	26,541,983	15,622,100	69.9	28,322,191	16,838,853	68.2
Interest Expenses on Deposits	20,096,530	12,197,977	64.9	20,095,742	12,187,806	64.9
Interest Expenses on Other Interest Bearing Liabilities	6,445,053	3,424,123	88.2	8,226,449	4,651,047	76.9
Net Interest Income	16,532,198	15,807,336	4.6	18,362,831	17,537,165	4.7
Non Interest Income	4,169,290	3,068,865	35.9	4,692,387	3,273,331	43.4
Foreign Exchange Income	648,988	486,915	33.3	648,988	486,915	33.3
Other Income	3,520,302	2,581,950	36.3	4,043,399	2,786,416	45.1
Less: Non - Interest Expenses	13,552,549	13,147,873	3.1	14,198,603	13,712,296	3.5
Personnel Costs	6,910,837	6,543,617	5.6	7,111,050	6,725,068	5.7
Provision for Staff Retirement Benefits	1,783,947	2,514,120	(29.0)	1,783,947	2,514,120	(29.0)
Premises, Equipment and Establishment Expenses	2,462,360	2,251,698	9.4	2,606,658	2,330,508	11.8
Losses on Trading/Investment Securities	(16,752)	26,433	(163.4)	(16,752)	26,433	(163.4)
Other Operating Expenses	2,412,157	1,812,005	33.1	2,713,700	2,116,167	28.2
Less: Provision for Bad and Doubtful Debts and Loans Written Off	81,284	(67,285)	(220.8)	502,215	396,750	26.6
Provisions - General	351,503	307,668	14.2	549,452	651,770	(15.7)
Provisions - Specific Recoveries(-)	470,358	257,718	82.5	707,587	377,651	87.4
Loans Written Off	(740,577)	(632,671)	17.1	(754,824)	(632,671)	19.3
Provision / (Reversal) for T-sunami Losses	(99,687)	(212,600)	(53.1)	(99,687)	(212,600)	(53.1)
Less: Provision for Decline in Value of Investments	(1,262)	12,503	(110.1)	(1,262)	12,503	(110.1)
Operating Profit on Ordinary Activities before Tax	7,168,604	5,995,710	19.6	8,455,349	6,901,547	22.5
Less: Value Added Tax on Financial Services	2,166,243	1,916,731	13.0	2,212,488	1,916,731	15.4
Operating Profit on Ordinary Activities before Corporate Tax	5,002,361	4,078,979	22.6	6,242,860	4,984,816	25.2
Share of Subsidiaries/Associate Companies' Profit	-	-	-	17,198	22,529	(23.7)
Operating Profit Before Corporate Tax	5,002,361	4,078,979	22.6	6,260,058	5,007,345	25.0
Less: Tax on Profits on Ordinary Activities	2,628,478	921,900	185.1	2,754,262	1,202,724	129.0
Operating Profit after Corporate Tax	2,373,883	3,157,079	(24.8)	3,505,797	3,804,621	(7.9)
Minority Interest	-	-	-	(50)	(10)	404.0
Operating Profit for the Period	2,373,883	3,157,079	(24.8)	3,505,746	3,804,611	(7.9)

STATEMENT OF CHANGES IN EQUITY AND RESERVES - BANK FOR THE YEAR ENDED 31ST DECEMBER 2007

	Equity Capital			Reserves							Total
	Ordinary Shares (Rs. '000)	Capital Pending Allotment (Rs. '000)	Permanent Reserve (Rs. '000)	Revaluation Reserve (Rs. '000)	0	Capital Reserve (Rs. '000)	Special Risk Reserve (Rs. '000)	General Reserve (Rs. '000)	Building Reserve (Rs. '000)	Income Statement (Rs. '000)	
Balance as at 01.01.2007	49,998	4,152,000	49,998	5,941,584	5,663	246,451	1,000	1,000	-	(176,233)	10,271,461
Issue of Shares/ Increase of assigned capital (Tranche 3 Capital)	-	1,500,000	-	-	-	-	-	-	-	-	1,500,000
Bonus Issue	-	-	-	-	-	-	-	-	-	-	-
Rights Issue	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	2,373,883	2,373,883
Transfer to Special Risk Reserve during the period	-	-	-	-	-	-	-	-	-	(49,315)	(49,315)
Dividend Paid to GOSL	-	-	-	-	-	-	-	-	-	(219,690)	(219,690)
Profit transfer to Head office	-	-	-	-	-	-	-	-	-	(700,000)	(700,000)
Special Levy to Treasury	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2007	49,998	5,652,000	49,998	5,941,584	5,663	295,766	1,000	1,000	1,000	1,228,645	13,225,654

BALANCE SHEET AS AT 31ST DECEMBER 2007

	BANK			GROUP		
	As at 31.12.2007 (Rs. '000) (Audited)	As at 31.12.2006 (Rs. '000) (Audited)	Change %	As at 31.12.2007 (Rs. '000) (Audited)	As at 31.12.2006 (Rs. '000) (Audited)	Change %
On Balance Sheet Assets						
Cash in Hand	8,646,798	6,887,307	25.5	8,650,411	6,889,866	25.6
Balances with Central Bank of Sri Lanka / Other Central Banks	23,606,123	21,567,140	9.5	23,606,123	21,567,140	9.5
Due from Banks and Other Financial Institutions	20,062,153	8,444,686	137.6	20,140,593	8,529,440	136.1
Investments - Trading Account	6,511,399	16,993,525	(61.7)	6,511,399	16,993,525	(61.7)
Government Securities	6,209,029	16,751,620	(62.9)	6,209,029	16,751,620	(62.9)
Other Securities	302,370	241,905	25.0	302,370	241,905	25.0
Investments - Held-to-Maturity (Net of provisions made for decline in investment value)						
(Excluding Investments in Associates and Subsidiaries)	58,383,067	54,904,919	6.3	58,433,076	54,904,919	6.4
Government Securities	57,777,971	54,298,078	6.4	57,777,971	54,298,078	6.4
Other Securities	627,033	630,040	(0.5)	677,042	630,040	7.5
Less : Provision for decline in Value of Investment	21,937	23,199	(5.4)	21,937	23,199	(5.4)
Investments in Associates and Subsidiaries	975,450	1,075,450	(9.3)	245,846	232,527	5.7
Loans and Advances						
Performing Loans and Advances	238,504,775	207,439,747	15.0	262,387,373	227,457,009	15.4
Bills of Exchange	13,991,528	3,122,241	348.1	13,991,526	3,122,241	348.1
Overdrafts	35,831,922	30,934,293	15.8	34,102,960	30,791,449	10.8
Lease Rentals Receivable	5,807,035	6,420,160	(9.5)	31,348,331	27,095,866	15.7
Other Loans	182,874,290	166,963,053	9.5	182,944,556	166,447,453	9.9
Non Performing Loans and Advances	14,865,291	15,950,977	(6.8)	15,875,668	16,943,356	(6.3)
Bills of Exchange	1,796,375	1,796,458	0.6	1,796,375	1,796,458	0.6
Overdrafts	2,739,585	3,524,947	(22.3)	2,739,585	3,524,947	(22.3)
Lease Rentals Receivable	13,253	19,951	(33.6)	946,933	1,012,330	(6.5)
Other Loans	10,316,078	10,619,621	(2.9)	10,392,775	10,619,621	(2.1)
Add:						
Interest Receivables on NP Advances	33,640,668	29,871,178	12.6	33,716,883	29,941,934	12.6
Total Gross Loans and Advances	287,010,734	253,261,902	13.3	311,979,924	274,342,299	13.7
Less:						
Interest in Suspense	35,636,189	32,232,929	10.6	42,834,943	37,142,138	15.3
Specific Loan Loss Provisions	12,009,786	13,171,032	(8.8)	12,487,959	13,441,002	(7.1)
General Loan Loss Provisions	1,071,655	720,152	48.8	2,813,853	2,198,515	28.0
Net Loans and Advances	238,293,103	207,137,789	15.0	253,843,169	221,560,644	14.6
Other Assets	15,683,909	12,608,225	24.4	16,102,818	12,826,969	25.5
Intangible Assets	346,707	310,309	11.7	365,844	331,557	10.3
Prepayment Leases	245,245	266,095	(7.8)	245,245	266,095	(7.8)
Property, Plant & Equipment (Net of Accumulated Depreciation)	8,153,573	8,359,476	(2.5)	8,457,136	8,676,102	(2.5)
Total on Balance Sheet Assets	380,907,526	338,554,921	12.5	396,601,660	352,778,784	12.4
On Balance Sheet Liabilities						
Total Deposits	300,956,209	269,947,163	11.5	300,583,501	269,819,533	11.4
Demand Deposits	32,373,053	48,357,395	(32.3)	32,373,145	48,239,565	(32.9)
Savings Deposits	146,414,425	131,470,084	11.4	146,414,425	131,470,084	11.4
Time Deposits	118,469,202	86,674,568	36.7	118,470,402	86,664,788	36.7
Margin Deposits	2,923,151	3,186,038	(8.3)	2,923,151	3,186,038	(8.3)
Other Deposits	396,378	259,078	53.0	396,378	259,078	53.0
Total Borrowings	49,362,842	43,743,703	12.8	60,746,122	53,589,270	13.4
Borrowings from CBSL	1,230,509	1,296,760	(5.1)	1,377,995	1,445,339	(4.7)
Borrowings from Banks and Financial Institutions in Sri Lanka	5,377,788	6,388,902	(15.8)	12,197,082	12,829,493	(4.9)
Borrowings from Banks and Financial Institutions - Abroad	11,694,828	12,310,927	(5.0)	11,694,833	12,310,927	(5.0)
Securities sold under Repurchase Agreements	31,059,717	23,747,114	30.8	31,059,717	23,747,114	30.8
Subordinated Term Debts	-	-	-	110,000	-	-
Other Borrowings	-	-	-	4,306,495	3,256,397	32.2
Deferred Taxation	(7,104)	94,494	(247.761)	(247,761)	156,204	173.8
Current Taxation	1,885,350	536,617	251.3	1,989,141	1,726,530	13.8
Other Liabilities	15,484,575	13,961,483	10.9	17,447,288	16,489,971	5.8
Total on Balance Sheet Liabilities	367,681,872	328,283,460	12.0	380,518,291	340,781,508	11.7
Minority Interest	-	-	-	170	133	27.8

**STATEMENT OF CHANGES IN EQUITY AND RESERVES - GROUP
FOR THE YEAR ENDED 31ST DECEMBER 2007**

	Equity Capital				Reserves				Income Statement (Rs. '000)	Total (Rs. '000)
	Ordinary Shares (Rs. '000)	Capital Pending Allotment (Rs. '000)	Permanent Reserve (Rs. '000)	Revaluation Reserve (Rs. '000)	Capital Reserve (Rs. '000)	Special Risk Reserve (Rs. '000)	General Reserve (Rs. '000)	Building Reserve (Rs. '000)		
	0	0	0	0	0	0	0			
Balance as at 01.01.2007	49,998	4,152,000	49,998	5,941,584	5,663	246,451	1,000	1,000	1,549,449	11,997,143
Issue of Shares/ Increase of assigned capital (Tranch3 Capital)	-	1,500,000	-	-	-	-	-	-	-	1,500,000
Bonus Issue	-	-	-	-	-	-	-	-	-	-
Rights Issue	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	3,505,746	3,505,746
Transfer to Special Risk Reserve during the period	-	-	-	-	-	49,315	-	-	(49,315)	-
Dividend Paid to GOSL	-	-	-	-	-	-	-	-	(219,690)	(219,690)
Profit transfer to Head office	-	-	-	-	-	-	-	-	-	-
Special Levy to Treasury	-	-	-	-	-	-	-	-	(700,000)	(700,000)
Balance as at 31.12.2007	49,998	5,652,000	49,998	5,941,584	5,663	295,766	1,000	1,000	4,086,190	16,083,200

Equity Capital and Reserves	13,225,654	10,271,461	28.8	16,083,200	11,997,143	34.1
Share Capital/Assigned Capital	5,701,998	4,201,998	35.7	5,701,998	4,201,998	35.7
Statutory Reserve Fund	49,998	49,998	-	49,998	49,998	-
Total Other Reserves	7,473,658	6,019,465	24.2	10,331,203	7,745,147	33.4
Total On - Balance Sheet Liabilities, Equity Capital and Reserves	380,907,526	338,554,921	12.5	396,601,660	352,778,784	12.4
Off-Balance Sheet Items and Contra Accounts	74,221,674	39,450,085	88.1	74,221,674	39,450,085	88.1
Contingencies	67,203,877	34,727,026	93.5	67,203,877	34,727,026	93.5
Commitment and Contra Accounts	7,017,797	4,723,059	48.6	7,017,797	4,723,059	48.6
Memorandum Information						
Number of Employees	8,416	9,645	(12.7)	8,914	10,097	(11.7)
Number of Branches	326	326	-	354	354	-

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2007**

	BANK		GROUP	
	2007 (Rs. '000) (Audited)	2006 (Rs. '000) (Audited)	2007 (Rs. '000) (Audited)	2006 (Rs. '000) (Audited)
Cash Flows from Operating Activities				
Interest & Commission Receipts	44,673,808	34,958,844	48,627,792	38,463,016
Interest Payments	(25,833,702)	(12,562,823)	(27,634,719)	(13,779,576)
Recoveries of loans previously written off	129,706	93,593	143,953	93,593
Cash payments to employees & Suppliers	(12,913,540)	(15,512,391)	(14,160,179)	(14,397,828)
Operating profit before changes in operating assets and liabilities	6,056,272	6,977,223	6,976,847	10,379,205
(Increase) / Decrease in operating Assets				
Deposits held for regulatory or monetary control purposes	(2,168,982)	(2,397,916)	(2,168,982)	(2,397,916)
Funds advanced to customers	(30,345,572)	(66,511,832)	(31,843,110)	(69,252,457)
Treasury bills and bonds	12,405,383	(5,616,063)	12,405,383	(5,616,063)
Increase / (Decrease) in operating Liabilities				
Deposit from Customers	31,085,227	43,845,276	30,840,148	43,750,135
Negotiable Certificate of Deposits	(76,180)	(27,010)	(76,180)	(27,010)
Net cash from Operating Activities before Income Tax	16,956,148	(23,730,322)	16,134,106	(23,164,106)
Income Taxes Paid	(1,348,343)	(793,986)	(1,853,903)	(823,161)
Retirement Benefit paid during the year	(2,461,829)	(2,563,435)	(2,461,829)	(2,563,434)
Net Cash from Operating Activities	13,145,976	(27,087,743)	11,818,374	(26,550,701)
Cash Flows from Investing Activities				
Investment in Subsidiaries & Associates	100,000	(98,000)	(13,319)	(98,000)
Dividend Received	173,681	167,463	187,928	26,225
Proceed from Sales of Property, Plant & Equipment	11,828	4,440	15,981	(3,312)
Purchase of Property, Plant & Equipment	(822,448)	(1,838,734)	(943,736)	(2,021,651)
Proceeds from Matured Investments	(5,431,528)	6,907,122	(5,431,528)	6,857,122
Net Cash from / (used in) Investing Activities	(5,968,467)	5,142,291	(6,184,674)	4,760,384
Cash Flows from Financing Activities				
Capital Received from Government	1,500,000	1,000,000	1,500,000	1,000,000
GOSL Bond Interest Paid	(219,690)	(498,334)	(219,690)	(498,334)
Special Levy Paid to Treasury	(700,000)	(600,000)	(700,000)	(600,000)
Minority Interest Paid	-	-	37	(12)
Net increase / (decrease) in Borrowings	13,222,494	6,706,386	14,761,003	6,558,971
Net Cash from / (used in) Financing Activities	13,802,804	6,608,052	15,341,350	6,460,625
Net increase / (decrease) in cash and cash equivalents	20,980,313	(15,337,400)	20,975,050	(15,329,692)
Cash and Cash Equivalents at the beginning of the year	7,428,566	22,765,966	7,515,879	22,845,571
Cash and Cash Equivalents at the end of the year	28,408,879	7,428,566	28,490,929	7,515,879
Cash and Short Term Funds	28,708,951	15,331,993	28,791,004	15,419,306
Amounts due to Banks	(300,071)	(7,903,427)	(300,075)	(7,903,427)
Cash and Cash Equivalents reflected on Balance Sheet at the end of the year	28,408,879	7,428,566	28,490,929	7,515,879

SELECTED PERFORMANCE INDICATORS

	BANK		GROUP	
	As at 31.12.2007 (Audited)	As at 31.12.2006 (Audited)	As at 31.12.2007 (Audited)	As at 31.12.2006 (Audited)
	Regulatory Capital Adequacy			
Core Capital (Tier 1 Capital), Rs. Mn	7,284	4,330	7,555	5,798
Total Capital Base, Rs. Mn	9,444	6,638	11,180	9,634
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	5.3	3.7	4.9	4.5
Total capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	6.9	5.6	7.2	7.3
Assets Quality (Quality of Loan Portfolio)				
Gross Non- Performing Advances Ratio, % (net of Interest in Suspense)	5.8	7.0	5.7	6.9
Net Non- Performing Advances Ratio, % (net of interest in suspense and provisions)	0.6	0.7	0.1	0.3
Profitability				
Interest Margin, %	4.6	5.1	4.9	5.5
Return on Assets (Before Tax), %	1.4	1.3	1.7	1.6
Return on Equity (After Tax), %	20.2	43.6	25.0	44.0
Regulatory Liquidity				
Statutory Liquid Assets, Rs.Mn				
Domestic Banking Unit Rs. Mn	71,583	62,145		
Off- Shore Banking Unit US\$ ('000)	124,437	15,045		
Statutory Liquid Assets, Ratio % (Minimum Requirement, 20%)				
Domestic Banking Unit	22.6	22.2		
Off- Shore Banking Unit	45.5	21.1		

NOTES:

- The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- The information contained in these statements have been extracted from the audited financial statements of the Bank and have been prepared in accordance with Sri Lanka Accounting Standards.
- People's Bank has been provided with a Letter of Support from the Government of Sri Lanka, to Guarantee the extent of funds required for Capital Adequacy Purposes.

(Sgd.)
Asoka de Silva
Chief Executive Officer/General Manager

(Sgd.)
W. Karunaigeewa
Chairman

Colombo.