





PATH TO A BRIGHT FUTURE

S R I L A N K A S A V I N G S B A N K

A N N U A L R E P O R T - 2 0 1 7

ANNUAL REPORT 2017

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CORPORATE INFORMATION

Registered Name

Sri Lanka Savings Bank Limited

Legal Status

A Public limited liability Company incorporated in Sri Lanka under the provisions of the Companies Act No: 17 of 1982, bearing registration No: N(PBS) 1336, re-registered under the Companies Act No:7 of 2007, bearing Company re registration No: PB 296. A Licensed Specialized Bank established under the Banking Act No.30 of 1988

Registered Office

No: 265, Ward Place, Colombo 07.
Telephone: 0112691721-2, 0112674700/1/2/3,
Fax: 0112674705 /6 /7
E mail : info@slsbl.lk

Date of Incorporation

7th July 2006.

Company Secretary

Mrs. A.R.R. Piyasekara,
Attorney-at Law, Registered Company Secretary
L.L.B. (Colombo) PgDLS (Colombo), MSc. (Moratuwa), DCB(IBSL), CMILT
Notary Public, Commissioner for Oaths.

Auditors

Auditor General
Auditor General's Department,
306/72, Polduwa Road,
Baththaramulla, Sri Lanka.

Bankers

Bank of Ceylon
People's Bank

Board of Directors

Mr.P.S.Dayananda, AAL- Chairman
Mr.P.B.S.C.Nonis-Treasury Representative
Mr.Sunil Witharanage, AAL
Mr.P.Dheerasinghe
Mr.R.M.C.Rathnayaka
Mr.C.V.J.Arambewela, AAL
Mr.P.H.A.S.Wijayarathne

Directors Served during the Year 2017

Mr.K.Amarasinghe - Acting Chairman
Ms.S.A.C.Kulathilaka -Up to July 2017
Mr.P.B.S.C.Nonis -From August 2017
Mr.Sunil Witharanage, AAL
Mr.A.Shashimal Madapatha
Mr.Ariyapala Panditha -Up to May 2017

Mr.P.Srilal Dayananda, AAL
Mr.Priyanka Dheerasinghe
Mr.R.M.C.Rathnayaka
Mr.D.S.W.Samarasekara
Mr.C.V.J.Arambewela

OUR MISSION

Uphold of savings habits & facilitating of the microfinance & SME network to ensure the most reliable & the most preferred financial service for income generating micro entrepreneurship & SME business activities in Sri Lanka.

OUR VISION

Most preferred Microfinance
& Small Medium Enterprises (MSME)
Bank.

OUR VALUES

In conducting our services
we will uphold expected
norms and ethics while being committed to:

Professionalism

Integrity

Efficiency

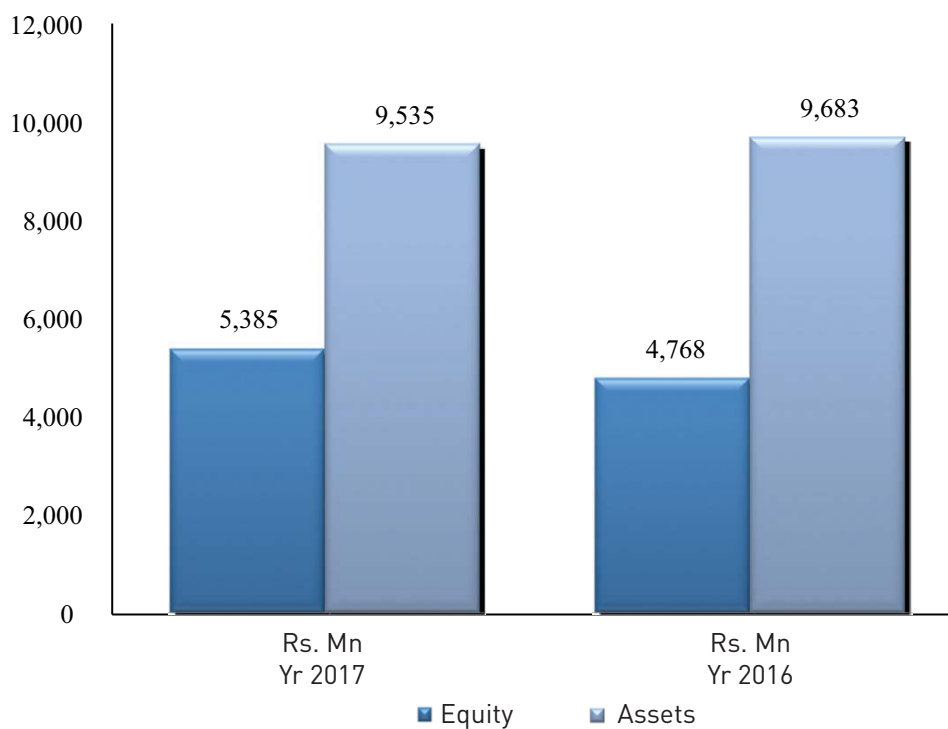
Trust

Openness

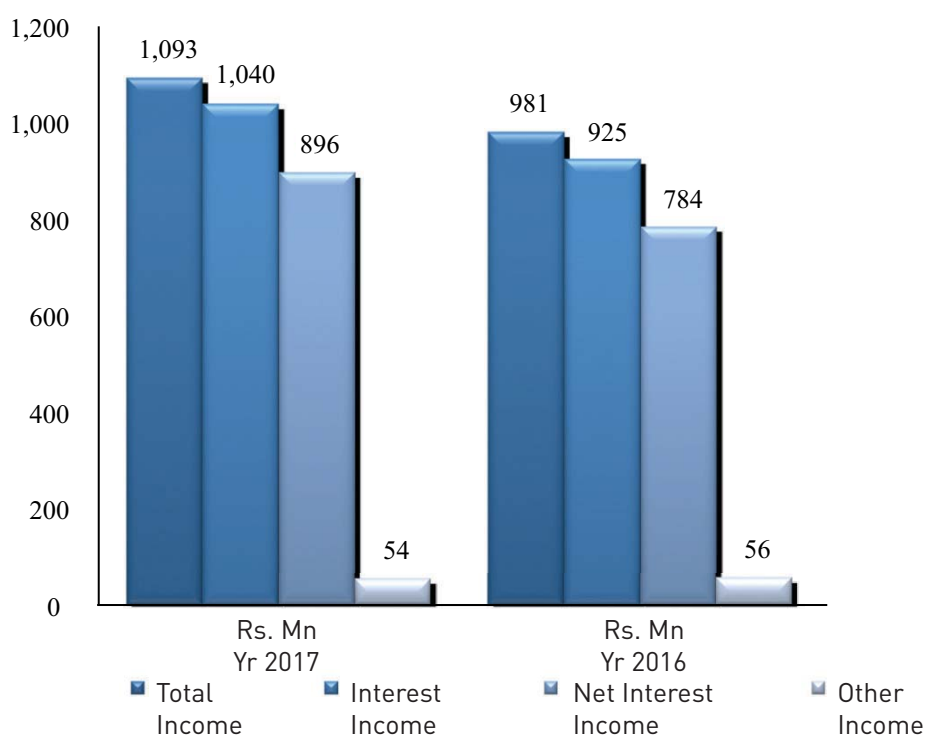
Social Responsibility

FINANCIAL HIGHLIGHTS

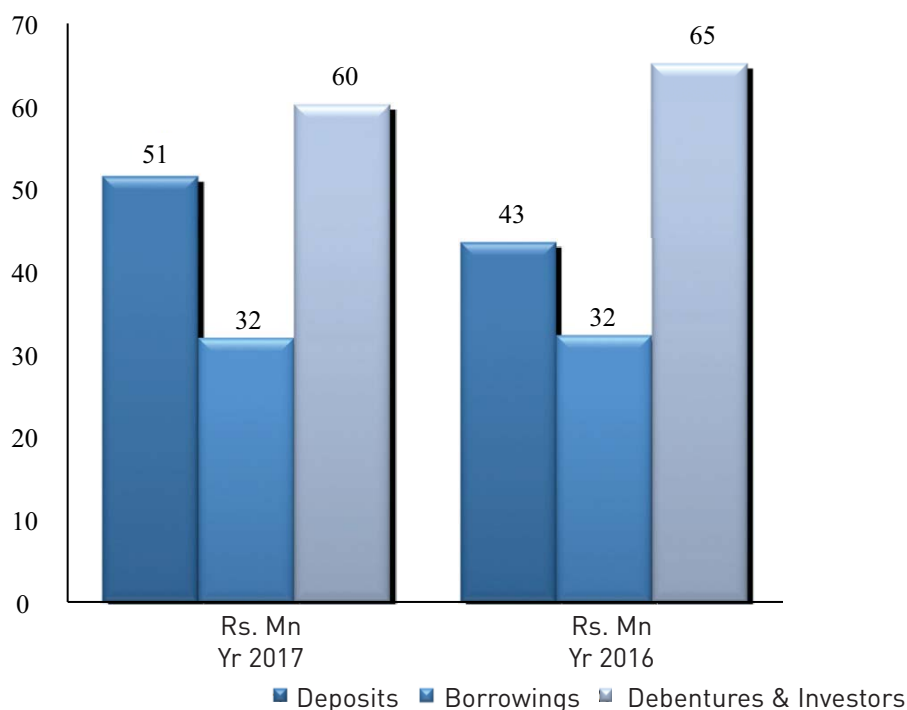
Total Equity and Assets - 2017 Vs 2016



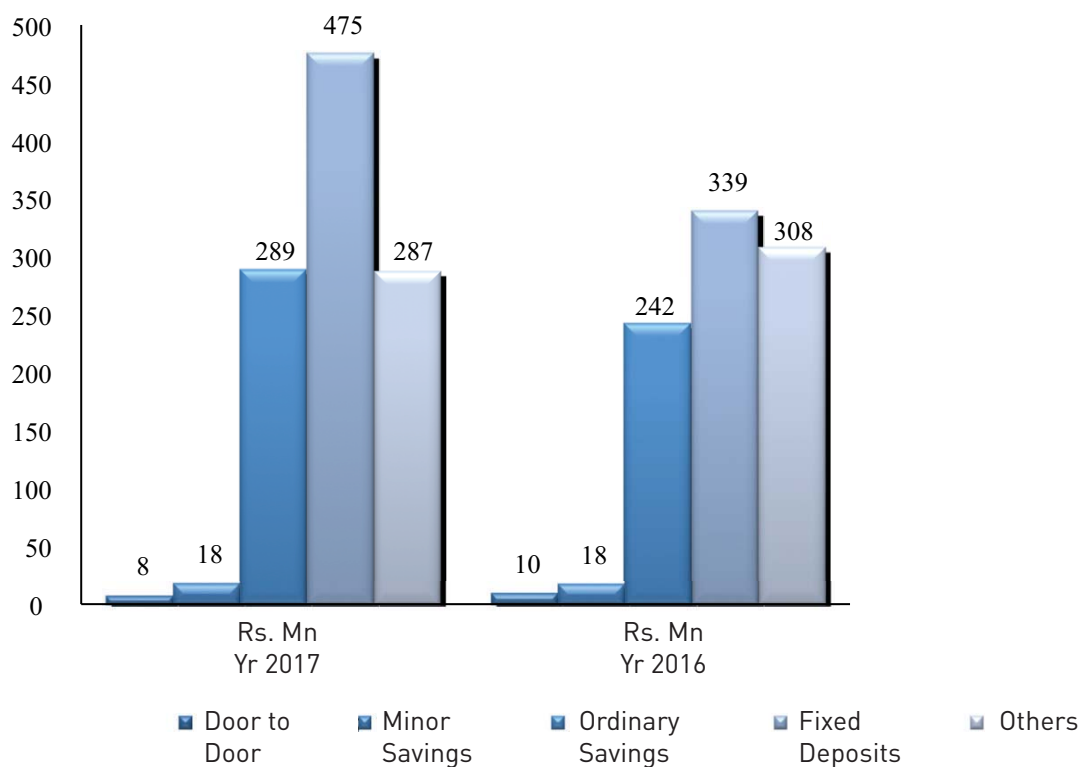
Comparison of Income - 2017 Vs 2016



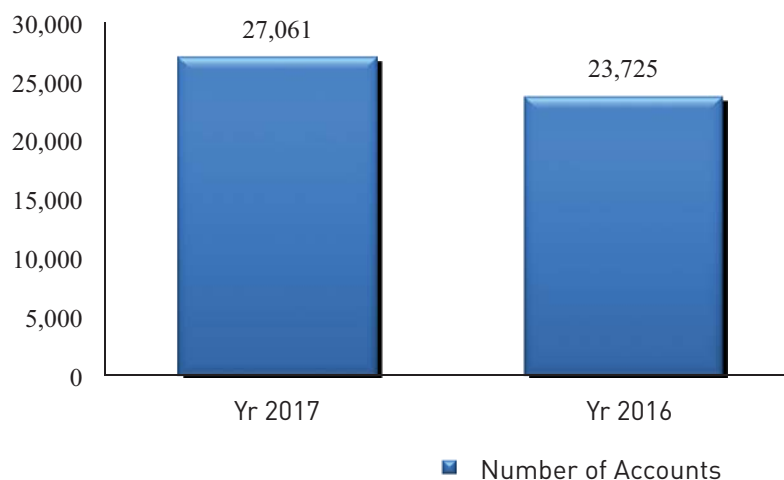
Interest Expenses - 2017 Vs 2016



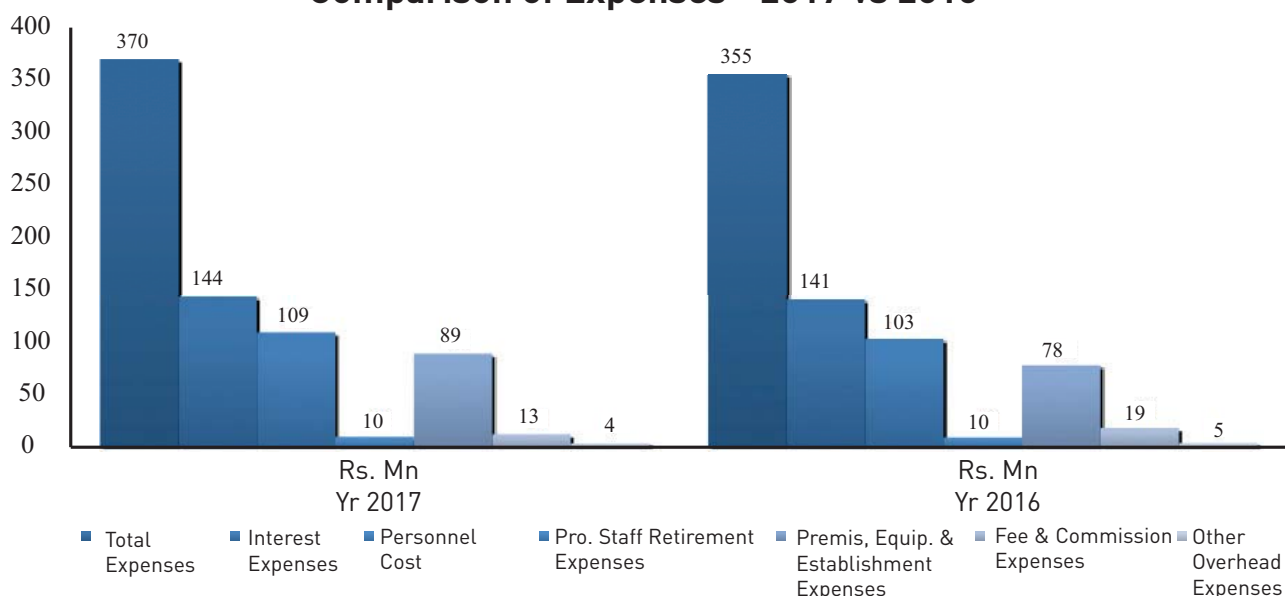
Deposit Comparison - 2017 Vs 2016



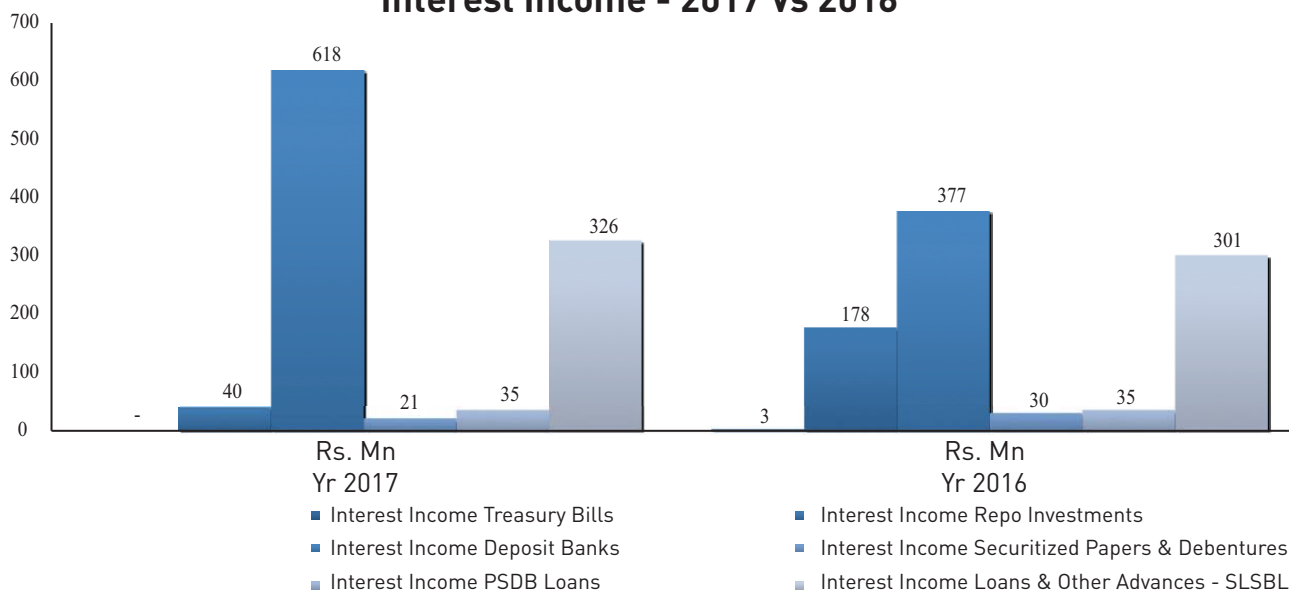
Number of Savings Accounts Comparison - 2017 Vs 2016

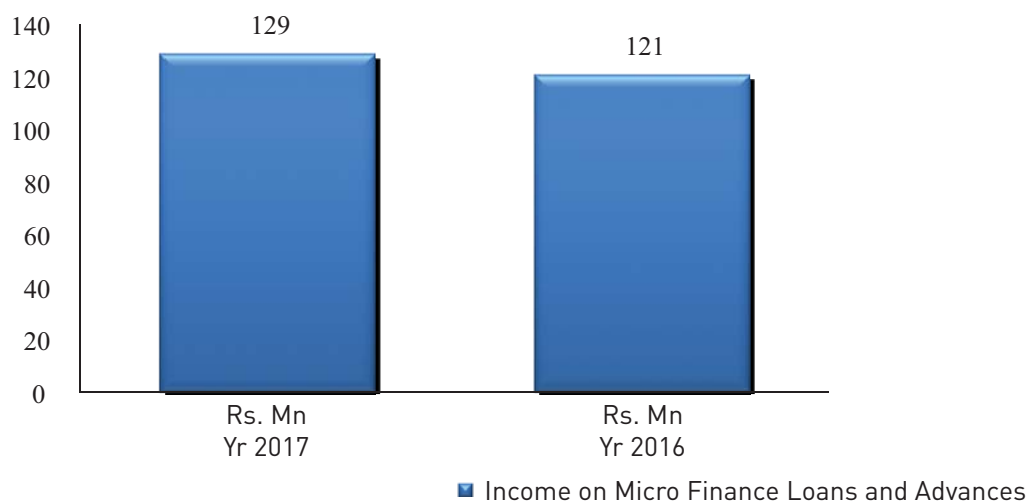
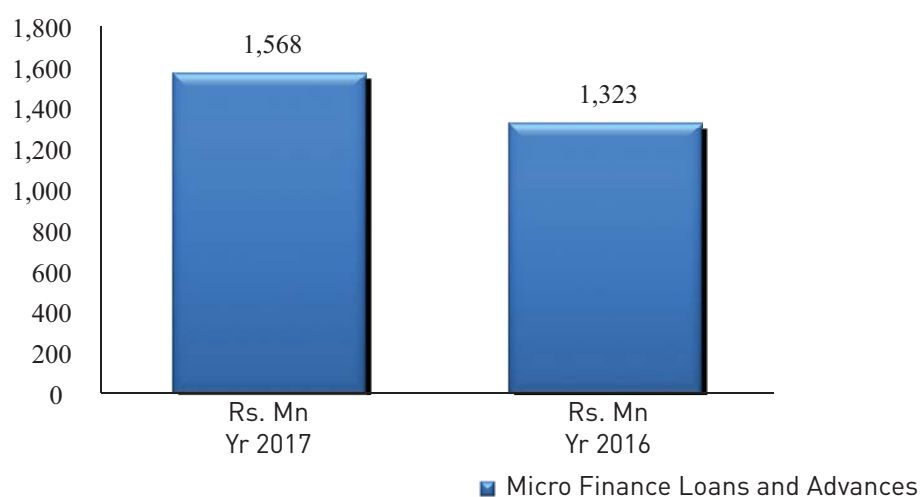
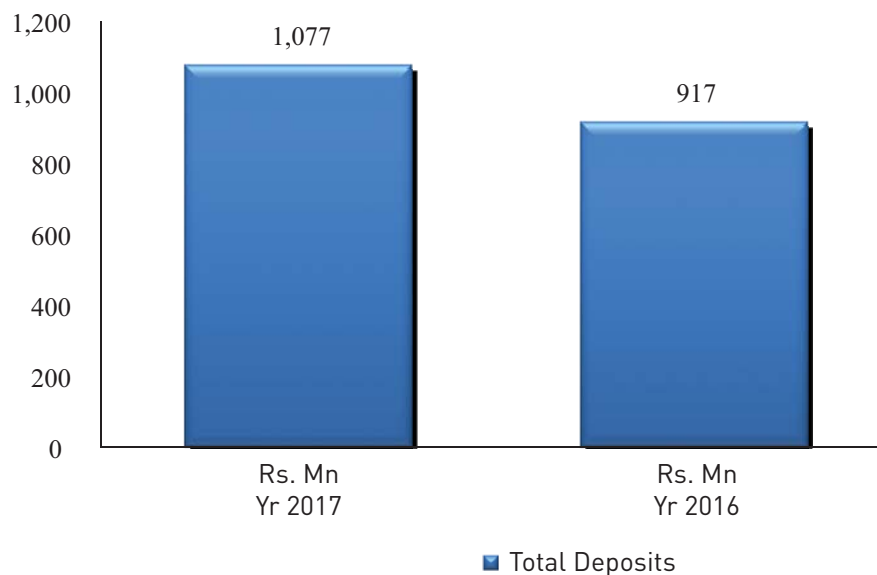


Comparison of Expenses - 2017 Vs 2016



Interest Income - 2017 Vs 2016



Micro Finance Interest Income Comparison - 2017 Vs 2016**Micro Finance Loans and Advances - 2017 Vs 2016****Total Deposits - 2017 Vs 2016**



CHAIRMAN'S MESSAGE

It is with great pleasure that I present the Annual Report and final accounts of Sri Lanka Savings Bank Limited (SLS Bank), for the year ended 31st December 2017 on behalf of the Board of Directors.

The Year 2017 was a very momentous year for the Sri Lanka Savings Bank. As an important priority of the Government the SLSB had to settle the deposits of former Pramuka Savings & Development Bank (PSDB) customers which were outstanding for many years. Bank had immense challenge at the end of year 2017 to settle the outstanding deposits of corporate customers of PSDB.

We are proud to declare that we have settled Rs. 2,249 Mn among individuals and corporate customers of the former PSDB. SLS Bank has successfully completed the PSDB Depositors repayment scheme where the achievement is remarkable and special land mark for Banking Industry in Sri Lanka.

The Year 2017 was the year which declared the highest profit in the history of the Bank. The profit recorded as Rs. 600 Mn in the year. It was a great achievement of the management with the staff and the Board of Directors.

Sri Lanka Savings Bank born with a National responsibility and populist concepts on its shoulders. We have the responsibility of safeguarding the vulnerable depositors; financially strengthen the poor community and the national economy.

SLS Bank is serving more than hundred thousands of end borrowers through nearly 250 Partner organizations which established all over the country. We have taken many steps to widen the micro finance sector eliminating

poverty among rural people and challenging the financial institutions which charge extremely high interest rates in the country.

SLS Bank is looking forward to stimulate the growth, expansion, and development of Sri Lanka's economy by further encouraging, promoting and facilitating micro, small and medium enterprise (SME) development in Sri Lanka in line with Government theme of "Good Governance. We are serving by our lending products such as "SLS Diriya" "Praja Diriya" "Door to Door" "SLS Leasing" and "SLS Ran Isuru". Also we have implemented the schemes such as "Ran Aswenna" "Jaya Isura" "Govi Navoda" " Rivi Bala Savi" introduced by the finance ministry with the initiatives to encourage entrepreneurs through "Enterprise Sri Lanka" credit programme for the enrichment in small and Medium Enterprises (SME) empowering the poor and reduce poverty in order to boost the national economy.

We have continued strengthening among many challenges and focusing to be the "Nation's Micro Finance Bank"

When developing corporate governance policies of the bank, it is crucial that there is perfect harmony with the corporate management. The bank has formed several sub committees with the corporation of the Board of Directors. Board Audit Committee, Board Integrated Risk Management Committee, Board Credit Committee, Board Human Resource and Remuneration Committee, Board Nomination Committee and Board Legal & Recovery Committee have played a vital role in strengthening the Bank's corporate governance. The contributions made by these directors and the commitment they have portrayed towards the growth of the Bank are noteworthy.

Our customers and business partners, whose confidence and trust on us are extremely important and sincerely appreciated. I thank all the stake holders who have stood by SLS Bank over the years. The most valuable relationships are those that remain resolute under all circumstances.

To the customers of SLS Bank, especially our rural customers and Micro Finance partner organizations, I would like to emphatically state that they are our strength and will remain so.

I would like to express deep appreciation to our staff who have worked hard amidst trying circumstances to deliver this year's results. The Bank's success would not be possible without their dedication and continued loyalty.

I am also grateful to the Hon. Minister of Public Enterprise Development, Hon. Deputy Minister of Public Enterprise Development, Hon. Finance Minister, and Hon. State Minister of Finance ,Secretary of Ministry of Public Enterprise Development, Secretary to the Treasury , the Governor of the Central Bank, Director ,Bank Supervision Department of Central Bank, the Auditor General & his staff ,the Attorney General, the heads of other regulatory bodies and their teams for their generous corporation and guidance.

I would like to express my sincere appreciation for the continued prudent guidance and support provided by my fellow Directors of the Sri Lanka Savings Bank Limited. I take this opportunity to convey my appreciation to the ex-board members of the SLS Bank for their immense contribution to the bank during the years.

In particular, I thank the General Manager /CEO and management team for their competent and prudent management with all staff for their supportive roles and commitment towards achieving goals under highly competitive environment.



Srilal Dayananda

Chairman



GENERAL MANAGER/CEO'S MESSAGE

It is with a great pleasure for me to have this opportunity to present the message of GM/CEO as Sri Lanka Savings Bank (SLSB) for the financial and operational review of the period ended 31st December 2017.

Year 2017 is unique for the history of SLSB due to two major aspects in financial review. The key fact out of the same is fulfilling the major responsibility of which was assigned by Central Bank of Sri Lanka at the time of inception of the SLSB. That is to settle all the liabilities of Pramuka Savings & Development Bank (PSDB) depositors. This exercise has been promptly attended by SLSB starting to make the payments for settlement of the PSDB liabilities on the stipulated very day itself. That is on 3rd December 2017. During the year 2017 we have made the payment of Rs. 1,082 Mn as settlement of the liabilities of the depositors of Pramuka Savings and Development Bank. At present the total payment made in this regard is Rs.2,248.72 Mn.

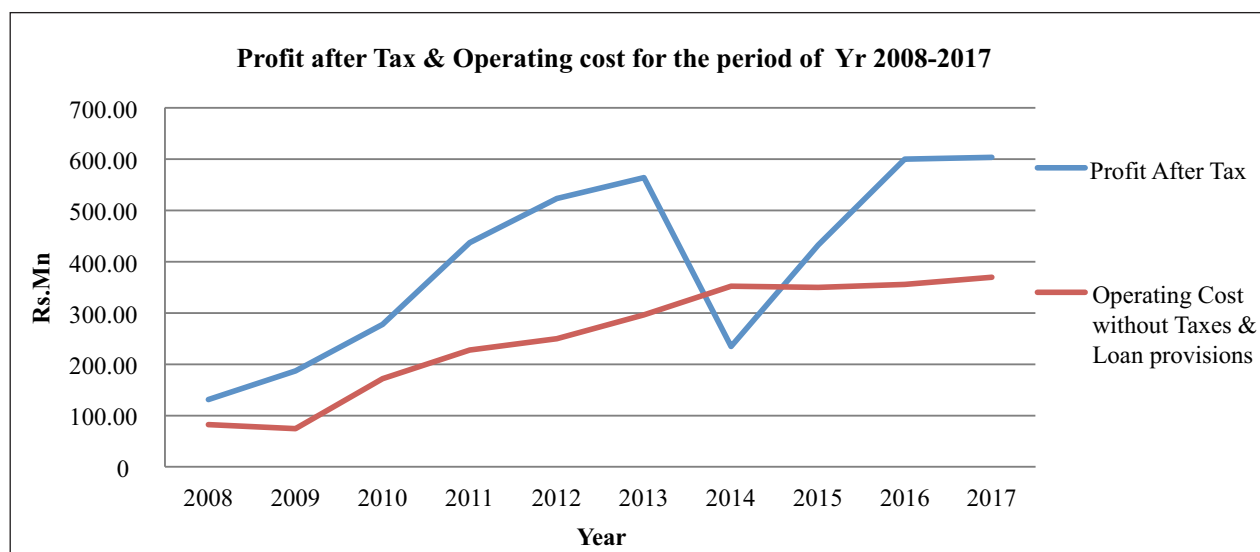
The other fact is that the Bank was able to build up its capital base up to Rs. 5.0 Bn with the accomplishment of the requirement of the Basel III minimum capital requirement.

Financial Highlights

The remarkable performance recorded in the year 2016, has been continued in an outstanding manner in the year 2017. Specially, the financial operation of the Bank has increased mainly due to implementation of new loan schemes of Central Bank of Sri Lanka (CBSL) and the Ministry of Finance & Mass Media with the new strategic plan. The gross income of the Bank during the period was Rs. 1093.2 Mn, which was an increase of Rs. 112.5 Mn, equivalent to 11.47 % compare with the previous year. Specially, the interest income increased by 12% amounting to Rs. 1039.7 Mn and the same is represented as 95.11 % of the total income. Interest income generated from the non-performing advances of the Pramuka Savings & Development Bank (PSDB) was Rs. 34.5 Mn.

The provision of the interest for the deposits has been increased due to the improvement of deposit base in the year under review. When compare with the previous year, it has been increased by Rs. 161 Mn. Total interest expenditure for the deposits was Rs. 143.5 Mn in year 2017. Expenditure for employees was Rs. 119.8 Mn. and when compared to the previous year that is 6 % increase. In consequence of introducing an innovative different loan products for Small and Medium sector entrepreneurs, it has been able to continue commission, other charges as well as interest income in a remarkable manner.

Accordingly Profit before Tax has been grew up to Rs.603.4 Mn during the period. Total gross income for the year is Rs.1093.2 Mn. We have obtained income tax exception relief for the year due to handling the settlement the PSDB liabilities. Year 2017 is the highest ever Profit after Tax earned by the Bank for the value of Rs. 603.4 Mn.

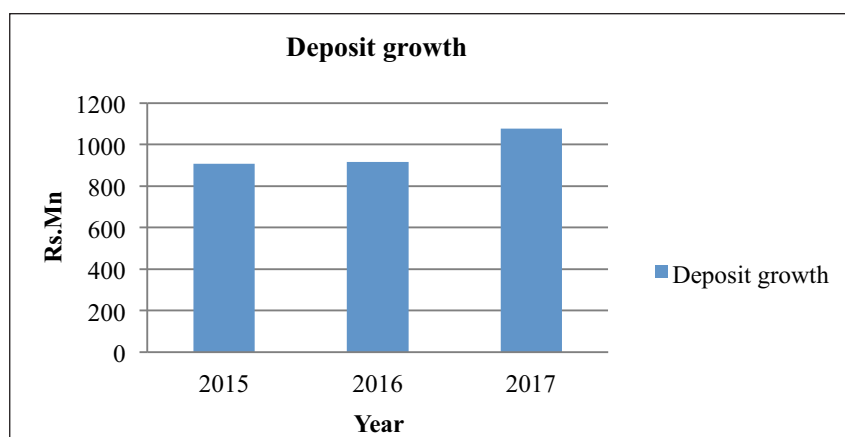


Cost to income ratio for the year 2016 was 24% where as it has been slightly decreased up to 23.0% for the year 2017.

Deposit portfolio

Deposit volume has been increased up to Rs.1077.2 Mn as at 31st December 2017 and the total deposit base of the Bank was increased by Rs.160.6 Mn which is equivalent to 17.52 % increase during the year 2017.

This deposit growth was obtained due to having a special credit expansion programme launched by the Micro Finance division and implementation of strategy for opening of new deposit accounts for each disbursement.



Loans and Advances

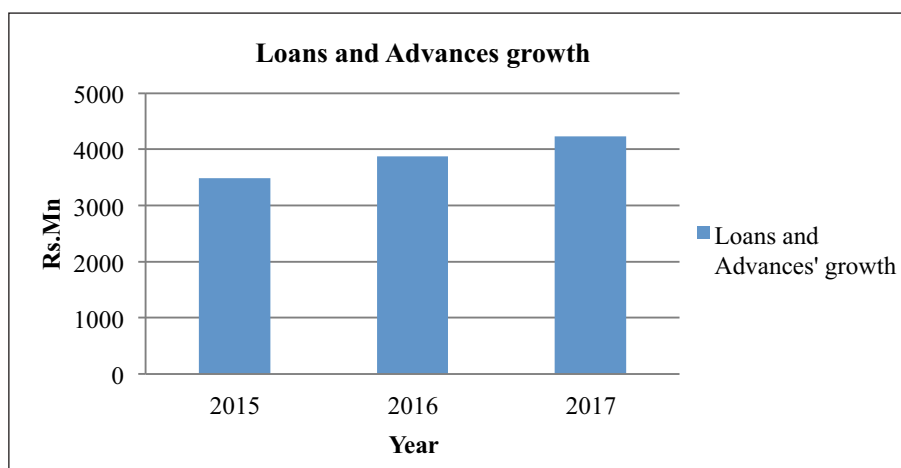
Having the vision for catering to the Micro Finance and SME sector, bank has launched a special loan disbursement programme to cater to its registered societies. Also SME Division has implemented the different kind of loan products under the Enterprise Sri Lanka loan scheme launched by the Ministry of Finance and Mass Media. Under

this scheme we have introduced different kind of loan products such as “Jaya Isura”, “Govi Navoda”, “Ran Aswenna”, “Rivi Balasavi” and “Athwela” interest subsidy loan scheme.

In addition to above we have launched the refinance credit lines of “Swashakthi” refinance loan scheme introduced by CBSL. Based on such new strategies we have been able to increase the advances portfolio from Rs. 3872 Mn in the year 2016 to the value of Rs. 4224 Mn.

This amount is an increase of 9.0% based on the year 2016. Said total advances portfolio consist of Rs. 1035 Mn of PSDB non-performing portfolio which has been provisioned by 100%.

However, the advances portfolio has been calculated except the Debentures and other investment value of Rs. 87.5 Mn where as it is stated under the note No. 15.1.



Borrowings

The long term borrowings were amounting to Rs. 2157 Mn as at December 2017. These borrowings are represented by unsecured debentures and money market bills of PSDB amounting to Rs. 812.5 Mn and Rs. 1330.1Mn was payable to Asian Development Bank. Balance of Rs.14 Mn liable to pay KFW & CBSL.

Asset Structure of the Bank

The total asset base of the Bank was Rs. 9535.1 Mn as at 31st December, 2017 this has been decreased by Rs. 148 Mn compare with the previous year, mainly due to making arrangements for the PSDB Liability settlement as per scheduled plan to start payment on December 2017 according to the CBSL guidance. Liquid asset base of the Bank was Rs. 5753 Mn represented by cash & bank balance and short term high liquid investments. Liquid Asset Ratio against the deposits & short term borrowings was 311%.

PSDB Recoveries

The Bank continuously carried out the recovery activities of non-performing advances including PSDB advances. Out of the total PSDB non-performing portfolio of Rs. 1850 Mn vested from CBSL, we were able to reduce the same to the sum of Rs. 1035 Mn and the total gross recoveries including interest increased up to Rs. 1510 Mn as at 31st December 2017. Further, we were able to negotiate with relevant PSDB customers to have amicable settlements for a considerable value of the balance non-performing advances and litigations have been initiated against the rest of the same, where we have not been able to compromise.

Settlement of Liabilities of PSDB Depositors

One of the prime responsibilities assigned to SLSB at the time of inception of the Bank was to settle the depositor's funds of Pramuka Savings and Development Bank (PSDB) which had been suspended the business operations in the year 2002 by Central Bank of Sri Lanka. The Bank made a remarkable effort to grant relief to depositors of the collapsed PSDB as a special task to settle the liabilities by the year 2017 in terms of Liability Settlement Scheme formulated by Monetary Board of Central Bank of Sri Lanka.

The Bank was able to settle total sum of Rs.1,205 million of individual depositors' Liabilities (Deposit liabilities and Money Market Borrowings) up to 31.12.2017. Apart from that, the Bank was able to settle Rs. 1,044 Million liability of Corporate depositors out of Rs. 1,819 Mn (Capital Rs.1, 299 million with Interest of Rs. 520 Mn), which has been converted to unsecured subordinate debenture and withdrawal application received up to 31.12.2017.

Human Resource Development

Skill development training programme and various other different Training Programmes were held to ensure the required skills been developed throughout the career of our employees, facilitating their career progression within the Bank.

The Staff strength of the Bank at the end of December, 2017 was 116. Limited recruitments were done for the Bank for the year 2017 adhering the direction given by the Central Bank of Sri Lanka for restriction of the recruitment of staff during the process of merger with NSB. Nevertheless, we were able to maintain employee turnover rate at a minimum level.

Corporate Social Responsibility

During the past 10 years, Sri Lanka Savings Bank Limited (SLS Bank) has maintained a very good reputation specially among the Partner Organizations joined with us spread throughout the country, as being a socially responsible bank engaging many social responsible programmes. The Bank constantly focused on being a responsible corporate entity among other financial institutions of the industry. Especially commitment to eradicate poverty by providing financial and non-financial services for socio-economic development in the country was a tremendous achievement of the Bank.

Way Forward

According to the budget proposal 2016, actions have been taken pertaining to the merger proposal of SLSB with National Savings Bank having relationship with all related parties. Due to the merger proposal CBSL has instructed the Bank to refrain from taking significantly costing decisions specially causing to the profit and loss account of the Bank remarkably until merger proposal is being finalized. Due to this fact we have restricted new recruitments, launching of new business expansion programmes and such other events which incurred significant cost to the Bank.

Despite number of limitations prevailed, it is proud to mention that the Auditor General's opinion pertaining to financial statements of the Bank given "True and fair view of the financial position" as at 31.12.2017.

Appreciations

Providing a superior service to the customers and fulfilling the aspirations of the all stakeholders would be the prime responsibility of the Bank. The guidance and the unstinted co-operation extended by the Secretary to the Ministry of Public Enterprise, Secretary to the Treasury and Ministry of Finance & Mass Media, Auditor General and staff as well as Director General and the officials' of the Dep. of Public Enterprise to the General Treasury, Director and the Officers of Bank Supervision Department of Central Bank of Sri Lanka, as well as the Chairman & Board of Directors of Sri Lanka Savings Bank in taking all these endeavors and giving guidance and assistance in all aspects towards the successful implementation of the business activities to be specially mentioned and deserve my deep debt of gratitude.

I also take this opportunity to express my special thank to the corporate and Senior Management, other Management Staff and all other staff members, all the customers and well wishers who contributed in many aspects towards the success of the performance of the Bank during the year 2017.



W.A.Udaya Bandara
General Manager / Chief Executive Officer

BOARD OF DIRECTORS

Left to Right...

Mr. P.B.S.C. Nonis

Mr. R.M.C. Rathnayaka

Mr. P. Dheerasinghe

Mr. P.S. Dayananda

Mr. Sunil Witharanage

Mr. C.V.J. Arambewela







Mr. P.S. Dayananda

Chairman
Non-Executive Director
Attorney-at-law

Mr. P.S. Dayananda was appointed as a member of the Board of Directors by the Secretary to the Treasury on the 20th July 2016. Later on he was appointed as the Chairman of the Board of Directors on 26th February 2018 by the Secretary to the Treasury. Mr. Dayananda has more than 10 years experience as an Attorney-at-law and as a Panel Lawyer of many banks. He functions as a Non- Executive Director.



Mr. P.B.S.C. Nonis

Non-Executive Director
Master of Public Administration (MPA) (Australia)
B.Sc Business Administration Sp. Hons (University of
Sri Jayawardhanapura) Licentiate Certificate (LICA) (ICASL)

Mr. P.B.S.C. Nonis was appointed as the Treasury Representative of the Board of Directors by the Secretary to the Treasury on 3rd of August 2017. Mr. Nonis is serving as the Comptroller General of Comptroller General's Office, Ministry of Finance & Mass Media. He has served as a Director in many Departments of Finance Ministry, such as Procurement Monitoring Unit (2016-2017), Department of Public Finance (2015-2016) Department of Fiscal Policy (2009-2010). Mr. Nonis has served as a Director in Customs, Department of Sri Lanka Customs (2011-2013).



Mr. Sunil Witharanage

Non-Executive Director
L.L.B. (UOC)
Attorney-at-law

Mr. Witharanage was appointed by the Secretary to the Treasury as a member of the Board of Directors on 12th February 2015. He has been served as a Senior Assistant Manager at Ceylinco Insurance PLC (2003-2012), Legal Officer of Arpico Finance PLC (2000- 2002) & Legal-Executive at PD Keels (Pvt) Ltd (1998-1999). Mr. Witharanage has more than 19 years of practice as an Attorney-at-law. Mr. Witharanage functions as a Non-Executive Director.



Mr. R.M.C. Rathnayaka

Non-Executive Director
Bachelor of Labour Education (UOC)

Mr. R.M.C. Rathnayaka was appointed as a member of the Board of Directors by the Secretary to the Treasury on 20th July 2016. He has been served in People's Bank for 33 years & retired as a Senior Manager. He has completed the Intermediate level at Bankers Training Institution. Mr. Rathnayaka has been appointed to serve as a Non- Executive Director.



Mr. P. Dheerasinghe

Non-Executive Director

L.L.M. International Law & Relations – USSR

Bachelor of Arts (UOP)

Mr. P. Dheerasinghe was appointed by the Secretary to the Treasury on 20th July 2016 as a member of the Board of Directors. He is a Director of BOC Travels & People's Micro Finance (pvt) Ltd from 2016. He has served as the Vice Chairman of National Housing Development Authority. Mr. Dheerasinghe functions as a Non-Executive Director.



Mr. C.V.J. Arambewela

Non-Executive Director

L.L.B. (UOC)

Attorney-at-law

AAT-Stage I & II

Mr. Arambewela was appointed as a member of the Board of Directors by the Secretary to the Treasury on 26th December 2016. He has more than 16 years of practice as an Attorney-at-law. Mr. Arambewela functions as a Non-Executive Director.



Mr. P.H.A.S. Wijayarathne

Non-Executive Director

MA in International Trade & Economic Cooperation (Korea)

BSc Business Administration (University of Ruhuna)

Mr. P.H.A.S. Wijayarathne was appointed as a member of the Board of Directors by the secretary to the treasury on 26.11.2018. Mr. Wijayarathne is serving as the additional Director General of Department of Public Enterprises from 2013. He has served as the Director of Department of National Budget (from 2010 to 2013) and Assistant Director/Deputy Director of External Resource Department (from 1999 to 2010) of Ministry of Finance.

SENIOR MANAGEMENT

Left to Right...

Mr. Kapila Keerawella

Act. Assistant General Manager
Senior Manager - Operation &
Business Development
B.Com (Special) USJ, PGDBM (IBSL)

Ms. A.R. Ramya Piyasekara

Senior Manager - Legal Cum Company Secretary
*L.L.B (Colombo), PgDLS(Colombo), MSc (Moratuwa),
DCB (IBSL), CMILT*
Attorney-at-Law & Notary Public
Commissioner for Oaths

Mr. E.W. Priyantha

Senior Manager- Micro Finance
Act. Senior Manager - Credit
B.B.Mgt(HR)Sp, MBS-Colombo
CGAP accredited trainer (DQIR)

Mr. S.A.K.A.K. Sooriyaarachchi

Senior Manager – Risk Management
BA ECON (Peradeniya), MA ECON (Colombo)
MSc Stat (Colombo) ACCA - UK (Final)



Mr. W.A.U. Bandara

General Manager/CEO
*MBA (Wayamba University –Final Stage),
PGEDBM (IBSL), PGDBM (Wayamba University),
Post Graduate Ex.Dip(Micro Finance)-
SLFI,DCM(IBSL), Dip in Agri(SLSA)*

Mr. G.M.S.N.K.M. Gurusinghe

Senior Manager Recovery
*B.Sc Busi Admin (Special) (Sri J), AIB,
Licentiate (CASL)*

Mr. N.N.Nelumkumara Vithanage

Senior Manager- IT,
Administration & Establishment
*MBA(IT), M.Sc(IT), B.Sc.Eng(Hons)
MBCS, AMIE(SL)*

Mr. K.M.W.C. Perera

Senior Manager –HRD
*B.Sc. (HRM) USJ
MBA (University of Wales)
PGDBA - LSC London*



MANAGEMENT TEAM



Mr. K.A.N. Rasikapriya
Manager
Internal Audit



Mr. H.K.E. Padmakumara
Manager
Finance & Planning



Ms. S.J. Sally
Manager
Micro Finance



Ms. T.P. Pushpakanthi
Manager
SME



Mr. R.N. Rajamanthri
Manager
Recovery



Ms. S.P.P.L. Wanniarachchi
Manager
Procurement



Mr. N.M.A.T.B. Arambepola
Manager
Head Office Branch



Mr. A.D.B.C. Athapaththu
Deputy Manager
Treasury Management



Mr. K.S.D. Fernando
Deputy Manager
Internal Audit



Ms. D.M.N.T. Dissanayake
Deputy Manager
Compliance



Ms. P.B.N. Sajeewani
Deputy Manager
Credit Administration



Mr. B.J.H. Perera
Assistant Manager
IT



Mr. G.D.K.S. Yapa
Assistant Manager
Recovery



Ms. C.J. Ambepitiya
Assistant Manager
Legal



Ms. K.H.S.H. Abeywickrama
Assistant Manager
Legal



Mr. K.M. Perera
Manager
Matara Branch



Mr. G.G.A.N. Sanjeewa
Act. Manager
Anuradhapura Branch



Mr. A.S. Dias
Act. Manager
Mannar Branch

CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES 2017

Past 09 years, Sri Lanka Savings Bank Limited (SLS Bank) has maintained a reputation as being a socially responsible bank that engages many social responsible programme across the country. SLS Bank constant focus on being a responsible corporate entity makes the bank stand out from other organizations in the financial industry. SLS Bank is committed to eradicate poverty by providing financial and non-financial services for socio-economic development in the country.

At present we partner with more than 200 active Community Based Organizations (CBO) scattered all over the country.

The major objective of the Bank is to develop, promote, catalyze and support sustainable income generating opportunities and record a higher quality of life to middle and low income earners, through financial and non-financial services. It has become necessary to improve access to financial services by small and micro-entrepreneurs in lower income groups. The contribution made by these enterprises to national economy is significant. One of the cost effective solutions to extend credits to small and micro enterprises in remote rural areas is selecting Community Based grass-root level organizations as vehicles to disburse credits and carry out pre- and post credit supervision towards recovery of loans.

This meant a sustainable, fair development that helps boost both the national and rural economy and played a key role in assisting low income families to minimize debt, paving the way for them to strengthen their income generation and secure future.

Celebrating SLS Bank 9th Anniversary on 10/03/2017.

SLS Bank has organized “Dana ceremony” at Head office as celebrating bank 9th anniversary. This was organized by the Head office branch. The Chairman, Members of Board of Directors, General Manager and senior management and all staff were participated.





Supporting social welfare

Bank Management was decided to conduct CSR programs covering all branches in respect of bank 9th Anniversary which was held on 10/03/2017.



Matara Branch of SLS Bank has provided water dispenser to Matara General Hospital under Bank CSR Project.



Mannar Branch has refurbish elders home at Thalvpadu Road, Pattim , Mannar under CSR programme and given wheel commode chair to the elders home.



Anuradhapura Branch renovated "bodhi prakaraya" in front of the branch and conducted "bodhi pooja" with celebrating bank 9th anniversary.

DIRECTORS REPORT

The Directors of the Sri Lanka Savings Bank Limited have pleasure in presenting their Annual Report together with the Audited Financial Statements for the Financial Year ended 31st December 2017

Review of Business

The Chairman's Message and the Review of Operations by the General Manager/CEO gives a detailed Report on the operations of the Sri Lanka Savings Bank Limited; for the financial year ended 31.12.2017. In addition to this a full account of operations can be found in the Audit Report presented by Auditor General.

Legal Status of the Bank

The Bank was established on July 7th 2006 under Companies Act No. 17 of 1982, registered as a public company bearing registration No: N (PBS) 1336. It was re-registered under the new Companies Act No: 07 of 2007 and bears the Re - registration No: PB 296. The Bank was licensed as a specialized bank under the Banking Act No. 30 of 1988 and commenced banking business on the 10th of March 2008.

Board of Directors

Eleven Directors served as the members of the Board of Directors during the year under review. The entire Board of Directors in compliance with the Articles of Association of the Bank has been appointed by the Secretary to the Treasury, Ministry of finance & planning. The Board meets at least once a month and met 13 times during the Year 2017. The Directors of the bank during the year 2017 were as follows:

Mr. Karunarathna Amarasinghe (Working Director / Acting Chairman from 06/08/2015)

Mrs. S.A.C. Kulathilaka (Treasury Representative- up to 01st July 2017)

Mr. P.B.S.C. Nonis (from 04th August 2017)

Mr. Sunil Witharanage - AAL

Mr. A .ShashimalMadapatha

Mr. P. Srilal Dayananda - AAL

Mr. D.S.W. Samarasekara

Mr. C.V.J. Arambewela - AAL

Mr. Priyanka Deerasinghe

Mr. R.M.C. Rathnayake

Mr. Ariyapala Panditha (up to May 2017)

Participation at Board Meetings - Year 2017

Name of the Director	No of Meetings held during 2017	No of Meetings eligible to attend during the year 2017	No of Meetings Attended
Mr. Karunaratne Amarasinghe (Acting chairman with effect from 6-8-2015)	13	13	13
Mrs. S.A.C. Kulathilaka	13	06	05
Mr. P.B.S.C. Nonis	13	06	06
Mr. Sunil Witharanage	13	13	13
Mr. A.S. Madapatha	13	13	08
Mr. Priyanka Deerasinghe	13	13	13
Mr. R.M.C. Rathnayake	13	13	12
Mr. D.S.W. Samarasekara	13	13	13
Mr. Srilal Dayananda	13	13	13
Mr. Ariyapala Panditha	13	07	04
Mr. C.V.J. Arambewela	13	13	12

Directors Interest in Contracts

The Directors have no direct or indirect interest in any contract or proposed contracts with the Bank except as disclosed in the Note No 29 to Financial statement.

Director's Responsibility

The Board of Directors takes responsibility for the preparation and presentation of these Financial Statements. The Board of Directors take responsibility for ensuring that the Bank keeps proper books of account of all the transactions and prepares Financial Statements that give a true and fair view of the state of affairs and of the profit/loss for the year. The Board of Directors oversees the Management responsibilities for financial reporting through their regular meeting reviews and the Audit Committee Reports.

Systems of Internal Controls

The Board of Directors have endeavored to institute an effective and comprehensive system of internal control covering financial operations and compliance and risk management, required to carry on the business of banking in an orderly manner. In order to manage the Bank's assets and liabilities and secure as far as possible the reliability of records and ensure accuracy.

Corporate Governance

Systems and procedures are in place to ensure that Corporate Governance is followed. Specific measures taken in this regard are elaborated on pages No 30-59 of this Report.

Audit Committee

The following non-executive Directors of the Board served as members of the Board Audit Committee.

Mrs. S.A.C. Kulathilake	-	Chairperson of the Committee(Up to July 2017)
Mr. P.B.S.C. Nonis	-	Chairperson of the Committee(From August 2017)
Mr. D.S.W. Samarasekara	-	Member
Mr. Priyanka Dheerasinghe	-	Member

The report of the Audit Committee is given on pages 73-75

Vision, Mission and Corporate Conduct

The Bank's Vision Mission is given in pages No 2-3 of this Report. The business activities of the Bank were conducted adhering of the highest level of ethical standards in order to achieve the Vision and Mission of the Bank.

Auditors

The Financial Statements for the year have been audited by Auditor General. A resolution pertaining to ratification of appointment of Auditors has been proposed at the Annual General Meeting

Staff

As at 31st December 2017 there were 116 members employed by the Bank. The composition of this number is as follows:-

Staff Position as at 31.12.2017

Category	Approved Cardre	No. employed as at 31.12.2017	Excess / Deficiency
General Manager	1	1	0
Assistant General Manager	1	0	1
Chief Manager	7	0	7
Senior Manager	10	7	3
Manager	10	7	3
Manager - Branches	4	2	2
Deputy Manager	4	3	1

Assistant Manager	15	7	8
Officer	23	11	12
Credit Officer	10	5	5
Recovery Officer	2	1	1
Business Development officer	8	5	3
Management Trainee	1	0	1
Senior Bank Assistant	15	19	(4)
Secretaries	2	2	0
Bank Assistant	47	28	19
Legal Assistant	2	1	1
Receptionist cum Telephone Operator	1	1	0
Care Taker	3	3	0
Senior Driver	5	5	0
Driver	2	1	1
Senior Office Assistant	3	3	0
Office Assistant	1	2	(1)
Labourer	3	2	1
Trainee	3	0	3
Total	183	116	

Cadre approved by BOD on 31.08.2015

General Manager / Chief Executive Officer (CEO)

The General Manager is the Chief Executive Officer of the Bank and is appointed by the Board of Directors. The General Manager /CEO attends Meetings of the Board by invitation.

Going Concern

The Board of Directors is satisfied that the bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial Statements are prepared based on the going concern concept.

Financial Statement

Financial Statements of the Bank have been prepared on a going-concern basis in compliance with the Sri Lanka Accounting Standards and the Banking Act No: 30 of 1988 and Amendments thereto and in conformity with the generally accepted accounting principles and applied consistently. Reasonable and prudent judgments have been made where necessary when preparing the financial statements.

Profit and Appropriations (in thousands)

Year ended	31.12.2017 (Rs.000)	31.12.2016 (Rs.000)
Profit before taxation	603,484	599,700
Taxation		
Profit after taxation	603,484	599,700
Retained Profit /(loss) brought Forward	2,760,376	2,315,832
Profit available for Appropriation	603,484	599,700
Directors have made the Following appropriations : to reserve	(354,879)	(155,156)
Retained Profit carried Forward	3,008,981	2,760,376

Revenue

The total gross income of the Bank for the financial year ended 31st December 2017 was Rs. 1093.1 Million. The analysis of income is given in Notes 5,6&7 to the Accounts

Capital Expenditure

The total expenditure on the acquisition of Property, Plant & Equipment during the year amounted to Rs. 3.8 Million. Details of Which are shown in Note 17.1 to the accounts.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time.

Post Balance Sheet Events

No events have arisen since the Balance Sheet date which requires adjustment or disclosure in the accounts.

By order of the Board,



A.R.R. Piyasekara
Secretary to the Board
Sri Lanka Savings Bank Limited
Colombo.

AUDITOR GENERAL'S REPORT ON CORPORATE GOVERNANCE



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

BAF/A/SLSBL/2017/10

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

26 August 2018

The Chairman
Sri Lanka Savings Bank Limited

Auditor General's Report of Factual Findings of Sri Lanka Savings Bank Limited to the Board of Directors of the Sri Lanka Savings Bank Limited on the compliance requirement of the Corporate Governance Direction issued by the Central Bank of Sri Lanka – 31 December 2017.

I have performed the procedures enumerated in an Annexure to this report, with respect to the Governance Report of the Board of Directors prepared and presented to meet the compliance requirement of the Corporate Governance direction issued by the Central Bank of Sri Lanka (CBSL). This engagement has been performed in accordance with the principles set out in Sri Lanka Standard on Related Services 4400 (SLSRS 4400) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you to meet the compliance requirement of the Corporate Governance directive.

I report my findings in the attached Annexure to this report.

Because the above procedures do not constitute an audit or review made in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, I do not express any assurance on the compliance with the Corporate Governance directives issued by CBSL.

Had I performed additional procedures or had I performed an audit or review of the Governance Report in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, other matters might have come to my attention that would have been reported to you.

My report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This Report relates only to the item specified above and does not extend to any Financial Statements of Sri Lanka Savings Bank Limited, taken as a whole.

H. M. Gamini Wijesinghe
Auditor General

Annexure to the report on factual finding

3 (1)	The Responsibilities of the Board		Findings
3 (1) (i)	Agreed upon procedures carried out to ensure the board has strengthened the safety and soundness of the Bank.		
	(a)	Check the board approval, the bank's strategic objectives and Corporate values.	Strategic plan for the period 2017-2019 approved by the Board (Board Paper No. 2017/37 – 24 January 2017) includes Sri Lanka Savings Bank's (SLSB) future direction (Page No. 32). Further, it contains SLSB's goals, objectives, strategies using the balanced scorecard approach.
		Check whether the bank has communicated the bank's strategic Objectives and corporate values throughout the bank.	The strategic goals included in the Strategic Plan were implemented through the action plan. (Board Paper No. 2017/18 – 24 January 2017) and action plan included responsible officers for each objective.
	(b)	Check the board approval of the overall business strategy of the bank.	Strategic plan 2017-2019 was approved by the board (Board Paper No. 2017/37 – 24 January 2017)
		Check that the overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented.	Integrated Risk Management (IRM) policy was not approved for the year 2017 and it was approved by the Board by Board Paper No. 2017/68 dated 11 May 2018 and it contains liquidity risk, Market risk, Credit risk and how those risks are managed.
		Check that the overall business strategy contains measurable goals, for at least the next three years.	SLSB's future direction, critical success factor and measurable goals are included in Page 32 of the Strategic plan.

	(c)	Check that the appropriate systems to manage the risks identified by the board are prudent and are properly implemented.	Integrated risk management policy was not approved for the year 2017. However, Terms of Reference for Risk Management Committee was available. Board Integrated Risk Management Committee which has reviewed risk reports submitted by risk management division.(Example risk management committee meeting held on 2017/02/14,2017/05/19,2017/10/11,2017/12/20).
	(d)	Check that the board has approved and implemented a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	Communication Policy was approved by the Board (Board Paper No. 2014/201 dated 22January 2014) and it contained communications with Director, Customers, Creditors, Debtors and Staff.
	(e)	Check that the board has reviewed the adequacy and the integrity of the bank's internal control systems and management information systems;	The adequacy and the integrity of the Bank's internal control systems was reviewed for year 2016. However, the report had not been reviewed by Board Audit Committee (BAC). Internal audit reports are reviewed by BAC and those reports contains observations in relation to internal controls of the Bank. However, no any audit had been performed about the management Information System.
	(f)	Check that the board has identified and designated key management personnel, as defined in the Sri Lanka Accounting Standards, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Board had not separately identified Key Management Personnel according to the designations used in the Bank and it had informed audit that Bank had followed Banking Act Direction No 4 of 2010 to identify KMP.

	(g)	Check that the board has defined the areas of authority and key responsibilities for the board directors themselves and for the key management personnel;	Areas of Authority and Key responsibilities are defined in Terms of References of the following committees. • Risk Management Committee • Board Audit Committee • Nomination Committee • HR & Remuneration Committee • Legal & Recovery Committee • Credit Committee • Procurement Committee
	(h)	Check that the board has exercised appropriate oversight of the affairs of the bank by key management personnel, that is consistent with board policy;	The Board has exercised appropriate oversight of the affairs of the Banks by Key Management Personnel through CEO & when need arises they are called by the Board to explain matters relating to their areas. (Example- 133 rd Board meeting held on 22 February 2017 and BP/2017/45 about Tax Liability of SLSBL which was explained by Senior Manager – Finance & Planning.)
	(i)	Check that the board has periodically assessed the effectiveness of the board directors' own governance practices, including: (i) The selection, nomination and election of directors and key management personnel; (ii) The management of conflicts of interests; and (iii) The determination of weaknesses and implementation of changes where necessary	According to the Section 21 of the Article of Association (AOA) of the Bank, Directors are appointed by Secretary to the Treasury. Annual declarations of all appointed directors except one director were obtained by the Bank in respect of related party transaction and their interest to measure the conflict of interest. Further, all directors except two directors had submitted self-assessments for the year 2017.
	(j)	Check that the board has a succession plan for key management personnel.	Board approved Succession Plan is in place. This was approved on 28 June 2017.

	(k)	Check that the board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Board appointed committees meet with GM/CEO and respective Department heads. BAC meeting held on 08May 2017 and HR & Remuneration Committee meeting held on 23 June 2017 evidence this. GM/CEO & Department heads meet once a month to make significant operational decisions of the Bank.
	(l)	Check that the board has taken measures and processes in place to understand the regulatory environment and that the bank maintains a relationship with regulators.	Board has appointed a compliance officer to report compliance functions of the Bank. Compliance officer had submitted reports including statutory reports by CBSL to Board Audit Committee.
	(m)	Check that board has a process in place for hiring and oversight of external auditors.	As per the 19 th Amendments to the Constitution, Auditor General is the auditor of the Bank.
3(1) (ii)		Check that the board has appointed the chairman and the Chief Executive Officer (CEO).	As per Section 22 of the AOA, Chairman was appointed by Secretary to the Treasury on acting basis by the letter dated 06 August 2015. The General Manager/CEO was appointed by the Board of director with effect from 01 December 2015 at the Board of directors' meeting held on 27 November 2015.
		Check that the functions and responsibilities of the chairman and the CEO are in line with Direction 3(5) of these Directions.	Chairman's functions and responsibilities were determined by Board paper No. 2013/23 and CEO/GM functions and responsibilities were determined by Board PaperNo.2012/21.
3(1) (iii)		Check that the board has met regularly and held board meetings at least twelve times a year at approximately monthly intervals.	Board had met 13 times during the year 2017.
3(1) (iv)		Check that the board has a procedure in place to enable all directors to include matters and proposals in the agenda for regular board	As per the functions and responsibilities of the Chairman, he is primarily responsible for drawing up and approving the Agenda for each Board

		meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank.	meeting with the assistance of the Board Secretary.
3(1)(v)		Check that the board has given notice of at least 7 days for a regular board meeting to provide all directors an opportunity to attend. And for all other board meetings, notice has been given.	Notice of meetings is given one week prior to the meeting via emails. The agenda & Board Papers of the Board Meetings are circulated to the Directors 05 days prior to the meeting giving directors time to attend & submit any urgent proposals (Example – E mail sent to 12 July 2017 about the Notice of the Board meeting held on the 26 th July 2017.
3(1)(vi)		Check that the board has taken required action on directors who have not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held. Participation at the directors' meetings through an alternate director, however, to be acceptable as attendance.	All directors except one director had attended to the Board meetings. However, one director had not attended nine consecutive meetings from May to December 2017 due to his health condition. Further, an alternate director had not been appointed as per Section 29 of Article of Association.
3(1)(vii)		Check that the board has appointed a company secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and carry out other functions specified in the statutes and other regulations.	The Board has appointed Board Secretary by the Board paper No. BP/2016/MAR/17/41 with effect from 01 April 2016. She was an Attorney at Law & holds Bachelor of Law degree from the University of Colombo and Msc degree in transport from the University of Moratuwa. She is also having the position of Senior Manager - Legal.
3(1)(viii)		Check the process to enable all directors to have access to advice and services of the company secretary.	Board Secretary of the Bank informed that all Directors have access to advice & service of the Board Secretary.
3(1)(ix)		Check that the company secretary maintains the minutes of board meetings and there is a process for the directors to inspect such minutes.	Board Meeting minutes, books are maintained with the Secretary for inspection of any Director.

3(1)(x)		Check that the minutes of a board meeting contain or refer to the following.	These requirements were observed during the review of Board Minutes of the Bank. (Example:-135th Board meeting minutes)
	(a)	A summary of data and information used by the board in its deliberations.	
	(b)	The matters considered by the board.	
	(c)	The fact-finding discussions and the issues of contention or dissent which may illustrate whether the board was carrying out its duties with due care and prudence;	
	(d)	The matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations,	
	(e)	The understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted, and	
	(f)	The decisions and board resolutions.	
3(1)(xi)		Check that there are procedures agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense.	Board approved Procedure was implemented in 2017 by Board Paper No.2017/184 dated 26 June 2017.

3(1)(xii)	Check that there is a procedure to determine, report, resolve and to take appropriate action relating to directors avoids conflicts of interests, or the appearance of conflicts of interest. Check that a director has abstained from voting on any board resolution in relation to which he/she or any of his/her close relation or a concern in which a director has substantial interest, is interested. Check that has he/she been counted in the quorum for the relevant agenda item at the board meeting.	Directors had furnished annual declarations for the year 2017 which provided details about interest with the Bank. However, one director had not furnished annual declarations for the year 2017.
3(1)(xiii)	Check that the board has a formal schedule of matters specifically reserved to it for decision to identify the direction and control of the bank is firmly under its authority.	According to the Section 27 of Articles of Association, the business and affairs of the company shall be managed under the direction or supervision of the Board. The Board may delegate to a committee of directors or to a director or an employee any of its' powers which it is permitted to delegate.
3(1)(xiv)	Check that the board has forth with informed the Director of Bank Supervision of the situation of the bank prior to taking any decision or action, if it considers that the procedures to identify when the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.	No such situations had arisen during the year 2017.

3(1)(xv)		Check that the board has the bank capitalized at levels as required by the monetary board.	A capital infusion was made by the General Treasury in December 2017. Internal Capital Adequacy Assessment Process policy frame work had been submitted to IRMC meeting held on 24 November 2016. However, Board approval had not been given for the under reviewed.
3(1)(xvi)		Check that the board publishes, in the bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.	Annual report had not publish for the year 2017.
3(1)(xvii)		Check that the board adopts a scheme of self-assessment to be undertaken by each director annually, and maintains records of such assessments.	A scheme of self –assessment process for the Board of Directors is in place which covers the requirement.
3(2)		The board's Composition	
3(2)(i)		Check that the board comprise of not less than 7 and not more than 13 directors.	According to the Articles, the number of directors shall not be less than seven (07) nor more than thirteen (13). Board comprised nine directors as at 31 December 2017.
3(2)(ii)	(a)	Check that the total period of service of a director other than a Director who holds the position of CEO, does not exceed nine years.	Directors were appointed as per the Section 21 of the AOA. All directors are appointed by Secretary to the Treasury for any period of time that may be specified therein. However, no any directors held directorship of more than 9 years.
	(b)	In the event of any director serving more than 9 years, check that the. Transitional provisions have been applied with.	Not Applicable
3 (2) (iii)		Check that the number of executive directors, including the CEO does not exceed one-third of the number of directors of the board.	All Directors are Non- Executive Directors and appointed by the Secretary to the Treasury.

3 (2) (iv)		Check that the board has at least three independent non-executive directors or one third of the total number of directors, whichever is higher check if non-executive directors can be considered independent if he/she	All Directors are Non-Executive, Non Independent and appointed by the Secretary to the Treasury.
	(a)	Holds a direct and indirect shareholdings of more than 1 per cent of the bank;	All Directors are Non-Executive Non Independent Since directors have been appointed by the Secretary to the Treasury. Secretary to the Treasury is considered as the major shareholding of the Bank. Hence, Directors are designated as Non-Independent.
	(b)	Currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction 3(7) here of, exceeding 10 per cent of the regulatory capital of the bank.	
	(c)	has been employed by the bank during the two year period. Immediately preceding the appointment as director.	
	(d)	has had a close relation; who is a director, CEO, a member of key management personnel, a material shareholder of the bank or another bank. (For this purpose, a “close relation” means the spouse or a financially dependent child)	
	(e)	Represents a specific stakeholder of the bank.	
	(f)	is an employee or a director or a material shareholder in a company or business organization: (i) which currently has a transaction with the bank as defined in Direction 3(7) of these Directions, exceeding 10 per cent of the regulatory capital of the bank, or (ii) in which any of the other directors of the bank are employed or are directors or are material shareholders; or	Not Applicable

		(iii) In which any of the other directors of the bank have a transaction as defined in Direction 3(7) of these Directions, Exceeding 10 per cent of regulatory capital in the bank.	
3(2)(v)		In the event an alternate director was appointed to represent an independent director, Check the person so appointed meet the criteria that applies to the Independent director.	No alternative Director was appointed during the year 2017.
3(2)(vi)		Check that the bank has a process for appointing independent directors.	All Directors are Non-Executive Non Independent and appointed by the Secretary to the Treasury.
3(2)(vii)		Check that the stipulated quorum of the bank includes more than 50% of the directors and out of this quorum more than 50% should include non-Executive directors.	According to the AOA, a quorum for a meeting of the Board is four (04), if the total number of Directors is 7 and more than half the number of Directors should be present to constitute a quorum in the event that total number of Directors is more than seven. All the Directors of the Bank are Non-Executive Directors.
3(2)(viii)		Check that the bank discloses the composition of the board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual Corporate governance report.	Annual report had not published for the year 2017.
3 (2)(ix)		Check the procedure for the appointment of new directors to the board.	Appointment of the Directors is done by the Secretary to the Treasury as per the AOA.
3 (2) (x)		Check that all directors appointed to fill a casual vacancy be subject to Election by shareholders at the first general meeting after their appointment.	Not Applicable as Appointments of the Directors are done by the Secretary to the Treasury as per AOA.

3 (2) (xi)		Check if a director resigns or is removed from office, the board:	As per the Section 21 of AOA, Secretary to the Treasury can remove a director and a director may resign by delivering a written notice of resignation to the Registered Office of the Company. During the year 2017, one director had resigned from the Bank.
	(a)	Announce the director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the bank, if any; and.	
	(b)	issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	
3 (2) (xii)		Check if there is a process to identify whether a director or an employee of a bank is appointed, elected or nominated as a director of another bank.	Directors are appointed by the Secretary to the Treasury. The Bank had obtained declarations from the Directors at the time of appointment as a Director of the Bank. No any employee had been appointed as directors of another Bank.
3 (3)		Criteria to assess the fitness and propriety of directors	
3 (3) (i)		Check that the age of a person who serves as director does not exceed 70 years.	None of the Directors of the Bank are over 70 years of the age as at 31 st December 2017.
	(a)	Check that the transitional provisions have been complied with.	Not Applicable
3 (3) (ii)		Check if a person holds office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate Companies of the bank.	As per the declaration made by the Directors at the time of appointment, there are no Directors who hold office as Directors of more than 20 companies.
3 (4)		Management functions delegated by the board.	
3 (4) (i)		Check that the delegation arrangements have been approved by the board.	Board had established seven sub committees namely Risk Management Committee, Board Audit Committee, Nomination Committee, HR & Remuneration Committee, Legal & Recovery

			Committee, Credit Committee and Procurement Committee. A term of Reference for each committee was established by the Board. Further, Delegated Authority levels and Transaction authority limits have been implemented by the Board by the Circular No. 2015/06/01.(Board paper No. 68/2015 and dated 20th April 2015 which was amended on 30th June 2015.(Board paper No 119/2015)
3 (4) (ii)		Check that the board has taken responsibility for the matters in 3 (1) (i) even in the instances such actions are delegated.	According to the article of the Bank, the Board shall have all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Bank.
3(4)(iii)		Check that the board review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.	The delegation arrangements are reviewed by the Board.(Ex:-members of Risk management Committee and Audit committee were changed by the Board at the 140th Board Meeting held on 17 September 2017.) Further, Board sub committee meeting minutes had been submitted to the Board for review purpose. (Example -: 135th Board meeting held on 26th April 2017 had reviewed minutes of BP/2017/113HR & Remuneration Committee Meeting BP/2017/114 Nomination committee meeting BP/2017/118- 36th Audit Committee Meeting, BP/2017/119 – 20th BIRMC meeting, BP/2017/120 Legal & Recovery Committee meeting)
3 (5)		The Chairman and CEO	
3 (5) (i)		Check that the role of chairman and CEO is separate and not performed by the same individual.	Roles of Chairman and CEO are separated and not performed by the same individual. However, chairman was appointed on acting basis for the entire year 2017.

3 (5) (ii)		Check that the chairman is a non-executive director.	The acting Chairman is a Non-Executive and non independent Director who was appointed by Secretary to the Treasury.
		In the case where the chairman is not an independent director, check that the board designate an independent director as the senior director with Suitably documented terms of reference.	Chairman and the all other Board of Directors consist of Non-Executive and non independent who are appointed by the Secretary to the Treasury.
		Check that the designation of the senior director be disclosed in the bank's Annual Report.	Not Applicable
3 (5) (iii)		Check that the board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship [including financial, business, family or other material/relevant relationship (s), if any, between the chairman and the CEO and board members and the nature of any relationships including among members of the board.	Directors had submitted their self evaluations and declarations for the year 2017 and accordingly it was not observed any financial, business or other relationship between Chairman CEO and other Board members.
3 (5) (iv)		Check that the board has a self evaluation process where the chairman: (a) provides leadership to the board; (b) ensures that the board works effectively and discharges its responsibilities; and (c) Ensures that all key and appropriate issues are discussed by the board in a timely manner.	Board Members had submitted their self assessments for the year 2017.

3(5)(v)		Check that a formal agenda is circulated by the company secretary approved by the chairman.	The Secretary to the Board draws up the agenda for the meetings in consultation with the Chairman. (Example -: 136 th Board meeting agenda dated 30 th May 2017)
3(5)(vi)		Check that the chairman ensures, through timely submission that all Directors are properly briefed on issues arising at board meetings.	Chairman through the General Manager submitted the Board papers at the Board meetings.
3(5)(vii)		Check that the board has a self evaluation process that encourages all directors to make a full and active contribution to the board's affairs and the Chairman taking the lead to act in the best interest of the bank.	The evaluation of the role of the Chairman and the overall assessment of the Board's performance are incorporated in the Director self evaluation process. The Self evaluation forms are filed at the Secretary's Division to evidence.
3(5)(viii)		Check that the board has a self evaluation process that assesses the Contribution of non-executive Directors.	Evaluation of the role of the non- executive directors' is incorporated in the Directors self evaluation process.
3(5)(ix)		Check that the chairman engages in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Chairman acts in Non –Executive capacity and instances was not observed that Chairman was involved in executive functions to supervise KMPs.
3(5)(x)		Check that there is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the board.	The shareholder is being represented at the Board as the representative of Secretary to the Treasury.
3(5)(xi)		Check that the CEO functions as the apex executive-in-charge of the day-to-day management of the bank's operations and business.	The CEO functions as the person in charge of day to day management of the Bank's business with the support of the Management.

3(6)		Board appointed committees.	
3(6)(i)		Check that the bank has established at least four board committees as set out in Directions 3(6)(ii), 3(6)(iii), 3(6)(iv) and 3(6)(v) of these Directions. Check that each board committee report is addressed directly to the board. Check that the board presents in its annual report, a report on each Committee on its duties, roles and performance.	Board had appointed seven sub committees. Each committee report had been submitted to the Board. Draft annual report had not been prepared by Bank for the year 2017.
3(6)(ii)		Audit Committee:	
	(a)	Check that the chairman of the committee is an independent non-executive director and possesses qualifications and related Experience.	The committee is chaired by non-executive and non- independent Director as all Directors are non- independent.
	(b)	Check that all members of the committee are non-executive director	Checked and ensured that all members are Non-Executive Directors.
	(c)	Check that the committee has made recommendations on matters in connection with	As per the Constitution, Auditor General Shall be the auditor of the Bank.
	(i)	the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;	
	(ii)	the implementation of the Central Bank guidelines issued to auditors from time to time;	
	(iii)	the application of the relevant accounting standards; and	
	(iv)	The service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the Completion of the previous term.	

	(d)	Check that the committee has obtained representations from the external auditor's on their independence, and that the audit is carried out in accordance with SLAuS	The Auditor General is the auditor of the Bank and his representative was present at each Board audit committee meeting to obtain independent views. Audit is carried out in accordance with SLAuS.
	(e)	Check that the committee has implemented a policy on the engagement of an external auditor to provide non-audit services in accordance with relevant regulations.	Auditor General is the auditor as per the Constitution.
	(f)	Check that the committee has discussed and finalized the nature and scope of the audit, with the external auditors in accordance with SLAuS before the audit commences.	Auditor General shall be the auditor and nature and scope of the audit was determined by the Auditor General.
	(g)	Check that the committee has a process to review the financial information of the bank, in order to monitor the integrity of the financial statements of the bank, its annual report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following; (1) major judgmental areas; (2) any changes in accounting policies and practices; (3) The going concern assumption; and the compliance with relevant accounting standards and other legal requirements, and; (4) In respect of the annual financial statements the Significant adjustments arising from the audit.	Board Audit Committee was submitted quarterly financial statements for the year 2017 for review purpose. Eg: Report on quarterly accounts for the period of 30.09.2017 had been discussed at Board Audit Committee meeting held on 22.12.2017.
	(h)	Check that the committee has met the external auditors relating to any issue in the absence of executive management with relation to the audit.	No such meeting was held during the year under concern. However, a representative of the Auditor General had attended at each Board audit Committee meeting held during the year 2017.

	(i)	Check that the committee has reviewed the external auditor's Management letter and the management's response thereto.	Committee has reviewed Auditor General's reports submitted in the form of audit queries together with replies submitted by the Bank.
	(j)	Check that the committee shall take the following steps with regard to the internal audit function of the bank:	
		(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	Checked and ensured that the Audit Committee had reviewed the functions and resources of the internal audit department.
		(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;	Audit Committee has reviewed the internal audit plan for the year 2017 at Board Audit Committee meeting held on 30.12.2016.
		(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	Assessment for the period from 01.01.2017 – 31.12.2017 was completed and submitted to BAC on 23 May 2018.
		(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Checked and verified that there were no any recommendations regarding the appointment or termination of the head or senior staff members.
		(v) Check that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	Checked and verified that no any apprised of resignations of senior staff members of the Internal Audit Department was occurred during the year under review.

	(vi)	Check that the internal audit function is independent of the Activities it audits.	As per the Section 2.8(VI) of the terms of reference, Board Audit committee shall ensure that internal audit function is independent of the activities it audits.
	(k)	Check the minutes to determine whether the committee has considered major findings of internal investigations and Management's responses thereto.	Checked the minutes and ensured that the committee has reviewed findings and management responses there to during the period under review.
	(l)	Check whether the committee has had at least two meetings with the External auditors without the executive directors being present.	Four BAC meetings were held in the year of 2017 and a representative from Auditor General was presented at all meetings. All members are non-executive and non-independent.
	(m)	Check the terms of reference of the committee to ensure that there is; Explicit authority to investigate into any matter within its terms of reference; The resources which it needs to do so ; full access to information; and Authority to obtain external professional advice and to invite outsiders.	As per the Terms of Reference, BAC has been empowered these matters.
	(n)	Check that the committee has met, at least four times and maintained Minutes.	Committee has met four times during the year under review and minutes have been maintained.
	(o)	Check that the board has disclosed in the annual report, (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the (iii) year; and details of attendance of each individual director at such meetings	2017 Draft annual report had not been prepared by the Bank.

	(p)	Check that the secretary of the committee is the company secretary or the head of the internal audit function.	Manager as the head of the internal audit department functioned as the Secretary of the Board Audit Committee for 1 st , 2 nd , and 3 rd quarter and the Board Secretary who was the secretary of the Board Audit Committee 4 th quarter of the 2017.
		Check that the “whistle blower” policy covers the process of dealing with; (i) The improprieties in financial reporting, internal control or other matters (ii) In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and (iii) Appropriate follow-up action.	No “Whistle blower” policy was introduced for the year 2017.
3(6)(iii)		Does the following rules apply in relation to the Human Resources and Remuneration Committee:	
	(a)	Check that the committee has implemented a policy to determine the remuneration (salaries, allowances and other financial payments) relating to directors, CEO and key management personnel of the Bank by review of the “Terms of reference” and minutes.	The Remuneration for Directors is decided by the relevant Ministry circular No. PED/3/2015. The remuneration of the CEO and KMPs are decided by Human Resources and Remuneration Committee on the basis of the Collective Agreement.
	(b)	Check that the goals and targets for the directors, CEO and the key Management personnel are documented.	The Directors are appointed by the Secretary to the Treasury as per the article of the Bank. Goals and targets of Key Management Personnel are documented in Action Plan for the year 2017.
	(c)	Check that the Committee has considered evaluations of the performance of the CEO and key management personnel against the set targets and goals periodically and determine	Board Human Resource and Remuneration Committee (BHRRC) evaluates the performance of the CEO and KMPs. BHRRC meeting held on 25 May 2018 discussed the performance of the

		the basis for revising remuneration, benefits and other payments of performance-based incentives.	key management persons and performance evaluation of CEO had been discussed at BHRRC meeting held on 13.03.2018.
	(d)	Check that the “Terms of reference” provides that the CEO is not present at meetings of the committee, when matters relating to the CEO are being discussed by reviewing the minutes.	According to paragraph 2.4 of the Terms of Reference of the BHRRC, CEO shall be present at all meetings of the committee, except when matters relating to the CEO being discussed.
3(6) (iv)		Does the following rules apply in relation to the Nomination Committee:	
	(a)	Check that the committee has implemented a procedure to select/appoint new directors, CEO and key management personnel.	Directors are appointed by the Secretary to the Treasury as per the Articles. As per the TOR of the nomination committee, the committee shall implement a procedure to appoint CEO and KMP.
	(b)	Check that the committee has considered and recommended (or not recommended) the re-election of current directors.	Directors are appointed by the Secretary to the Treasury as per the Articles. Nomination Committee recommendations are not needed.
	(c)	Check that the committee has set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and the key management personnel, by review of job descriptions.	Bank has a scheme of recruitment to appoint General Manager (CEO) and other KMPs and it contains qualifications and other requirements.
	(d)	Check that the committee has obtained from the directors, CEO and key management personnel signed declarations that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes.	Annual declarations from the directors have been obtained by the bank. Further, Bank had obtained signed declarations from the KMPs.

	(e)	Check that the committee has considered a formal succession plan for the retiring directors and key management personnel.	Directors are appointed by the Secretary to the Treasury as per the Articles and accordingly succession plan is not needed. Succession Plan for KMP's is available. It was approved by Board on 28 June 2017.
	(f)	Check that the Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	The Committee is comprised of 3 Non-executive directors as per TOR. All directors are non-executive and non-independent of the Bank.
3 (6) (v)		Does the following rules apply in relation to the Integrated Risk Management Committee (IRMC)	
	(a)	The committee shall consist of at least three non-executive directors, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the frame work of the authority and responsibility assigned to the committee.	The BIRMC committee consists of three Non – Executive Directors. Compliance Officer and Senior Manager - Legal are members of the committee. Senior Manager - Risk is the Secretary to the Committee. Chairman and CEO/GM are attended by invitation. Risk Management Committee TOR is available. Board approved Risk Management Policy is available.
	(b)	Check that the committee has a process to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	According to the risk management committee (BIRMC) meeting minutes of 2017, the committee had discussed credit risk, liquidity risk, and Market risk. Further, risk management committee has submitted two stress testing reports to the BIRMC in the year 2017.

	(c)	Check that the committee has reviewed specific quantitative and qualitative risk limits for all management level committees such as the credit committee and the asset-liability committees, and report any risk indicators periodically.	According to the risk management committee (BIRMC) meeting minutes, Committee has reviewed the quantitative and qualitative risk limits and it has been mentioned that minutes of the ALCO, IT Steering Committee, credit committee, Executive credit committee were discussed and noted the contents and confirmed effective.
	(d)	Check that the committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	According to the 21 st Risk Management Committee (BIRMC) meeting held on 19 th May 2017, committee had discussed counterparty investment exposure limits in relation to investment portfolio of the Bank.
	(e)	Check how many times the committee has met at least quarterly.	The committee has met 4 times during the year.(February, May, October, December 2017)
	(f)	Check that the committee has reviewed and adopted a formal documented disciplinary action procedure with regard to officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee or as directed by the director of Bank Supervision.	According to the Section 4.5.9 of the Risk Management Policy, the violation or non-compliance in relation to credit risk will be reported immediately to the BIRMC and Board of Directors. However, the TOR of BIRMC does not include disciplinary procedures for non-compliance.
	(g)	Check that the committee submits a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.	Committee had submitted Risk Management Committee (RMC) minutes for the approval of the Board. Ex: RMC meeting minutes 14 February 2017 was submitted to the Board meeting held on 19 April 2017 exceeding the period of a week.
	(h)	Check that the committee has establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations and that there is a dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.	The Bank has appointed Compliance Officer for the compliance functions. Compliance officer had submitted reports to BIRMC.

3(7)		Related party transactions	
3 (7) (i)		Check that there is a established and documented process by the board to avoid any conflicts of interest that may arise from any transaction of the bank with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction:	A related party Transaction policy was in place to avoid any conflicts of interest. The Bank had mentioned that it is taking initiatives to further strengthen the monitoring mechanism. Based on the Annual declarations, no such transactions have been reported.
3 (7) (ii)		Check that there is a process to identify and report the following types of transactions been identified as transactions with related parties that is covered by this Direction.	Based on the annual declarations submitted for the year 2017, two directors had deposited a sum of Rs. 0.11 million and Rs.0.02 million as normal savings at the rate of 4.5 per cent which was at the prevailing market rate at that time.
	(a)	The grant of any type of accommodation, as defined in the Monetary board’s Directions on maximum amount of accommodation.	Further, Bank had mentioned that it is in the process of further strengthening the monitoring mechanism in this regard.
	(b)	The creation of any liabilities of the Bank in the form of deposits, borrowings and investments.	
	(c)	The provision of any services of a financial or non-financial nature provided to the bank or received from the Bank.	
	(d)	The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	

3 (7) (iii)		Does the board have a process to ensure that the bank does not engage in transactions with related parties as defined in Direction 3(7)(i) above, in a manner that would grant such parties “more favorable treatment” than that accorded to other constituents of the bank carrying on the same business.	Annual declarations are obtained from the Directors where such Transactions would be identified. Based on the annual declarations submitted for the year 2017, two directors had deposited a sum of Rs. 0.11 million and Rs.0.02 million as normal savings at the rate of 4.5 per cent which was at the prevailing market rate at that time. Related party disclosure was made under Note 29 to the financial statements for the year 2017. A related party transaction policy is also in place. Further, Bank had mentioned that it is in the process of further strengthening the monitoring
	(a)	Granting of “total net accommodation” to related parties, exceeding a prudent percentage of the bank’s regulatory capital, as determined by the board. For purposes of this sub-direction:	
		“Accommodation” shall mean accommodation as defined in the Banking Act Directions, No.7 of 2007 on Maximum Amount of Accommodation	
		The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank’s share capital and debt instruments with a maturity of 5 years or more.	
	(b)	Charging of a lower rate of interest than the bank’s best lending rate or paying more than the bank’s deposit rate for a comparable transaction with an unrelated comparable counterparty.	

	(c)	Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;	
	(d)	Providing services to or receiving services from a related-party without an evaluation procedure;	
	(e)	Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	
3 (7) (iv)		Check that the bank has a process for granting accommodation to any of its directors and key management personnel, and that such accommodation is sanctioned at a meeting of its board of directors, with not less than two-thirds of the number of directors other than the director concerned, voting in favor of such accommodation and that this accommodation be secured by such security as may from time to time be determined by the Monetary board as well.	KMP's are granted accommodation. (Staff Loans) as per the credit circulars approved by the Board. Bank had mentioned that directors are also covered by these circulars. Ex: SLSB/CRE/SHL/2014/08 However, No loans had been granted to Directors during the year under review.

3 (7) (v)	(a)	Check that the bank has a process, where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a director of the bank, that steps have been taken by the Bank to obtain the necessary security as maybe approved for that purpose by the Monetary board, within one year from the date of appointment of the person as a director.	No such situations had arisen during the year.
	(b)	Check where such security is not provided by the period as provide in Direction 3(7)(v)(a) above, has the Bank taken steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such director, whichever is earlier.	
	(c)	Check that there is a process to identify any director who fails to comply with the above sub-directions be deemed to have vacated the office of director and has the bank disclose such fact to the public.	
	(d)	Check the process in place to ensure clause 3 (7) (v) (c) does not apply to any director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such Bank.	

3 (7)(vi)		Check that there is a process in place to identify when the Bank grants any accommodation or “more favorable treatment” relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such Bank or when secured by security as may be approved by the Monetary board in respect of accommodation granted as per Direction 3(7)(v) above.	Annual declarations had been obtained from the Directors where such transactions would be identified.
3 (7)(vii)		Check that there is a process to obtain prior approval from the Monetary board for any accommodation granted by a Bank under Direction 3(7)(v) and 3(7)(vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary board and any remission without such approval is void and has no effect.	No such situation had arisen during the year 2017.
3 (8)		Disclosures	
3 (8) (i)		Check that the board has disclosed:	
	(a)	Annual audited financial statements prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Bank had disclosed under accounting policies that the financial statement of the Bank complied with the requirement of the Banking Act 30 of 1988 and applicable accounting standards. Annual audited financial statements for the year 2017 were published on 31 December 2017 in Sinhala , Tamil and English medium.
	(b)	Quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English	Checked and ensured that quarterly financial statements are prepared and published.

3(8) (ii)		Check that the board has made the following minimum disclosures in the Annual Report:	
	(a)	The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Bank had disclosed that the financial statements had been prepared in accordance with accounting standards and regulatory requirements, inclusive of specific disclosures.
	(b)	The report by the board on the bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Annual report had not publish for the year 2017.
	(c)	Check that the board has obtained the external auditor's report on the effectiveness of the internal control mechanism referred to in Direction 3(8)(ii)(b) above.	Necessary actions had been taken to obtain the internal control report.
	(d)	Details of directors, including names, qualifications, age, experience fulfilling the requirements of the guideline fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the Bank.	Annual report had not publish for the year 2017. The total remuneration paid by the Bank to the directors is disclosed in Note No 29 to the Financial Statement for the year 2017.
	(e)	Total net accommodation as defined in 3(7)(iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital.	Related Party Transactions are also disclosed in Note No 29 to the Financial Statement for the year 2017.

	(f)	The aggregate values of remuneration paid by the Bank to its key management personnel and the aggregate values of the transactions of the bank with its key management personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.	The total remuneration paid by the Bank to the Key Management Personal is disclosed in Note No 29 to the Financial Statement for the year 2017.
	(g)	Check that the board has obtained the external auditor's report on the compliance with Corporate Governance Directions.	Necessary action had been taken to obtain the report.
	(h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliance.	Annual report had not published for the year 2017.
	(i)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	Monetary Board has not directed any disclosures to be made public during the year 2017.

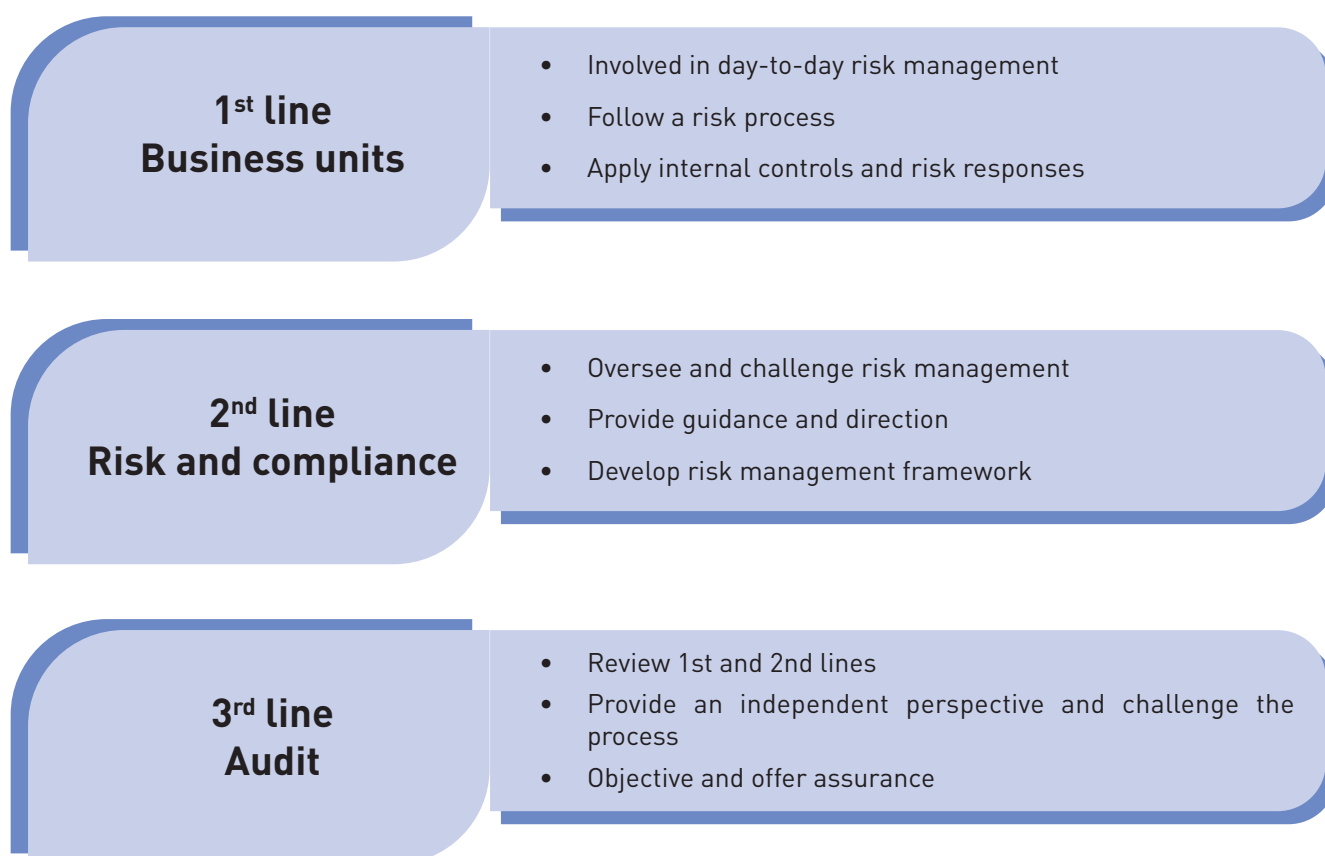
RISK MANAGEMENT REPORT

Risk Governance

The Bank's Board of Directors holds ultimate responsibility for the effective management of risk including setting the risk appetite, formulating policy and ensuring that risk parameters are maintained at manageable levels. The Board is assisted by the Board Integrated Risk Management Committee (BIRMC) in its risk-related duties. BIRMC reviews the Bank's credit, market, liquidity and operational risk indicators as well as its internal capital adequacy.

Three lines of defense model

The Bank adopts the internationally recognized three lines of defense governance model which ensures transparency and accountability in risk management through clear segregation of duties as illustrated below.



Risk Culture

The Board of Directors ("Board") and Senior Management set the tone for a strong risk culture, supported by a robust internal control environment throughout the bank. All customer facing business units, product teams, independent risk management unit and other support units such as operations, Information Technology, and Human Resource Management...etc are actively involved in the risk management process. The values, attitudes and risk awareness of our team are crucial in ensuring the success of our risk management framework.

Risk Appetite

The Board sets the bank's risk appetite, which defines the level and nature of the risks that the bank takes at its normal course of business. Risk taking decisions are aligned with strategic business goals articulated in the form of limits and triggers across a range of indicators which reflect the key risks the Bank is exposed to. The Risk appetite is reviewed and updated regularly by the Board of Directors in line with the Bank's strategic objectives and corporate plan for the year

Risk Management Framework

The overarching risk management frameworks are supported by policies, methodologies, tools, processes and controls across the various risk types. These are built around robust governance structures to ensure that they are effective, comprehensive and consistent.

Risk Reporting

An array of multi-level risk reporting mechanisms ensure that key risk exposures are identified and escalated to the relevant individual, committee and ultimately to the Board of Directors in a timely and relevant manner. The key risk reporting mechanisms applicable to each key risk exposure is given below;

Risk Exposure	Risk Reporting mechanism
Credit Risk	- Portfolio composition - NPL amount and ratio - Name, Product and Sector concentration - Default Rate (Product wise/branch wise)
Market Risk	- Impact of rate shifts on the banks Economic value of Equity and earnings at risk - Mark to mark analysis for equity investment portfolio
Liquidity Risk	- Maturity Gap Analysis - Stress Testing for customer deposits / withdrawal - Stock Approach/Liquidity ratio analysis
Operational Risk	- Summary of Operational loss events by business unit to Corporate Management & BOD.
Strategic and Reputational Risk	- Achievement of key budgetary ratio's to Corporate and BOD on a monthly/quarterly basis

Meetings

During the year under review, four (4) BIRMC meeting were conducted to discuss all key risks of the Bank such as Credit, Market, Liquidity, Operational Risks and the Key Risk Indicators. The discussions and conclusions reached at the meeting are recorded in minutes and circulated to the Board of Directors for their information and necessary action. Key members of the staff participate at the meetings as appropriate.

Name		No of meetings eligible to have attended	No of Meetings attended	No of Meetings attended Attendance as a%
Mrs. S.A.C. Kulathilaka	- Director/ Chairman of the Committee	01	01	100%
Mr. P.B.S.C. Nonis	- Director/ Chairman of the Committee	03	03	100%
Mr. Sunil Vitharange	- Director	04	04	100%
Mr. D.S. Samarasekara	- Director	04	03	75%
Mr. P.Deerasinghe	- Director	04	04	100%
Mr. A. Panditha	- Director	01	01	100%
Mr. C.V.J. Arambewela	- Director	02	01	50%
Mrs. Ramya Piyasekara	- Senior Manager - Legal	04	03	75%
Mr. S.A.K.A.K. Sooriyararchchi	- Senior Manager-Risk	04	04	100%
Mrs. D.M.N.T. Dissanayaka	- Compliance Officer	04	03	75%

Credit risk

Credit risk is the potential losses to earnings arising as a result of customers and/or counterparties failing to discharge their contractual obligations. Credit risk can arise from default risk, concentration of counterparties, industry sectors and geographical regions.

Credit Risk Management

The Board level committees and Management level committees hold responsibility for implementing the Bank's credit risk management framework. A Board approved Risk Management policy outlines the responsibilities, tools and techniques for credit risk identification, measurement, mitigation and management. Key aspects of the Bank's credit policy include pre-credit sanctioning criteria, delegated approval authority, due diligence, collateral management and post-credit monitoring among others. The framework is reviewed and updated regularly based on evolving best practices as well as emerging risks and opportunities.

Credit Risk Performance in 2017

Bank's overall lending portfolio increased up to Rs. 3.21 bn (Gross) by the end of 2017 and it is 12.03% increased compared to previous year. SLSB loan portfolio consists with SME Loans. Micro Finance loans, Pawning, Leasing & Hire Purchases, and Corporate lending and consumption loans. 44% of the loan portfolio granted for Micro Finance development as encouraging micro finance is the SLSB's vision.

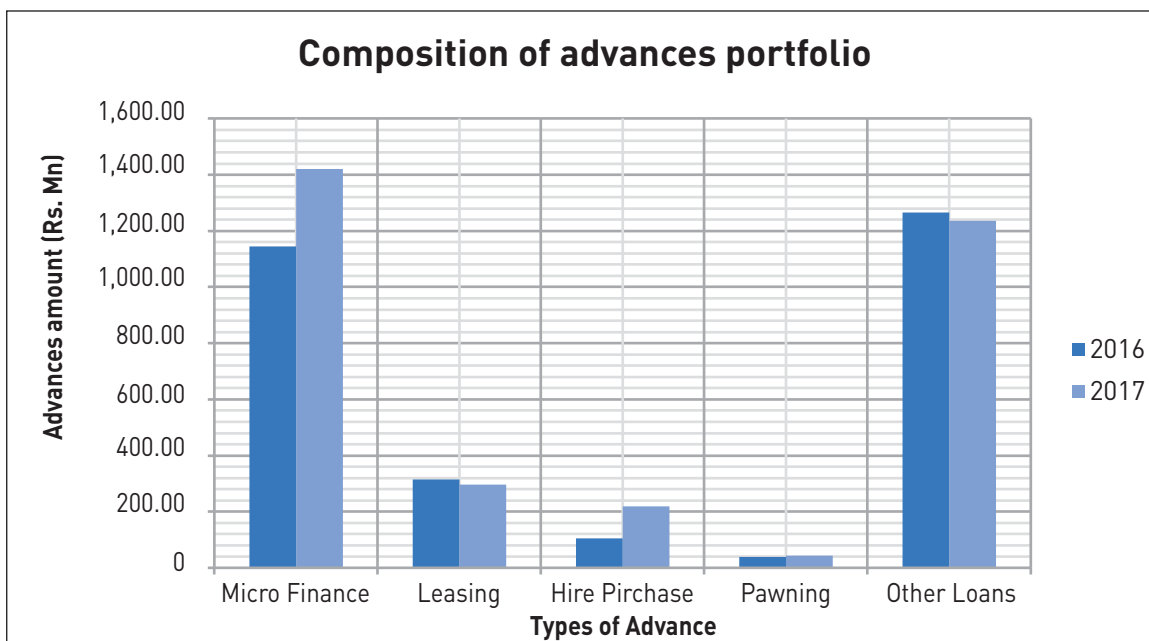


Figure 1: Composition of loan portfolio

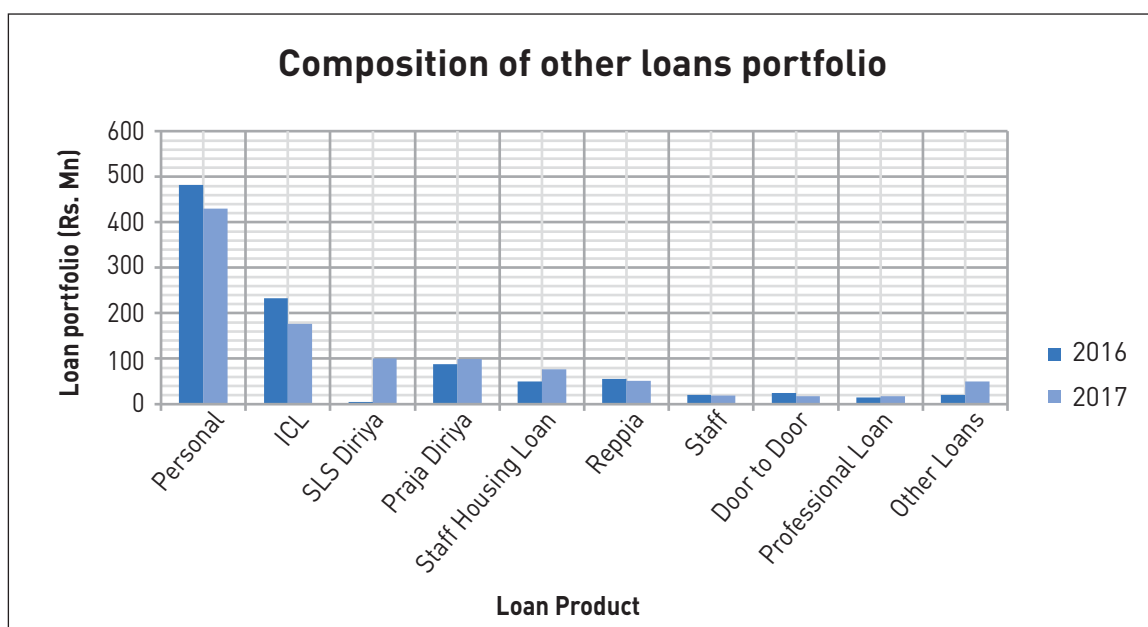


Figure 2: Composition of other loan portfolio

Default Risk

Default risk is the key component of credit risk and comprises of potential losses arising from the default of a borrower or counterparty. Default risk can arise through both on balance sheet and off balance sheet exposures. Stringent pre-credit evaluation and post credit monitoring has enabled the bank to reduce NPL ratio of the overall credit portfolio up to 11.48% during the year under review from 12.45% at the beginning of the year 2017.

However health of credit portfolio is still below the industry average.

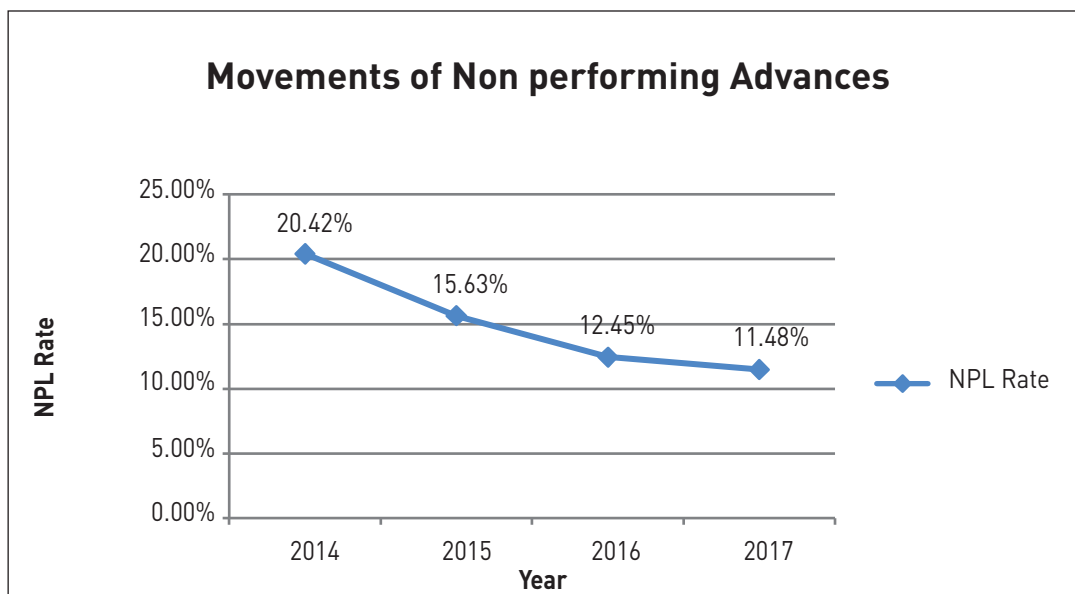


Figure 3: Movements of Non performing Advances of SLSB

Concentration Risk

Concentration risk in credit portfolios comes into being through an uneven distribution of bank loans to individual borrowers (single-name concentration), loan products (Product concentration) or in industry and services sectors and geographical regions (Sectoral concentration). Concentration ratio of a bank measures through Herfindahl-Hirschman Index (HHI Index). Overall banks HHI index as at 31st December 2017 was 0.29 which demonstrate the high concentration risk position.

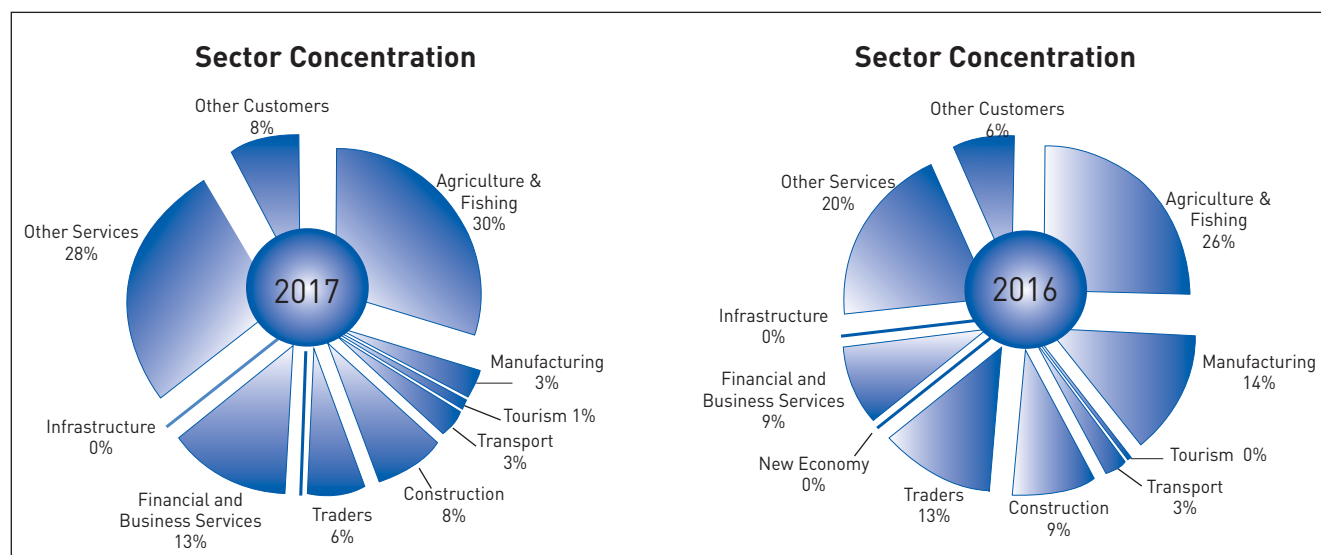


Figure 4: Sector wise concentration

Name Concentration

Name concentration arises from imperfect diversification of the credit exposure due to large exposures to specific individual obligors. SLSB's credit portfolio moderately spread across a large number of customers in retail lending.

Group	2017	2016	2015
Top 5	24%	21%	24%
Top 10	31%	30%	33%
Top 15	36%	35%	39%
Top 20	39%	38%	44%

Figure 5: Name Concentration of SLSB

MARKET RISK

Market risk is the risk that changes in interest rates and equity prices will adversely affect the Bank's income and/or the value of any financial instruments that it may hold.

Asset Liability Management Committee (ALCO) is the primary governance committee for Market risk and liquidity risk. ALCO assumes the overall responsibility for monitoring the bank's interest rate, liquidity and equity risk. As Treasury operations can give rise to significant risks, treasury investment limits has set under counter party risk limits and reviewed on annual basis.

Rating group	Investment amount (Rs. Mn)
AAA	1,348.70
AA+	1,458.28
A	1,098.49
BBB	761.88

Figure 6: Investment in counterparties as at 31st December 2017

Liquidity Risk

Liquidity risk is the potential risk arising from the inability to meet the bank's obligations in a timely manner as and when they become due, as result of the mismatch between the maturities of the bank's assets and liabilities.

ALCO is the main governance committee for overseeing the liquidity risk of the bank and it ensure the sufficiency of liquidity levels.

Liquidity risk is measured through stock approach and stress testing techniques. The stock approach evaluates liquidity in terms of key ratios which demonstrate the liquid assets stored at the balance sheet date.

Stress Testing: Liquidity risk

Stress testing is carried out regularly on monthly and quarterly basis to evaluate the impact of factors such as withdrawal of deposits to liquidity position of the bank. Results of the stress testing are reported to BIRMC on regular basis. We maintain liquid assets in excess of regulatory requirements to strengthen our ability to meet liquidity needs in a crisis situation.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Governance of operational risk management is established under Integrated Risk Management policy of the bank which is approved by the Board of Directors. Currently separate operational risk management unit has not established under Head of Risk Management division. Operational Risk Management Committee meets regularly and discusses operational risk areas of the bank.

Capital Management

The Bank could maintain minimum capital adequacy requirement of 10% so as to comply with Basel II accords during the year 2017. Even after the introduction of Basel III from June 2018, the Bank could maintain its minimum capital requirement of the CBSL. Bank's capital adequacy ratio as at 31st December 2017 according to the Basel III accords has shown as 62.3%.

Compliance Risk Management

Compliance risk can be defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.

The key objective of the compliance officer is to ensure the internal controls/regulatory requirements are complied with. The Bank's compliance function falls under the purview of BIRMC headed by Deputy Manager- Compliance. In order to achieve this objective, she monitors and assesses the compliance requirements and submit reports on the compliance status of the bank to the BIRMC for review.

Compliance Officer also overlooks the timely submission of necessary statutory reports of the bank to the regulator

COMPLIANCE REVIEW

Compliance is a fundamental building block in the Bank's governance model. The Compliance Unit plays a vital role in mitigating the compliance risk arising out of day-to-day operations, thereby preserving the integrity and reputation of the Bank in the eyes of its stakeholders. AML (Anti-Money Laundering) Compliance, Regulatory Compliance, CRIB Compliance and Financial Ombudsman Compliance are the key functions of the Department.

KEY FOCUS AREAS OF COMPLIANCE FUNCTION



In carrying out its duties, the Compliance Department is guided by the Bank's Compliance procedures and guidelines, clearly set out in the Board approved Compliance Policy, which is reviewed periodically, and updated as and when necessary. The Policy spells out roles, responsibilities, structure, processes, reporting lines, risk identification and methods for risk mitigation, among others. The Compliance Policy communicates the Bank's compliance philosophy, the basic principles governing the compliance function.

Operating independently of all business lines, the Compliance Unit is headed by a Compliance Officer who reports directly to the Board Integrated Risk Management Committee. The unit also addresses the Bank's compliance with regulations such as Know Your Customer (KYC) and Anti Money Laundering (AML) functions. The regulatory/internal requirements are disseminated to the business units for necessary action on a regular basis as the business units are responsible for embedding compliance requirements with its operations and ensuring that they operate within the boundaries set by the regulator and the Bank.

Compliance Reporting

The compliance unit periodically makes a detailed report, based on the sign off given by the heads of business units on statutory and mandatory reporting requirements and the Bank's level of compliance to the Board Integrated Risk Management Committee (BIRMC) on a quarterly basis.

The Compliance Report includes,

- Significant changes/new regulations/Directions
- Compliance monitoring on regulatory and AML requirements
- Significant non compliance events. Regulatory/Potential breaches
- Training/awareness undertaken and/or identification of training needs.

Anti Money Laundering (AML) Compliance

The Bank has established a framework for AML compliance based on relevant laws enacted by the Government of Sri Lanka to combat money laundering/ terrorist financing and in line with the rules governing the conduct of all account relationships issued by Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka.

A separate policy for AML has been approved by the Board of Directors and is reviewed periodically, while the Compliance Unit carries out sample testing bank-wide to ensure adherence.

MONITORING AND REVIEW

A number of new compliance-related documents were put in place in 2017, to ensure the ongoing review of regulatory requirements.

Among the key initiatives was the setting up of a structured review mechanism, which includes a periodic reporting process that paves the way for continuous oversight of the status of statutory payments and mandatory reporting requirements pertaining to the Bank.

A routine review process was initiated under the supervision of the Compliance Department to measure branch compliance levels through branch visits and to determine possible gaps. A comprehensive process that among others includes; interviews with those handling transactions and with their supervisors to determine their knowledge of the legislative requirements and the Bank's policies Compliance Review and procedures.

Conclusion

Compliance Function of the Bank, acts hand in hand with all other departments, especially, Risk Management, Internal Audit and Operations Departments in order to ensure that the Bank acts in compliance with all rules and regulations within the business while providing a fully compliant banking service to the customers.

HUMAN RESOURCE DEVELOPMENT

1. HR and Remuneration Committee (HRRC)

The Human Resources & Remuneration Committee was formed in compliance with Section 3(6)(iii) of Direction No. 12 of 2007, on the subject "Corporate Governance for Licensed Specialized Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No 30 of 1988. The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction.

1.1 Scope of the Committee

The Board appointed empowered Committee is to review all significant HR & Remuneration policies of the Bank. According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to determine the Remuneration Policy relating to Directors. However, in the case of Sri Lanka Savings Bank, the remuneration of Directors is determined in accordance with the circulars and instructions issued by the Government of Sri Lanka, the sole shareholder of the Bank. However the committee determines the remuneration in relation to CEO and key management personnel of the Bank. Responsibility for setting Key Performance Indicators (KPI) for CEO and key management personnel and evaluating their performance against the set KPIs also lies with the Committee.

1.2 Members

The members of the Committee during the year under review are as follows:

Ms. C Kulathilake, Director (served on the Committee as Chairperson until 01.06.2017)

Mr. S Madapatha, Director (served on the Committee as Member until 18.12.2017)

Mr. S Witharanage, Director (Served on the committee as member as well as chairman)

Mr. R M C Rathnayake, Director

Mr. P S Dayananada, Director

Ms. C Kulathilake headed the Committee as its Chairman until 01.06.2017 Board of Directors at its meeting held on 13.09.2017 decided to appoint Mr. S Witharanage as Chairman of the HR and Remuneration committee. Senior Manager – HRD functions as Secretary to the committee. The Chief Executive Officer (CEO) shall present at meetings of the committee, except when matters relating to the CEO are being discussed. The Chairman of the Bank has also been present at meetings by invitation. Other members of staff are invited to attend the meetings when the Committee requires their presence.

1.3 Meetings

After five successful meetings during the year 2017 almost all recommendations to the Board of Directors were adopted and such decisions were implemented during the year. The attendance of committee members at meetings is stated in the table. The quorum for a meeting is two (2) members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Name of Director	No. of Meetings	
	Held	Attended
Ms. C Kulathilake	02	02
Mr. S Madapatha	05	04
Mr. S Witharanage	05	05
Mr. R M C Rathnayake	05	05
Mr. P S Dayananada	05	05

2. Main functions

- Determine the remuneration policy (salaries, allowances and other financial payments) relating to the Chief Executive Officers (CEO) and other Key Managerial personnel of the Bank.
- Set goals and targets for the Directors, CEO and Key managerial personnel.
- Lay down guidelines, policies and parameters for the compensation structures for all Key Managerial personnel, Executive and other staff members of the Bank and oversee the implementation thereof.
- Evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance based incentive and make recommendation on promotion and other employment related decisions in relation to the key managerial personnel and members of the Management to the Board of Directors.
- Make recommendations to the Board of Directors from time to time of the additional / new expertise required by the Bank.
- Assess and recommend to the Board of Directors of the promotions, extension of probationary period and contract of employment, termination of employment of the Key Management Personnel, address succession planning and issues connected to the Organizational Structure.
- Review the senior level of the organization structure and staffing of the Bank and its succession plan, and when necessary, submit its concerns and recommendations to the Board.
- Review or make recommendations to the Board in respect of the human resources policies, practices and organizational structures, all of which should provide consistency with the strategic plan, support operational effectiveness and efficiency, and maximize human resources potential.

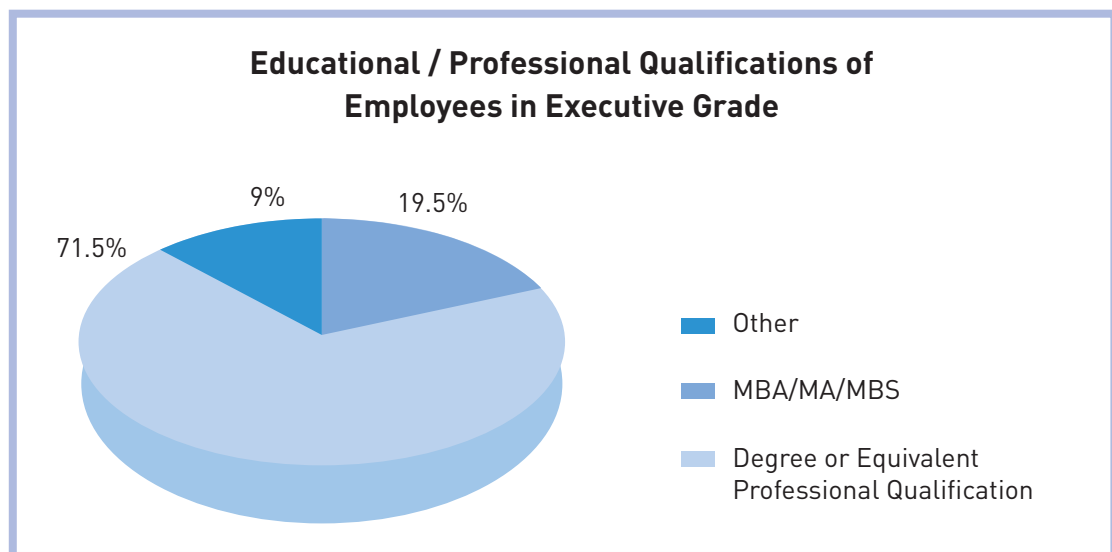
- Make recommendations / decisions / directions pertaining to the statutory payments made by the Bank on behalf of its employees (EPF, ETF, Terminal Benefits, etc.), ensuring the effective fulfillment of all commitments arising as a result of the employer-employee relationship.
- Review general issues, such as training and employee development programmes, turnover, employee engagement and diversity.
- Providing guidance and policy direction for relevant matters connected to general areas of Human Resources Management of the Bank.
- Promoting a culture of regular performance review to enable staff to obtain feedback from their superiors in further of achieving their objectives and development goals.

3. Summary of Activity

- During the year, Human Resources and Remuneration committee comprehensively reviewed the performance of the KMPs of the Bank for the year 2016 against the set goals and targets and granted the increments, bonuses and promotions for the staff members including the KMPs.
- During the year 2017, SLSB temporally suspended recruitment of staff to the bank due to the restriction imposed by the Central Bank for recruitment with the aim of implement the acquisition process initiated by the General Treasury in an effective manner.

The total number of staff as at 01st January 2017 was 123 and by the end of the year it was 116.

- The educational / professional background of the executive level management is given below:



- d) External training and development of staff to take on new challenges was the other key area. Breakdown of the trainings given are indicated below:

	Hours	No. of Participant
Credit	1221	68
Financial Management and Auditing	126	14
Banking Operations	35	04
HR & General Management	73	07
IT	22	04
Legal	44	12
Risk Management	154	11
Treasury Management	00	00
Compliance	365	54

Three employees attended foreign training. In order to develop junior staff, Bank also conducted in-house training in banking and related subjects.

To encourage higher education especially in Banking and communication skills, the Bank also pays an honorarium to those employees who complete examinations conducted by the Institute of Bankers of Sri Lanka and the University of Colombo.

Providing training opportunities to interns pursuing higher studies as part of social responsibility

- e) The organization structure remains relatively flat in order to ease communication and prompt implementation of decisions which are essential during the growth stage of the Bank.
- f) The Bank also provides various benefits like medical insurance, critical illness cover, personal accident cover, staff housing loan, enhanced maternity facilities, bonus, encashment of unutilized leave, library facilities to staff as a motivational & retention strategy.

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) was constituted in accordance with the provisions of Public Enterprises Circular No. PED 55 dated December 14, 2010 and rules applicable to the Board Audit Committee under the Corporate Governance for Licensed Specialized Banks stipulated by the Central Bank of Sri Lanka under the provisions of the Section 3 (6) (ii) of the Banking Act Direction No. 12 of 2007.

Composition of the Committee

The BAC comprises of three (03) Non Executive Directors including a Treasury Representative who chairs the Committee. Treasury Representative of the BAC was changed during the year 2017 and the members who served the BAC during the year 2017 are as follows:

Name	Designation	Period served
Mrs. Chandrika Kulatilake	Chairperson	From 01/01/2017 to 01/07/2017
Mr. P.B.S.C. Nonis	Chairman	From 28/08/2017 to 31/12/2017
Mr. D.S.W. Samarasekera	Member	From 01/01/2017 to 31/12/2017
Mr. P. Dheerasinghe	Member	From 01/01/2017 to 31/12/2017

Meetings

During the year 2017, four (04) BAC Meetings were held and proceedings of such Meetings were regularly reported to the Board. Internal Auditor was functioned as Secretary to the first, second and third BAC Meetings and Company Secretary was functioned as Secretary to the fourth BAC Meeting of which held in the year 2017. This change has been made in line with the provisions of Public Enterprises Circular No. PED 55 dated December 14, 2010. According to the same Circular provisions Mr. D.G.A.S. Anulasiri, Superintendent of Audit was attended to the first and second BAC Meetings and Mr. E.M.S. Ekanayake, Superintendent of Audit was attended to the third and fourth BAC Meetings as observers representing the Auditor General's Department.

Attendance of the Board Audit Committee members during the financial year ended December 31, 2017 is as follows.

Name	Required to attend	Attended
Mrs. Chandrika Kulatilake	02	02
Mr. P.B.S.C. Nonis	02	02
Mr. D.S.W. Samarasekera	04	04
Mr. P. Dheerasinghe	04	04

Mandate and Role

The Terms of Reference of the Committee, is defined as per the Public Enterprises Circular No. PED 55 dated December 14, 2010 and the Corporate Governance for Licensed Specialized Banks stipulated by the Central Bank of Sri Lanka. The Committee assists the Board in fulfilling its general oversight of financial reporting, internal controls and performance of the internal and external audits.

Terms of Reference

The Committee is governed by the specific Terms of Reference (TOR) set out by the Board of Directors of the Bank in terms of the Public Enterprises Circular No. PED 55. The Committee focuses on the following objectives in discharging its responsibilities as per Terms of Reference and the requirements of the Central Bank of Sri Lanka.

- a). Determination of the responsibilities of the Internal Audit division and review of the annual audit plans.
- b). Review and evaluate internal control systems for all activities of the entity.
- c). Review performance at regular intervals for cost effectiveness and to eliminate unnecessary/wasteful expenditure etc.
- d). Liaise with external auditors and follow up on Auditor General's/ External auditors Management Letters.
- e). Ascertain whether statutes, regulations, rules and circulars are complied with.
- f). Review financial statements to ensure compliance with Accounting Standards.
- g). Review internal audit / external audit reports, Management Letters for remedial action.
- h). Review implementation of recommendations / directives of the Committee on Public Enterprises.
- i). Reporting to the Governing Council any matters which have been identified that the Committee need to be considered, actioned or improved upon.
- j). Prepare report on the findings of the Committee for inclusion in the Annual Report.

Financial Reporting

The Committee reviews effectiveness of the Financial Reporting System in place, to ensure reliability of information provided to the stakeholders. The Committee assists the Board to discharge their responsibility for the preparation of true and fair financial statements in accordance with the books of accounts and Sri Lanka Accounting Standards. The Committee reviews the adequacy and effectiveness of the internal control system and procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of accounts.

The Committee reviewed all quarterly non-audited interim financial statements and financial statements, together with supporting information that included significant assumptions and judgments made in the preparation of financial statements.

Internal Controls

The BAC assessed the effectiveness of internal controls over financial reporting as at 31 December 2017. This process assesses the adequacy and effectiveness of the internal controls and the processes for controlling risks to ensure compliance with laws and regulations. The Committee ensures that appropriate action is taken by the management on the recommendations of the Internal Auditors to improve the effectiveness of the internal control system of the Bank. The basis of the internal control framework, which enables the Governing Council to pursue its functions and take necessary measures.

Internal Audit

The Audit Committee ensures that Internal Audit function is independent of the activities it audits and that it is performed with impartiality proficiency and due professional care. The Audit Committee monitored and reviewed the scope, resources, extent and effectiveness of the activities of Internal Audit division of the Sri Lanka Savings Bank.



P.B.S.C. Nonis

Chairman of the Board Audit Committee
Colombo, Sri Lanka
June 22, 2018

DIRECTORS' STATEMENT ON INTERNAL CONTROL SYSTEM

Responsibility

In line with the Banking Act Directions No. 12 of 2007, Section 3 (8) (ii) (b), the Board of Directors present this Report on Internal Control System over Financial Reporting of Sri Lanka Savings Bank Ltd. based on the guidelines issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control system in place at Sri Lanka Savings Bank Ltd. ("the Bank"). In considering such adequacy and effectiveness, the Board recognizes that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal controls over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying in reviewing the design and effectiveness of the internal control system over financial reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various Committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division (IAD) of the Bank check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures

and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. Findings of the Internal Audit Department are submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee (BAC) of the Bank Reviews periodically the internal control issues identified by the respective Internal Audit Department of the Bank, regulatory authorities and management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Board Audit Committee Meetings are forwarded to the Board of the Bank on a periodic basis. Further, the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on pages 73 to 75.
- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn were observed and checked by the Internal Audit Department for suitability of design and effectiveness on an ongoing basis. The Bank has adopted the Sri Lanka Accounting Standards comprising LKAS and SLFRS, processes to comply with requirements of recognition, measurement, classification and disclosure.
- The Board Integrated Risk Management Committee (BIRMC) has been established by the Board to assist the Board to oversee the overall management of principal areas of risk of the Bank. The Board has also established an independent Compliance Unit which ensures that Bank's activities are conducted in accordance with applicable laws, regulations and regulatory directives and any issue of non-compliance are reported to BIRMC periodically. The report on the Risk Assessment is submitted by the BIRMC to the Board periodically.
- Management level committees have also been functioning with appropriate empowerment to ensure effective management and supervision of Bank's core areas in the day to day business operations.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors, the Auditor General will review the above Directors' Statement on Internal Control over Financial Reporting of the Bank for the year ended December 31, 2017 and will report to the Board.

By order of the Board



Mr. Srilal Dayananda
Chairman



Mr. P.B.S.C. Nonis
Chairman - Board Audit Committee



Mr. D.S.W. Samarasekera
Director



Mr. W.A.U. Bandara
General Manager / CEO

AUDITOR GENERAL'S REPORT ON DIRECTOR'S STATEMENT ON INTERNAL CONTROL



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය } BAF/A/SLSBL/2017/11
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 08 October 2018
திகதி }
Date }

The Chairman
Sri Lanka Savings Bank Limited

Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Sri Lanka Savings Bank Limited

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control ("Statement") of Sri Lanka Savings Bank Limited included in the annual report for the year ended 31 December 2017.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Bank on the Directors' Statement on Internal Control" issued in compliance with the Section 3(8)(ii) (b) of the Banking Act Direction No.12 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

My Responsibilities and Compliance with SLSAE 3050

My responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050- Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

Summary of Work Performed

My engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Bank.

The procedures performed are limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supports the process adopted by the Board of Directors.

SLSAE 3050 does not require me to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

My Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the annual report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.



H. M. Gamini Wijesinghe
Auditor General

AUDITOR GENERAL'S REPORT ON FINANCIAL STATEMENTS



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

BAF/A/SLSBL/FA/2017/05

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

19 June 2018

To the Shareholders of the
Sri Lanka Savings Bank Limited

Report of the Auditor General on the Financial Statements of the Sri Lanka Savings Bank Limited for the year ended 31 December 2017

The audit of financial statements of the Sri Lanka Savings Bank Limited ("the Bank") for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.





An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, I state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In my opinion,
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank and
 - the financial statements of the Bank, comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.



Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

A handwritten signature in black ink, appearing to be 'H.M. Gamini Wijesinghe'.

H.M.Gamini Wijesinghe

Auditor General

FINANCIAL STATEMENTS

SRI LANKA SAVINGS BANK LIMITED STATEMENT OF INCOME FOR THE YEAR ENDED 31ST DECEMBER 2017

	NOTE	2017 LKR	2016 LKR
Interest income	5	1,039,799,059	924,923,944
Interest expenses	5	(143,550,976)	(140,792,394)
Net interest income		896,248,083	784,131,550
Fee and commission income	6	4,288,287	4,962,345
Fee and commission expenses	6	(12,839,674)	(18,876,684)
Net fee and commission income/(expenses)		(8,551,387)	(13,914,338)
Other operating income (net)	7	49,298,479	50,867,624
Total operating income		936,995,175	821,084,836
Impairment (charges)/reversal for loans and other losses	8	(15,820,467)	65,513,196
Net operating income		921,174,709	886,598,032
Personnel expenses	9	(119,841,709)	(113,015,165)
Other expenses	10	(93,478,037)	(82,701,505)
Operating profit before Tax on Financial Services		707,854,963	690,881,361
Tax on financial services		(104,370,070)	(91,181,060)
Operating profit after Value Added Tax (VAT)		603,484,893	599,700,302
Profit for the year		603,484,893	599,700,302

*The accounting policies, notes No. 1 to 37 and detail notes No. D1 to D4 form an integral part of these financial statements.

Basic Earning per share	11	132	131
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SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31ST DECEMBER 2017

	NOTE	2017 LKR	2016 LKR
Profit for the year		603,484,893	599,700,302
Other comprehensive income/(expense) net of tax			
Gain/(loss) arising on re-measuring available for sales financial assets		(23,854,549)	(49,855,050)
Actuarial loss on defined benefit plan		(581,106)	(2,944,770)
Other comprehensive income for the year		(24,435,655)	(52,799,820)
Total comprehensive income for the year		579,049,238	546,900,482

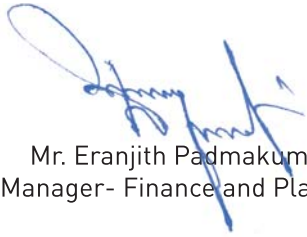
*The accounting policies, notes No. 1 to 37 and detail notes No. D1 to D4 form an integral part of these financial statements.

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017

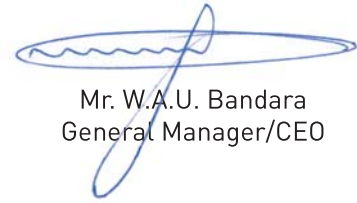
	NOTE	31.12.2017 LKR	31.12.2016 LKR
Assets			
Cash and cash equivalents	12	30,989,820	58,815,851
Sri Lanka government securities	13	914,710,911	399,968,039
Placements with Banks	14	4,808,126,386	5,436,336,154
Loans and receivables to other customers	15	2,957,368,103	2,756,195,984
Financial investments – Available for sale	16	166,970,202	142,867,814
Property, plant and equipment	17	308,231,214	321,085,434
Intangible assets	18	2,212,917	0
Investment property	19	333,315,000	333,315,000
Other assets	20	13,241,947	234,616,613
Total assets		9,535,166,500	9,683,200,889
Liabilities			
Due to Banks	21	5,189,685	13,803,533
Due to other customers	22	1,077,256,662	916,689,813
Debt securities issued and other borrowings	23	2,157,081,942	3,159,076,306
Other liabilities	24	910,247,176	825,133,670
Total liabilities		4,149,775,465	4,914,703,323
Equity			
Stated capital/assigned capital	25	3,805,290,302	3,443,290,302
Statutory reserve fund	26	199,998,991	169,856,235
Retained earnings	27	3,008,981,411	2,760,376,149
Other reserves	28	(1,628,879,669)	(1,605,025,121)
Total equity		5,385,391,035	4,768,497,566
Total equity and liabilities		9,535,166,500	9,683,200,889
Commitments and contingencies	31	7,500,000	5,500,000

*The accounting policies, notes No. 1 to 37 and detail notes No. D1 to D4 form an integral part of these financial statements.

I certify that these financial statements comply with the requirements of the Companies Act No 7 of 2007.



Mr. Eranjith Padmakumara
Manager- Finance and Planning



Mr. W.A.U. Bandara
General Manager/CEO

The Board of Directors is responsible for the preparation and the presentation of these financial statements.

Signed for and on behalf of the Board.



Mr. P.S. Dayananda
Chairman



Mr. Sunil Witharanage
Director

SRI LANKA SAVINGS BANK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Ordinary Share Capital LKR	Capital Pending Allotment LKR	PSDB Revenue Deficit LKR	Statutory Reserves fund LKR	Available for Sales LKR	Revaluation Reserve LKR	Revenue Reserve LKR	Total Equity LKR
Balance as at 01.01.2016	458,446,600	2,984,843,702	(2,166,190,408)	139,871,220	142,998,848	468,021,489	2,315,832,215	4,343,823,667
Over / Under Adjustments	-	-	-	-	-	-	(122,226,583)	(122,226,583)
Profit for the year	-	-	-	-	-	-	599,700,302	599,700,302
Actual loss on defined benefit plan	-	-	-	-	-	-	(2,944,770)	(2,944,770)
Fair value changes	-	-	-	-	(49,855,050)	-	-	(49,855,050)
Actual gain on defined benefit plan	-	-	-	-	-	-	-	-
Transferred to statutory reserve fund	-	-	-	29,985,015	-	-	(29,985,015)	-
Revaluation Gain	-	-	-	-	-	-	-	-
Balance as at 31.12.2016	458,446,600	2,984,843,702	(2,166,190,408)	169,856,235	93,143,798	468,021,489	2,760,376,149	4,768,497,566
Balance as at 01.01.2017	458,446,600	2,984,843,702	(2,166,190,408)	169,856,235	93,143,798	468,021,489	2,760,376,149	4,768,497,566
Prior Year Adjustments	-	-	-	-	-	-	-	-
Over / Under Adjustments - Impairment	-	-	-	-	-	-	(253,873,129)	(253,873,129)
Profit for the year	-	-	-	-	-	-	(70,282,640)	(70,282,640)
Actual loss on defined benefit plan	-	-	-	-	-	-	603,484,893	603,484,893
Fair value changes	-	-	-	-	(23,854,549)	-	(581,106)	(581,106)
Share issue/increase of assigned capital	362,000,000	-	-	-	-	-	-	362,000,000
Transferred to statutory reserve fund	-	-	-	30,142,756	-	-	(30,142,756)	-
Revaluation Gain	-	-	-	-	-	-	-	-
Balance as at 31.12.2017	820,446,600	2,984,843,702	(2,166,190,408)	199,998,991	69,289,249	468,021,489	3,008,981,411	5,385,391,035

*The accounting policies, notes No. 1 to 37 and detail notes No. D1 to D4 form an integral part of these financial statements.

Please refer Note No. 25 to 28 for disclosure as per LKAS 01.

Over / Under Adjustment in Yr2017 represent the gain recognized in Yr2016 due to IFRS Impairment entries. These entries were reversed in Yr2017, prior to make fresh IFRS adjustment entries for Yr2017.

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31ST DECEMBER 2017

	NOTE	2017 LKR	2016 LKR
Cash flows from operating activities			
Profit before tax		603,484,893	599,700,302
Adjustment for:			
Prior year adjustment		(253,873,129)	(3,264,892)
Over / Under Adjustments - Impairment		(70,282,640)	(118,961,691)
Non-cash items included in profits before tax	34	2,859,521	(102,167,631)
Change in operating assets	35	141,703,525	(440,610,144)
Change in operating liabilities	36	(756,314,010)	95,864,681
Tax paid		-	-
Net cash generated from operating activities		(332,421,841)	30,560,625
Cash flows from investing activities			
Purchase of property, plant and equipment	17.1	(3,819,404)	(2,397,565)
Purchase of Intangible assets	18.1	(2,370,000)	-
Investment Properties	19	-	-
Proceeds from the sale of property, plant and equipment	7.0	5,355,999	2,217,336
Purchase of Financial investments		(48,059,662)	
Proceeds from the sale of maturity of financial investments		102,725	
Net cash (used in)/from investing activities		(48,790,342)	(180,229)
Cash flows from finance activities			
proceeds from the issue of ordinary share capital		362,000,000	-
Repayment of subordinate debts			
Net cash (used in)/from investing activities		362,000,000	-
Net increase/(decrease) in cash & cash equivalents		(19,212,184)	30,380,396
Cash and cash equivalents at the beginning of the year		45,012,318	14,631,922
Cash and cash equivalents at the end of the year	37	25,800,135	45,012,318
*The accounting policies, notes No. 1 to 37 and detail notes No. D1 to D4 form an integral part of these financial statements.			

SRI LANKA SAVINGS BANK LIMITED

ACCOUNTING POLICIES - YEAR 2017

1. CORPORATE INFORMATION

1.1 General

Sri Lanka Savings Bank Limited (SLSBL) is a limited liability Company, incorporated in July 2006, in Colombo, under the Companies Act No 17 of 1982 and re-registered in September 2008 under the Companies Act No.7 of 2007. The Bank is a licensed specialized bank registered under the Banking Act No.30 of 1988. The registered office of the Bank is at 265, Ward Place, Colombo 07. Branches are located in Manner, Matara, Anuradapura and Borella.

1.2 Principal activities and nature of operations

During the year, the principal activities of the Bank were mobilizing savings and time deposits, providing loans, lease, hire purchase, pawning and other credit facilities, and settling of the deposit liabilities of defaulted Pramuka Saving and Development Bank Limited (PSDBL) with reconstruction of loan accounts of PSDBL.

1.3 Date of authorization for issue

The Financial Statements of the bank for the year ended 31st December 2017 were authorized for issue on 25th May 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Bank (Statement of financial position, Statement of Income, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Banking Act No. 30 of 1988 except for matters referred in noncompliance with note 3.3.1 of Property, Plant and Equipments and 3.3.3. Investment Properties.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except in respect of the following material items in the statement of financial position:

- Available for sale financial assets are measured at fair value
- The liability of defined benefit obligation is recognized as the present value of the defined benefit obligation.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the Bank's functional currency and presentation currency.

2.4 Presentation of financial statements

The items in statement of financial position of the Bank are presented broadly in order of liquidity.

2.5 Materiality & aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 01 - presentation of financial statements, each material class of similar items is present separately in the financial statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.6 Comparative information

The comparative information is re-classified wherever necessary to conform to the current year's presentation.

2.7 Use of significant accounting judgments, estimates and assumptions

The preparation of the bank's financial statement and the application of certain accounting policies require critical accounting estimates that involve discretionary judgements and the use of assumption, which are susceptible to change due to inherent uncertainties.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements:

i. **Useful life-time of the property and equipment**

The Bank reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

ii. **Going concern**

The Board has made an assessment of the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cause significant doubt upon the Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Bank. Therefore, the financial statements continue to be prepared on the going concern basis.

iii. **Impairment losses on loans and advances**

The Bank assesses at each reporting date or more frequently, to determine whether there is any objective evidence whether an impairment loss should be recorded in the statement of comprehensive income. Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. Management judgment is required for classification of assets and the estimation of impairment losses. Estimation methodologies are based on assumptions concerning a number of factors though actual results may differ, resulting in future changes to the impairment losses so made.

iv. **Impairment of available - for - sale investments**

The Bank records impairment changes on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

v. **Defined benefit plans**

The cost of defined benefit plans, viz: gratuity obligations are determined using projected unit credit method. This method involves making assumptions about discount rates and future salary increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Bank in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balance with Banks.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

3.2 Financial assets – Recognition and measurement

3.2.1 Date of recognition

All financial assets are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3.2.3 Non-derivative financial assets

The Bank recognizes non-derivative financial assets by the following three categories, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

i. Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. Subsequent to initial recognition, held to maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'interest income' in the statement of income. The losses arising from impairment of such investments, if any, are recognised in the statement of comprehensive income.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years

ii. Loans and receivables from customers

Loans & receivables from customers include non- derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'loans and receivables from customers' are subsequently measured at amortized cost using the EIR method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statement of income. The losses arising from impairment are recognised in the statement of income of in 'impairment gain/ (loss) on loans and receivables'.

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss.

iii. Available-for-sale financial investments

Available-for-sale investments include equity securities. Equity investments and investments in treasury bills classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. The Bank has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognised in the statement of income in "other operating income".

3.2.4 Reclassification of financial assets

The Bank may reclassify non-derivative financial assets other than those designated at FVTPL upon initial recognition, in certain circumstances:

- Out of the held-for-trading category and into the available for sale, loans and receivables, or held-to-maturity categories.
- Out of the 'available-for-sale' category and into the 'loans and receivables', 'held for trading category' or 'held-to-maturity'. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the statement of income.

- Out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management, and is determined on an instrument by instrument basis.

3.2.5 De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - o The Bank has transferred substantially all the risks and rewards of the asset. Or
 - o The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes

an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

3.2.6 Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost (such as deposits with banks, loans and advances to customers, lease and hire purchase rental receivable as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of

estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Impairment charges for loans and other losses'. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

For the purpose of a collective evaluation of impairment, financial assets are grouped considering credit risk characteristics such as asset type, geographical location, past-due status and other relevant factors. Statistical methods are used to determine impairment losses on a collective basis for loans with similar credit risks.

Loans are grouped into ranges according to number of months in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the date of the Statement of Financial Position is likely to be greater or less than that suggested by historical experience.

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each statement of financial position date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

3.2.7 Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers and audited financial statements of borrowing company.

3.3. Non-financial assets

3.3.1. Property, Plants and equipments

Recognition and measurement

Property, Plants and equipments are recognized 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 LKAS 16 - property, plant & equipment.

Minimum Requirements for Capitalization Expenditures at Acquisition:

Any expenditure that meet below criteria would be identified as Fixed Assets and any expenditure that does not meet the minimum Value criteria but have economic life more than one year shall be recognized in a Fixed Assets List.

- 1) It is probable that future economic Benefits associated with the item will flow to the entity.
- 2) Value of such expenditure is exceeding Rs. 2,500/-.

Expenditures Subsequent to Acquisition:

Those expenditures include the cost for renovations, betterments, or improvements that add to the permanent value of the asset, make the asset better than it was when it was purchased, or extend its life beyond the original useful life. To capitalize these costs, the improvements must fulfill at least one of the following criteria:

- 1) The useful life of the asset is increased by more than one year.
- 2) The productive capacity of the asset is improved.
- 3) The quality of units or services produced from the asset is enhanced.
- 4) Value of such expenditure is exceeding Rs. 25,000/-.

Cost model

Property, Plants and equipments are stated at cost as per LKAS / SLFRS excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Revaluation Model

After recognition as an asset, Lands & Buildings whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every Five (05) Years to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

Subsequent cost

These are costs that are recognized in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured and minimum requirements for capitalization criteria are met.

Such cost should meet the above Minimum Requirements for Capitalization.

Depreciation

Depreciation is provided at the following rates on the straight line method. Depreciation is not provided for freehold land.

The useful lifetime used for the purpose of depreciation are given below:

· Computer hardware	04 Years
· Furniture & fittings	05 Years
· Motor vehicles	05 Years
· Office equipment and other fixed assets	05 Years
· Buildings including Investment Buildings	20 Years

De-recognition

Property, plants and equipments are de-recognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the

asset) is recognized in 'Other operating income' in the statement of income in the year the asset is de-recognized.

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

3.3.2. Impairment of non-financial assets.

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount.

3.3.3. Investment property

Investment on land or a building or part of a building or both, held to earn rentals or capital appreciation or both, are classified as investment property.

Investment properties would recognize subject to meeting "Minimum Requirements for Capitalization" mentioned in 3.3.1.

Cost model

Investment properties excluding Investment buildings are measured (initially) at cost (LKAS 40 Sec. 56), including transaction costs. Fair value of Investment Properties are measured by the management on annual basis and is disclosed separately in notes to the financial statement.

Fair Value

After recognition as Investment buildings, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every Five (05) Years to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

Rent receivable is spread on a straight-line basis over the period of the lease. Where an incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognizing rental income on this basis.

3.3.4. Inventories

Inventories such as stationary stocks are valued at lower of the cost and net realizable value, after making due allowances for obsolete and slow moving items.

3.3.5. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (Qualifying Asset) are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

3.3.6. Intangible Assets

An Intangible asset is an identifiable non monetary asset without physical substance.

3.3.6.1 Basis of Recognition

An Intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost.

3.3.6.1 (a) Computer Software

Software acquired by the bank is measured at cost less accumulated amortization.

3.3.6.2 Subsequent Expenditure

Expenditure incurred on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.3.6.3 Amortization of Intangible Assets

Intangible assets are amortized on a straight line basis in the statement of profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life for 2 years based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives and residual values are reviewed and adjusted if appropriate. The bank assumes that there is no residual value for its intangible assets.

The Assets are fully amortized in the month of acquisition and no amortization in the month of disposal.

3.3.6. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as due to banks, deposits from customers and refinance borrowings as appropriate. The Bank determines the classification of its financial liabilities at initial recognition.

The Bank classifies financial liabilities in to financial liabilities at Fair Value through Profit or Loss (FVTPL) or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Bank recognizes financial liabilities in the Statement of Financial Position when the Bank becomes a party to the contractual provisions of the financial liability.

i. **Financial liability at FVTPL (Fair Value through Profit & Loss)**

Financial liabilities at FVTPL include financial liabilities held-for-trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in profit or loss.

Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred.

The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

ii. **Other Financial liabilities**

Other financial liabilities including deposits, debt issued by the Bank and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

3.3.7. De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

3.4. Retirement Benefit Obligations

3.4.1. Defined Benefit Plan

Provision has been made for retirement gratuities for all employees, in conformity with Sri Lanka Accounting Standards LKAS 19 - Employee Benefits. However, under the payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current

and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted.

The discount rate is the yield at the reporting date on high quality corporate bonds. That have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by using the projected unit credit method.

3.4.2. Contribution Plans

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

Employees' Provident Fund

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

Employees' Trust Fund

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

3.5. Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and 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. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.6. Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognized in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the statement of income in 'Interest expense'. The premium received is recognized in the statement of income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

3.7. Taxation

Income Tax exempted from year of 2013/2014.

3.7.1. Current tax

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 statement of financial position date. The income and profit, other than dividend income and interest is exempted from the current year under section 7 (B) of Inland Revenue Act No 10 of 2006 as amended by Act No 13 of 2013.

3.7.2. The Value Added Tax (VAT) on financial services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto. The base for the computation of Value Added Tax on Financial Services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

3.8. Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

3.8.1. Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Income Statement include interest on financial assets and liabilities measured at amortized cost calculated on an effective interest basis.

Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. However the bank has

recognized the interest income related said assets on cash basis for prudence purpose owing to the nature of the impaired loan portfolio.

The bank is exempt from income tax on profit and income other than profit and income from dividends and interest as per the section 7(b) of the Inland Revenue Act No 10 of 2006 as amended by the Act no 18 of 2013. Therefore, the bank has measured the Interest income on fixed deposits and Repo investments as net in statement of comprehensive income from year of 2017.

3.8.2. Fee and commission income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

3.8.3. Dividend income

Dividend income is recognized in the statement of comprehensive income on an accrual basis when the Bank's right to receive the dividend is established.

3.9. Cash flow statement

The cash flow statement has been prepared using 'the indirect method', whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized.

3.10. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Bank will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimated as at the date of publication of these financial statements.

SLFRS 9 - Financial Instruments- Effective from 01/01/2018

SLFRS 15 - Revenue from Contracts with customers - Effective from 01/01/2018

3.12. Debentures

In terms of advertisement published in newspapers on 3rd December 2007 by the Central Bank of Sri Lanka, liabilities to corporate and institutional investors/depositors of Pramuka Saving and Development Bank Limited (PSDBL) whose balances are more than Rs 100,000/- is to be converted to Unsecured and Subordinate Debentures with a maturity period of 10 years, and the interest should be accrued annually at five percent (5%) per annum or the one year Treasury bill rate whichever is lower.

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

4.1 Risk management structure

The Board of Directors has the authority to determine the overall risk management framework for the Bank and has the responsibility to oversee the effective implication of risk management strategies. Accordingly, the Board approves the risk management policies and formulates goals and limits for risk appetite and strategy. The Board has established board sub committees to effectively manage all types of risks faced by the Bank. The Board has appointed the Integrated Risk Management Committee which has the responsibility to monitor the overall risk process within the Bank.

The Board Integrated Risk Management Committee (BIRMC) is responsible to provide a direction on the risk management process and formulations of policies and procedures for the ratification by the Board of Directors and the implementation of such policies and procedures and ensuring that all operations are within the guidelines and policies set by the Board.

The established policies, procedures and decision making process are integrated into the daily operations of SLSBL. A risk management process throughout the Bank is audited annually by the Internal Audit function (in-house), which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

The BIRMC is comprised of two Non-Executive Directors, one of whom chairs the meetings and the Director/CEO, senior management staff that attended meetings were Senior Manager-Operations, Senior Manager Finance, Senior Manager Corporate- Relations, Manager Credit and Manager IT.

The Committee oversees the risks of the Bank by assessing Market, Credit, Liquidity, Operational, Compliance, and Reputational and Strategic risks regularly, reviews and monitors the functions and the effectiveness of committees such as Assets and Liability Committee (ALCO) and Credit to manage the risks of the Bank within the set limits.

It also has established a compliance function to access the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.

In common with all other businesses, the Bank is exposed to risks that arise from its use of financial instruments. This note describes the Bank's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Bank's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in notes.

The bank has maintained fully provision for PSDB loans amounting Rs. 1,035,391,453.30 as at 31 December 2017 where such loans vested with 100% provisions.

SRI LANKA SAVINGS BANK LIMITED
FINAL ACCOUNTS -YR2017
NOTES TO THE FINANCIAL STATEMENTS

5. Net Interest Income

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Interest income			
Interest income -Treasury bills	5.01	-	3,392,867
Interest income- REPO investments	5.03	39,756,939	178,452,263
Interest income- debenture	5.04	8,382,270	12,768,461
Interest income- deposit banks	5.05	617,960,867	377,199,814
Interest income- securitized papers	5.06	12,712,625	17,055,014
Interest income- PSDB loans	5.08	34,555,198	34,676,948
Interest income- leasing	5.09	38,278,658	38,169,087
Interest income- Loans against deposit balances	5.10	1,317,638	636,407
Interest income- Hire purchases	5.11	24,971,906	10,656,041
Interest income- Loans to partner organizations	5.12	128,848,616	120,896,314
Interest income- Door to Door Loans	5.13	2,716,905	3,799,922
Interest income- Staff loans	5.14	1,765,028	1,728,714
Interest income- Personal loans	5.15	58,096,615	62,302,149
Interest income- Individual & corporate loans	5.16	26,946,300	32,729,086
Interest income- MFD Loans	5.17	716,921	12,640,381
Interest income- Pawning advances	5.18	7,039,764	4,294,201
Interest income- Praja Diriya Loans	5.19	20,149,967	9,042,842
Interest income- Vehicle loans	5.20	328,644	1,212,538
Interest income- Educational Loans	5.21	-	25,485
Interest income- Staff Housing Loans	5.22	3,143,979	2,177,037
Interest income- Professional Loans	5.23	2,065,854	1,026,997
Interest Income-SLS Diriya	5.24	9,742,988	41,375
Interest Income-Swashakthi Loan	5.26	142,805	-
Interest Income-Jaya Isura Loan	5.26	158,573	-
Total interest income		1,039,799,059	924,923,944
Due to other customers	5.25	44,076,329	33,365,555
Due to PSDB depositors	5.27	7,414,693	10,107,006
Debenture issued	5.28	60,140,974	65,112,624
Other borrowing	5.29	31,918,980	32,207,209
Total interest expenses		143,550,976	140,792,394
Net interest income		896,248,083	784,131,550

5.1 Net Interest Income from Sri Lanka Government Securities

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Interest income		39,756,939	181,845,129
Net interest income		39,756,939	181,845,129

6. Net Fee and Commission Income

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Fee and commission income	6.01	4,288,287	4,962,345
Fee and commission expenses	6.02	(12,839,674)	(18,876,684)
Net Fee and commission income		(8,551,387)	(13,914,338)
Comprising			
Commission on savings accounts	6.03	43,890	42,770
Documentation charges	6.04	136,040	205,250
Commission on guarantees	6.06	107,500	83,848
Processing fees loans	6.08	3,245,320	3,694,455
Inspection charges	6.09	337,214	322,709
Commission insurance general	6.10	299,323	607,313
Non-refundable deposit income	6.11	119,000	6,000
Total Fee and commission income		4,288,287	4,962,345
Fee and Commission Expenses			
Consultancy fee	6.12	135,050	42,000
Professional fee	6.13	1,596,666	1,703,094
Legal fee	6.14	7,411,805	12,207,621
Title fee	6.15	2,700,000	2,808,452
Title search charges	6.16	700	(1,500)
Bank charges	6.17	253,203	325,739
CRIB charges	6.18	-	763,258
Introducer Commission Expense - Leasing & HP	6.20	742,250	1,028,020
Total Fee and commission expenses		12,839,674	18,876,684

7. Other Operating Income (net)

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Gain on sale of property, plant and equipment	7.01	5,355,999	2,217,336
Dividend income	7.02	518,192	3,684,177
Sundry income	7.03	2,081,516	1,349,023
Income- Nuwara Eliya bungalow	7.04	360,501	411,250
Income- Anuradhapura bungalow	7.05	52,000	27,100
Income- bus hire	7.06	19,570	10,280
Cultivation income	7.07	360,000	220,000
Provision recovered other receivable	7.08	1,683,593	708,810
Trust Recovery	7.09	614,000	772,800
Loan Provision recovered (Over Provision)	7.10	36,757,528	40,453,517
Penalty interest	7.11	326,877	699,032
Termination income	7.12	7,976	8,511
Legal charges recovered	7.13	503,393	305,789
Gain from financial investments	7.14	657,333	-
Other Operating Income (net)		49,298,479	50,867,624

8. Impairment for Financial assets

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Loans and receivables-To other customers	8.01	15,820,467	(65,513,196)
Total		15,820,467	(65,513,196)

9. Personnel Expenses

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Salary and bonus	9.01	79,506,817	72,806,232
Contributions to defined contribution/benefit plans	9.02	10,422,823	9,775,316
Other allowance and staff related expenses	9.03	25,946,097	27,877,641
Gratuity	9.04	3,965,971	2,555,976
Total		119,841,709	113,015,165

10. Other Expenses

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Directors' emoluments	10.01	4,610,500	4,167,013
Audit related fees	10.02	500,000	298,265
Depreciation of property, plant and equipment	10.03	16,830,988	18,368,092
Office administration and establishment expenses	10.04	23,851,246	22,590,854
Repairs and maintenance	10.05	5,381,929	6,074,504
Advertisements	10.06	4,177,264	4,035,063
CSR Activities	10.09	39,432	540,496
Entertainment	10.10	42,000	44,250
Labour outsourcing expenses	10.11	192,500	280,000
Security charges	10.12	10,246,056	8,445,300
Insurance	10.13	1,354,310	1,533,949
Printing and stationery	10.14	5,520,705	3,548,325
Rates and taxes	10.15	5,876,102	4,608,760
Donation	10.16	15,695	29,500
National Insurance Trust Fund Levy	10.17	8,652,462	2,250,515
Transport and fuel expenses	10.18	3,726,495	3,460,710
Subsistence and lodging expenses	10.19	934,695	961,840
Amortization of bank opening expense	10.20	-	-
Miscellaneous	10.21	1,525,657	1,464,071
Total		93,478,037	82,701,505

11.0 Earning per share

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Net profit attributable to ordinary equity holders		603,484,893	599,700,302
Weighted average number of ordinary shares for basic earning per share		4,584,466	4,584,466
Basic earnings per ordinary share		132	131

12.0 Cash and Cash Equivalents

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Cash in hand	12.0.0	4,537,330	5,737,514
Balances with banks (Note 12.1)	12.0.1	26,452,490	53,078,337
Total		30,989,820	58,815,851

12.1 Balances with banks

	NOTE	31.12.2017 LKR	31.12.2016 LKR
People's Bank - Borella No. 2 (078-1-001-7-0000683)	12.1.1	3,726,569	1,189,215
People's Bank - collection account leasing (078-1-003-3-8517396)	12.1.1	457,134	278,110
People's Bank - Liberty plaza old 309-1001-42536401	12.1.1	75,373	75,373
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)	12.1.1	-	710,140
Bank of Ceylon - Borella - 0007521176	12.1.1	68,561	1,084,140
Bank of Ceylon - Mannar - 0074291980	12.1.1	94,024	25,000
People's Bank- 1001-52536877	12.1.1	32,165	32,165
People's Bank-1001-32536878	12.1.1	30,375	30,375
People's Bank-1001-72536882	12.1.1	29,867	29,867
People's Bank-1001-52536881	12.1.1	30,669	30,669
People's Bank-1001-32536883	12.1.1	34,963	34,963
People's Bank-1001-6002189	12.1.1	71,076	71,076
People's Bank-1001-6002212	12.1.1	101,688	101,688
People's Bank-1001-6002235	12.1.1	30,652	30,652
People's Bank - Mannar - 044-1-001-2-0060585	12.1.1	583,832	5,026,467
People's Bank - Matara - 032-1-001-2-0000683	12.1.1	880,454	5,052,935
People's Bank - Anuradhapura - 008-1-001-2-0000683	12.1.1	1,143,857	1,610,477
Cash at bank NDTF 046-1001-30387266	12.1.1	679,403	665,025
Cash at Bank - NDTF 309-1001-72536876	12.1.1	1,381,827	-
People's Bank-Call deposit	12.1.1	17,000,000	37,000,000
Total		26,452,490	53,078,337

13.0 Sri Lanka Government Securities

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Repo investment	13.0.3	914,710,911	399,968,039
Total		914,710,911	399,968,039

14.0 Placements with Banks

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Fixed deposits- People's Bank	14.0.1	1,458,283,202	1,706,525,742
Fixed deposits- Bank of Ceylon	14.0.1	1,028,434,917	1,703,525,844
Fixed deposits- National Saving Bank	14.0.1	320,263,343	14,625,000
Fixed deposits- Regional Development Bank	14.0.1	1,098,491,673	788,803,020
Fixed deposits- HDFC	14.0.1	761,878,265	766,073,473
Fixed deposits- SMIB	14.0.1	-	350,000,000
Interest receivable	14.0.8	140,774,986	106,783,075
Total		4,808,126,386	5,436,336,154

15.0 Loans and Receivables to Other Customers

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Gross loans and receivables	15.1.0	4,312,297,390	4,170,072,991
(Less): Individual impairment	15.0.1	(1,122,769,040)	(1,160,118,172)
Collective impairment	15.0.2	(232,160,247)	(253,758,835)
Net loans and receivables		2,957,368,103	2,756,195,984

15.1 Analysis

	NOTE	31.12.2017 LKR	31.12.2016 LKR
By product			
Loans and advances			
Performing loans-NDTF	15.1.1	1,420,644,156	1,144,835,333
Performing loans - PSDB	15.1.2	8,351,848	43,774,577
Staff loans	15.1.3	19,188,620	19,791,059
Special loans-staff	15.1.4	2,160,809	1,318,782
Loans against deposit balances	15.1.5	13,658,661	3,315,371
Loans - Door to door	15.1.6	11,862,314	18,642,420
Loans against PSDB balances	15.1.7	2,216,000	4,275,973
Loans -Public and private employment	15.1.8	399,709,074	461,104,918
Loans - Individual & corporate Loans	15.1.9	141,364,480	206,265,602
Pawning advances	15.1.11	43,196,530	38,105,985
Loans - Vehicle loan	15.1.12	839,925	2,277,487
Praja Diriya Loans	15.1.13	85,432,385	86,587,186
Staff Housing Loans	15.1.15	76,891,555	50,407,683
Professional Loans	15.1.16	17,112,167	14,099,543
Overdue loans	15.1.17	34,321,243	22,912,531
Substandard loans	15.1.18	41,226,051	54,646,663
Doubtful loans	15.1.19	11,909,567	8,481,000
Loss category	15.1.20	245,794,779	257,804,954
PSDB loans	15.1.21	1,010,320,626	1,003,002,636
Loan receivable- Staff ledger PSDB	15.1.22	3,340,250	3,396,450
Rescheduled loans - PSDB	15.1.23	0	2,680,181
SLS Diriya	15.1.24	100,647,626	4,459,254
Swashakthi Loan	15.1.25	8,544,915	-
Jaya Isura Loan	15.1.26	9,093,173	-
Athwela Loan	15.1.27	2,000,000	-
Lease receivable	15.2.0	296,448,751	314,951,746
Hire purchases receivable	15.3.0	218,488,259	105,197,367
Debenture investment	15.1.26	87,533,628	87,533,628
Other investments	15.4.0	(0)	210,204,661
Loan Control	15.1.28	8,767,853	4,935,001
Undisbursed loans	15.1.29	(8,767,853)	(4,935,000)
Net Total		4,312,297,390	4,170,072,991

15.1 Analysis

	NOTE	31.12.2017 LKR	31.12.2016 LKR
By industry			
Agriculture and fishing		1,019,665,450	981,723,223
Manufacturing		501,611,164	534,351,234
Tourism		41,689,667	13,454,000
Transport		104,016,867	98,257,000
Construction		388,932,422	357,712,000
Traders		527,176,745	490,736,913
New economy		4,185,000	4,829,000
Others		1,725,020,075	1,689,009,621
Gross total		4,312,297,390	4,170,072,991

15.2 Lease rental receivable

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Lease rental receivable	15.2.1	260,046,794	278,797,212
Overdue loans	15.2.2	3,149,024	4,833,722
Substandard loans	15.2.3	6,152,173	7,121,230
Doubtful loans	15.2.4	3,691,179	5,508,569
Loss category	15.2.5	23,404,832	18,686,264
(Less) Unearned interest	15.2.6	4,749	4,749
Sub total		296,448,751	314,951,746

15.3 Hire purchase receivable

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Hire purchase receivable	15.3.1	216,501,754	103,256,185
Overdue Loans	15.3.2	2,205,847	2,031,954
Substandard Loans	15.3.3	-	19,389
Doubtful loans	15.3.4	-	109,182
(Less) Unearned interest	15.3.5	(219,342)	(219,342)
Sub total		218,488,259	105,197,367

15.4 Other investments

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Commercial papers	15.4.1	6,000,000	6,000,000
Asset Backed Trust Certificates	15.4.2	-	210,204,661
Other investments	15.4.3	165,594,500	165,594,500
(Less) Impairment chargers	15.4.4	(171,594,500)	(171,594,500)
Net Other Investments		(0)	210,204,661

15.5 Movements in individual and collective impairment during the Year

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Individual impairment			
Balance at the beginning of the year	15.5.1	1,160,118,172	1,223,532,974
Charge/ (write back) to income statement	15.5.2	(204,695,960)	(200,150,056)
Over / Under adjustments	15.5.3	203,970,357	182,981,726
Recoveries	15.5.4	(36,623,528)	(46,246,473)
Balance at the end of the year		1,122,769,040	1,160,118,172
Collective impairment			
Balance at the beginning of the year	15.5.6	253,758,835	183,142,010
Charge/(write back) to income statement	15.5.7	220,516,427	134,636,860
Over / Under adjustments	15.5.8	(242,115,015)	(64,020,035)
Balance at the end of the year		232,160,247	253,758,835
Total		1,354,929,287	1,413,877,007

16.0 Financial Investments-Available for Sale

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Equity securities	16.0.1	209,446,386	185,343,998
(Less) Impairment chargers	16.3	(42,476,184)	(42,476,184)
Net Available-for-sale Investments		166,970,202	142,867,814

The above balances comprise of Investments in equity securities made by Pramuka Savings and Development Bank and the Bank. During the current financial year there were no trading activities.

Please refer the "Risk management report" includes in the Annual report for qualitative disclosure as per SLFRS 7.

16.1 Quoted equity security

Investment company	No of shares	As at 31.12.2017 Cost of shares LKR	Market Value LKR	No of shares	As at 31.12.2016 Cost of shares LKR	Market Value LKR
National Development Bank	14,326	970,956	1,954,066	13,800	970,956	2,152,800
Commercial Bank Limited	207	7,135	28,111	205	7,135	29,725
Lanka Orix Leasing Company	200	855	23,020	200	855	14,500
Sampath Bank Limited	3,216	83,221	1,015,291	3,057	83,221	796,043
Watawala Plantation	4,000	20,288	110,800	4,000	20,288	78,800
Trans Asia Hotel	4,000	34,983	356,000	5,000	128,334	617,500
Lanka Ceramic PLC	917	23,536	137,550			
Lanka Walltile PLC	117	2,073	11,630	4,000	34,983	376,000
Kelani Valley Plantation	5,500	198,121	497,200	5,500	198,121	329,450
Hapugastenna Plantation	100	2,666	3,000	100	2,666	1,560
Aitken Spence	18,000	160,364	982,800	18,000	160,364	1,170,000
Pan Asia Bank Limited	10,298,499	96,012,455	161,686,434	6,865,666	47,952,793	137,313,320
Net investment in quoted shares		97,516,653	166,805,902		49,559,716	142,879,698

16.2 Unquoted Equity Securities

Investment company	No of shares	As at 31.12.2017 Cost of shares LKR	Management Valuation LKR	No of shares	As at 31.12.2016 Cost of shares LKR	Management Valuation LKR
Pramuka Merchant Corporation	500,000	5,000,000	-	500,000	5,000,000	-
Prime Development & Constructions	230,000	2,300,000	-	230,000	2,300,000	-
Janashkathi Life	2,500,000	25,000,000	-	2,500,000	25,000,000	-
Janashkathi Holding	1,000,000	10,000,000	-	1,000,000	10,000,000	-
CRIB	1,643	164,300	164,300	1643	164,300	164,300
Vanik Incorporation	17,000	176,184		17,000	176,184	-
(Less) Impairment for shares		(42,476,184)			(42,476,184)	
Net investment in unquoted shares		164,300	164,300		164,300	164,300

Vanik Incorporation has been suspended which is not an unquoted shares. Therefore the management has decided to impair the cost of the shares.

16.3 Movements in impairment during the Year

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Balance at the beginning of the year	17.3.1	42,476,184	42,476,184
Charge/ (write back) to income statement	17.3.2		
Balance at the end of the year	17.3.3	42,476,184	42,476,184

17.0 Property, Plant and Equipment

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Cost		420,656,885	421,386,352
Accumulated depreciation		(112,425,671)	(100,300,917)
Net Book Value		308,231,214	321,085,434

17.1 Property, Plant and Equipment

Cost/fair value	Note	Land LKR	Building LKR	Motor Vehicles LKR	Computer Equipments LKR	Office Equipments LKR	Telephone Equipments LKR	Furniture & Fittings LKR	Total LKR
Balance at the beginning of the year 2016	17.1.1	282,200,000	4,320,000	48,790,057	36,167,462	27,955,955	697,319	18,857,993	418,988,787
Additions	17.1.2	-	-	-	1,137,050	247,940	5,325	1,007,250	2,377,565
Disposals	17.1.3								-
Revaluation gain	17.1.4								-
Transfers during the year	17.1.5								-
Balance at the end of the year 2016	17.1.6	282,200,000	4,320,000	48,790,057	37,304,512	28,203,895	702,644	19,865,243	421,386,352
Balance at the beginning of the year 2017	17.2.1	282,200,000	4,320,000	48,790,057	37,304,512	28,203,895	702,644	19,865,243	421,386,352
Additions	17.2.2	-	-	-	2,960,226	164,660	487,857	206,661	3,819,404
Disposals	17.2.3			(4,548,871)					(4,548,871)
Revaluation gain	17.2.4								-
Transfers	17.2.5								-
Balance at the end of the year 2017	17.2.6	282,200,000	4,320,000	44,241,186	40,264,739	28,368,555	1,190,501	20,071,904	420,656,885
Accumulated depreciation									
Balance at the beginning of the year 2016	17.4.1	-	1,782,000	37,775,246	17,849,849	13,224,668	278,913	11,614,655	82,525,332
Charge for the year	17.4.2		216,000	3,662,758	6,701,955	4,371,659	90,539	2,732,674	17,775,585
Over / Under Depreciation adjustments	17.4.2								-
Revaluation Adjustment	17.4.2								-
Disposals	17.4.3								-
Balance at the end of the year 2016	17.3.5	-	1,998,000	41,438,004	24,551,804	17,596,328	369,452	14,347,329	100,300,917
Balance at the beginning of the year 2017	17.4.1	-	1,998,000	41,438,004	24,551,804	17,596,328	369,452	14,347,329	100,300,917
Charge for the year	17.4.2		216,000	3,663,038	5,855,894	4,271,914	137,760	2,529,300	16,673,905
Over / Under Depreciation adjustments	17.4.2			(280)					(280)
Revaluation Adjustment	17.4.2								-
Disposals	17.4.3			(4,548,871)					(4,548,871)
Balance at the end of the year 2017	17.4.5	-	2,214,000	40,551,892	30,407,698	21,868,242	507,212	16,876,629	112,425,671
Net book value at 31.12.2017		282,200,000	2,106,000	3,689,294	9,857,041	6,500,314	683,289	3,195,276	308,231,214
Net book value at 31.12.2016		282,200,000	2,322,000	7,352,052	12,752,708	10,607,568	333,192	5,517,914	321,085,434

Over / Under Depreciation adjustment in Accumulated depreciation in the Yr2015 is the effect of Accumulated Depreciation adjustment done for the Fixed Assets for their "Assets' servicing period", thus over under depreciation of the Fixed assets corrected promptly.

During the year 2015, whole class of Lands and Buildings revalued. This is to segregate the building from Lands hence depreciate the Buildings. The entity has adopted revaluation policy for "Land and Building" in every Five years and depreciate the Building over the useful time of 20years period.

During the Yr2015, Rs. 10,493,479/- worth of Properties transferred from PPE-Lands to Investment Land as such Lands held as investment properties.

During the Yr2015, all the Land & Buildings revalued to segregate the Buildings from the Lands hence apply Depreciations.

There are 12 motor vehicle amounting Rs. 22,657,636 fully depreciated as of 31/12/2017 but still in use.

There are 164 Computer Equipment items amounting Rs. 18,074,662 fully depreciated as of 31/12/2017 but still in use.

There are 49 Telephone Equipment items amounting Rs. 270,099 fully depreciated as of 31/12/2017 but still in use.

There are 128 Furniture & Fittings items amounting Rs. 5,693,202 fully depreciated as of 31/12/2017 but still in use.

There are 47 Re-Furbishments items amounting Rs. 1,855,954 fully depreciated as of 31/12/2017 but still in use.

There are 68 Office Equipments items amounting Rs. 5,289,057 fully depreciated as of 31/12/2017 but still in use.

There are 89 Other Assets items amounting Rs. 3,840,467 fully depreciated as of 31/12/2017 but still in use.

18.0 Intangible assets

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Computer Software and Licenses		2,212,917	0
Sub total		2,212,917	0

18.1 Computer Software and Licenses

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Cost			
Opening balance		7,460,000	7,460,000
Addition	19.1.1	2,370,000	-
Closing balance		9,830,000	7,460,000
Accumulated Depreciation			
Opening balance		7,460,000	6,872,864
Charge for the year	18.1.2	157,083	587,136
Over / Under adjustments		(0)	-
Closing balance		7,617,083	7,460,000
Net book value as at the year		2,212,917	0

Intangible Assets contain payments made for computer software and licenses. Such assets recognized as and when payments made only for the extend of value the payment.

19.0 Investment Properties

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Land			
Cost			
Balance at the beginning of the year	19.0.1	316,095,204	316,095,204
Addition	19.0.2	-	-
Revaluation Gain	19.0.2	-	-
Transfers from / to	19.0.3	-	-
Balance at the end of the year		316,095,204	316,095,204
Building			
Cost			
Balance at the beginning of the year	19.0.4	17,219,796	17,504,796
Revaluation Gain	19.0.5	-	(285,000)
Transfers (from Investment - Land)	19.0.3	-	-
Balance at the end of the year		17,219,796	17,219,796
Accumulated depreciation			
Balance at the beginning of the year	19.0.6	-	-
Prior Year adjustments	19.0.8	-	-
Balance at the end of the year		-	-
Net balance as at end of the year		17,219,796	17,219,796
Total balance as at end of the year		333,315,000	333,315,000

Entity has adopted policy to revalue Investment properties by every Five years time, thus Investment properties are measured at Fair value as per the LKAS 40 and revaluation done every five years time.

20.0 Other Assets

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Assets vested from PSDB	20.0.0	21,134,339	142,705,328
Receivables	20.0.1 / D1	2,979,269	207,689,696
Advances	20.0.2 / D2	348,701	5,284,670
Refundable deposits	20.0.3	153,551	695,551
Other advance	20.0.5	552,258	1,816,410
Sundry debtors	20.0.6	32,451	114,246
Inventory	20.0.7	3,624,595	5,026,857
Deposits & prepayments	20.0.9	2,579,942	1,437,970
Leasing Repossession Proceed	20.0.11		5,543,639
Total		31,405,107	370,314,366
Less: Impairment charges	20.0.10	(18,163,159)	(135,697,752)
Total		13,241,947	234,616,613
Other Assets vested from PSDB			
Advance payment	20.1.2	344,724	29,203,120
Advance payment - MED	20.1.3	-	11,134,000
Advance payment - Admin	20.1.4	-	38,000
Expenditure pending settlements	20.1.5	-	3,672,000
Rec. Exp O/A property	20.1.6	-	786,000
Discount paid in advance	20.1.7	13,691,416	15,375,008
Due from head office	20.1.8	-	24,622,000
Deferred expenditure	20.1.9	-	12,214,000
Others	20.1.10	-	9,106,000
Deposit fund on behalf of PSDB L/T Case	20.1.11	7,098,200	7,098,200
Sundry Debtors(Vested from PSDB)	20.1.12	-	4,392,000
Recoverable Deposits(Vested from PSDB)	20.1.13	-	25,065,000
Total	20.0.0	21,134,339	142,705,328

21.0. Due to other Banks

	NOTE	31.12.2017 LKR	31.12.2016 LKR
People's Bank - Borella No. 1 (078-1-001-5-8517396)	21.0.0	1,215,666	141,001
People's Bank - Borella No. 2 (078-1-001-7-0000683)	21.0.0		
People's Bank - Mannar (078-1-002-4-8517396) - old	21.0.0	(0)	3,180,342
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)		3,974,019	-
Cash at Bank - NDTF 309-1001-72536876	21.0.0	-	10,482,190
People's Bank - Anuradhapura		-	-
Total		5,189,685	13,803,533

22.0 Due to Other Customers

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Total amount due to other customers	22.0.1	1,077,256,662	916,689,813
Total		1,077,256,662	916,689,813

22.1 Analysis

	NOTE	31.12.2017 LKR	31.12.2016 LKR
By product			
Normal savings	22.1.1	228,240,490	204,059,135
Normal savings Co-Operative	22.1.2	46,652,850	22,216,953
Minor savings	22.1.3	15,270,056	16,042,915
Ladies savings	22.1.4	4,627,844	5,145,085
Senior citizen's savings	22.1.5	5,635,509	6,181,307
Normal savings - staff	22.1.6	3,862,580	4,669,464
Door to door savings	22.1.7	7,596,009	9,825,228
Savings-deceased	22.1.9	-	18
Fixed deposits	22.1.10	475,345,349	339,111,109
SLs Thilina	22.1.11	2,014,476	957,963
Dormant savings	22.1.21	-	476
Pramuka Savings and Development bank - deposits	22.1.23	287,301,620	307,798,699
Janasewana Swashakthi minor savings	22.1.26	709,225	680,426
Janasewana Swashakthi ordinary savings	22.1.27	654	1,035
Sub Total		1,077,256,662	916,689,813

23.0 Debentures and other borrowings

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Debentures	23.1.0	774,513,533	1,758,527,034
Other borrowings	23.2.0	1,382,568,409	1,400,549,272
Total		2,157,081,942	3,159,076,306

23.1. Debentures

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Unsecured Subordinate Debentures	23.1.1	327,744,200	878,811,300
Unsecured Subordinate Debentures pending allotment	23.1.2	225,371,510	419,983,110
Interest payable	23.1.3	221,397,823	459,732,624
Sub Total		774,513,533	1,758,527,034

In terms of advertisement published in newspapers on 3rd December 2007 by the Central Bank of Sri Lanka, liabilities to corporate and institutional investors/ depositors whose balances are more than Rs. 100,000/- is to be converted to Unsecured and Subordinate Debentures with a maturity period of 10 years, and the interest should be accrued annually at five percent (5%) per annum or the one year Treasury bill rate whichever is lower. These Debentures are recognized at cost and interest accumulated on capita at the rate describe above. All such Debentures are mature on 03/12/2017.

23.2. Other borrowings

	NOTE	31.12.2017 LKR	31.12.2016 LKR
PSDB - Borrowing	23.2.1	38,465,988	51,201,711
NDTF Loan GOSL-IDA credit	23.2.2	(1)	(1)
NDTF Loan GOSL-KFW loan	23.2.3	9,607,640	19,215,280
Micro finance loans to ADB	23.2.4	1,330,132,282	1,330,132,282
Payable-Refinance Loan Swashakthi (CBSL)	23.2.5	4,362,500	-
Sub Total		1,382,568,409	1,400,549,272

24.0 Other liabilities

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Interest payable	24.1.0	64,615,121	63,822,814
Payable -expense creditors	24.2.0	801,412,028	736,176,168
PSDB liabilities	24.3.0	27,365,512	11,495,092
Inter branch accounts	24.4.0	(907,101)	(677,708)
Sundry creditors	24.5.0	1,159,715	1,940,594
Retirement benefit obligation	24.6.0	16,601,901	12,376,710
Total		910,247,176	825,133,670

24.1 Interest Payable

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Treasury bond backed deposit certificate	24.1.1	-	780,105
Interest payable - Investors	24.1.2	64,615,121	62,557,078
Bonus interest payable	24.1.3	-	485,631
Sub Total		64,615,121	63,822,814

24.2 Payable -Expense Creditors

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Accrued expenses	24.2.2	744,022,154	560,062,100
Other payables	24.2.3	57,389,874	176,114,069
Sub Total		801,412,028	736,176,168

24.3 PSDB liabilities

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Margin account loans	24.3.1	20,267,312	4,396,892
Provision for PSDB LT case	24.3.2	7,098,200	7,098,200
Sub Total		27,365,512	11,495,092

24.4 Interbranch accounts

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Borella branch	24.4.1	(99,374,180)	(105,674,180)
PSDB current account	24.4.2	381,972,404	314,740,933
SLSB current account	24.4.3	593,952,398	559,622,416
Matara current account	24.4.4	(263,341,981)	(231,608,840)
National Development Trust Fund current account	24.4.5	(381,098,362)	(276,431,970)
Branch Account - Anuradhapura	24.4.6	(239,454,491)	(260,450,842)
Branch Account - Mannar	24.4.7	8,251,313	480,192
Inter branch - Loan	24.4.8	-	-
Sub Total		907,101	677,708

24.5 Sundry creditors

	NOTE	31.12.2017 LKR	31.12.2016 LKR
WW/OP Contribution collected from employees	24.5.1	35,109	35,109
Refundable deposit- others	24.5.2	-	4,749
Staff security deposit	24.5.3	208,500	208,500
Staff critical illness fund	24.5.4	559,298	444,123
Payable - CRIB charges	24.5.6	27,385	1,820
Payable VAT leasing	24.5.7	118,611	222,657
Insurance premium - collection account	24.5.8	-	6,006
Union Collection Account	24.5.9	-	26,600
Provision for incentives	24.5.10	-	809,167
Payable-Deposit Insurance	24.5.11	210,812	181,863
Sub Total		1,159,715	1,940,594

24.6 Retirement benefit obligation

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Balance at the beginning of the year	24.6.1	12,376,710	7,418,754
Add: Gratuity charge for the period	24.6.2	3,965,971	2,555,976
Gain/(loss) arising from changes in actuarial assumptions	24.6.3	581,106	2,944,770
Less: Payments made/Payable during the year	24.6.4	(321,886)	(542,790)
Balance at the end of the year		16,601,901	12,376,710

24.6.1 The principle assumptions used for this purpose are as follows.

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Retirement age		55	55
Rate of interest		0.11	0.11
Salary increment		0.30	0.30
Mortality Table		A67/70	A67/70

25.0 Stated Capital/Assigned Capital

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Ordinary shares	25.0.1	820,445,900	458,445,900
Ordinary shares application	25.0.2	700	700
Capital pending allotment	25.0.3	2,984,843,702	2,984,843,702
Total		3,805,290,302	3,443,290,302

The amount of Capital pending allotment is amounting Rs. 2,984,843,702 (Rs. 2,982,232,678.56 + Rs. 2,611,024) which is the equity of National Development Trust Fund (NDTF) (which includes Rs. 2,129,435,718.56 from National development trust Fund and Rs. 852,796,960 from National Development Trust fund company limited by guarantee) merged with the bank on 30/09/2010.

26.0 Statutory Reserve Fund

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Balance at the beginning of the year		169,856,235	139,871,220
Transfer during the period		30,142,756	29,985,015
Balance at the end of the year	26.0.1	199,998,991	169,856,235

The Reserve Fund was created to comply with the Directions No 33 of 1998 issued by the Central Bank under Banking Act, No. 30 of 1988. During the year 2017, the bank has transferred sum equal to 5% of the Net Profits for the year ended 31st December 2017 to Reserve Fund.

27.0 Retained Earnings

	NOTE	31.12.2017 LKR	31.12.2016 LKR
Balance at the beginning of the year as previously stated	27.0.1	2,760,376,149	2,315,832,215
Over / Under adjustments	27.0.3	(324,155,769)	(122,226,583)
Profit for the year- restated	27.0.5	603,484,893	599,700,302
Actual gain on defined benefit plan	27.0.7	(581,106)	(2,944,770)
Transferred to statutory reserve fund	27.0.8	(30,142,756)	(29,985,015)
Balance at the end of the year		3,008,981,411	2,760,376,149

28.0 Other Reserves

		Balance at the beginning of the year as at 01.01.2017 LKR	Movement/ transfers LKR	Balance at the end of the year 31.12.2017 LKR
Available-for-sale reserve	28.0.1	93,143,798	(23,854,549)	69,289,249
Revenue deficit before vesting	28.0.2	(2,166,190,408)	-	(2,166,190,408)
Revaluation reserve	28.0.3	468,021,489	-	468,021,489
Total		(1,605,025,121)	(23,854,549)	(1,628,879,669)

"Available for sales reserve" is represent the gain of quoted shares held by the entity. The gain or loss of such recognized in the "Statement of Comprehensive Income".

Revenue deficit before vesting Rs. 2,166,190,408 is the residue of Rs.2, 423,071,938 negative equity of Pramuka Savings and Development Bank (PSDB) vested by Central Bank of Sri Lanka (CBSL) after adjusting loan loss reversals and Tax adjustments.

"Revaluation reserve" represents the gain / loss of the revaluation of the Investment properties and Lands and Buildings.

29.0 Related party disclosures

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures".

29.1 Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

(i) KMP of the Bank

Key Management Personnel include the members of the Board of Directors of the Bank (including the Executive and Non-Executive) and Corporate Management including the GM/CEO and Senior Managers of the Bank.

(ii) Compensations to KPM

	2017 LKR	2016 LKR
Directors' emoluments - Sitting allowances	3,015,500	3,061,500
Directors' emoluments - Fixed allowances	1,595,000	1,476,000
Remuneration of Corporate Management	19,720,483	18,421,471
	24,330,983	22,958,971

The amount disclosed above are the amounts recognized as expenses during the reporting year relating to KMP.

In addition to the remuneration, the Bank has also provided non cash benefits to KMP in line with the approved benefit plan of the Bank.

Compensation to Key Management Personnels

	2017.12.31	2016.12.31
Short Term Employment benefits	24,330,983	22,958,971
Post employment benefits	-	-
	24,330,983	22,958,971
Directors Emoluments -Sitting Allowances	3,015,500	3,061,500
Directors Emoluments -Fixed Allowances	1,595,000	1,476,000
Remuneration of Corporate Management	19,720,483	18,421,471
	24,330,983	22,958,971

(iii) Transactions with KPM

Bank has engaged on below Banking or other Business transactions with KMP and their Close Family Members other than disclosed under compensations.

Transaction, Arrangements and Agreements Involving Key Management Personal (KMP) and their Close Family Members (CFMs)

Items in the Statement of financial Positions	2017.12.31
Assets	
Loan and receivables	22,736,863
Total	22,736,863
Liabilities	
Deposit (FD's/Savings)	2,064,319
Total	2,064,319

Terms and conditions of the Accommodation granted to KMP's and their CFMs

Type Of Loan	Balance as at 31 Dec.2017 (Rs)	Security Details as at 31 Dec. 2017	
		Security Details	Value (Rs .Mn)
Staff Housing Loans /Staff Loan	14,554,600	Land	12.50
Staff Vehicle Loans /Leasing /HP	7,248,986	Personal Guarantor	
Other Loans	933,277	Personal Guarantor	
Total	22,736,863		12.50

(iv) Transactions involving entities which are controlled / jointly controlled by the KMP and their Close Family Members.

During the year Bank has not engaged in any Banking or other Business transactions with any entities controlled/ jointly controlled by the KMP and their Close Family Members.

30.0 Capital commitments

The Bank has received Rs.362 million from Secretary to the Treasury as capital infusion to meet the Basel III requirements.

31.0 Contingent liabilities

The value of bank guarantees outstanding as at the reporting date amounts to Rs. 7.5 Mn. With 100% cash margin.

32.0 Disputed tax assessments

As per the received assessments, Sri Lanka Savings Bank is liable to pay penalties Rs. 248,437,921 to The Department of Inland Revenue for the period 2007 to 2014 as follows.

	Period	Amount Rs.
Income Tax	2010/11,2011/12,2012/13	115,833,988.00
PAYE	2007/08,2009/10,2011/12,2012/13,2014/15	101,806.00
ESC	2008/09,2009/10,2010/11,2013/14	2,467,521.00
VAT on FS	2007,2008,2009,2010,2011,2012,2013,2014	128,583,403.00
NBT on FS	2014	1,451,203.00
Total Penalty Payable		248,437,921.00

Ministry of Finance has sent a instruction letter to the Department of Inland Revenue advising to wave off penalties of SLSB. However we have accounted all the tax penalties into the financial statements for the year of 2017

33.0 Events after the reporting period

Other than the above no circumstances have arisen since the reporting period which would require adjustments to, or disclosures in the financial statements.

34.0 Non-Cash Items Included in Profit Before Tax

	31.12.2017 LKR	31.12.2016 LKR
Depreciation of property, plant and equipment	16,673,905	17,775,585
(Gain)/loss of disposal of property, plant and equipment	(5,355,999)	(2,217,336)
Depreciation of Intangible assets	157,083	587,136
Impairment of loans and receivables	15,820,467	(65,513,196)
Charge for defined benefit plans	(581,106)	(2,944,770)
Fair value changes	(23,854,549)	(49,855,050)
Restated Property, plant and equipment	(280)	
Total	2,859,521	(102,167,631)

Non-Cash items are the items that includes in the Income statement without any Cash in/out flow, thus such items are adjusted when derive operating Cash flow at the Cash flow statement.

35.0 Change in Operating Assets

	31.12.2017 LKR	31.12.2016 LKR
Sri Lanka Government securities	(514,742,873)	1,093,098,498
Loans and receivables from bank	628,209,768	(1,614,281,686)
Loans and receivables to other customers	(216,992,586)	72,717,470
Financial investments – Available-for-sale	23,854,549	49,855,050
Current tax assets	-	-
Other assets	221,374,666	(41,999,476)
Total	141,703,525	(440,610,144)

36.0 Change in Operating Liabilities

	31.12.2017 LKR	31.12.2016 LKR
Due to other customers	160,566,849	8,982,770
Debt securities issued and other borrowings	(1,001,994,364)	35,737,353
Other liabilities	85,113,505	51,144,558
Total	(756,314,010)	95,864,681

37.0 Cash and Cash Equivalent

	31.12.2017 LKR	31.12.2016 LKR
Cash in hand and cash at bank	30,989,820	58,815,851
Due to bank	(5,189,685)	(13,803,533)
Total	25,800,135	45,012,318

SRI LANKA SAVINGS BANK LIMITED
YR2017- FINAL ACCOUNTS
DETAILED NOTES TO THE FINANCIAL STATEMENTS

		31.12.2017 LKR	31.12.2016 LKR
D1 Receivables			
Cash Shortage pending settlement	D1.1	282,820	5,125
Receivable-CRIB charges	D1.3	37,992	39,452
Financial payable cost-shakthi dual	D1.5	-	1,593
Loan protection policy payable account	D1.6	-	498,036
Receivable - WHT	D1.7	-	142,169,048
Insurance Receivable	D1.8	795,430	1,578,525
Loan-termination proceed receivable	D1.9	690,420	783,218
Documentation chargers receivables	D1.10	5,962	5,750
Leasing- Seizing Charges Receivable	D1.12	60,000	129,080
Receivable legal charges	D1.13	-	(3,000)
Sundry receivables	D1.14	-	700
Processing charges receivable	D1.15	22,000	500
Inspection charges receivable	D1.16	66,949	26,575
Valuation charges receivable	D1.17	-	69,600
Lease VAT receivables	D1.18	-	(6,852)
Notional Tax credits	D1.19	-	62,501,184
Stamp Duty - Receivable	D1.20	-	1,007,000
Receivable -Senior Citizen FD - Subsidy	D1.21	727,696	668,543
Leasing Repossession Control A/C	D1.22	-	(1,784,380)
Receivable-Staff Bonus Advance	D1.23	30,000	-
Receivable- Loan Grant Swashakthi Loan	D1.24	260,000	-
Total	20.0.1	2,979,269	207,689,696
D2 Advances			
Advance head office & PSDB pending settlement	D2.1	-	7,360
Festival advance	D2.2	348,701	299,590
Recoverable from employee	D2.4	-	6,304
Advance on rent	D2.5	-	4,868,000
Advance & Receivable-NDTF	D2.6	-	97,416
Advance payment for fixed assets	D2.7	-	6,000
Total	20.0.2	348,701	5,284,670

		31.12.2017 LKR	31.12.2016 LKR
D3	Accrued Expenses		
EPF	D3.1	1,193,148	1,128,657
ETF	D3.2	178,972	169,298
PAYE Tax	D3.3	312,720	331,823
Water	D3.4	57,300	66,767
Security expenses	D3.5	1,688,500	1,645,192
Electricity expenses	D3.6	423,585	479,644
Building up keep	D3.7	360,538	179,781
Telephone general	D3.8	116,600	161,271
Email & internet	D3.9	467,772	417,920
Telephone mobile	D3.10	141,000	122,301
Stamp duty	D3.11	816,652	944,547
Postage and Telegrams	D3.12	5,659	9,928
W H Tax	D3.13	166,310	(9,951)
Sundry creditors	D3.15	-	601,000
Economic service charges	D3.20	2,367,216	2,284,531
Audit fees	D3.21	1,000,313	500,313
Suppliers	D3.22	366,627	4,744,529
Financial services VAT	D3.23	244,633,504	295,552,096
NBT	D3.24	8,727,178	17,365,275
Payable - Income Tax	D3.25	230,063,940	230,063,940
Tax Payable - Penalty	D3.25a	248,437,922	-
News papers & periodicals	D3.26	1,000	800
Valuation charges payable	D3.27	67,550	44,300
Insurance	D3.28	271,128	753,140
CRIB charges	D3.30	692,994	1,179,540
Tax consultants	D3.31	-	440,000
Saving standing order control account	D3.32	(78,360)	3,247
Payable-National Insurance Trust Fund Levy	D3.33	1,542,386	877,711
Service charges	D3.34	-	4,500
Sub Total		744,022,154	560,062,100

		31.12.2017 LKR	31.12.2016 LKR
D4 Other Payables			
Unidentified deposits	D4.1	308,150	308,150
Margin accounts	D4.2	-	7,983,775
Suspense customers	D4.3	228,619	6,387,860
Other accrued expenses	D4.4	962,719	3,703,928
Suspense account clearing	D4.5	5,630,343	1,908,933
Cheque control -Savings	D4.24	(1,597,627)	(6,032,634)
Suspense account creditors	D4.6	113,325	2,500
Suspense account migration creditors	D4.7	5,575	5,575
Creditors for Leasing & HP equipment	D4.8	1,687,997	721,372
Delivery Order Control Account-Leasing & HP	D4.8a	-	
Staff Housing Loan Fund	D4.9	-	100,000,000
Cash excess - pending settlement	D4.10	-	19,935
Error Correction-Savings accounts	D4.12	2,053,871	2,955,391
Payable-pension fund	D4.13	1,765,404	1,765,404
Financial payable cost-shakthi dual	D4.14	-	563
Unidentified foreign currency	D4.15	-	62,523
Receivable - Staff	D4.16	268,978	269,324
Receivable-CRIB charges MFD	D4.17	-	54,675
Receivable-CRIB charges personal loans	D4.18	32,650	38,250
Bills Purchase A/C	D4.19	-	114,414
Provision for contingencies	D4.21	37,032,798	37,032,798
Provision for Salaries as per collective agreement	D4.23	0	(31,557)
Control Acc for Loan-Savings	D4.25	1,166,757	1,144,565
Unclaimed Balances-Minors	D4.26	-	4,455
Unclaimed Balances-Others	D4.27	-	104,846
FD Suspense	D4.28	(202,815)	323,185
Pre-mature Suspense-FD	D4.29	719,916	669,522
Maturity Capital Suspense Account-FD	D4.30	(38,202)	3,126,413
Other Income Receivable N/E Cultivation	D4.31	-	100,000
Interest In Suspense-Pawning	D4.32	-	14,651
Termination Overpayment - Mf	D4.33	3,252,857	9,859,926
Suspense Ac unidentified Bank Deposit	D4.34	3,970,403	3,468,583
Loan Control accounts	D4.35	28,155	26,742
Sub Total		57,389,874	176,114,069

SRI LANKA SAVINGS BANK LIMITED
**NOTICE OF
ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE SRI LANKA SAVINGS BANK LIMITED WILL BE HELD ON 22ND MARCH 2019 AT NO. 265, WARD PLACE, COLOMBO 07, AT 3.30 P.M.

AGENDA

1. To receive and to consider the Report of the Directors, Statement of Accounts and the Balance sheet of the Company for the year ended 31st December 2017 and the Report of the Auditor General thereon.
2. To re-appoint Auditor General as Auditors for the year ended 31st December 2018

By Order of the Board,

Ramya Piyasekara
Company Secretary
Colombo

07th March 2019

Notes:

1. *A Member who is unable to attend the Meeting is entitled to appoint a proxy to attend and vote in his or her place*
2. *A proxy need not be a member of the Company*
3. *A proxy may not speak at the meeting unless expressly authorized by the instrument appointing him*
4. *A Form of Proxy accompanies this Notice*
5. *The completed Form of Proxy and the Power of Attorney if any, by which it is signed should be deposited at the Registered Office of the Company No: 265, Ward Place, Colombo 7, not later than 24 hours before the time appointed for the commencement of the Meeting.*

FORM OF PROXY

SRI LANKA SAVINGS BANK LIMITED

I/We.....
(NIC No.).....
of.....
being a Member/s* of the Company hereby appoint :

Mr. P.S. Dayananda	of Kegalle or failing him
Mr. P.B.S.C. Nonis	of Colombo or failing him
Mr. Sunil Witharanage	of Colombo or failing him
Mr. C.V.J. Arambewela	of Galle or failing him
Mr. P. Dheerasinghe	of Tangalle or failing him
Mr. R.M.C. Rathnayake	of Colombo or failing him

.....
of

.....
as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the day of2019 and at any adjournment thereof.

Signed thisth day of 2019.

	For	Against
01. The Ordinary Resolution numbered 1 set out in the Notice convening the aforesaid meeting	☐	☐
02. The Ordinary Resolution numbered 2 set out in the Notice convening the aforesaid meeting	☐	☐

.....
Signature

In witness my/or* hands thisday ofTwo Thousand and Nineteen.

Notes 01. Please delete the inappropriate words
02. Instructions as to completion are given overleaf

INSTRUCTIONS AS TO COMPLETION

1. *A shareholder may exercise the right to vote either by being present in person or by proxy.*
2. *A proxy for a shareholder is entitled to attend and be heard at a meeting of shareholders as if the proxy were the shareholder.*
3. *A proxy must be appointed by notice in writing signed by the shareholder. The notice must state whether the appointment is for a particular Meeting, or for a specified term.*
4. *No proxy is effective in relation to a meeting, unless a copy of the notice of appointment is given to the Company not less than twenty four (24) hours before the start of the Meeting.*
5. *Any form of proxy issued by the Company may in the case of a meeting at which special business is to be transacted be so worded that a member may direct his proxy to vote either for or against any of the resolutions to be proposed.*
6. *The proxy shall be deemed to include the right to demand or join in demanding a poll.*
7. *An instrument appointing a proxy, whether in the usual common form or not, shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.*
8. *If you wish your proxy to speak at the meeting you should interpolate the words and to speak " immediately after the words "to vote"*

SRI LANKA SAVINGS BANK LIMITED

Statistical Indicators 2012-2017

	2012 Rs.000'	2013 Rs.000'	2014 Rs.000'	2015 Rs.000'	2016 Rs.000'	2017 Rs.000'
Operating results						
Gross Income	759,905	1,017,512	796,399	746,195	980,754	1,093,386
Interest Income	742,457	996,420	710,502	676,169	924,924	1,039,799
Interest Expenses	(138,840)	(141,289)	(183,376)	(147,622)	(140,792)	(143,551)
Net Interest Income	603,617	855,131	527,125	528,546	784,132	896,248
Other Income	15,586	19,810	84,050	66,766	50,868	49,298
Operating Expenses, Loan Provisions and VAT & NBT	(19,813)	(318,228)	(337,235)	(153,661)	(221,385)	(333,510)
Profit before tax	594,579	551,140	267,686	432,283	599,700	603,485
Income tax	(71,042)	12,088	(32,831)	N/A	N/A	N/A
Profit after tax	523,538	563,229	234,855	432,283	599,700	603,485
Assets						
Cash and Short-term Funds	14,212	109,981	17,059	40,462	58,816	30,990
Loans and Investment	6,699,068	7,536,786	8,233,984	8,271,244	8,735,368	8,847,176
Property, Plant and equipment/ Investment Property intangible assets	201,177	203,407	206,322	670,366	654,400	643,759
Other assets	470,643	161,186	222,473	192,617	234,617	13,242
Total	7,385,100	8,011,361	8,679,838	9,174,689	9,683,201	9,535,167
Liabilities and shareholder's funds						
Total Deposits	488,184	749,211	1,192,188	907,707	916,690	1,077,257
Borrowings	2,889,223	3,083,641	3,111,104	3,123,339	3,159,070	2,157,082
Other liabilities	634,210	345,172	363,094	799,819	838,937	915,437
Shareholder's funds	3,373,482	3,833,337	4,013,451	4,343,824	4,768,498	5,385,391
Total	7,385,100	8,011,361	8,679,838	9,174,689	9,683,201	9,535,167

	2012	2013	2014	2015	2016	2017
Performance ratio's						
Return on Average Assets	8%	7%	3%	5%	6%	6%
Return on Average Equity	17%	16%	6%	10%	13%	12%
Net Interest Margin	9%	12%	7%	7%	9%	10%
Loans to Deposits	518%	429%	248%	384%	422%	392%
Cost to Income	17%	17%	26%	32%	24%	23%
NPL (gross)	56%	47%	55%	43%	37%	33%
NPL (net)	7%	5%	12%	8%	7%	6%
Income growth	24%	25%	-28%	-7%	24%	10%
Deposit growth	-12%	35%	37%	-31%	1%	15%
Shareholder ratio's (Rs.)						
Earnings per share	114	123	51	94	131	132
Net Assets per share	735.85	836.16	875.45	947.51	1,040.14	1,174.70
Other information						
Number of employees	72	73	96	106	123	116
Number of branches	1	4	4	4	4	4

