PILLARS of STABILITY

ANNUAL REPORT 2018

SRI LANKA
SAVINGS BANK


PILLARS of
STABILITY

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SAVINGS BANK

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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), DC(IBSL), CMILT
Notary Public, Commissioner for Oaths.

Auditors

Auditor General
National Audit Office
306/72, Polduwa Road, Baththaramulla, Sri Lanka.

Bankers

Bank of Ceylon
People's Bank

Board of Directors

Mr.P.S.Dayananda, AAL- Chairman
Mr.K.G. Pradeep Pushpakumara -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 2018

Mr. P. Srilal Dayananda, AAL - Chairman
Mr. K. Amarasinghe - up to July 2018
Mr. P.B.S.C. Nonis - Treasury Representative
Mr. Sunil Witharanage, AAL
Mr. Priyanka Dheerasinghe
Mr. R.M.C. Rathnayake
Mr. C.V.J. Arambewela
Mr. D.S.W.Samarasekara - up to July 2018
Mr. P.H.A.S.Wijayarathne - From November 2018

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

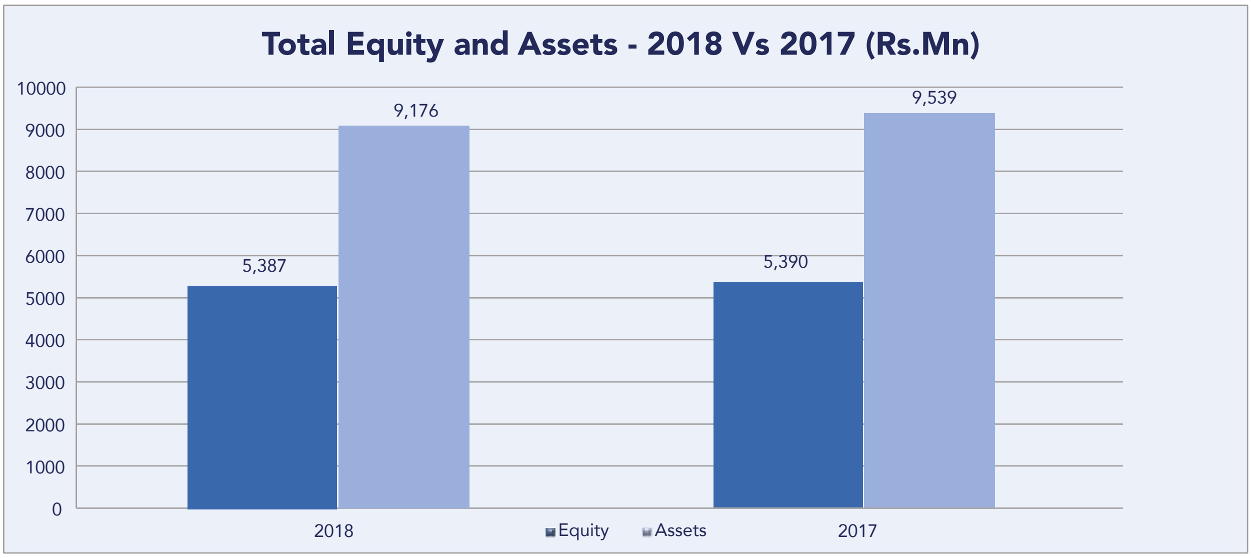
Most preferred Microfinance & Small Medium Enterprises (MSME) Bank.

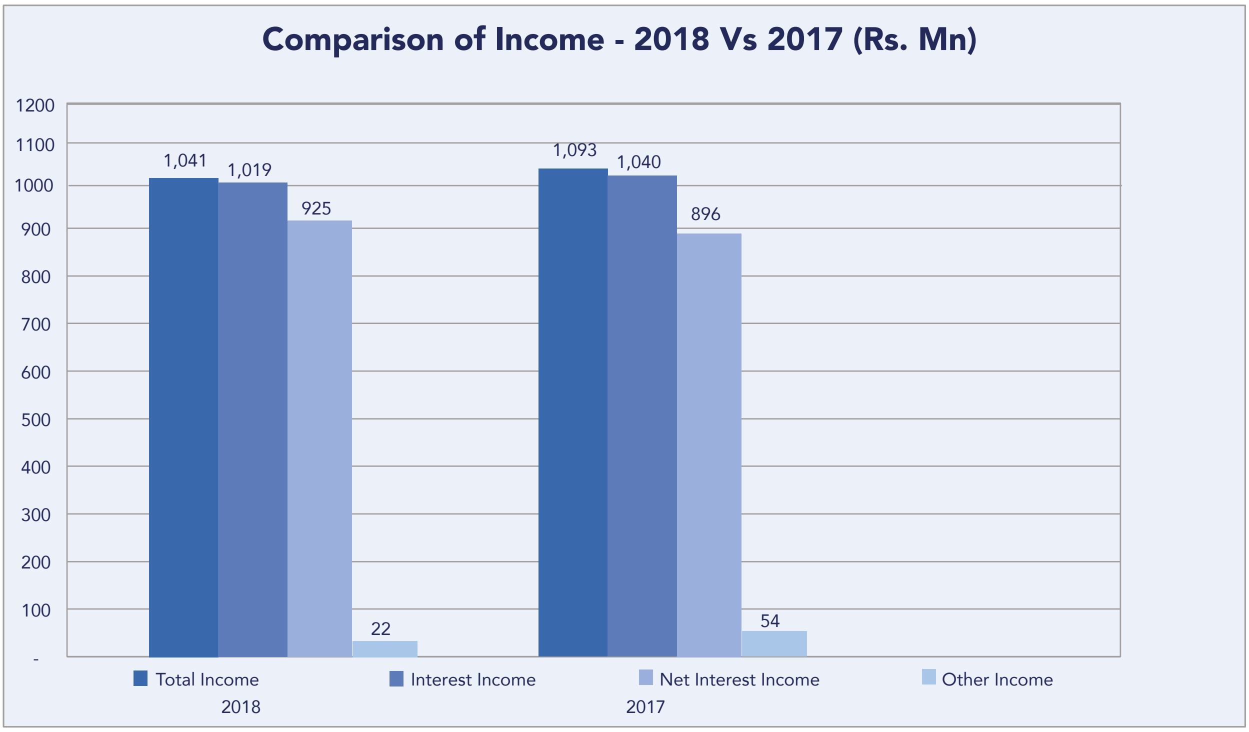
OUR VALUES

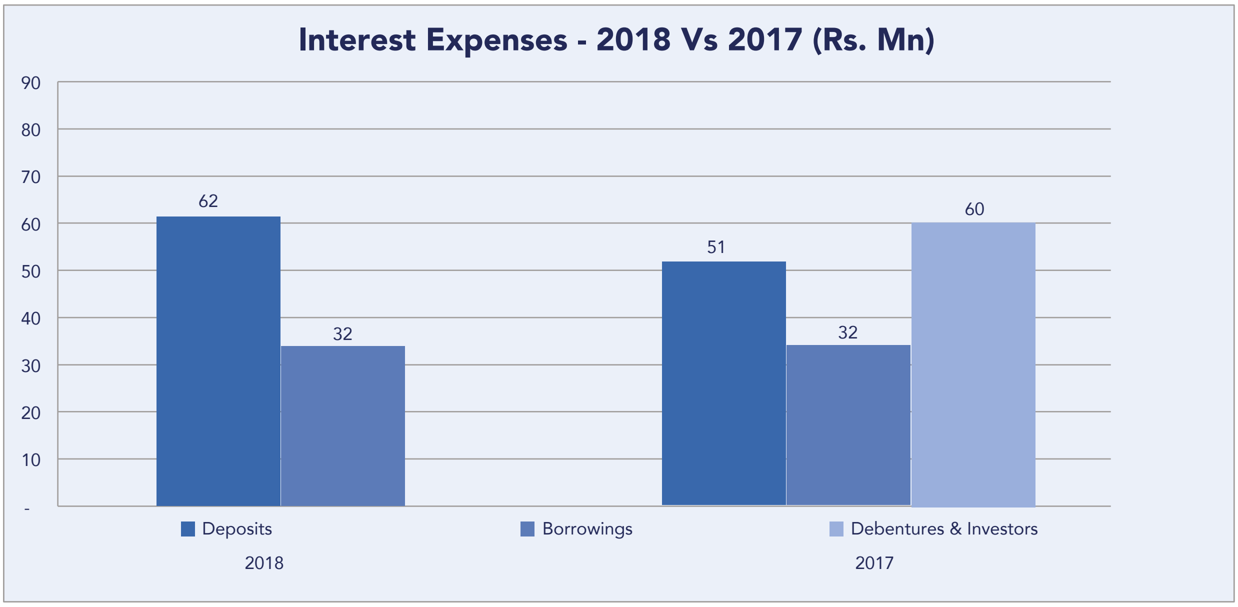
In conducting our services we will uphold expected norms and ethics while being committed to:

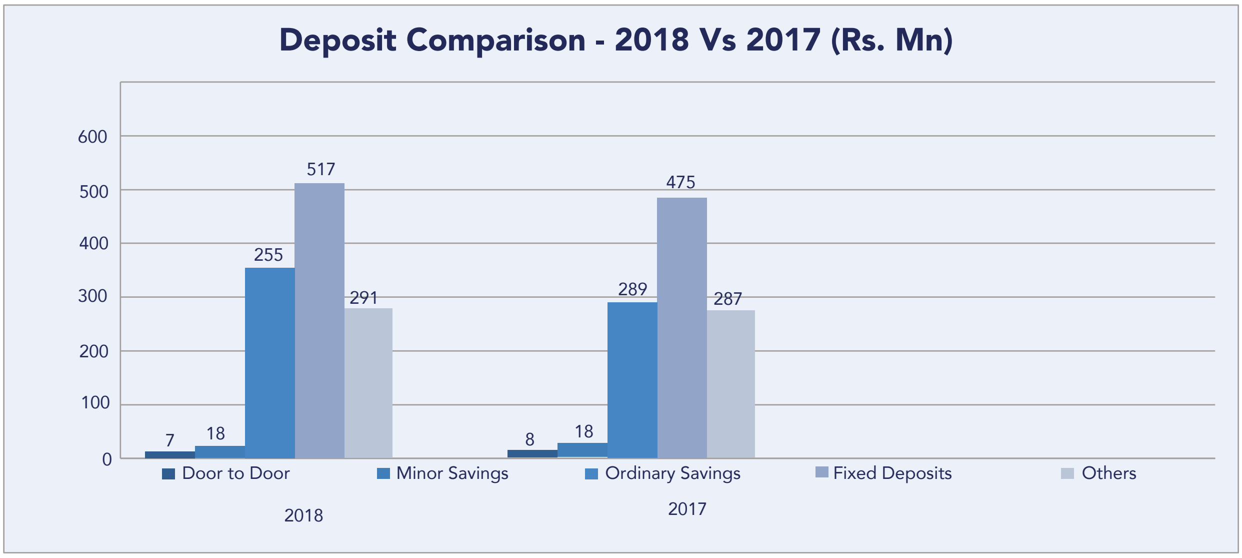
Professionalism
Integrity
Efficiency
Trust
Openness
Social Responsibility

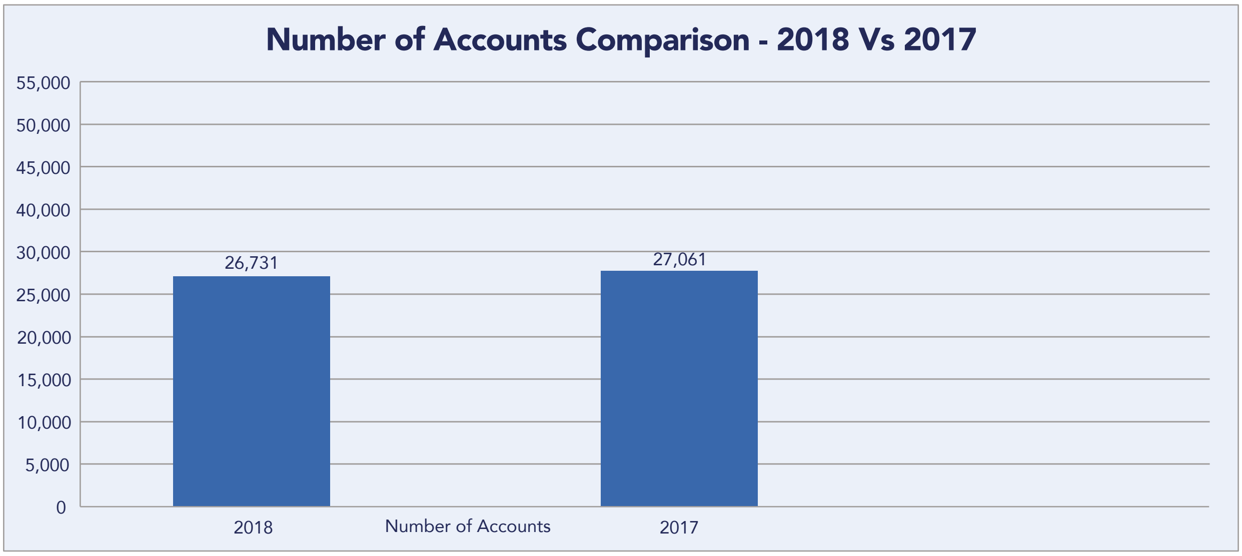
FINANCIAL HIGHLIGHTS

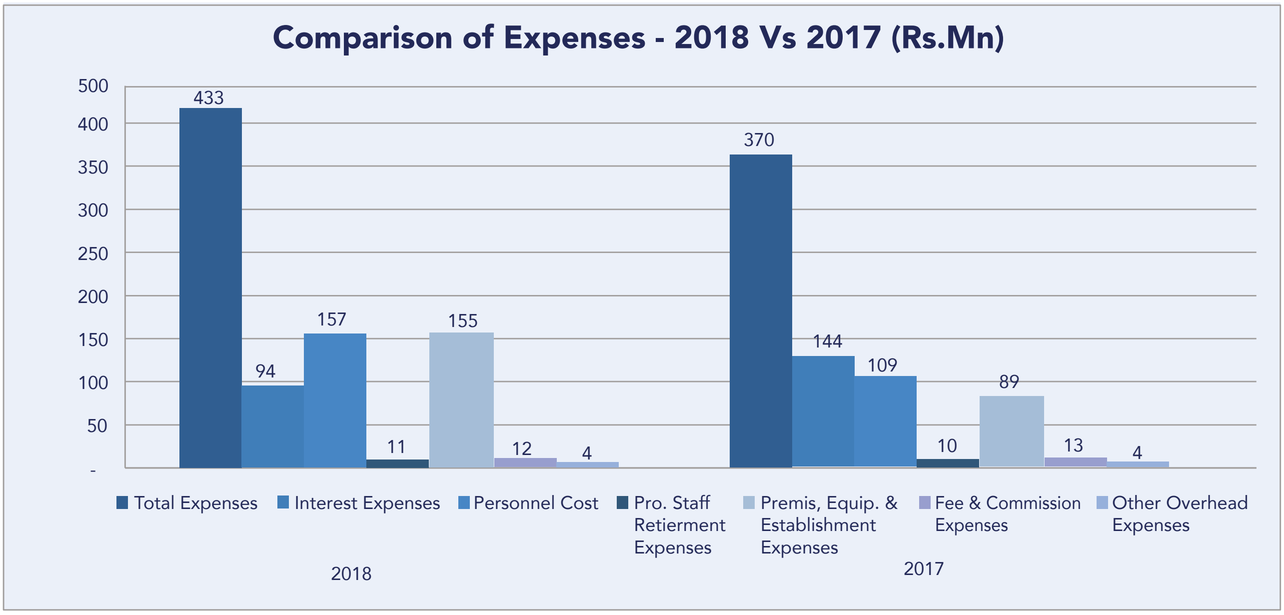


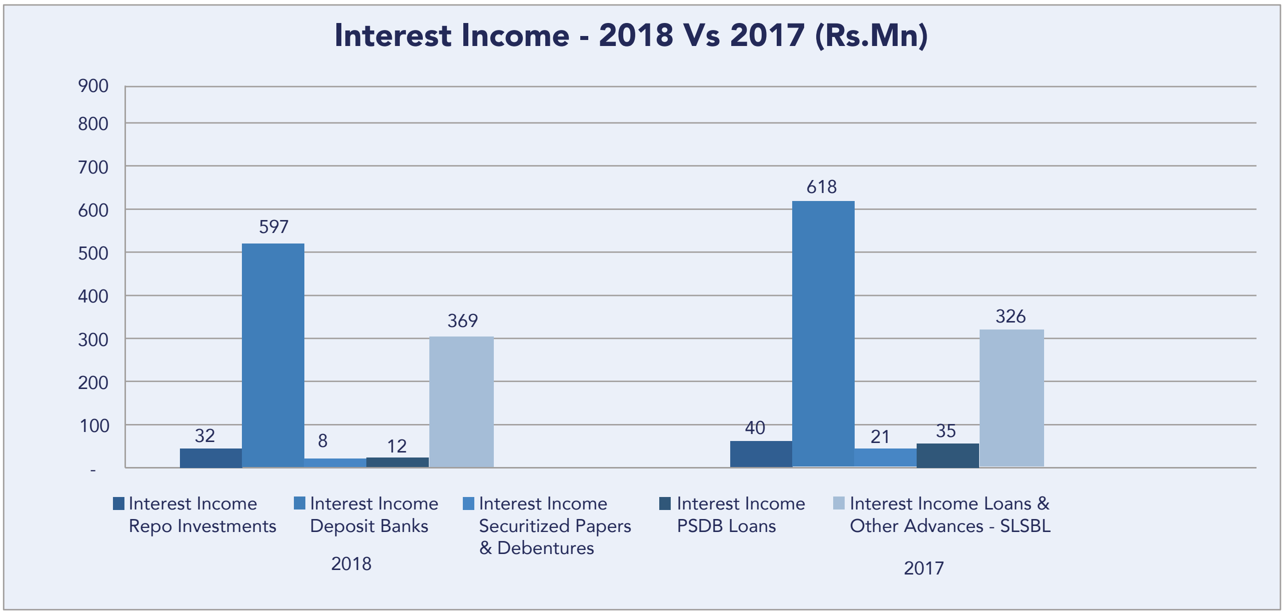


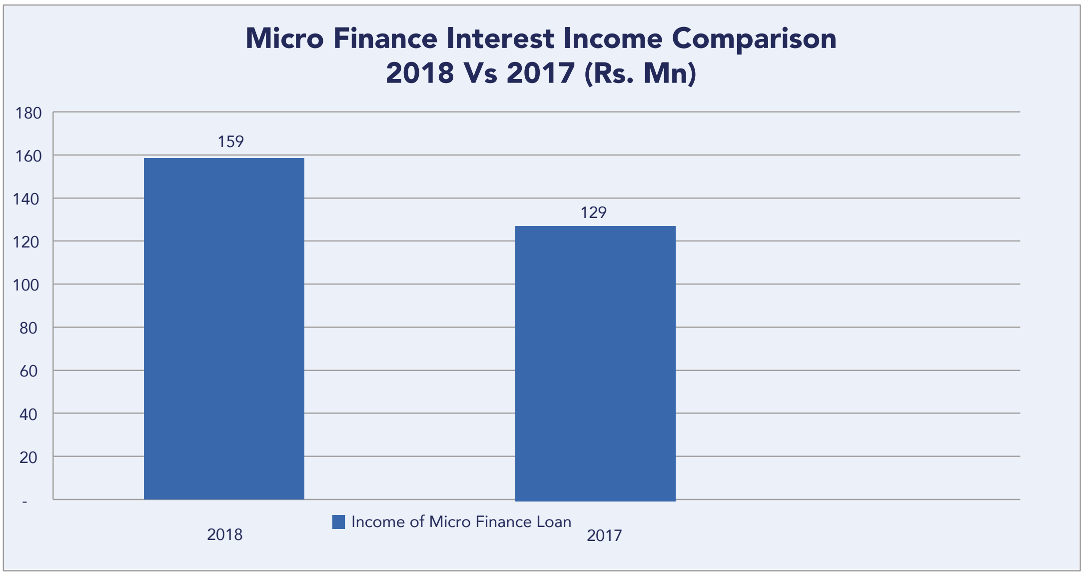

Interest Expenses - 2018 Vs 2017 (Rs. Mn)
90
80
70
60
50
40
30
20
10
-
62
32
51
32
60
Deposits
Borrowings
Debentures & Investors
2018
2017

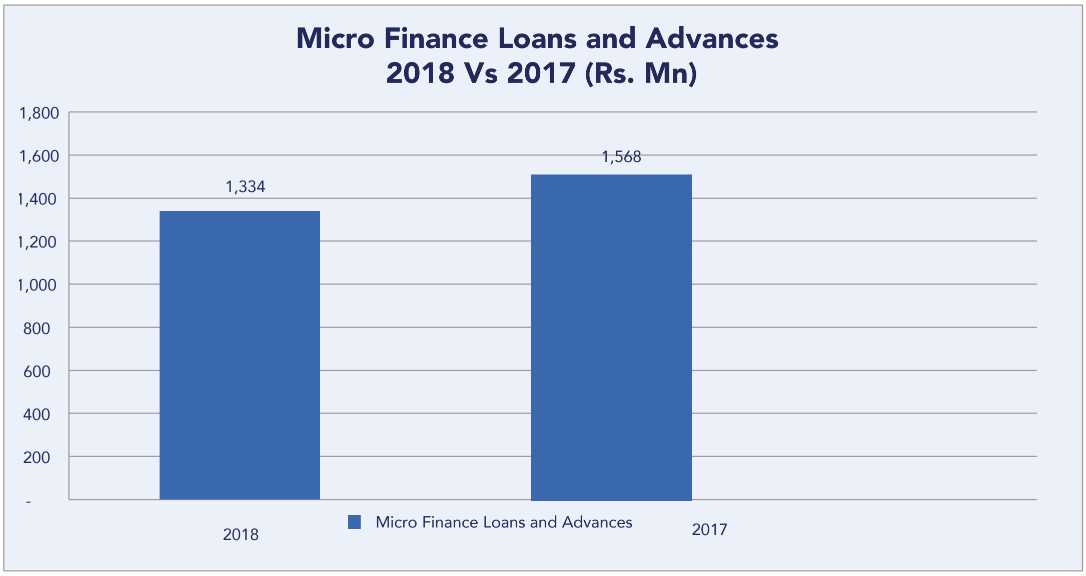

Deposit Comparison - 2018 Vs 2017 (Rs. Mn)
600
500
400
300
200
100
0
7
18
255
517
291
8
18
289
475
287
Door to Door
Minor Savings
Ordinary Savings
Fixed Deposits
Others
2018
2017

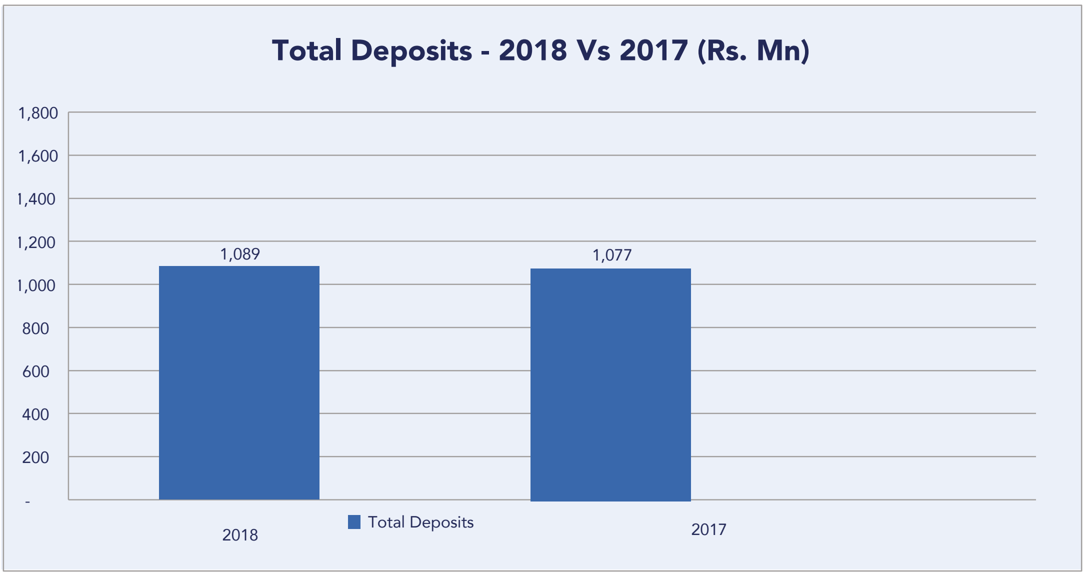

Number of Accounts Comparison - 2018 Vs 2017
55,000
50,000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
26,731
27,061
2018
Number of Accounts
2017


Comparison of Expenses - 2018 Vs 2017 (Rs.Mn)
500
400
350
300
250
200
150
100
50
-
433
94
157
11
155
12
4
370
144
109
10
89
13
4
Total Expenses
Interest Expenses
Personnel Cost
Pro. Staff Retierment Expenses
Premis, Equip. & Establishment Expenses
Fee & Commission Expenses
Other Overhead Expenses
2018
2017


Interest Income - 2018 Vs 2017 (Rs.Mn)
900
800
700
600
500
400
300
200
100
-
32
597
8
12
369
40
618
21
35
326
Interest Income Repo Investments
Interest Income Deposit Banks
Interest Income Securitized Papers & Debentures
Interest Income PSDB Loans
Interest Income Loans & Other Advances - SLSBL
2018
2017


Micro Finance Interest Income Comparison
2018 Vs 2017 (Rs. Mn)
180
160
140
120
100
80
60
40
20
-
159
129
2018
2017
Income of Micro Finance Loan


Micro Finance Loans and Advances
2018 Vs 2017 (Rs. Mn)
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
1,334
1,568
2018
2017
Micro Finance Loans and Advances


Total Deposits - 2018 Vs 2017 (Rs. Mn)
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
1,089
1,077
2018
2017
Total Deposits

CHAIRMAN'S MESSEGE

In a year which is a significant and decisive for the SLS Bank, it is indeed my pleasure as the Chairman of Sri Lanka Savings Bank Limited (SLS Bank) to present the Annual Report and Final Accounts for the year ended 31st December 2018 on behalf of the Board of Directors.

Sri Lanka Savings Bank was born in 2008 and gradually grown up and developed to this stage becoming a leading bank in the state banking sector by today. I express my gratitude to all Chairmen, members of Board of Directors, all members in the Management & for the members of the staff who gave their immense contribution throughout the past decade to bring the Bank to this success.

We came through our past years passing some key milestones in providing its services to the public while making the profits. The profit before tax recorded was Rs.488Mn for the year 2018. It is remarkable to state that we have successfully completed the settlement of defaulted Pramuka Savings and Development Bank Depositors. I am humbled to remark that it was a great achievement of the management with the staff and the Board of Directors.

Being a state Bank Sri Lanka Savings Bank has taken the responsibility on its shoulders to safeguard 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.

The year 2018 is a significant year for the SLS Bank where it is at its final stage of the merger process. It is a government policy decision to merge the SLS Bank with the National Savings Bank (NSB) to strengthen the Banking industry of the country. This year is the last year of the Bank that it operates as an independent entity. Hence, we step in to the year 2019 with much capacity to expand the banking operations and explore new business ventures under the roof of NSB. Ultimate result of this process would be the enhancement of the economy and uplifting the livelihood of the nation.

We made maximum efforts during the past years to develop corporate governance of the bank by fulfilling the legal and compliance requirements within the given time frame and by following the industry best practices. The Bank has formed several sub-committees with the corporation of the Board of Directors and those board based sub-committees have played vital role in strengthening the Bank's Corporate Governance. The Contribution made by these directors and the commitment they have extended towards the growth of the Bank are noteworthy. The Bank continued its business operations in an ethical and responsible manner. Success of all our efforts will be decided by the customers of the bank.

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 Enterprise (SME) empowering the poor and reduce poverty in order to boost the national economy.

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 the 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 extend my deep appreciation to our staff for their untiring efforts and commitment in delivering this year's results. The Bank's success would not be possible without their dedication and continued loyalty.

I am also grateful to His Excellency President, Hon. Prime Minister, Hon. Minister of Finance, Hon. State Minister of Finance, Secretary to the Treasury, The Governor of Central Bank of Sri Lanka (CBSL), Director, Bank Supervision Department of CBSL, Auditor General & his staff, The Attorney General and 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 SLS Bank for their immense contribution to the bank during the years.

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

Srilal Dayananda
Chairman

GENERAL MANAGER'S MESSAGE

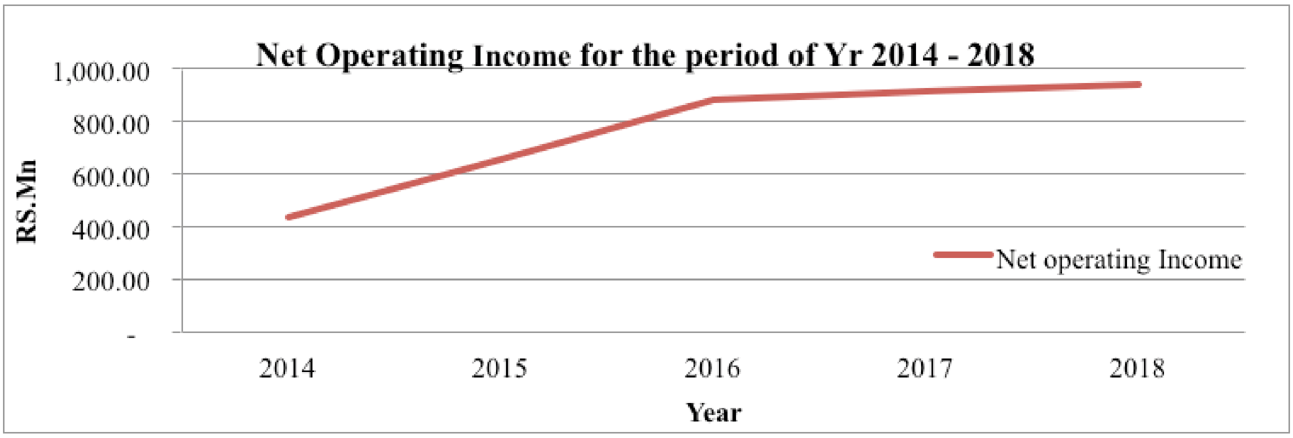
Presenting the message of General Manager/CEO in the financial and operational review for the period ended 31st December 2018 of the Annual Report – 2018 of Sri Lanka Savings Bank is a great honor for me.

Year 2018, is a special year for the Sri Lanka Savings Bank since the Bank has declared dividends worth of Rs. 86 million for the first time of its history. Also the Bank was able to reduce debt securities issued and other borrowings by Rs. 511 million.

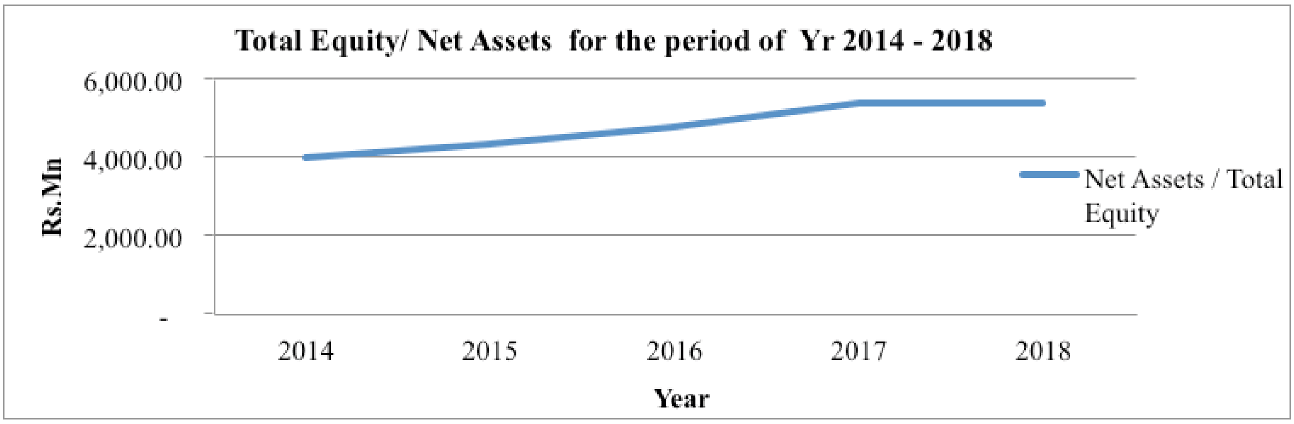
Operating Highlights

Operating profit before tax for the year 2018 was Rs.488.1 million. It was a negative growth compared to the previous year and mainly caused that the Bank had to pay Rs. 136.8 million as income tax. Until end of 2017 the Bank was exempted from income tax and this is the first time we paid such a payment. In addition, the Bank had to pay Rs. 33 million as cumulated penalty towards income taxes and negatively resulted to decrease the profit comparing to previous year.

Furthermore, newly introduced debt repayment levy also impacted to negative growth of the profit. But gross income for the year 2017 and 2018 remains with a gap of Rs. 52 Mn.



However, the Bank could maintain its equity (net assets) in the same level compared to the previous year.



Loans and Advances Portfolio

Bank's lending portfolio has been reduced up to Rs. 3,957 mn in the year 2018. It was Rs. 4,228 mn in year 2017. It was mainly caused collapses of microfinance industry for decrease the loan portfolio and microfinance loan portfolio of the bank in 2017 and 2018 Rs. 1,568 and Rs. 1,334 respectively.

Deposit Base

Deposit base of the Bank has been slightly increased in year 2018. Canvassing of new deposits could not be performed competitively due to the restrictions imposed with regard to business expansion activities based on the merger proposal of Sri Lanka Savings Bank with National Savings Bank and as well as limited resources available has resulted to structure the same deposit portfolio of the balance sheet.
True and fair view of the financial position as at 31.12.2018 is the Auditor General's opinion for the financial statements of the year 2018 and it was consecutive second year avoiding the qualified opinion existed for number of years in the financial statement of the Bank.

The year referred was able to accomplished set goals and targets in a progressive manner with limited human resources and limited infrastructure facilities while abiding to the restrictions imposed to recruitments and expansion of business activities due to merger process. Staff turnover was also comparatively high and recruitment of qualified and competent expertise even to vacant top managerial positions not done due to said merger process and has drastically affected to function smoothly.

Impact of the environmental changes throughout the year:

- Mainly our vision focus on Micro Finance industry. But in 2018 there was a major collapses in the Micro Finance Industry.
- Newly imposed DRL tax by the Government, Bank had to pay considerable amount from Bank's operational profit for the year 2018.
- According to the Government Budget proposal 2016, it was proposed to acquire Sri Lanka Savings Bank by National Savings Bank and due to merger process Central Bank of Sri Lanka as well as Public Enterprises Department of the Ministry of Finance instructed to refrain from taking significant decisions. This has directly affected to smooth functioning and business expansion of the Bank. Since the said merger not been finalized it was unable to formulate correct business module to the Bank.

Conclusion

I take this opportunity to thank the Secretary to the Ministry of Public Enterprises, Secretary to the Treasury and Ministry of Finance & Mass Media, Auditor General and staff as well as Director General and the Officers of the Department of Public Enterprises, Director and Officials of the Bank Supervision Dept of Central Bank of Sri Lanka, as well as the Chairman and the Board of Directors of Sri Lanka Savings Bank for their contribution for these endeavors and assistance and guidance in all aspects towards the successful achievement of the business activities to be specially mentioned and convey my deepest gratitude.

Without remarkable commitment of the Bank's Corporate Management, Senior Management and other management staff and all other staff members it could be only a dream but with the strength of the all staff it could turn to a true story under so many restrictions and limitations imposed by the governing authorities due to merger process.

My sincere thank goes to all staff including Corporate Management, Senior Management for their commitment and contribution rendered towards the remarkable achievement of financial results for the year 2018.

My hearties appreciation offers to our valued customers and Partner Organizations for continued confidence extended from the inception of the Bank.

G.M.S.N.K.M.Gurusinghe
Acting General Manager

BOARD OF DIRECTORS

Left to right

Mr. P. B. S.C. Nonis
Mr. R.M.C. Rathnayake
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 (from1999 to 2010) of Ministry of Finance.

SENIOR MANAGEMENT

Left to right

Mr. E.W. Priyantha
Senior Manager - HRD & Micro Finance
B.B.Mgt(HR)Sp, MBS-Colombo
CGAP accredited trainer (DQIR)

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

Mr. G.M.S.N.K.M. Gurusinghe
Acting General Manager
Senior Manager - Operation
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 - Recovery & Business Development
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. T.P. Pushpakanthi
Acting Senior Manager
Credit / SME

Mr. R.N. Rajamanthri
Manager - HRD, Administration
& Establishment

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

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 & Risk

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
Head Office Branch

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 2018

Past 10 years, Sri Lanka Savings Bank Limited (SLS Bank) has maintained a reputation as being a socially responsible bank that engages many social responsible programs across the country. SLS Bank constant focus on being a responsible corporate entity makes the bank standout 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 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 10th Anniversary on 10/03/2018.

SLS Bank has organized "Dana ceremony "at Head office celebrating bank 10th anniversary, which was organized by Head office branch staff. The Chairman, Members of Board of Directors, General Manager and senior management and all staff were participated for this event.

Supporting social welfare

Management of SLS Bank decided to conduct various CSR programs with the assistance of all branches staffs in line with bank 10th Anniversary which was held on 10/03/2018.

On completion of a decade of operation in Sri Lanka Savings Bank under its CSR decided to donate Stage Screen, 3 spot Lights & Iron TV holder to Rohana Special School –Matara.

This program was organized by the Matara branch under the guidance of GM/CEO of SLS Bank to betterment of some extra needy people of the Rohana Special School.

Refurbished Sebamalai Mariyannai House of children at Mannar and given Steel Buckets to the children home. It was organized by Mannar branch staff under CSR program of bank.

Sri Lanka Savings Bank was the main sponsor of Sinhala & Tamil new year festival of Galpoththegama Vidyalaya. The program was done by Anuradhapura Branch under CSR project of the bank.

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 2018

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 31.12.2018. In addition to this a full account of operations can be found in the Audit Report presented by Government Auditors

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

The Board of Directors of Sri Lanka Savings Bank Limited comprised of 09 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 15 times during the Year 2018.The Directors of the bank during the year 2018 were as follows:

Mr. Srilal Dayananda (Chairman) from 26/02/2018

Mr. Karunarathna Amarasinghe (up to July 2018)

Mr. P.B.S.C. Nonis (Treasury Representative)

Mr. Sunil Witharanage

Mr. P. Dheerasinghe

Mr. R.M.C. Rathnayake

Mr. D.S.W. Samarasekara (up to July 2018)

Mr. C.V.J Arambewela

Mr. P.H.A.S Wijayarathne (from November 2018)

Participation at Board Meeting

Name of the Director	No. of Meetings held during 2018	No. of Meetings eligible to attend	No. of Meetings Attended
Mr. Srilal Dayananda	15	15	13
Mr. Karunarathne Amarasinghe	15	11	06
Mr. P.B.S.C. Nonis	15	15	15
Mr. S. Witharanage	15	15	15
Mr. P.H.A.S Wijerathna	15	02	02
Mr. P. Deerasinghe	15	15	15
Mr. R.M.C. Rathnayake	15	15	15
Mr. D.S.W. Samarasekara	15	11	09
Mr. C.V.J Arambewela	15	15	15

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. 30 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 page No. 28 - 66 of this Report.

Audit Committee

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

Mr. P.B.S.C. Nonis - Chairperson of the Committee
Mr. D.S.W Samarasekara - Member (up to July 2018)
Mr. P. Dheerasinghe - Member (up to March 2018)
Mr. C.V.J Arambewela - Member (from July 2018)
Mr. Srilal Dayananda - Member (from October 2018)

The report of the Audit Committee is given on page 78 - 80

Vision, Mission and Corporate Conduct

The Bank's Vision Mission is given in page No. 2 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 2018 there were 109 members employed by the Bank. The composition of this number is as follows:-

Staff Position as at 31.12.2018

Category	Approved Cardre	No. employed as at 31.12.2018	Deficiency / (Excess
General Manager	1	1	0
Assistant General Manager	1	0	1
Chief Manager	7	0	7
Senior Manager	10	6	4
Manager	10	6	4
Manager - Branches	4	1	3
Deputy Manager	4	4	0
Assistant Manager	15	6	9
Officer	23	10	13
Credit Officer	10	5	5
Recovery Officer	2	2	0
Business Development officer	8	3	5
Management Trainee	1	0	1
Senior Bank Assistant	15	23	(8)
Secretaries	2	2	0
Bank Assistant	47	22	25

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	4	(1)
Office Assistant	1	1	0
Labour	3	2	1
Trainee	3	0	3
Total	**183**	**109**	

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

Year ended	**31.12.2018 (Rs)**	**31.12.2017 (Rs)**
Profit before taxation	488,105,760	604,369,273
Taxation	(136,839,624)	-
Profit after taxation	351,266,136	604,369,273
Retained Profit /(loss) brought Forward	3,013,894,242	2,760,376,149
Profit available for Appropriation	351,266,136	604,369,273
Directors have made the Following appropriations : to reserve	(362,207,239)	(350,851,181)
Retained Profit carried Forward	3,002,953,139	3,013,894,242

Revenue

The total gross income of the Bank for the financial year ended 31st December 2018 was Rs 1,041 Million. The analysis of income is given in Note 5,6 & 7 to the Accounts

Capital Expenditure

The total expenditure on the acquisition of Property, Plant & Equipment during the year amounted to Rs 1.2 Million. Details of Which are shown in Note 18.1 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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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

My No. BAF/A/SLSBL/CG/2018 Your No. Date 24 October 2019

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 2018.

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 directives of Corporate Governance 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.

W.P.C.Wickramaratne
Auditor General

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

Annexure to the report on factual finding

3(1)	The responsibilities of the board		Reference
3(1)(i)	Procedures to be carried out to ensure the board have strengthened the safety and soundness of the bank		
	a)	Check the board approval of the bank's strategic Objectives and corporate values	**Complied with;** Strategic plan for the period 2017-2019 approved by the Board is available. The strategic plan prepared for the period 2018-2020 was also approved by the Board of Directors.
		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.
	b)	Check the board approval of the overall business strategy of the bank.	**Complied with;** Strategic plan prepared for the period 2017-2019 was approved by the Board.
		Check that the overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented.	Integrated Risk Management Policy was approved by the Board 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.	Strategic plan contains measurable goals for the next three years period.

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	c)	Check that the appropriate systems to manage the risks identified by the board are prudent and are properly implemented.	**Complied with;** The Integrated Risk Management Policy was approved by the Board which contains the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. The committee reviews the risk reports submitted by risk management division. Risk appetite framework approved by Board is available in the Bank.
	d)	Check that the board has approved and implemented a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	**Complied with;** Communication policy was approved by board and it contains communication with directors, 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;	**Complied with;** Internal audit reports are reviewed by Board Audit Committee (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 designations used in the Bank and it had followed Banking Act direction No.04 of 2010.
	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;	**Complied with;** Areas of Authority and duties of the Board of Directors are described in Article of Association of the Bank. The areas of authority and key responsibilities of the Key Management Personnel have been given through relevant Job Descriptions.
	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	**Complied with;** The Board reviews the progress of the Bank in relation to its strategic goals, financial reporting, internal controls, risk managements, human resources and any other matters delegated to them through Board subcommittees. Subcommittees assist the Board reviewing areas defined for their oversight.

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	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	**Complied with;** According to the Section 21 of the Article of Association of the Bank, directors are appointed by Secretary to the Treasury. Board members assessed the effectiveness of the Board of Directors own governance practices through self-evaluation forms submitted by them annually. Further all Directors had submitted self-assessment for the year 2018.
	j)	Check that the board has a succession plan for key management personnel	**Complied with;** Board approved Succession Plan is in place.
	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.	**Complied with;** Key Management Personnel are regularly involved in Board level discussions on performance, strategy, policy and other matters pertaining to their subject areas set before the Board. These regular meetings serve to establish direct lines of communication between the Board members and KMPs.
	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	**Complied with;** Board Audit Committee assists the bank in this regards and CBSL Statutory examination progress reports submitted to the CBSL on quarterly basis are presented to the Board and monitored closely by the Board. Further Board Members attend the Director forums arranged by the CBSL, developing relationship with the regulator.

	m)	Check that the board has a process in place for hiring and oversight of external auditors	**Not Applicable;** As per the 19th 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). Check that the functions and responsibilities of the chairman and the CEO are in line with Direction 3(5) of these Directions	**Complied with;** As per the Article of Association, Chairman was appointed by the secretary to the Treasury and CEO is appointed by the Board. The chairman is a Non-Executive Director and the Chief Executive Officer functioning as the executive in charge of the day to day management of the Bank's operation and the business.
3(1)(iii)		Check that the board has met regularly and held board meetings at least twelve times a year at approximately monthly intervals	**Complied with;** Board Meetings are held monthly while special meetings are scheduled on a needs basis. The Board has met 15 occasions during 2018.
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 meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank.	**Complied with;** As per the functions and responsibilities of the Chairman, he is primarily responsible for drawing up and approving the Agenda for each Board 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.	**Complied with;** Notice of meetings is given one week prior to the meeting via email. 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.
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.	As per the Board attendance schedule all the Directors have attended the required number of meeting during the year 2018.
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.	**Complied with;** The Board has appointed a Company Secretary who satisfies the provision of Section 43 of the Banking Act No.30 of 1988.

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3(1)(viii)		Check the process to enable all directors to have access to advice and services of the company secretary.	**Complied with;** All Directors have access to advice & service of the Board Secretary who is responsible to the Board for follow up on Board procedures, compliance with rules & regulations & maintaining minutes & relevant records of the Bank.
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.	**Complied with;** Board Meeting minutes, are maintained with the Secretary for inspection of any Directors.
3(1)(x)		Check that the minutes of a board meeting contain or refer to the following 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	**Complied with;** Minutes of the Board meetings contains all the necessary information required under the direction.

		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.	**Complied with;** There is provision for Directors to obtain independent professional advice in discharging their responsibilities when necessary, according to a procedure approved by the Board. The function is coordinated by the Board Secretary
3(1)(xii)		Check that there is a procedure to determine, report, resolve and to take appropriate action relating to directors avoid 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.	**Complied with;** There is a provision in the Related Party Transaction Policy to determine, report, resolve and to take appropriate actions relating to Directors to avoid conflicts of interests, or the appearance of conflicts of interest. Directors had furnished annual declarations for the year 2018 which provided details about interest with the Bank.

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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	**Complied with;** The Board has formal schedule of matters reserved for their attention and a delegation of Authority ensures that the direction and control of the Bank is firmly under Board's control and authority.
3(1)(xiv)		Check that the board has forthwith 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 have arisen. The board is aware of the need to inform the director of bank supervision prior to taking any decision or action if the bank is becoming insolvent.
3(1)(xv)		Check that the board has the bank capitalised at levels as required by the Monetary board.	**Complied with;** Capital adequacy and other prudential measures are monitored by the Board to ensure compliance with regulatory requirements and the Bank's defined risk appetite. The Bank is complied with the minimum capital requirements for the year 2018.
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.	**Complied with;** Corporate Governance report is included in the annual report.

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.	**Complied with;** The Directors complete self-assessment annually and those records are maintained with the secretary to the Board.
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.	**Complied with;** The board comprised of seven directors as at 31 December 2018.
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	**Complied with;** 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	**Complied with;** 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:	**Complied with;** All Directors are Non-Executive Non Independent since directors have been appointed by the Treasury. Secretary to the Treasury is considered as the major shareholder of the bank. Hence all the Directors are designated as Non-Independent.

	a)	Holds a direct and indirect shareholdings of more than 1 per cent of the bank	
	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) hereof, 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	

		I. in which any of the other directors of the bank are employed or are directors or are material shareholders; or 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 Directors was appointed during the year 2018.
3(2)(vi)		Check that the bank has a process for appointing independent directors	All Directors are Non-Executive Non Independent Directors 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	**Complied with;** According to the Article of association, a quorum for meeting of the Board is four (04) and the quorum has maintained in Board meetings held during the year. Directors are appointed by the Secretary to the Treasury who is the major shareholder of the bank. Hence all the Directors are designated as Non-Independent 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.	**Complied with;** The relevant disclosures are made in Bank's annual report.
3(2)(ix)		Check the procedure for the appointment of new directors to the board.	**Not Applicable;** Appointments of Directors are done by the Secretary to the Treasury as per the Article of Association.
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;** This does not arise since the appointments of Directors are done by the Secretary to the Treasury as per the Article of Association.
3(2)(xi)		Check if a director resigns or is removed from office, the board: (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.	**Not Applicable;** As per the Section 21 of Article of Association, Secretary to the Treasury can remove a director and a director may resign by delivery a written notice of resignation to the Registered office of the Company.

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.	**Complied with;** Directors are appointed by the Secretary to the Treasury. The declarations obtain from Directors at the time of appointment and annually help to reveal other directorships hold by them.
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	**Complied with;** None of the Directors of the Bank are over 70 years of the age as at 31 December 2018.
		(A) Check that the transitional provisions have been complied with.	**Not Applicable**
3(3)(ii)		Check if there is a process to identify whether a director holds office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank	**Complied with;** The declarations obtain from Directors at the time of appointment and annually help to reveal other directorships hold by them.
3(4)		**Management functions delegated by the board**	
3(4)(i)		Check that the delegation arrangements have been approved by the board.	**Complied with;** Board had established seven sub committees namely Risk Management Committee, Board Audit Committee, Nomination, HR and Remuneration Committee, Legal & Recovery Committee, Credit Committee and Procurement Committee. A term of reference for each committee was established by the Board.

			Delegation and transaction authority limits are reviewed by the Board on periodic basis.
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.	**Complied with;** According to the Article of Association, the Board shall have all the powers necessary for managing and directing and supervising the management of the business and affairs of the Bank. However the Board takes the responsibility for the matters even such matters are delegated.
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	**Complied with;** The delegated powers are reviewed periodically by the Board to ensure that they remain relevant to the needs of the Bank.
3(5)		**The Chairman and CEO**	
3(5)(i)		Check that the roles of chairman and CEO is separate and not performed by the same individual	**Complied with;** Roles of Chairman and CEO are clearly separated and not performed by the same individual.
3(5)(ii)		Check that the chairman is a non-executive director and preferably an independent director as well. 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. Check that the designation of the senior director be disclosed in the bank's Annual Report.	**Complied with;** The Chairman is a Non-Executive Director. The Chairman is appointed by the Secretary to the Treasury who is the major shareholder of the bank and hence designated as Non-Independent Directors.

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	**Complied with;** As per the declarations provided by Board of Directors, no any financial, business or other relationship was observed between Chairman, CEO and other Board members of the Bank.
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.	**Complied with;** Board members had submitted their self - assessments for the year 2018.
3(5)(v)		Check that a formal agenda is circulated by the company secretary approved by the chairman.	**Complied with;** Agenda for Board Meetings is drawn up by the Board Secretary in consultation with the chairman.
3(5)(vi)		Check that the chairman ensures, through timely submission that all directors are properly briefed on issues arising at board meetings	**Complied with;** The agenda & Board Papers of the Board Meetings are circulated to the Directors 05 days prior to the meeting by allowing them to properly briefed on issues arising at 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.	**Complied with;** The bank has a process of self- assessment which is carried out during the year to evaluate individual Director's performance of preceding year.
3(5)(viii)		Check that the board has a self-evaluation process that assesses the contribution of non-executive directors.	**Complied with;** 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.	**Complied with;** Chairman acts in Non-Executive capacity and instances were not observed that Chairman was involved in executive functions to supervise Key Management Personals.
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.	**Complied with;** The shareholder is being represented at the Board by the representative of the Ministry of Finance.
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.	**Complied with;** 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.	**Complied with;** The Bank has established seven Board Sub- Committees which directly report to the Board as set out in Directions 3(6)(ii), 3(6)(iii), 3(6) (iv) and 3(6)(v).

		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.	A brief report on duties, roles and performance on each committee is included in the draft annual report – 2018.
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	**Complied with;** 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 directors.	**Complied with;** All members of the Committee are Non-Executive Directors who are members of the Board.
	(c)	Check that the committee has made recommendations on matters in connection with: (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;	**Not Applicable;** As per the constitution, Auditor General shall be the auditor of the Bank.

		(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.	**Not Applicable;** Since the Auditor General is the External Auditor, the independence and objectivity is maintained.
	(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	**Not Applicable;** Not relevant as the Auditor General is the external auditor of the Bank.
	(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	**Not Applicable;** Auditor General shall be the auditor and nature and scope of the Audit is 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	**Complied with;** The Board Audit Committee has reviewed quarterly financial statements of the Bank and the significant financial reporting judgments contained therein, when prepared for the disclosure purposes and ready for the publication.

		the CFO the following (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) the going concern assumption; and (iv) the compliance with relevant accounting standards and other legal requirements, and; (v) in respect of the annual financial statements the significant adjustments arising from the audit.	The Audit Committee makes their recommendations to the Board on the above.
	(h)	Check that the committee has met the external auditors relating to any issue in the absence of the executive management with relation to the audit	During the year 2018, only one instance recorded that the Board Audit Committee met the External Auditor on request in the absence of executive management with relation to the audit.
	(i)	Check that the committee has reviewed the external auditor's management letter and the management's response thereto.	**Complied with;** The Board Audit Committee reviews the Report of the Auditor General on the Financial Statements of the Sri Lanka Savings Bank Limited for the year ended 31 December 2016 and the report in terms of article 154 (6) of the constitution as at 31 December 2017.
	(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;	**Complied with;** The Committee reviews the adequacy of the scope, 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;	**Complied with;** Audit Committee has reviewed the internal audit plan and findings of the internal audit process during the year 2018.
		III. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	**Complied with;** Annual Performance Appraisal of the Manager Internal Audit for the year 2017 was carried out by the Board Audit Committee.
		IV. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	A private firm was appointed to perform the Information System Audit of the Bank and recommendation of the audit committee had not been observed in this regard.

		V. Check that the committee is appraised 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;	No any resignations of senior staff members of the internal audit department were occurred during the year under review.
		VI. Check that the internal audit function is independent of the activities it audits.	**Complied with;** The Internal Audit function is independent according to the Terms of Reference of Board of Directors and Internal Audit Departments reports directly to the BAC.
	(k)	Check the minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	**Complied with;** BAC has reviewed the major findings of internal investigations and management's responses thereto.
	(l)	Check whether the committee has had at least two meetings with the external auditors without the executive directors being present.	**Complied with;** 07 numbers of meetings were held during the year of 2018 and a representative from Auditor General was presented at all meetings. All Directors are non-executives.

	(m)	Check the terms of reference of the committee to ensure that there is; (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	**Complied with;** As per the Board Audit Committee Terms of Reference, the Committee has been empowered to investigate any matter, access to information, authority to obtain professional advice and resources to carry out its functions.
	(n)	Check that the committee has met, at least four times and maintained minutes.	**Complied with;** Committee has met 07 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 year; and (iii) details of attendance of each individual director at such meetings	**Complied with;** The report of the Board Audit Committee and details of attendance of each individual director are included in draft annual report of 2018.
	(p)	Check that the secretary of the committee is the company secretary or the head of the internal audit function.	**Complied with;** The Board Secretary is the secretary of the Board Audit Committee.

	(q)	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 appropriate follow-up action.	**Complied with;** A Whistle-blowing policy is in place which covers these aspects.
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.	**Complied with;** The remuneration of Directors is determined by the Ministry of Finance. The Human Resource and Remuneration Committee will determine the remuneration relating CEO and Department heads 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	**Complied with;** Goals and targets for KMPs are set based on the Strategic Business Plan and linked to key performance indicators through action plan.

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	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 the basis for revising remuneration, benefits and other payments of performance-based incentives	**Complied with;** Board Human Resource and Remuneration Committee (BHRRC) evaluate the performance of the CEO and KMPs.
	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	**Complied with;** According to the Terms of Reference of the BHRC, 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	**Complied with;** Directors are appointed by the Secretary to the treasury. Recruitment and Selection policy and Promotion policy of the Bank provides direction to select and appoint key management personal. The policy has reviewed by the Board in 2018.
	b)	Check that the committee has considered and recommended (or not recommended) the re-election of current directors	**Not Applicable;** The Directors are appointed by the Secretary to the Treasury.

	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	**Complied with;** Bank has a scheme of recruitment to appoint 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.	**Complied with;** Signed declarations obtained from Directors, CEO and KMPs are available.
	e)	Check that the committee has considered a formal succession plan for the retiring directors and key management personnel	**Complied with;** The Directors are appointed by the Secretary to the Treasury. Succession Plan has been prepared for key managerial persons during the year 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	**Complied with;** The committee is comprised from 03 members including chairman and all are Independent and Non-Executive Directors.

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 framework of the authority and responsibility assigned to the committee	**Complied with;** The BIRMC committee consists of three Non – Executive Directors. Senior Manager Risk is a Secretary to the Committee and Compliance Officer, Senior Manager Legal are the members of the committee. GM and other KMPs who supervises credit, market, liquidity, operational, reputational and strategic risks are to attend the meeting on a regular basis by invitation. However before September 2018 two member of the Board has appointed as members of both IRMC and Board Credit Committee which affect for the independence of the IRMC.
	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	Risk Management Policy has approved by the Board. The risk review reports are submitted to IRMC for their review on quarterly basis. However only 03 risk reports had been submitted to IRMC during the year 2018.

	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	**Complied with;** The IRMC has given instructions to take actions to rectify the issues attached to credit risk limits and to ensure Bank has complied with approved credit risk limits. The committee has reviewed the market and liquidity ratios of the Bank and current funding strategies of the Bank.
	d)	Check that the committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits	**Complied with;** The IRMC has given instructions to take actions to rectify the issues attached to credit risk limits and to ensure Bank has complied with approved credit risk limits.
	e)	Check how many times the committee has met at least quarterly	**Complied with;** The committee has met 04 times during the year.
	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.	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 committee has not approved a formal documented disciplinary action procedure with regard to officers responsible for failure to identify specific risks.
	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	IRMC meeting minute is submitted to the Board Meeting immediately following the committee meeting. However a risk assessment report is not submitted to the Board by seeking Board's views and concurrence.

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	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	**Complied with;** A Compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, Internal controls. The function is headed by the Compliance Officer of the bank, who reports to the Integrated Risk Management Committee.
3(7)(i)		Check that there is an 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: Any of the bank's subsidiary companies; a. Any of the bank's associate companies; b. Any of the directors of the bank; c. Any of the bank's key management personnel; d. A close relation of any of the bank's directors or key management personnel;	**Complied with;** There is a Board approved Policy on Related Party Transactions. This policy identifies related parties, types of related party transactions and restrictions on offering more favorable treatment to related parties in order for Board members to avoid any Conflict of Interest in this regard. All members of the Board are required to make declarations to the Board Secretary of the position held with related parties at the time of appointment and annually thereafter. This information is provided to the Finance Division enabling them to capture relevant transactions. In the events of any change during the year, the Directors are required to make a further declaration to the Board Secretary.

		e. A shareholder owning a material interest in the bank; A concern in which any of the bank's directors or a close relation of any of the bank's directors or any of its material shareholders has a substantial interest.	
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.	**Complied with;** The related party transaction policy of the Bank covers the under mentioned transactions as the transactions with related parties and includes the way of dealing with such transactions.
	A)	The grant of any type of accommodation, as defined in the Monetary board's Directions on maximum amount of accommodation.	
	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.	**Complied with;** There is a Board approved "Related Party Transaction Policy" in place which speaks on related parties and types of related party transactions and for the bank not to 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.
	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: I. "Accommodation" shall mean accommodation as defined in the Banking Act Directions, No.7 of 2007 on Maximum Amount of Accommodation. II. 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	**Complied with;** A Procedure to be followed when granting accommodation to Directors or to close relation of Directors was established through related party transaction policy of the Bank.

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		accommodation be secured by such security as may from time to time be determined by the Monetary board as well	
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 may be 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 have arisen during the year.
	b)	Check where such security is not provided by the period as provided 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.	**Complied with;** The Related Party Transaction Policy of the Bank prohibited granting unfair accommodations and more favorable treatments to related parties.

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3(7)(vii)		Check that there is a process to obtain prior approval from the Monitory 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. b) Quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.	**Complied with;** Annual and quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.

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	**Complied with;** The Bank had disclosed that the financial statements had been prepared in accordance with Sri Lanka Accounting Standards and regulatory requirements.
	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	**Complied with;** The report by the board on the bank's internal control mechanism is included in the annual report.
	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.	**Complied with;** The Board has obtained the external auditor's report on the effectiveness of the internal control mechanism of the Bank.
	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	**Complied with;** Details of directors and transactions with the bank and the total of fees/remuneration paid by the bank are disclosed in the annual report.

	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	No any accommodation was granted as defined in 3(7) (iii) to any category of related parties.
	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.	**Complied with;** 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 has disclosed in Notes to the Financial Statements.
	g)	Check that the board has obtained the external auditor's report on the compliance with Corporate Governance Directions.	**Complied with;** The external auditor's report on the compliance with Corporate Governance Directions is available in the annual 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	**Complied with;** The Director's Report included in the Financial Statement disclosed these details.

	i)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or noncompliance 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 2018.

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RISK MANAGEMENT

Scope of Risk Management

Banks face several types of risks such as Credit Risk, Market Risk, Operational Risk, and Liquidity Risk etc. Strategic risk, compliance risk, legal risk, reputational risk, ….etc also vital risk areas for financial institutions. These different types of risks may have potentially adverse effect on both short term and long term objectives. Hence every bank tries to minimize these risks through their own robust risk culture and risk practices.

Risk Management compromises of an awareness of uncertainties and thereafter assigning a bank –wide strategy to control such externalities within the existing network. At Sri Lanka Savings Bank (SLSB), having understood that risk management is an essential component of growth, we have developed risk management policies and procedures that are applied across the SLSB to assist the business units in their daily interaction with customers. The regulator recommended risk framework is in place to manage the risk on an integrated basis and monitor developments in real time to provide the right level of information to the attention and action of Board Integrated Risk Management Committee (BIRMC) and Board of Directors.

Three Lines of Defense

To ensure the effectiveness of SLSB's risk management framework, the Board and Senior Management rely on adequate line functions including monitoring and assurance functions within the SLSB. The 'Three Lines of Defense' model endorses as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

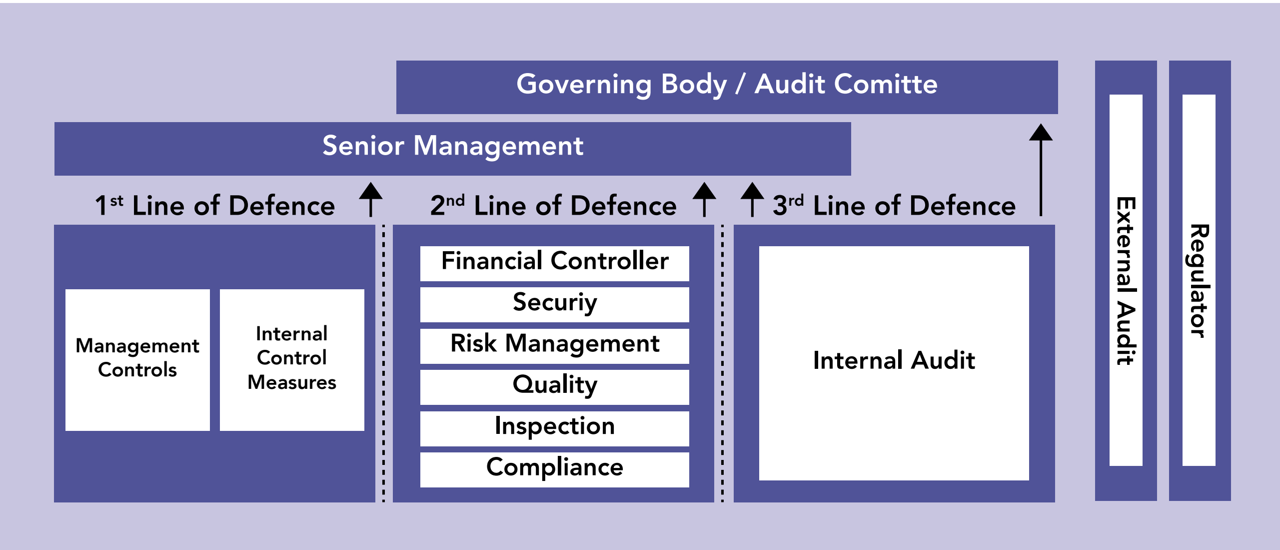


Figure 1 : Three lines of Defense

The front line or the business line management acts as the first line of defense and deals with the risk exposures at the very primitive level. SLSB makes sure that business line managers are empowered to deal with risk and to take the ownership of the risks borne. The BIRMC directs the Risk Management Department (RMD) as an independent corporate risk management function to act as the second line of defense, and directed by The Board. Audit and Compliance functions with their independent review mechanisms act as the third line of defense in managing risks.

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. 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. Management level committees such as Management Committee, Assets Liability Management Committee (ALCO), Executive Credit Committee, IT steering Committee, Operational Risk Management Committee are monitored the risk associated with operational and non operational activities.

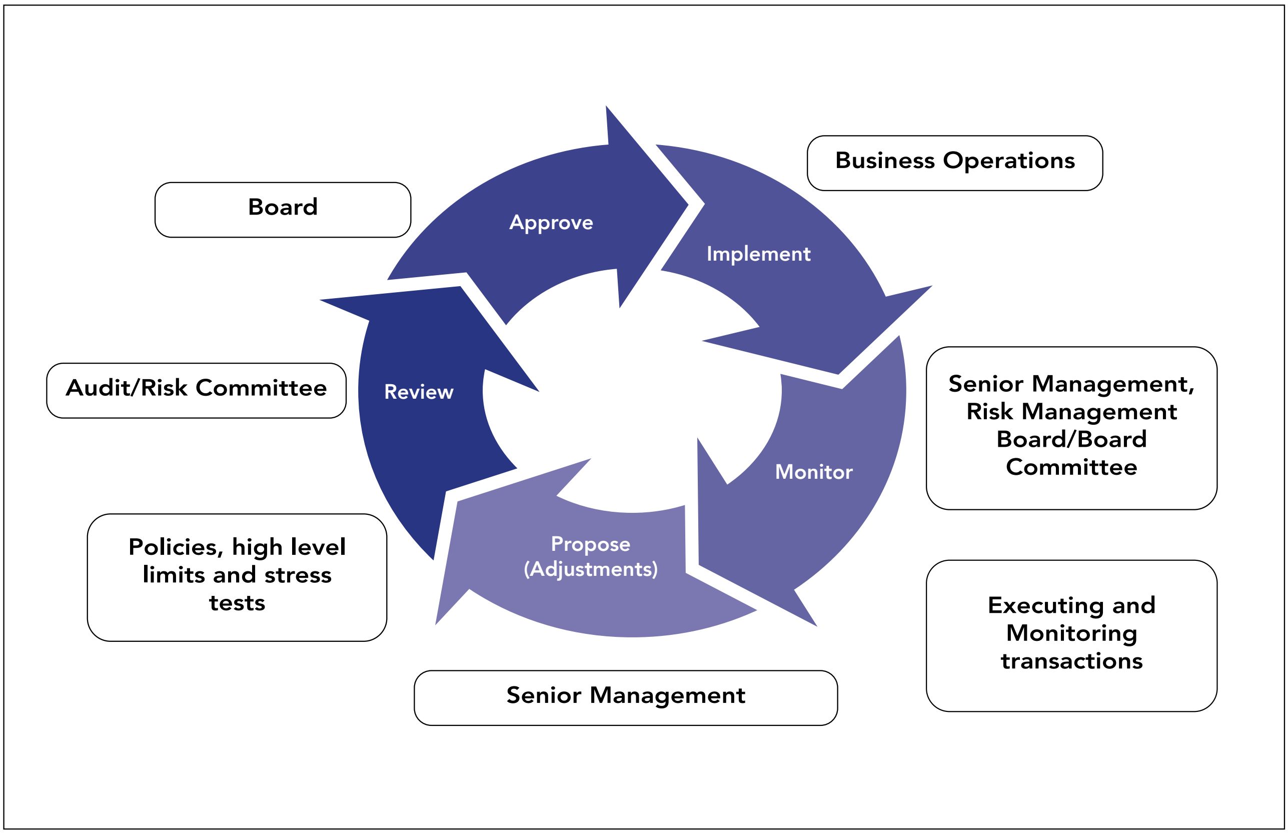


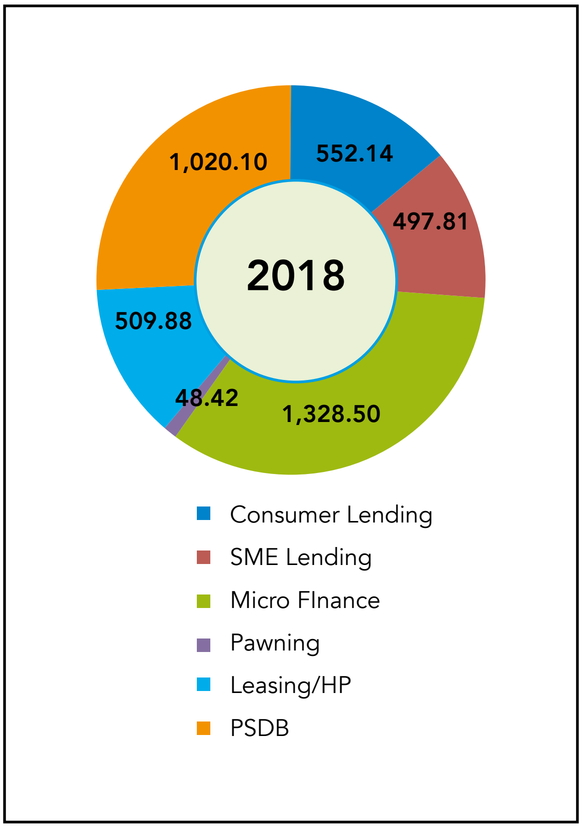
Figure 2 : Board & Management Roles in Risk Governance

Credit Risk Management

Credit risk is the risk of potential loss to the bank, when customers/counterparties fail to discharge on an obligation, in accordance with the agreed terms or its ability to perform such obligation is impaired resulting in a loss to the bank.
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 details on how to perform the functional responsibilities.

Risk Management policy and Credit manual are reviewed periodically to ensure that the bank is able to meet its business objectives against frequently changing financial landscape.

The Bank's credit portfolio can be identified in five groups namely, Consumer lending, SME lending, Micro Finance, Pawning, and Leasing/HP Other than aforesaid five groups, SLSB has a loan portfolio which was vested from Pramuka Savings & Development Bank(PSDB).PSDB loan portfolio is fully impaired when assign to SLSB.



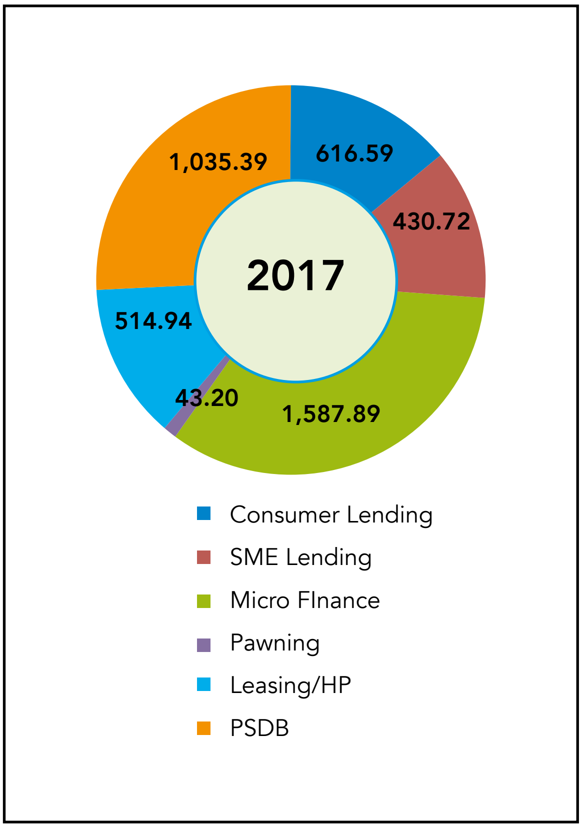


Figure 3 : Composition of credit portfolio (Amounts are in Rs. Mn)

To enhance the quality of credit portfolio, the Bank has taken action to assign credit risk grading for every credit facility above Rs. 500,000.00. The bank rate the facilities using quantitative and qualitative factors and assign rating scale between A to E, while A is lowest credit risk and E is the highest credit risk. Credit risk grading score of E received for any credit facility shall be rejected and any facility with rating scale D, should be approved by next higher authority.

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).

Product Concentration

Product Concentration risk arises when a material share of a credit portfolio is allocated to lending product or group of related products, that exhibits correlated behavior because of product features.
After, NDTF joined to SLSB in 2010, Almost 50% of the loan portfolio represented by micro finance lending. In year 2018 micro finance portfolio reflected as 1.12 Bn and it is 38% of total loan portfolio. Rest of the portfolio represented by 4 lending groups which contain 20 loan products and they have distributed among 62% of the loan portfolio.

Name Concentration

Single name concentration or single borrower concentration describes the condition in which a credit portfolio has a material share allocated to a single counterparty or a group of related counterparties linked by specific ties.

Exposure	2018	2017	2016
Top 5	18%	24%	21%
Top 10	26%	31%	30%
Top 15	33%	36%	35%
Top 20	36%	39%	38%

Loan Loss Provisioning

To meet the future losses from NPA, SLSB has made provision against the NPA from the profit generated. These provisions are calculated according to the Sri Lanka Accounting Standards (SLFRS 9) and guidelines given by the CBSL.
Loan portfolio vested from PSDB is initially classified into loss category and made 100% provision on PSDB loan portfolio. Its current outstanding balance reported as Rs. 1,020 Mn (Approximately).
By adopting SLFRS-9 and with complying to CBSL guidelines, 67.91% impairment provision has made against the non performing advances of the loan portfolio except PSDB provision.

Market Risk

Market risk is the risk of losses in on/off-balance sheet positions that arise from movement in market prices. Market risk arises as a result of increase or decrease of value of instruments/ investments as a result of volatility and unpredicted movements in market factors such as interest rates, equity prices …etc

SLSB is currently exposed to Interest rates risk and equity price risk. SLSB has put in place appropriate policies, Procedures and guidelines and set suitable limits to manage the market risk
Interest rate risk on banking book arises principally from mismatches of assets and their funding cost as a result of interest rate changes. SLSB has taken some remedial action to minimize exposure to interest rate risk by way of giving floating interest rates for credit facilities.(Interest rate review and renew half yearly). SLSB has not placed any investment over 1 year period as FD or as any rate applicable instrument. Hence interest rate risk adjoining to SLSB is minimal.

Investment made in quoted shares is a portfolio vested from Pramuka Savings and Development Bank (PSDB) and it represent only 5% of the total assets of the bank. Further the bank does not hold such investment in bank's trading book other than holding for long period for purpose of achieving capital gain.

Liquidity Risk

Liquidity Risk is defined as bank's ability to meet its cash and collateral obligations without sustaining unacceptable losses. ALCO is the main supervision body for managing liquidity risk.

Liquidity risk is basically measured through stock approach and stress testing techniques on monthly basis and performs maturity gap analysis under flow approach on quarterly basis. Results of the liquidity risk analysis are reported to BIRMC on regularly. Stress testing for withdrawal of deposit liabilities is calculated on monthly basis to measure impact on liquidity due to adverse movements in cash flows. In addition to above liquidity profile of the bank is also measured through Liquid Assets Ratio and Liquidity Coverage Ratio. Liquid assets ratio of the Bank is reported as 506.31% where its minimum requirement held as 20%. LCR of the bank is reflected as 109.79%.

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.

Management of operational risk is the primary responsibility of the business and support functions and act as risk owners. They identify operational risk events and report in a timely manner while the Risk Management Division oversees the bank-wide management of operational risk.

Risk Area	Risk description	Risk management procedure
People risk	The Potential losses arising from human resource related aspects	• Introducing and implementing comprehensive HR policies and processes • Effective recruitment practices • Investment in Training and development • Employee relations management
Technology Risk	The risks associated with the ownership, use, operation, involvement and adoption of IT within the Bank.	• The bank's IT framework is governed through IT Steering Committee, IT policies and procedure • Determine the required upgrades in technology • Review the need for system integrations, modifications, and the use of new software and hardware.
Legal Risk	Non compliance with regulatory/statutory provisions, uncertainty due to legal actions or uncertainty in the applicability or interpretation of relevant laws applicable to the bank.	• Legal & Recovery Committee govern the legal risk management • regular reporting of material information to those who can assess its significance and ultimately to senior management and legal & Recovery Committee

Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed corporate governance practices, internal policies and procedures, or ethical standards.

Compliance risk also arises in situations where the laws or rules governing certain Bank products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the institution to fines, penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. (The Bank has identified this risk as a material risk and various internal controls, policies; procedures are in place to manage risk).

COMPLIANCE **REVIEW**

Compliance risk is the risk arising due to non-compliance with applicable law, regulations, codes of conduct and standards of good practice that results in financial loss and reputational loss.

The role of the Compliance function is to ensure that, in conducting its day-to-day functions, the Bank remains compliant with all laws and regulations currently applicable to the business. To achieve this, the Compliance function shall proactively engage in building a corporate culture based on ethical values, professional conduct and the highest standards of integrity, in turn ensuring that these principles are applied to the Bank's activities at all times.

Sri Lanka Savings Bank has established a compliance function and implemented internal policies, procedures and governance frameworks ensuring all employees, comply with the applicable laws and regulations and best practices.

Strengthening the Compliance Risk Assessment Programme

To improve the robustness of the current risk assessment methodology and sharpen the alignment between the compliance plan and the Risk Assessment Programme, a comprehensive set of Compliance Risk Assessment measures (Risk Based Compliance Audit) were developed for Branches and Departments. Based on these modules, compliance risk assessments were carried out throughout the year to determine the risk profiles of branches, departments.

Objectives of Managing Compliance Risk

Responsibilities

The compliance department's ultimate goal is to ensure that a bank does not cross the lines drawn by legislators, regulators or its board of directors. Since banks' activities vary, duties also vary, but the bank should clearly and specifically have the responsibilities for its compliance department outlined. Common tasks include monitoring the bank's activities and controls and identifying and analyzing risk areas. This may include assessing and testing the adequacy of the bank's policies and equipment, such as security and risk assessment tools. The compliance team may also design and implement solutions to address any identified risks, develop compliance programs for new regulations, and oversee employee training programs.

Responsibility for Clients

A compliance department extend its focus beyond the bank, its policies and its employees. This unit also bears the responsibility for ensuring that the bank's clients act within the law and don't use the bank for illegal activities, such as money laundering, evading taxes or funding terrorism. If clients or potential clients do so, the compliance department must ensure the bank takes proper action or it can be held liable. Even if the bank blocks an attempt, it must go further and report it.

Managing Compliance Risk

The Board of Directors holds ultimate responsibility for ensuring compliance with relevant external regulations and internal guidelines.

The Board is supported by the BAC and BIRMC in its compliance functions. The dedicated Compliance Unit reporting directly to the BIRMC.

The Role of the Compliance Department

Broadly speaking, the roles of the Compliance Department are as follows:

(1) FACILITATE THE DEVELOPMENT AND MAINTENANCE OF THE RIGHT CULTURE

A positive compliance culture within the bank minimizes the risk of regulatory failure and the resultant sanctions and damage to its reputation.

(2) DELIVER COMPLIANCE TRAINING

Training is essential to ensure that the employee is able to perform his job in a compliant way. Compliance training is more effective if it is integrated into the training that the employee receives on his core job functions (e.g. operations, IT, finance etc). On this basis, Compliance's role is to train the trainer and ensure that the compliance element of the training is properly incorporated, updated and adequate.

(3) ADVISE ON REGULATORY ISSUES

Advising on relevant regulatory issues concerning the bank's business is a fundamental responsibility of Compliance. For instance, compliance advice may be required when a new business line or product is launched, when a procedure is changed, or when new regulations are promulgated which may impact the business. Probability of a particular problem occurring and the magnitude or potential impact if it occurs. Be objective when assessing risk. A practical way is to analyze other real examples, where available, of that risk being realized.

(3) IMPACT OF THE RISK-BASED COMPLIANCE APPROACH

Implementing the risk-based approach will change the way Compliance and other departments do their jobs. Management and employees will gradually be ingrained to understand and talk in a common language of risk. Risk would be an agenda item in regular management meetings held among Key Management personals of the bank. As the different risks are identified, ways can be explored of managing them.

(4) MONITORING

The compliance department is commonly associated with this task. Good monitoring by compliance provides a source of timely and focused feedback to other departments on how well they are fulfilling their regulatory obligations. But, excessive monitoring can overkill and cause an unnecessary burden to the business. It may also create a moral hazard for other staff to relax their diligence knowing that the compliance function "will pick up any errors".

(5) COMMUNICATING

Compliance is an important interface between regulators and regulations on one hand, and business on the other. In this connection, Compliance will communicate any new rules or guidance issued by regulators to the relevant departments. It must also provide the regulators with any information they request and notify both senior management and the regulators of any significant issues that arise.

(6) HANDLING ISSUES

Regulators expect all regulatory issues to be resolved promptly and thoroughly. Compliance can advise the head of the department on the substantive issues and the process to resolve the issues.

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Mandatory Compliance Functions

- Maintain regular contact and good working relationship with regulators based on clear and timely communication and mutual understanding.
- Highlight any Central Bank concerns and work with the management to address and rectify them within aacceptable time frame.
- Develop Anti-Money Laundering Policy aligned to Know Your Customer (KYC) regulations, which should be adhered by all department of the Bank.
- Develop Compliance Policies and procedures to eliminate or minimize the risk of non –compliance with regulatory requirements.
- Prepare and submit quarterly compliance report to the Board Integrated Risk Management Committee(BIRMC) and the Board Audit Committee.(BAC)
- Monitoring transactions and reporting suspicious transactions to the financial intelligence unit.

Further Compliance division expected

1. To work closely with the business to understand and anticipate the needs of the business for compliant solutions that can take the business further.
2. To maintain sufficient independence and objectivity in performing its role of reducing regulatory risks to the Bank. In this regard, it is recognized that where necessary, the immediate desires of the business will be override in the interest of compliance.

Although getting close to the business is integral to the delivery of good service, it can also become an obstacle to the achievement of objectivity which the compliance professional needs when dealing with significant issues.

Conclusion

An effective compliance mechanism should check whether the bank is complaint with all the required statutory and regulatory requirements. In order to do so an effective compliance management system send out reminders before the due date to the concerned personnel. It keeps a track of the compliance that bank may have missed as well as prioritize their completion earliest.

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:

Mr. S Witharanage, Director

Mr. R M C Rathnayake, Director

Mr. D A R P Dheerasinghe, Director

Mr. C V J Arambewela, Director (Served on the Committee as Member until 10.08.2018)

Mr. S Witharanage headed the Committee as its Chairman and Senior Manager – HRD functioned as Secretary. 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 four successful meetings during the year 2018 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
Mr. S Witharanage	04	04
Mr. R M C Rathnayake	04	04
Mr. D A R P Dheerasinghe	03	03
Mr. C V J Arambewela	02	02

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 reviews to enable staff to obtain feedback from their superiors in further of achieving their objectives and development goals.

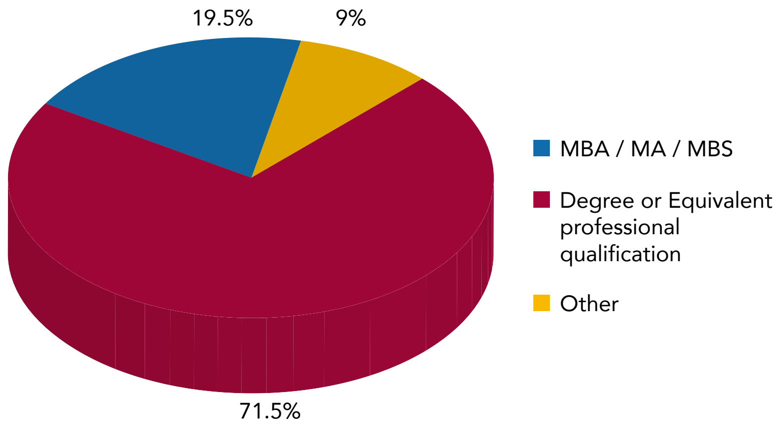
3. Summary of Activity

a) During the year, Human Resources and Remuneration committee comprehensively reviewed the performance of the KMPs of the Bank for the year 2017 against the set goals and targets and granted the increments, bonuses and promotions for the staff members including the KMPs.

b) During the year 2018, 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 National Savings Bank in an effective manner.

The total number of staff as at 01st January 2018 was 116 and by the end of the year it was 109.

c) 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 training given is indicated below:

	Hours	No. of Participants
Credit	496	72
Financial Management and Auditing	35	08
Banking Operations	434	62
HR & General Management	09	02
IT	14	02
Legal	27	06
Risk Management	224	32
Treasury Management	14	02
Compliance	645	88

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

In order to provide more effective service to the Customers and also to comply with the official languages policy of the country continued conducting in-house Tamil language classes.

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 introduced 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. Mr. C.V.J. Arambewela was appointed as a member of the BAC in the year 2018 on behalf of Mr. P. Dheerasinghe. The members who served the BAC during the year 2018 are as follows:

Name	Designation	Period served
Mr. P.B.S.C. Nonis	Chairman	From 01/01/2018 to 31/12/2018
Mr. D.S.W. Samarasekera	Member	From 01/01/2018 to 31/12/2018
Mr. P. Dheerasinghe	Member	From 01/01/2018 to 14/03/2018
Mr. C.V.J. Arambewela	Member	From 23/05/2018 to 31/12/2018

Meetings

During the year 2018, seven (07) BAC Meetings were held and proceedings of such Meetings were regularly reported to the Board. Company Secretary was functioned as Secretary to the all BAC Meetings of which held in the year 2018. Generally, a representative from the Auditor General's Department participates to the BAC as an observer. Mr. E.M.S. Ekanayake was attended to the all BAC Meetings by representing the Auditor General in the year 2018.

Attendance of the Board Audit Committee members during the financial year ended Dec 31, 2018 is as follows.

Name	Required to attend	Attended
Mr. P.B.S.C. Nonis	07	07
Mr. P. Dheerasinghe	02	02
Mr. D.S.W. Samarasekera	04	02
Mr. C.V.J. Arambewela	05	05

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 auditor's 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 needs 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 quarterly non-audited interim financial statements together with supporting information that included significant assumptions and judgments made in the preparation of final financial statements.

Internal Controls

The BAC assessed the effectiveness of internal control over financial reporting as at 31 December 2018. 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 & Inspection

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.

The Internal Audit Division of the Bank carried out audits of Branches, Divisions and other Units as per the Internal Audit Plan. The frequency of audit was determined by the level of risk assessed. The audit plan was approved by the BAC for implementation.

The Committee under review attended to the following during the year

(a) Reviewed and discussed the Management Letter and the Audit Report of the Auditor General for the year 2017 and the management responses thereon.

(b) Reviewed quarterly financial performance of the Bank and recommended to submit the same to the Board.

(c) Reviewed and discussed issues raised at CBSL Statutory Examinations and follow-up actions by the Bank Management and monitored the progress of rectification.

(d) Periodic review of internal audit reports and the performance of the Internal Audit Department.

P.B.S.C. Nonis
Chairman of the Board Audit Committee
Colombo, Sri Lanka

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 78 to 80.

- 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, 2018 and will report to the Board.

By order of the Board

Mr. Srilal Dayananda
Chairman of the Board

Mr. P.B.S.C. Nonis
Chairman of the Board Audit Committee

Mr. C.V.J. Arambewela
Director

Mr. P. Dheerasinghe
Director

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

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

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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 2018.

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.

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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.

W.P.C.Wickramaratne
Auditor General

AUDITOR GENERAL'S REPORT ON **FINANCIAL STATEMENTS**

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Chairman
Sri Lanka Savings Bank Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Savings Bank Limited for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Savings Bank Limited ("Bank") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Bank.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

- The financial statements of the Bank comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered into by the Bank which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018

- to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of Bank as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018

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- to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

- to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018

W.P.C. Wickramaratne
Auditor General

FINANCIAL STATEMENTS

SRI LANKA SAVINGS BANK LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2018

	NOTE	2018 LKR	2017 LKR Restated
Interest income	5	1,019,059,257	1,039,799,059
Interest expenses	5	(94,079,725)	(143,525,778)
Net interest income		**924,979,532**	***896,273,281***
Fee and commission income	6	2,561,434	4,288,287
Fee and commission expenses	6	(12,095,211)	(12,839,674)
Net fee and commission income/(expenses)		**(9,533,778)**	**(8,551,387)**
Net fair value gains/(losses) from financial instruments at fair value through profit or loss		543,755	-
Other operating income (net)	7	18,900,464	49,298,479
Total operating income		**934,889,973**	**937,020,372**
Impairment (charges)/reversal for loans and other losses	8	9,652,616	(15,820,467)
Net operating income		**944,542,590**	**921,199,906**
Personnel expenses	9	(167,712,542)	(119,853,652)
Other expenses	10	(159,095,405)	(93,478,037)
Operating profit before Tax on Financial Services		**617,734,642**	**707,868,217**
Tax on financial services		(129,628,882)	(103,498,943)
Operating profit after Value Added Tax (VAT)		**488,105,760**	**604,369,273**
Income Tax expenses	10.1	(136,839,624)	-
Profit for the year		**351,266,136**	**604,369,273**

**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	43	132

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	NOTE	2018 LKR	2017 LKR Restated
Profit for the period ended		**351,266,136**	**604,369,273**
Other comprehensive income/(expense) net of tax			
Gain/(loss) arising on re-measuring available for sales financial assets		(9,974,805)	(23,854,549)
Actuarial Gain/(loss) on defined benefit plan		869,967	(581,106)
Other comprehensive income for the period ended		(9,104,838)	(24,435,655)
Total comprehensive income for the period ended		**342,161,299**	**579,933,619**

*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
FOR THE YEAR ENDED 31ST DECEMBER 2018

	NOTE	31.12.2018 LKR	31.12.2017 LKR Restated
Assets			
Cash and cash equivalents	12	31,234,810	30,989,820
Sri Lanka government securities	13	261,990,685	914,710,911
Placements with Banks	14	5,555,979,786	4,808,126,386
Financial assets at amortised cost			
- Loans and Advances	15	2,407,752,545	2,873,797,575
- Debt and Other Instruments	16	87,369,168	87,533,628
Financial assets measured at fair value through other comprehensive income	17	156,995,397	166,970,202
Property, plant and equipment	18	294,607,054	308,231,214
Intangible assets	19	1,348,750	2,212,917
Investment property	20	333,315,000	333,315,000
Other assets	21	44,968,414	13,241,947
Total assets		**9,175,561,610**	**9,539,129,600**
Liabilities			
Due to Banks	22		5,189,685
Due to other customers	23	1,088,554,732	1,077,384,577
Debt securities issued and other borrowings	24	1,646,209,018	2,157,081,942
Other liabilities	25	1,053,802,376	909,125,311
Total liabilities		**3,788,566,126**	**4,148,781,515**
Equity			
Stated capital/assigned capital	26	3,805,290,302	3,805,290,302
Statutory reserve fund	27	217,606,517	200,043,210
Retained earnings	28	3,002,953,139	3,013,894,242
Other reserves	29	(1,638,854,474)	(1,628,879,669)
Total equity		**5,386,995,484**	**5,390,348,085**
Total equity and liabilities		**9,175,561,610**	**9,539,129,600**
Commitments and contingencies	32	7,500,000	7,500,000

*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. Mohan Gurusinghe
Acting General Manager

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

Director

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2018

	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 01.01.2017	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	-	-	-	-	-	-	4,072,670	4,072,670
Balance as at 01.01.2017 after corrections	458,446,600	2,984,843,702	(2,166,190,408)	169,856,235	93,143,798	468,021,489	2,764,448,819	4,772,570,236
Prior Year Adjustments							(253,873,129)	(253,873,129)
Over / Under Adjustments	-	-	-	-			(70,282,640)	(70,282,640)
Profit for the year - restated	-	-	-	-			604,369,273	604,369,273
Actual loss on defined benefit plan	-	-	-	-			(581,106)	(581,106)
Fair value changes	-	-	-	-	(23,854,549)			(23,854,549)
Share issue/increase of assigned capital	362,000,000	-	-	-				362,000,000
Transferred to statutory reserve fund	-	-	-	30,186,975			(30,186,975)	-
Revaluation Gain	-	-	-	-		-		-
Balance as at 31.12.2017-Restated	**820,446,600**	**2,984,843,702**	**(2,166,190,408)**	**200,043,210**	**69,289,249**	**468,021,489**	**3,013,894,242**	**5,390,348,085**
Balance as at 01.01.2018	**820,446,600**	**2,984,843,702**	**(2,166,190,408)**	**200,043,210**	**69,289,249**	**468,021,489**	**3,013,894,242**	**5,390,348,085**
	-	-	-	-				-
Prior Year Adjustments							(259,513,899)	(259,513,899)
Profit for the year	-	-	-	-			351,266,136	351,266,136
Actual loss on defined benefit plan	-	-	-	-			869,967	869,967
Fair value changes	-	-	-	-	(9,974,805)			(9,974,805)
Dividend paid to the shareholders	-	-	-	-	-		(86,000,000)	(86,000,000)
Transferred to statutory reserve fund	-	-	-	17,563,307			(17,563,307)	-
Balance as at 31.12.2018	**820,446,600**	**2,984,843,702**	**(2,166,190,408)**	**217,606,517**	**59,314,444**	**468,021,489**	**3,002,953,139**	**5,386,995,484**

*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.
Prior Year Adjustment in Yr2018 represent mainly the loss recognized in Yr2017 due to IFRS Impairment entries (The difference between SLFRS 9 and LKAS 39 on Impairment on Financial Assets). Refer Note No.28

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2018

	NOTE	2018 LKR	2017 LKR Restated
Cash flows from operating activities			
Profit before tax		351,266,136	604,369,273
Adjustment for:			
Prior year adjustment		(259,513,899)	(320,083,100)
Non-cash items included in profits before tax	34	(2,508,818)	2,859,521
Change in operating assets	35	358,977,270	137,740,424
Change in operating liabilities	36	(355,025,704)	(757,307,960)
Tax paid		-	-
Net cash generated from operating activities		**93,194,985**	**(332,421,841)**
Cash flows from investing activities			
Purchase of property, plant and equipment	18.1	(1,210,310)	(3,819,404)
Purchase of Intangible assets	19.1	(550,000)	(2,370,000)
Proceeds from the sale of property, plant and equipment	7.0	-	5,355,999
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		**(1,760,310)**	**(48,790,342)**
Cash flows from finance activities			
proceeds from the issue of ordinary share capital		-	362,000,000
Repayment of subordinate debts			
Dividend paid to the Shareholders		(86,000,000)	-
Net cash (used in)/from investing activities		**(86,000,000)**	**362,000,000**
Net increase/(decrease) in cash & cash equivalents		**5,434,675**	**(19,212,184)**
Cash and cash equivalents at the beginning of the year		25,800,135	45,012,318
Cash and cash equivalents at the end of the year	37	**31,234,810**	**25,800,134**

*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

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 period ended 31st December 2018 were authorized for issue on 10th April 2019.

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 measurement of impairment losses under both SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement.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, 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 theses 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 initia 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-salereserve". 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 recognisedas 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 i n 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 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 evidenceof impairment based on the same criteria as financial assets carried at amortized cost. However, theamount recorded forimpairment 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.

3.3.6.1Basis 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.

3.3.7. 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 though 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.

3.3.8 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

The bank has liable for Income Tax on Profits with effect from 01.04.2018.

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. Changes in accounting policies and transitional disclosures on the adoption of SLFRS 9 in replacing of LKAS 39

3.10.1.SLFRS 9-Financial Instrument

SLFRS 9 issued in December 2014 replaced LKAS 39 and is applicable for annual reporting periods beginning on or after 1 January 2018.

In accordance with the option given in SLFRS 9, the bank has related comparative information for yr 2017 for financial instruments within the scope of SLFRS 9. The transitional disclosures are given below.

3.10.1.1 Day 1 impact on equity

Day 1 impact on equity given in Note 28 on page 130

3.11. 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. All such Debentures are mature on 03/12/2017. further up to now 85% of the debentures has been settled.

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. 1,020,102,437.63 as at 31 December 2018 where such loans vested with 100% provisions.

SRI LANKA SAVINGS BANK LIMITED

FINAL ACCOUNTS YR 2018

NOTES TO THE FINANCIAL STATEMENTS

5. Net Interest Income

	31.12.2018 LKR	31.12.2017 LKR Restated
Interest income		
Interest income- REPO investments	32,452,781	39,756,939
Interest income- debenture	8,382,270	8,382,270
Interest income- deposit banks	596,935,580	617,960,867
Interest income- securitized papers	-	12,712,625
Interest income- PSDB loans	11,930,703	34,555,198
Interest income- leasing	40,314,179	38,278,658
Interest income- Loans against deposit balances	1,666,235	1,317,638
Interest income- Hire purchases	39,102,726	24,971,906
Interest income- Loans to partner organizations	159,432,694	128,848,616
Interest income- Door to Door Loans	2,612,241	2,716,905
Interest income- Staff loans	2,326,532	1,765,028
Interest income- Personal loans	48,752,446	58,096,615
Interest income- Individual & corporate loans	20,328,864	26,946,300
Interest income- MFD Loans	958,214	716,921
Interest income- Pawning advances	7,390,199	7,039,764
Interest income- Praja Diriya Loans	13,550,669	20,149,967
Interest income- Vehicle loans	49,535	328,644
Interest income- Staff Housing Loans	4,043,360	3,143,979
Interest income- Professional Loans	2,933,240	*2,065,854*
Interest income-SLS Diriya	21,405,367	9,742,988
Interest income-Swashakthi Loan	435,555	142,805
Interest income-Jaya Isura Loan	3,945,587	158,573
Interest income-Athwela Loan	34,624	-
Interest income- Rivi Bala Savi Loan	64,337	-
Interest income- Ran Aswenna Loan	11,318	-
Total interest income	**1,019,059,257**	**1,039,799,059**
Due to other customers	55,239,678	44,051,132
Due to PSDB depositors	7,117,378	7,414,693
Debenture issued	(17,397)	60,140,974
Other borrowing	31,740,066	31,918,980
Total interest expenses	**94,079,725**	**143,525,778**
Net interest income	**924,979,532**	**896,273,281**

5.1 Net Interest Income from Sri Lanka Government Securities

	31.12.2018 LKR	31.12.2017 LKR Restated
Interest income	32,452,781	39,756,939
Net interest income	**32,452,781**	**39,756,939**

6. Net Fee and Commission Income

	31.12.2018 LKR	31.12.2017 LKR Restated
Fee and commission income	2,561,434	4,288,287
Fee and commission expenses	(12,095,211)	(12,839,674)
Net Fee and commission income	**(9,533,778)**	**(8,551,387)**
Comprising		
Commission on savings accounts	62,562	43,890
Documentation charges	129,000	136,040
Commission on guarantees	83,000	107,500
Processing fees loans	1,654,845	3,245,320
Inspection charges	215,367	337,214
Commission insurance general	379,659	299,323
Non-refundable deposit income	37,000	119,000
Total Fee and commission income	**2,561,434**	**4,288,287**
Fee and Commission Expenses		
Consultancy fee	1,528,946	135,050
Professional fee	1,877,161	1,596,666
Legal fee	5,277,475	7,411,805
Title fee	2,728,151	2,700,000
Title search charges	-	700
Bank charges	117,729	253,203
Introducer Commission Expense - Leasing & HP	565,750	742,250
Total Fee and commission expenses	**12,095,211**	**12,839,674**

7. Other Operating Income (net)

	31.12.2018 LKR	31.12.2017 LKR Restated
Gain on sale of property, plant and equipment	-	5,355,999
Dividend income	569,057	518,192
Sundry income	1,264,157	2,081,516
Income- Nuwara Eliya bungalow	330,500	360,501
Income- Anuradhapura bungalow	80,000	52,000
Income- bus hire	-	19,570
Cultivation income	660,000	360,000
Provision recovered other receivable	50,629	1,683,593
Trust Recovery	67,200	614,000
Loan Provision recovered (Over Provision)	15,289,016	36,757,528
Penalty interest	153,184	326,877
Termination income	74,678	7,976
Legal charges recovered	362,043	503,393
Gain from financial investments	-	657,333
Other Operating Income (net)	**18,900,464**	**49,298,479**

8. Impairment for Financial assets

	31.12.2018 LKR	31.12.2017 LKR Restated
Loans and receivables-To other customers	(9,652,616)	15,820,467
Total	**(9,652,616)**	**15,820,467**

9. Personnel Expenses

	31.12.2018 LKR	31.12.2017 LKR Restated
Salary and bonus	124,548,258	79,483,317
Contributions to defined contribution/benefit plans	11,076,831	10,422,823
Other allowance and staff related expenses	27,527,767	25,981,541
Gratuity	4,559,686	3,965,971
Total	**167,712,542**	**119,853,652**

10. Other Expenses

	31.12.2018 LKR	31.12.2017 LKR Restated
Directors' emoluments	3,906,700	4,610,500
Audit related fees	-	500,000
Depreciation of property, plant and equipment	16,248,637	16,830,988
Office administration and establishment expenses	25,517,781	23,851,246
Repairs and maintenance	10,557,645	5,381,929
Advertisements	3,840,315	4,177,264
CSR Activities	145,343	39,432
Entertainment	39,045	42,000
Labour outsourcing expenses	96,683	192,500
Security charges	10,395,220	10,246,056
Insurance	1,495,145	1,354,310
Printing and stationery	5,941,585	5,520,705
Rates and taxes	1,053,631	5,876,102
Donation	3,000	15,695
National Insurance Trust Fund Levy	5,851,155	8,652,462
Transport and fuel expenses	3,578,724	3,726,495
Subsistence and lodging expenses	1,128,431	934,695
Miscellaneous	1,540,079	1,525,657
Tax Penalty Charges	33,247,292	-
Debt Repayment Levy	13,348,913	-
Repossess Loss	21,160,081	-
Total	**159,095,405**	**93,478,037**

10.1. Reconciliation of the Accounting Profit to Income Tax Expenses

	3 Months (Jan to March) Tax Exempt	9 Months (April to Dec) Tax Liable
Accounting Profit before tax	154,433,660	463,300,981
Add: Tax effect of expenses that are not deductible for tax purposes	14,880,082	44,640,247
(Less): Tax effect of expenses that are deductible for tax purposes	(6,596,326)	(19,228,286)
Income for income tax provision	162,717,417	488,712,942
Tax provision @ 28%	-	**136,839,624**

The bank has liable for Income Tax on Profits with effect from 01.04.2018. Therefore, tax liable for only 9 months from 01.04.2018 to 31.12.2018

11. Earning per share

	31.12.2018 LKR	31.12.2017 LKR Restated
Net profit attributable to ordinary equity holders	351,266,136	604,369,273
Weighted average number of ordinary shares for basic earning per share	8,204,466	4,584,466
Basic earnings per ordinary share	**43**	**132**

12. Cash and Cash Equivalents

	31.12.2018 LKR	31.12.2017 LKR Restated
Cash in hand	4,731,168	4,537,330
Balances with banks (Note 12.1)	26,503,642	26,452,490
Total	**31,234,810**	**30,989,820**

12.1. Balances with Banks

	31.12.2018 LKR	31.12.2017 LKR Restated
People's Bank - Borella No. 1 (078-1-001-5-8517396)	504,579	-
People's Bank - Borella No. 2 (078-1-001-7-0000683)	856,515	3,726,569
People's Bank - collection account leasing (078-1-003-3-8517396)	851,739	457,134
People's Bank - Liberty plaza old 309-1001-42536401	75,373	75,373
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)	306,244	-
Bank of Ceylon - Borella - 0007521176	88,133	68,561
Bank of Ceylon - Mannar - 0074291980	484,524	94,024
People's Bank- 1001-52536877	-	32,165
People's Bank-1001-32536878	-	30,375
People's Bank-1001-72536882	-	29,867
People's Bank-1001-52536881	-	30,669
People's Bank-1001-32536883	-	34,963
People's Bank-1001-6002189	-	71,076
People's Bank-1001-6002212	-	101,688
People's Bank-1001-6002235	-	30,652
People's Bank - Mannar - 044-1-001-2-0060585	897,492	583,832
People's Bank - Matara - 032-1-001-2-0000683	2,458,654	880,454
People's Bank - Anuradhapura - 008-1-001-2-0000683	1,016,170	1,143,857
Cash at bank NDTF 046-1001-30387266	-	679,402
Cash at Bank - NDTF 309-1001-72536876	5,964,218	1,381,827
People's Bank-Call deposit	13,000,000	17,000,000
Total	**26,503,642**	**26,452,490**

13. Sri Lanka Government Securities

	31.12.2018 LKR	31.12.2017 LKR Restated
Repo investment	261,990,685	914,710,911
Total	**261,990,685**	**914,710,911**

14. Placements with Banks

	31.12.2018 LKR	31.12.2017 LKR Restated
Fixed deposits - People's Bank	1,335,281,190	1,458,283,202
Fixed deposits - Bank of Ceylon	1,176,059,231	1,028,434,917
Fixed deposits - National Savings Bank	760,363,667	320,263,343
Fixed deposits - Regional Development Bank	976,758,066	1,098,491,673
Fixed deposits - HDFC	771,244,539	761,878,265
Fixed deposits - SMIB	260,000,000	-
Interest receivable	277,863,814	140,774,986
(-) Impairment on Financial Assets	(1,590,722)	-
Total	**5,555,979,786**	**4,808,126,386**

15. Financial assets at amortised cost - Loans and Advances

	31.12.2018 LKR	31.12.2017 LKR Restated
Gross loans and receivables	3,956,849,480	4,228,726,862
(Less): Impairment on Loan & Advances	(1,549,096,935)	(1,354,929,287)
Net loans and receivables	**2,407,752,545**	**2,873,797,575**

Yr 2018 Provision for Impairment based on the SLFRS 9 calculated by Independent Expert. In Yr 2017, Provision for Impairment based on the LKAS 39.

	Yr 2017 Amount (Rs.)
Impairment on Loans & Advances as per SLFRS 9	538,647,114
Impairment on Loans & Advances as per LKAS 39	319,537,832
Under Adjustments - Yr 2017	219,109,282

15.1. Analysis

	31.12.2018 LKR	31.12.2017 LKR Restated
By product		
Loans and advances		
Performing loans-NDTF	1,124,232,280	1,424,607,256
Performing loans - PSDB	3,747,867	8,351,848
Staff loans	32,775,478	19,188,620
Special loans-staff	1,763,015	2,160,809
Loans against deposit balances	3,262,089	13,658,661
Loans - Door to door	9,331,682	11,862,314
Loans against PSDB balances	2,002,000	2,216,000
Loans -Public and private employment	319,591,496	399,709,074
Loans - Individual & corporate Loans	131,238,677	141,364,480
Pawning advances	48,615,477	43,196,530
Loans - Vehicle loan	625,401	839,925
Praja Diriya Loans	39,983,701	85,432,385
Staff Housing Loans	82,372,804	76,891,555
Professional Loans	24,694,601	17,112,167
Overdue loans	35,699,808	34,321,243
Substandard loans	102,660,704	41,226,051
Doubtful loans	14,072,059	11,909,567
Loss category	260,563,072	245,794,779
PSDB loans	1,007,769,061	1,010,320,626
Loan receivable- Staff ledger PSDB	3,340,250	3,340,250
Rescheduled loans - PSDB	0	0
SLS Diriya	179,542,736	100,647,626
Swashakthi Loan	6,895,409	8,544,915
Jaya Isura Loan	52,471,775	9,093,173
Athwela Loan	1,372,384	2,000,000
Rivi Bala Savi Loan	994,265	-
Cash Back Loan	3,826,474	-
Ran Aswenna Loan	501,237	-
Lease receivable	247,526,689	296,448,751
Hire purchases receivable	266,127,895	218,488,259
Loan Control	10,520,001	8,767,853
Undisbursed loans	(10,520,000)	(8,767,853)
(-) Interest in suspense	(50,750,907)	
Net Total	**3,956,849,480**	**4,228,726,862**

15.1. Analysis

	31.12.2018 LKR	31.12.2017 LKR Restated
By industry		
Agriculture and fishing	732,814,000	1,019,665,450
Manufacturing	970,410,000	501,611,164
Tourism	69,134,000	41,689,667
Transport	73,653,000	104,016,867
Construction	-	388,932,422
Traders	731,625,000	527,176,745
New economy	12,340,000	4,185,000
Others	1,366,873,480	1,641,449,547
Gross total	**3,956,849,480**	**4,228,726,862**

15.2. Lease rental receivable

	31.12.2018 LKR	31.12.2017 LKR Restated
Lease rental receivable	232,345,817	260,046,794
Overdue loans	2,828,303	3,149,024
Substandard loans	1,462,759	6,152,173
Doubtful loans	1,865,050	3,691,179
Loss category	9,076,569	23,404,832
(Less) Unearned interest	(51,810)	4,749
Sub total	**247,526,689**	**296,448,751**

15.3. Hire purchase receivable

	31.12.2018 LKR	31.12.2017 LKR Restated
Hire purchase receivable	257,132,172	216,501,754
Overdue Loans	8,989,130	2,205,847
Substandard Loans	225,935	-
(Less) Unearned interest	(219,342)	(219,342)
Sub total	**266,127,895**	**218,488,259**

15.6. Movements in impairment during the Period Ended

	31.12.2018 LKR	31.12.2017 LKR Restated
Impairment		
Balance at the beginning of the period ended	1,354,929,287	1,413,877,007
Charge/ (write back) to income statement	(9,652,616)	15,820,467
Over / Under adjustments	219,109,280	(38,144,658)
Recoveries	(15,289,016)	(36,623,528)
Balance at the end of the year	**1,549,096,935**	**1,354,929,287**

16. Financial assets at amortised cost - Debt and Other Instruments

	31.12.2018 LKR	31.12.2017 LKR Restated
Debenture investments	87,369,168	87,533,628
Other investments	-	-
Total	**87,369,168**	**87,533,628**

16.1. Debenture investments

	31.12.2018 LKR	31.12.2017 LKR Restated
Debentures - PABC	85,972,000	85,972,000
Int Receivable - Debentures	1,561,628	1,561,628
(-) Impairment on Financial Assets	(164,460)	
Net Debenture investments	**87,369,168**	**87,533,628**

16.2. Other investments

	31.12.2018 LKR	31.12.2017 LKR Restated
Commercial papers	6,000,000	6,000,000
Asset Backed Trust Certificates	-	-
Other investments	165,594,500	165,594,500
(Less) Impairment chargers	(171,594,500)	(171,594,500)
Net Other Investments	**-**	**-**

17. Financial Investments-Available for Sale

	31.12.2018 LKR	31.12.2017 LKR Restated
Equity securities	199,471,581	209,446,386
(Less) Impairment chargers	(42,476,184)	(42,476,184)
Net Available-for-sale Investments	**156,995,397**	**166,970,202**

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.

17.1. Quoted equity security

Investment company	No of shares	As at 31.12.2018 Cost of shares LKR	Market Value LKR	No of shares	As at 31.12.2017 Cost of shares LKR	Market Value LKR
National Development Bank	14,825	970,956	1,583,310	14,326	970,956	1,954,066
Commercial Bank Limited	209	7,135	24,035	207	7,135	28,111
Lanka Orix Leasing Company	200	855	17,980	200	855	23,020
Sampath Bank Limited	3,379	83,221	794,065	3,216	83,221	1,015,291
Watawala Plantation	4,000	20,288	76,400	4,000	20,288	110,800
Trans Asia Hotel	4,000	34,983	351,200	4,000	34,983	356,000
Lanka Ceramic PLC	917	23,536	120,035	917	23,536	137,550
Lanka Walltile PLC	117	2,073	8,307	117	2,073	11,630
Kelani Valley Plantation	5,500	198,121	548,350	5,500	198,121	497,200
Hapugastenna Plantation	100	2,666	1,630	100	2,666	3,000
Aitken Spence	18,000	160,364	860,400	18,000	160,364	982,800
Pan Asia Bank Limited	10,298,499	96,012,455	152,417,785	10,298,499	96,012,455	161,686,434
Hatton Plantations PLC	4,000	-	27,600			
	10,353,746	**97,516,653**	**156,831,098**	**10,349,082**	**97,516,653**	**166,805,902**

17.2. Unquoted Equity Securities

Investment company	No of shares	As at 31.12.2018 Cost of shares LKR	Management Valuation LKR	No of shares	As at 31.12.2017 Cost of shares LKR	Management Valuation LKR
Pramuka Merchant Corporation	500000	5,000,000		500000	5,000,000	-
Prime Development & Constructions	230000	2,300,000	-	230000	2,300,000	-
Janashkthi Life	2500000	25,000,000	-	2500000	25,000,000	-
Janashkthi Holding	1000000	10,000,000	-	1000000	10,000,000	-
CRIB	1643	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.

17.3. Movements in impairment during the Year

	31.12.2018 LKR	31.12.2017 LKR Restated
Balance at the beginning of the year	42,476,184	42,476,184
Charge/ (write back) to income statement		
Balance at the end of the year	**42,476,184**	**42,476,184**

18. Property, Plant and Equipment

	31.12.2018 LKR	31.12.2017 LKR Restated
Cost	421,867,195	420,656,885
Accumulated depreciation	(127,260,141)	(112,425,671)
	294,607,054	**308,231,214**

18.1. Property, Plant and Equipment

	Land LKR	Building LKR	Motor Vehicles LKR	Computer Equipments LKR	Office Equipments LKR	Telephone Equipments LKR	Furniture & Fittings LKR	Total LKR
Cost/fair value								
Balance at the beginning of the year 2017	**282,200,000**	**4,320,000**	**48,790,057**	**37,304,512**	**28,203,895**	**702,644**	**19,865,243**	**421,386,352**
Additions		-	-	2,960,226	164,660	487,857	206,661	3,819,404
Disposals			(4,548,871)					(4,548,871)
Revaluation gain								-
Transfers during the year								-
Balance at the end of the year 2017	**282,200,000**	**4,320,000**	**44,241,186**	**40,264,739**	**28,368,555**	**1,190,501**	**20,071,904**	**420,656,885**
Balance at the beginning of the year 2018	**282,200,000**	**4,320,000**	**44,241,186**	**40,264,739**	**28,368,555**	**1,190,501**	**20,071,904**	**420,656,885**
Additions		-		60,450	754,324	-	395,537	1,210,310
Disposals			-					-
Revaluation gain			-					-
Transfers								-
Balance at the end of the year 2018	**282,200,000**	**4,320,000**	**44,241,186**	**40,325,189**	**29,122,879**	**1,190,501**	**20,467,441**	**421,867,195**
Accumulated depreciation								
Balance at the beginning of the year 2017		**1,998,000**	**41,438,004**	**24,551,804**	**17,596,328**	**369,452**	**14,347,329**	**100,300,917**
Charge for the year		216,000	(885,833)	5,855,894	4,271,914	137,760	2,529,300	12,125,034
Over / Under Depreciation adjustments			(280)					(280)
Revaluation Adjustment								-
Disposals	-							-
Balance at the end of the year 2017		**2,214,000**	**40,551,892**	**30,407,698**	**21,868,242**	**507,212**	**16,876,629**	**112,425,671**
Balance at the beginning of the year 2018	**-**	**2,214,000**	**40,551,892**	**30,407,698**	**21,868,242**	**507,212**	16,876,629	112,425,671
Charge for the year		216,000	3,232,837	5,506,002	3,804,903	184,080	1,890,647	14,834,470
Over / Under Depreciation adjustments								-
Revaluation Adjustment								-
Disposals			-					-
Balance at the end of the year 2018	**-**	**2,430,000**	**43,784,729**	**35,913,699**	**25,673,145**	**691,292**	**18,767,276**	**127,260,141**
Net book value at 31.12.2018	**282,200,000**	**1,890,000**	**456,457**	**4,411,490**	**3,449,734**	**499,209**	**1,700,165**	**294,607,054**
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**

18.1. Property, Plant and Equipment

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 14 motor vehicle amounting Rs.23,164,696 fully depreciated as of 31/12/2018 but still in use.

There are 176 Computer Equipment items amounting Rs.18,445,882 fully depreciated as of 31/12/2018 but still in use.

There are 49 Telephone Equipment items amounting Rs.270,099 fully depreciated as of 31/12/2018 but still in use.

There are 152 Furniture & Fittings items amounting Rs.8,157,894 fully depreciated as of 31/12/2018 but still in use.

There are 86 Re-Furbishments items amounting Rs.5,029,542 fully depreciated as of 31/12/2018 but still in use.

There are 80 Office Equipments items amounting Rs.6,256,028 fully depreciated as of 31/12/2018 but still in use.

There are 95 Other Assets items amounting Rs.4,345,533 fully depreciated as of 31/12/2018 but still in use.

19. Intangible assets

	31.12.2018 LKR	31.12.2017 LKR Restated
Computer Software and Licenses	1,348,750	2,212,917
Sub total	**1,348,750**	**2,212,917**

19.1. Computer Software and Licenses.

	31.12.2018 LKR	31.12.2017 LKR Restated
Cost		
Opening balance	9,830,000	7,460,000
Addition	550,000	2,370,000
Closing balance	**10,380,000**	**9,830,000**
Accumulated Depreciation		
Opening balance	7,617,083	7,460,000
Charge for the year	1,414,167	157,083
Closing balance	**9,031,250**	**7,617,083**
Net book value as at the year	**1,348,750**	**2,212,917**

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.

20. Investment Properties

	31.12.2018 LKR	31.12.2017 LKR Restated
Land		
Cost		
Balance at the beginning of the year	316,095,204	316,095,204
Addition	-	-
Revaluation Gain	-	-
Transfers from / to	-	-
Balance at the end of the year	**316,095,204**	**316,095,204**
Building		
Cost		
Balance at the beginning of the year	17,219,796	17,219,796
Revaluation Gain	-	-
Transfers (from Investment - Land)	-	-
Balance at the end of the year	**17,219,796**	**17,219,796**
Accumulated depreciation		
Balance at the beginning of the year	-	-
Prior Year adjustments	-	-
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.

21.0 Other Assets

	31.12.2018 LKR	31.12.2017 LKR Restated
Assets vested from PSDB	20,927,666	21,134,339
Receivables	30,334,848	2,979,269
Advances	2,619,500	348,701
Refundable deposits	673,551	153,551
Other advance	1,125,668	552,258
Sundry debtors	11,739	32,451
Inventory	2,388,544	3,624,595
Deposits & prepayments	4,999,428	2,579,942
Total	**63,080,944**	**31,405,107**
Less: Impairment charges	(18,112,530)	(18,163,159)
Total	**44,968,414**	**13,241,947**
Other Assets vested from PSDB		
Advance payment	188,680	344,724
Discount paid in advance	13,640,786	13,691,416
Deposit fund on behalf of PSDB L/T Case	7,098,200	7,098,200
Total	**20,927,666**	**21,134,339**

22. Due to other Banks

	31.12.2018 LKR	31.12.2017 LKR Restated
People's Bank - Borella No. 1 (078-1-001-5-8517396)	-	1,215,666
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)	-	3,974,019
Total	**-**	**5,189,685**

23. Due to Other Customers

	31.12.2018 LKR	31.12.2017 LKR Restated
Total amount due to other customers	1,088,554,732	1,077,384,577
Total	**1,088,554,732**	**1,077,384,577**

23.1. Analysis

	31.12.2018 LKR	31.12.2017 LKR Restated
By product		
Normal savings	204,646,489	228,240,490
Normal savings Co-Operative	35,883,482	46,652,850
Minor savings	14,195,007	15,270,056
Ladies savings	6,340,772	4,627,844
Senior citizen's savings	4,391,073	5,635,509
Normal savings - staff	4,225,402	3,862,580
Door to door savings	6,659,425	7,596,009
Fixed deposits	517,337,600	475,473,263
Sls Thilina	2,758,520	2,014,476
Pramuka Savings and Development bank - deposits	291,373,542	287,301,620
Janasewana Swashakthi minor savings	742,740	709,225
Janasewana Swashakthi ordinary savings	679	654
Sub Total	**1,088,554,732**	**1,077,384,577**

24. Debentures and other borrowings

	31.12.2018 LKR	31.12.2017 LKR Restated
Debentures	270,896,037	774,513,533
Other borrowings	1,375,312,982	1,382,568,409
Total	**1,646,209,018**	**2,157,081,942**

24.1. Debentures

	31.12.2018 LKR	31.12.2017 LKR Restated
Unsecured Subordinate Debentures	92,200	327,744,200
Unsecured Subordinate Debentures pending allotment	193,367,110	225,371,510
Interest payable	77,436,727	221,397,823
Sub Total	**270,896,037**	**774,513,533**

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 matured on 03/12/2017. further upto now 85% of the debentures has been settled.

24.2. Other borrowings

	31.12.2018 LKR	31.12.2017 LKR Restated
PSDB - Borrowing	35,626,533	38,465,988
NDTF Loan GOSL-IDA credit	-	(1)
NDTF Loan GOSL-KFW loan	-	9,607,640
Micro finance loans to ADB	1,330,132,282	1,330,132,282
Payable-Refinance Loan Swashakthi (CBSL)	8,220,833	4,362,500
Payable- Refinance Loan Athwela (CBSL)	1,333,333	-
Sub Total	**1,375,312,982**	**1,382,568,409**

25. Other liabilities

	31.12.2018 LKR	31.12.2017 LKR Restated
Interest payable	66,497,937	64,615,121
Payable -expense creditors	937,316,665	800,297,016
PSDB liabilities	30,103,907	27,365,512
Inter branch accounts	(862,537)	(907,101)
Sundry creditors	1,177,642	1,152,863
Retirement benefit obligation	19,568,761	16,601,901
Total	**1,053,802,376**	**909,125,311**

25.1. Interest Payable

	31.12.2018 LKR	31.12.2017 LKR Restated
Interest payable - Investors	66,497,937	64,615,121
Sub Total	**66,497,937**	**64,615,121**

25.2. Payable -Expense Creditors

	31.12.2018 LKR	31.12.2017 LKR Restated
Accrued expenses	849,205,020	743,151,028
Other payables	88,111,645	57,145,988
Sub Total	**937,316,665**	**800,297,016**

25.3. PSDB liabilities

	31.12.2018 LKR	31.12.2017 LKR Restated
Margin account loans	23,005,707	20,267,312
Provision for PSDB LT case	7,098,200	7,098,200
Sub Total	**30,103,907**	**27,365,512**

25.4. Interbranch accounts

	31.12.2018 LKR	31.12.2017 LKR Restated
Borella branch	(99,374,180)	(99,374,180)
PSDB current account	369,765,153	381,972,404
SLSB current account	207,995,367	593,952,398
Matara current account	(267,453,200)	(263,341,981)
National Development Trust Fund current account	(76,366,952)	(381,098,362)
Branch Account - Anuradhapura	(182,649,266)	(239,454,491)
Branch Account - Mannar	48,945,616	8,251,313
Inter branch - Loan	-	-
Sub Total	**862,537**	**907,101**

25.5. Sundry creditors

	31.12.2018 LKR	31.12.2017 LKR Restated
WW/OP Contribution collected from employees	35,109	35,109
Staff security deposit	208,500	208,500
Staff critical illness fund	666,998	559,298
Payable - CRIB charges	31,965	27,385
Payable VAT leasing	18,070	111,759
Payable-Deposit Insurance	217,000	210,812
Sub Total	**1,177,642**	**1,152,863**

25.6. Retirement benefit obligation

	31.12.2018 LKR	31.12.2017 LKR Restated
Balance at the beginning of the year	16,601,901	12,376,710
Add: Gratuity charge for the period	4,559,686	3,965,971
(Gain)/loss arising from changes in actuarial assumptions	(869,967)	581,106
Less: Payments made/Payable during the year	(722,858)	(321,886)
Balance at the end of the year	**19,568,761**	**16,601,901**

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

	31.12.2018 LKR	31.12.2017 LKR Restated
Retirement age	55	55
Rate of interest	0.11	0.11
Salary increment	0.30	0.30
Mortality Table	A67/70	A67/70

26. Stated Capital/Assigned Capital

	31.12.2018 LKR	31.12.2017 LKR Restated
Ordinary shares	820,446,400	820,445,900
Ordinary shares application	200	700
Capital pending allotment	2,984,843,702	2,984,843,702
Total	**3,805,290,302**	**3,805,290,302**

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.

27. Statutory Reserve Fund

	31.12.2018 LKR	31.12.2017 LKR Restated
Balance at the beginning of the year	200,043,210	169,856,235
Transfer during the period	17,563,307	30,186,975
Balance at the end of the year	**217,606,517**	**200,043,210**

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 period 2018, the bank has transferred sum equal to 5% of the Net Profits for the year ended 31st December 2018 to Reserve Fund.

28. Retained Earnings

	31.12.2018 LKR	31.12.2017 LKR Restated
Balance at the beginning of the year as previously stated	**3,013,894,242**	**2,760,376,149**
Prior Year adjustments	(259,513,899)	(320,083,100)
Profit for the year- restated	351,266,136	604,369,273
Actual gain on defined benefit plan	869,967	(581,106)
Transferred to statutory reserve fund	(17,563,307)	(30,186,975)
Dividend paid to the shareholders	(86,000,000)	-
Balance at the end of the year	**3,002,953,139**	**3,013,894,242**
Breakup of the Prior Year Adjustments		
Impairment on loans & advances as per SLFRS 9 - Day 1 Impact	(219,109,282)	-
Impairment on Financial assets as per SLFRS 09 - Day 1 Impact	(2,298,937)	-
Interest in Suspense	(47,564,237)	-
Impairment on loans & advances as per LKAS 39	-	(70,282,640)
Other Adjustments	9,458,556	(253,873,129)
Restated - other adjustments	-	4,072,670
	(259,513,899)	**(320,083,100)**

29. Other Reserves

	Balance at the beginning of the year as at 01.01.2018 LKR	Movement/ transfers LKR	Balance at the end of the year 31.12.2018 LKR
Available-for-sale reserve	69,289,249	(9,974,805)	59,314,444
Revenue deficit before vesting	(2,166,190,408)	-	(2,166,190,408)
Revaluation reserve	468,021,489	-	468,021,489
Total	**(1,628,879,669)**	**(9,974,805)**	**(1,638,854,474)**

"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.

30. 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".

30.1 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

	2018.12.31	2017.12.31
Short Term Employment benefits	27,910,766	24,330,983
Post employment benefits	-	-
	27,910,766	**24,330,983**
Directors Emoluments -Sitting Allowances	2,588,865	3,015,500
Directors Emoluments -Fixed Allowances	1,317,836	1,595,000
Remuneration of Corporate Management	24,004,066	19,720,483
	27,910,766	**24,330,983**

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.

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

Items in the Statement of financial Positions	2018.12.31	2017.12.31
Assets		
Loan and receivables	20,178,297	22,736,863
Total	**20,178,297**	**22,736,863**
Liabilities		
Deposit (FD's/Savings)	794,525	2,064,319
Total	**794,525**	**2,064,319**

(iv) 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 Gunrantor	
Other Loans	933,277	Personal Gunrantor	
Total	**22,736,863**		**12.50**

Type of Loan	Balance as at 31 Dec.2018 (Rs)	Security Details as at 31 Dec. 2018 Security Details	Value (Rs.Mn)
Staff Housing Loans /Staff Loan	14,818,080	Land	12.50
Staff Vehicle Loans /Leasing /HP	4,527,461	Personal Gunrantor	
Other Loans	832,756	Personal Gunrantor	
Total	**20,178,297**		**12.50**

31 Capital Commitments

The Bank has paid Rs.86 million to Secretary to the Treasury as Dividend Payment.

32 Contingent Liabilities

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

33 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 Non-Cash Items Included in Profit Before Tax

	31.12.2018 LKR	31.12.2017 LKR
Depreciation of Property, Plant and Equipment	14,834,470	16,673,905
(Gain)/loss of disposal of property, plant and equipment	-	(5,355,999)
Depreciation of Intangible assets	1,414,167	157,083
Impairment of loans and receivables	(9,652,616)	15,820,467
Charge for defined benefit plans	869,967	(581,106)
Fair value changes	(9,974,805)	(23,854,549)
Restated Property, plant and equipment	-	(280)
Total	**(2,508,818)**	**2,859,521**

Non-Cash items are the item 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 Change in Operating Assets

	31.12.2018 LKR	31.12.2017 LKR
Sri Lanka Government securities	652,720,226	(514,742,873)
Loans and receivables from bank	(747,853,400)	628,209,768
Loans and Advances	475,697,646	(220,955,686)
Debt and Other Instruments	164,460	-
Financial investments - Available-for-sale	9,974,805	23,854,549
Current tax assets	-	-
Other assets	(31,726,467)	221,374,666
Total	**358,977,270**	**137,740,424**

36 Change in Operating Liabilities

	31.12.2018 LKR	31.12.2017 LKR
Due to other customers	11,170,155	160,694,764
Debt securities issued and other borrowings	(510,872,924)	(1,001,994,364)
Other liabilities	144,677,065	83,991,641
Total	**(355,025,704)**	**(757,307,960)**

37 Cash and Cash Equivalent

	31.12.2018 LKR	31.12.2017 LKR
Cash in hand and cash at bank	31,234,810	30,989,820
Due to bank	-	(5,189,685)
Total	**31,234,810**	**25,800,135**

SRI LANKA SAVINGS BANK LIMITED

FINAL ACCOUNTS YR 2018

DETAILED NOTES TO THE FINANCIAL STATEMENTS

		31.12.2018 LKR	31.12.2017 LKR Restated
D1. Receivables			
Cash Shortage pending settlement	D1.1	48,498	282,820
Receivable-CRIB charges	D1.3	37,767	37,992
Receivable - WHT	D1.7	10,422,306	-
Insurance Receivable	D1.8	480,257	795,430
Loan-termination proceed receivable	D1.9	690,209	690,420
Documentation chargers receivables	D1.10	4,477	5,962
Leasing- Seizing Charges Receivable	D1.12	90,090	60,000
Processing charges receivable	D1.15	22,000	22,000
Inspection charges receivable	D1.16	66,949	66,949
Stamp Duty - Receivable	D1.20	1,999,000	-
Receivable -Senior Citizen FD - Subsidy	D1.21	1,351,917	727,696
Receivable-Staff Bonus Advance	D1.23	20,000	30,000
Receivable- Loan Grant Swashakthi Loan	D1.24	390,000	260,000
ESC - Receivable	D1.25	14,711,378	-
Total		**30,334,848**	**2,979,269**

		31.12.2018 LKR	31.12.2017 LKR Restated
D2. Advances			
Festival advance	D2.2	339,500	348,701
Advance on rent	D2.5	2,280,000	-
Total		**2,619,500**	**348,701**

		31.12.2018 LKR	31.12.2017 LKR Restated
D3. Accrued Expenses			
EPF	D3.1	1,289,694	1,193,148
ETF	D3.2	193,454	178,972
PAYE Tax	D3.3	93,153	312,720
Water	D3.4	60,503	57,300
Security expenses	D3.5	1,677,000	1,688,500
Electricity expenses	D3.6	411,275	423,585
Building up keep	D3.7	276,000	360,538
Telephone general	D3.8	75,398	116,600
Email & internet	D3.9	462,614	467,772
Telephone mobile	D3.10	147,000	141,000
Stamp duty	D3.11	601,851	816,652
Postage and Telegrams	D3.12	9,746	5,659
W H Tax	D3.13	370,315	166,310
Payable-bonus	D3.16	4,626,242	-
Payable-Out of Pocket	D3.17	750,097	-
Payable-Overtime Expenses	D3.18	866,539	-
Payable-sub &Lodging	D3.19	244,186	-
Economic service charges	D3.20	1,546,647	2,367,216
Audit fees	D3.21	1,000,313	1,000,313
Suppliers	D3.22	2,607,049	366,627
Financial services VAT	D3.23	170,933,637	243,864,403
NBT	D3.24	6,560,508	8,625,152
Payable - Income Tax	D3.25	324,955,124	189,438,942
Tax Payable - Penalty	D3.25a	322,310,063	289,062,920
News papers & periodicals	D3.26	6,140	1,000
Valuation charges payable	D3.27	83,150	67,550
Insurance	D3.28	181,072	271,128
CRIB charges	D3.30	474,596	692,994
Saving standing order control account	D3.32	(46,360)	(78,360)
Payable-National Insurance Trust Fund Levy	D3.33	1,520,000	1,542,386
Payable-Debt Repayment Levy	D3.36	4,918,013	-
Sub Total		**849,205,020**	**743,151,028**

		31.12.2018 LKR	31.12.2017 LKR Restated
D4. Other Payables			
Unidentified deposits	D4.1	308,150	308,150
Suspense customers	D4.3	228,619	228,619
Other accrued expenses	D4.4	1,829,351	974,662
Suspense account clearing	D4.5	2,355,335	5,630,343
Cheque control -Savings	D4.24	(1,597,627)	(1,597,627)
Suspense account creditors	D4.6	66,550	113,325
Suspense account migration creditors	D4.7	5,575	5,575
Creditors for Leasing & HP equipment	D4.8	7,827,625	1,687,997
Cash excess - pending settlement	D4.10	61	-
Error Correction-Savings accounts	D4.12	1,975,556	2,053,871
Payable-pension fund	D4.13	1,765,404	1,765,404
Receivable - Staff	D4.16	268,978	268,978
Receivable-CRIB charges personal loans	D4.18	32,650	32,650
Provision for contingencies	D4.21	37,032,798	37,032,798
Provision for Salaries as per collective agreement	D4.23	26,818,005	-
Control Acc for Loan-Savings	D4.25	1,438,493	1,166,757
FD Suspense	D4.28	(202,815)	(202,815)
Pre-mature Suspense-FD	D4.29	63,392	464,087
Maturity Capital Suspense Account-FD	D4.30	91,373	(38,202)
Termination Overpayment - Mf	D4.33	3,436,387	3,252,857
Suspense Ac unidentified Bank Deposit	D4.34	4,213,011	3,970,403
Loan Control accounts	D4.35	96,423	28,155
Loan Security Fund-Praja Diriya Loan	D4.36	58,350	-
Sub Total		**88,111,645**	**57,145,988**

SRI LANKA SAVINGS BANK LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWELTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE SRI LANKA SAVINGS BANK LIMITED WILL BE HELD ON ………………………… 2020 AT NO. 265, WARD PLACE, COLOMBO 07, AT ………..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 2018 and the Report of the Auditors thereon.

2. To re appoint Auditor General as the Auditors for the year ended 31st December 2019

By Order of the Board,

Ramya Piyasekara
Company Secretary
Colombo

…………….2020

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. K.G.P.Pushpakumara	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
Mr. P.H.A.S. Wijayarathne	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 ....2020 and at any adjournment thereof.

Signed this ....the day of ....2020.

		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 this .... day of ....Two Thousand Twenty.

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 2012-2018

	2012 Rs.000'	2013 Rs.000'	2014 Rs.000'	2015 Rs.000'	2016 Rs.000'	2017 Rs.000'	2018 Rs.000'
Operating Results							
Gross Income	759,905	1,017,512	796,399	746,195	980,754	1,093,386	1,041,065
Interest Income	742,457	996,420	710,502	676,169	924,924	1,039,799	1,019,059
Interest Expenses	(138,840)	(141,289)	(183,376)	(147,622)	(140,792)	(143,526)	(94,080)
Net Interest Income	603,617	855,131	527,125	528,546	784,132	896,273	924,980
Other Income	15,586	19,810	84,050	66,766	50,868	49,298	19,444
Operating Expenses ,Loan Provisions and VAT	(19,813)	(318,228)	(337,235)	(153,661)	(221,385)	(332,651)	(446,784)
Profit before tax	594,579	551,140	267,686	432,283	599,700	604,369	488,106
Income tax	(71,042)	12,088	(32,831)	N/A	N/A	N/A	(136,840)
Profit after tax	523,538	563,229	234,855	432,283	599,700	604,369	351,266
Assets							
Cash and Short-term Funds	14,212	109,981	17,059	40,462	58,816	30,990	31,235
Loans and Investment	6,699,068	7,536,786	8,233,984	8,271,244	8,735,368	8,851,139	8,470,088
Property, Plant and Equipment/ Intangible Assets	201,177	203,407	206,322	670,366	654,400	643,759	629,271
Other Assets	470,643	161,186	222,473	192,617	234,617	13,242	44,968
Total	**7,385,100**	**8,011,361**	**8,679,838**	**9,174,689**	**9,683,201**	**9,539,130**	**9,175,562**
Liabilities and Shareholder's Funds							
Total Deposits	488,184	749,211	1,192,188	907,707	916,690	1,077,385	1,088,555
Borrowings	2,889,223	3,083,641	3,111,104	3,123,339	3,159,076	2,157,082	1,646,209
Other Liabilities	634,210	345,172	363,094	799,819	838,937	914,315	1,053,802
Shareholder's funds	3,373,482	3,833,337	4,013,451	4,343,824	4,768,498	5,390,348	5,386,995
Total	**7,385,100**	**8,011,361**	**8,679,838**	**9,174,689**	**9,683,201**	**9,539,130**	**9,175,562**

	2012	2013	2014	2015	2016	2017	2018
Performance Ratio's							
Return on Average Assets	8%	7%	3%	5%	6%	6%	5%
Return on Average Equity	17%	16%	6%	10%	13%	12%	7%
Net Interest Margin	9%	12%	7%	7%	9%	10%	11%
Loans to Deposits	518%	429%	248%	384%	422%	392%	363%
Cost to Income	17%	17%	26%	32%	24%	23%	35%
NPL (gross)	56%	47%	55%	43%	37%	33%	37%
NPL (net)	7%	5%	12%	8%	7%	6%	0
Income Growth	24%	25%	-28%	-7%	24%	10%	-5%
Deposit Growth	-12%	35%	37%	-31%	1%	15%	1%
*Note: SLFRS 9 Applied on Yr 2018 Loan Provision							
Shareholder Ratio's (Rs.)							
Earnings per Share	114	123	51	94	131	132	43
Net Assets per Share	735.85	836.16	875.45	947.51	1,040.14	1,175.79	656.59
Other Information							
Number of Employees	72	73	96	106	123	116	109
Number of Branches	1	4	4	4	4	4	4
Profit Per Employee (Rs.Mn)	8.26	7.55	2.79	4.08	4.88	5.21	4.48
Number of Shares	4,584,466	4,584,466	4,584,466	4,584,466	4,584,466	4,584,466	8,204,466