



At the helm of
TRUST



**ANNUAL
REPORT
2019**
SRI LANKA
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

CREDIT RATING

"(SL) BBB -" Credit Rating by ICRA Lanka Limited

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 (CILT)
Notary Public, Commissioner for Oaths.

AUDITORS

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

BANKERS

Bank of Ceylon
People's Bank

BOARD OF DIRECTORS

Ms. Keasila Jayawardena - Chairperson
Mr. Sunil Galagama - Treasury Representative
Mr. Hemantha Gamage
Mr. Prasad Imbulagoda
Brigadier (Dr.)Thiran De Silva Rtd.
Mr. Jayantha Perera
Mr. Janaka Arunashantha

DIRECTORS SERVED DURING THE YEAR 2019

Up to 11-10-2019

Mr. P. Srilal Dayananda, Chairman
Mr. P.B.S.C. Nonis-Treasury Representative-up to February 2019
Mr. Pradeep Pushpakumara-Treasury Representative-From Feb 2019
Mr. Sunil Witharanage
Mr. Priyanka Dheerasinghe
Mr. R.M.C. Rathnayake
Mr. C.V.J. Arambewela
Mr. P.H.A.S. Wijayarathne

From 11-10-2019

Mr. H.N.J. Chandrasekara-Chairman
Mr. A.M.P. Rajakaruna
Mr. U.G.R. Ariyaratne
Mr. P. Algama-Treasury Representative
Mr. A.N. Pathirana
Mr. M.N. Nizar
Mr. S.D.N. Perera

OUR VISION

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

OUR MISSION

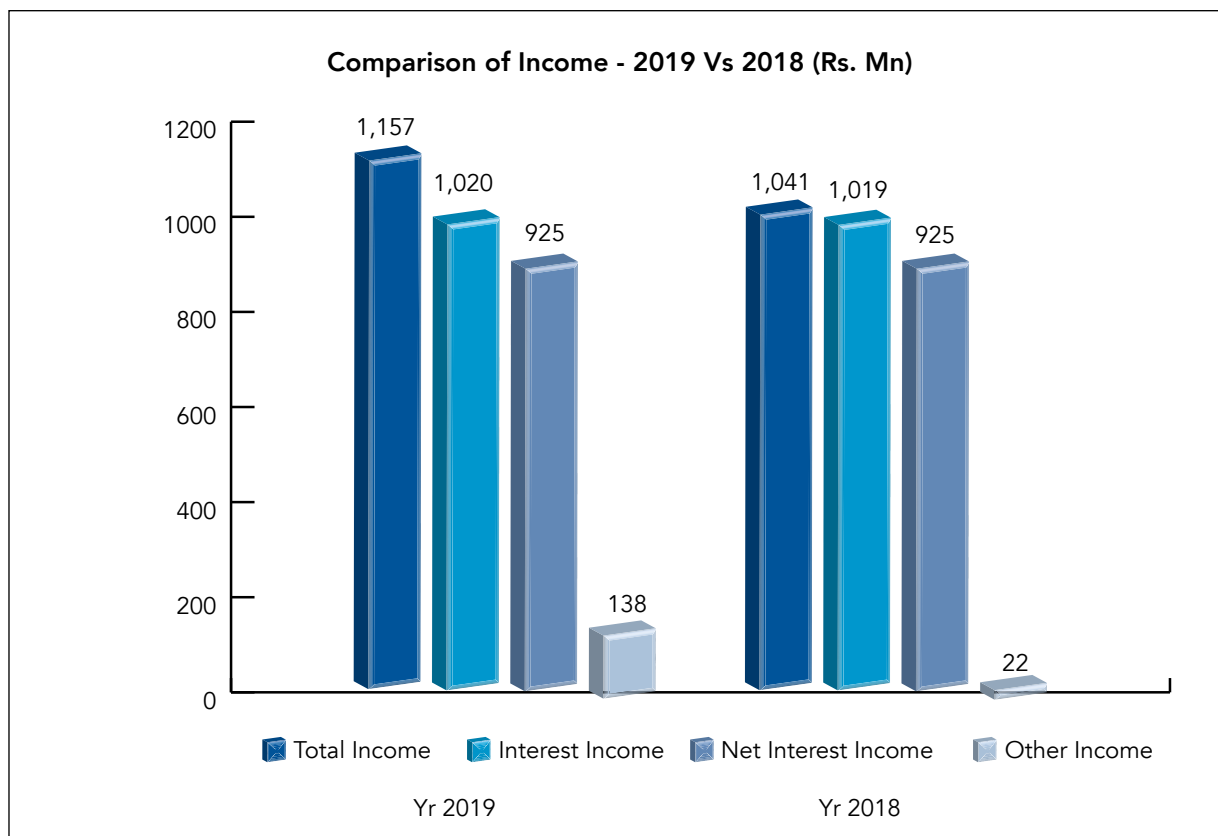
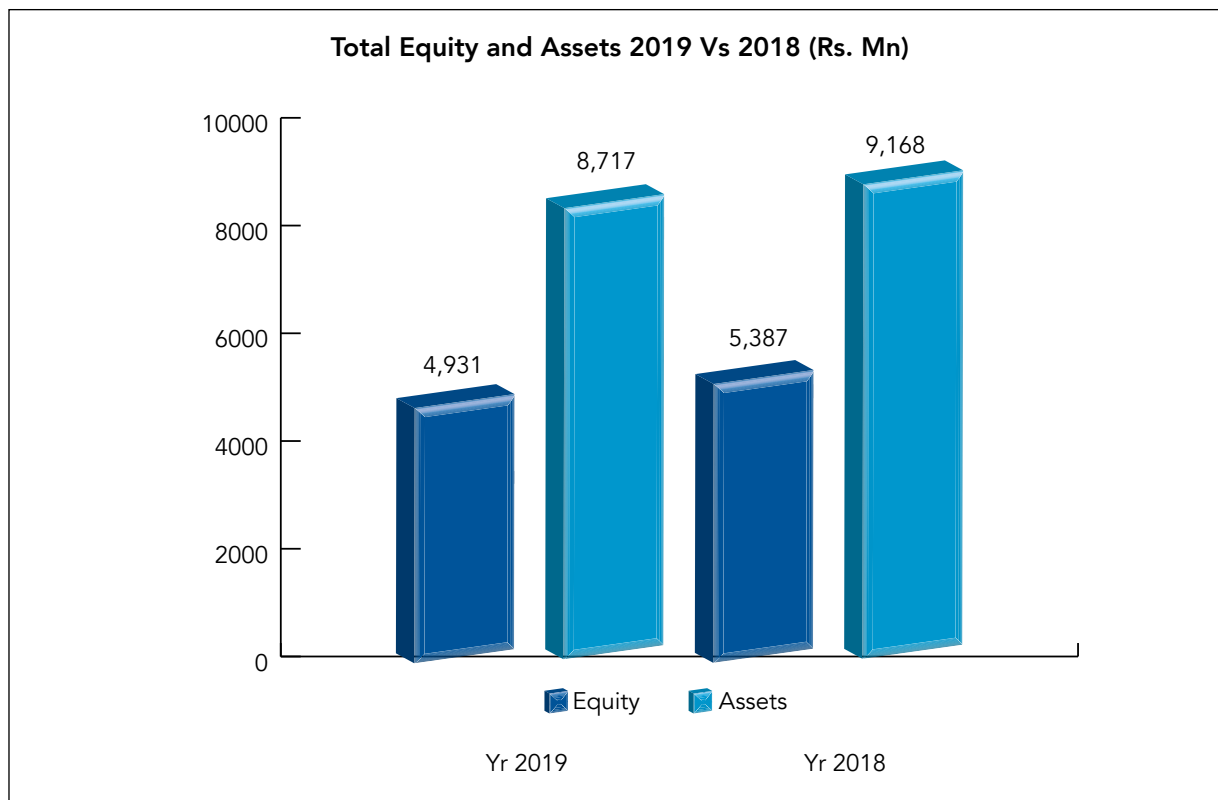
Uphold of savings habits & facilitating of the microfinance & SME network to ensure the most reliable & the most preferred financial service for income generating, micro entrepreneurship & SME business activities in Sri Lanka.

OUR VALUES

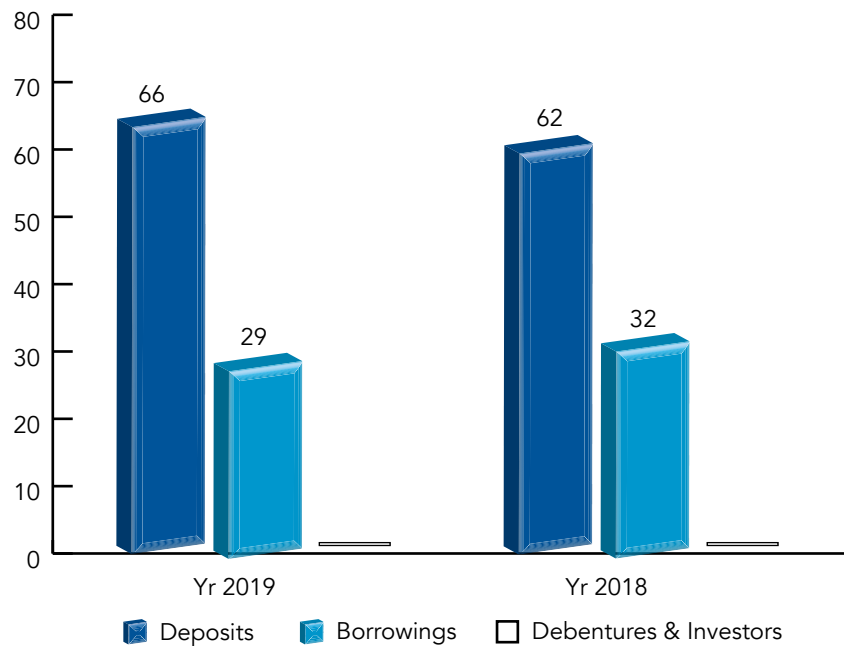
In conducting our services we will uphold expected norms and ethics while being committed to:

- Professionalism
- Integrity
- Efficiency
- Trust
- Openness
- Social Responsibility

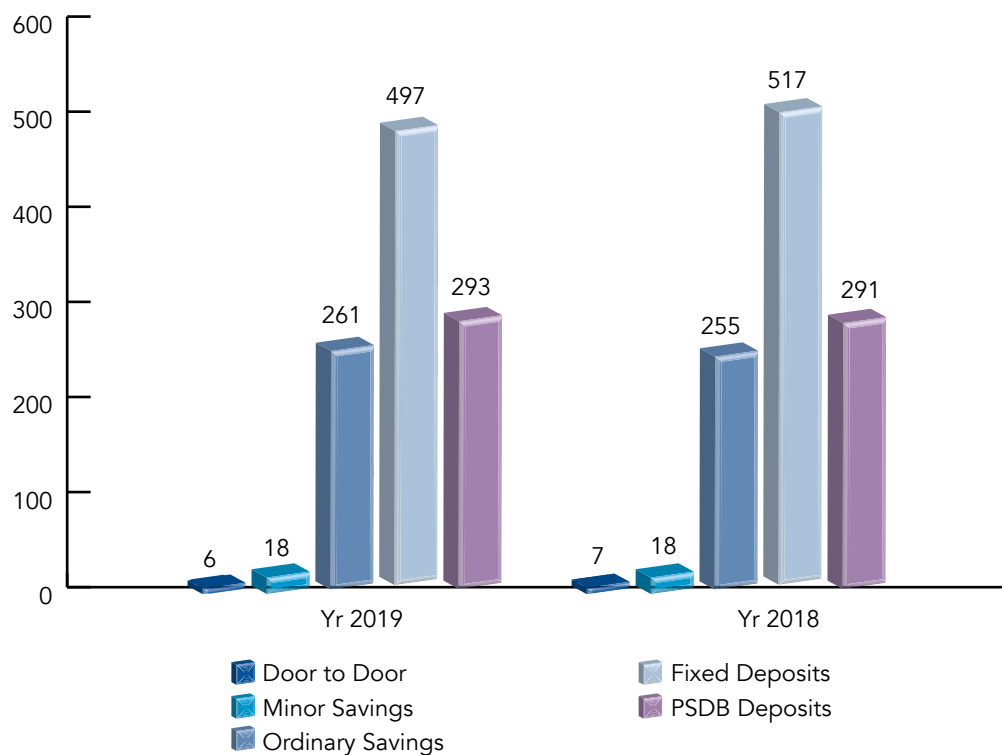
FINANCIAL HIGHLIGHTS

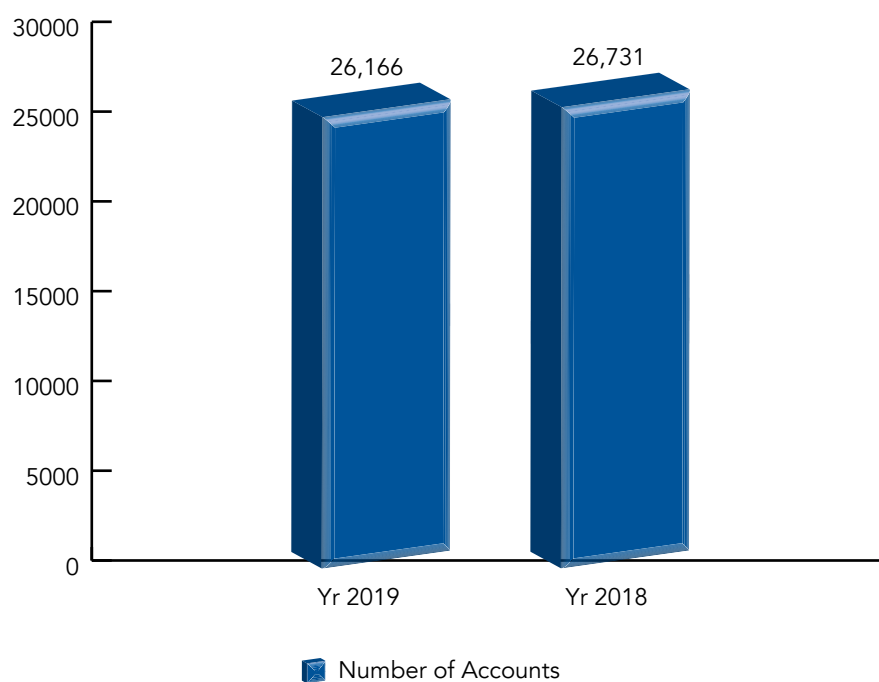
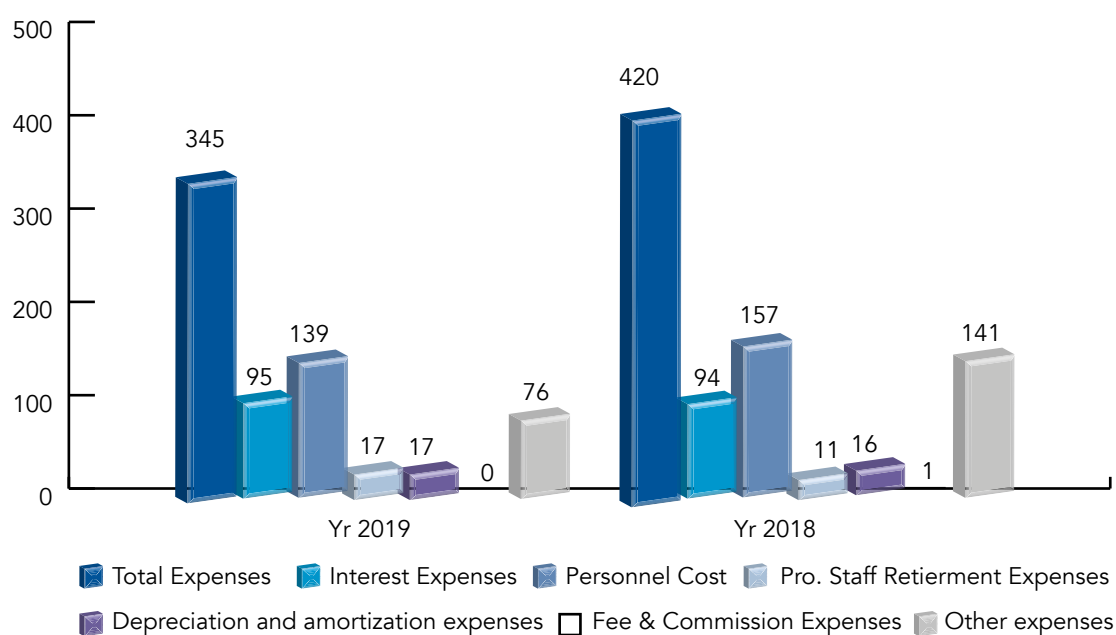


Interest Expenses - 2019 Vs 2018 (Rs. Mn)

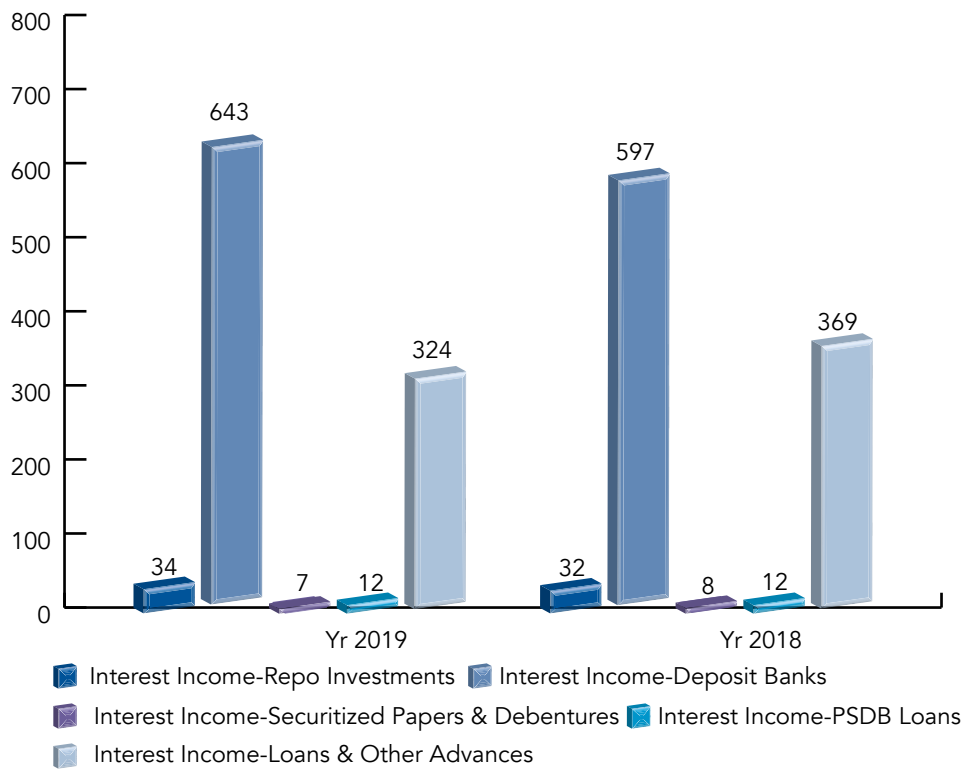


Deposit Comparison 2019 Vs 2018 (Rs. Mn)

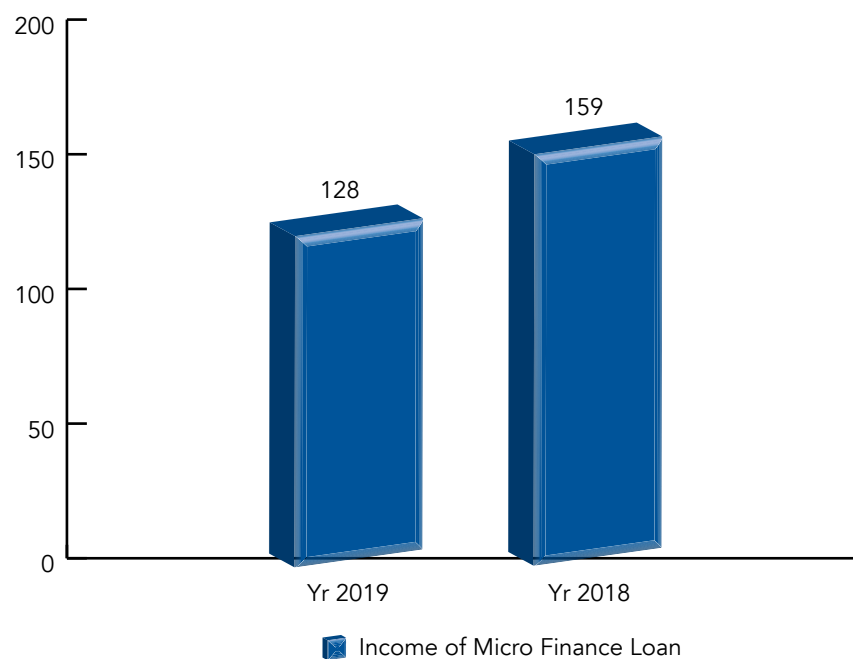


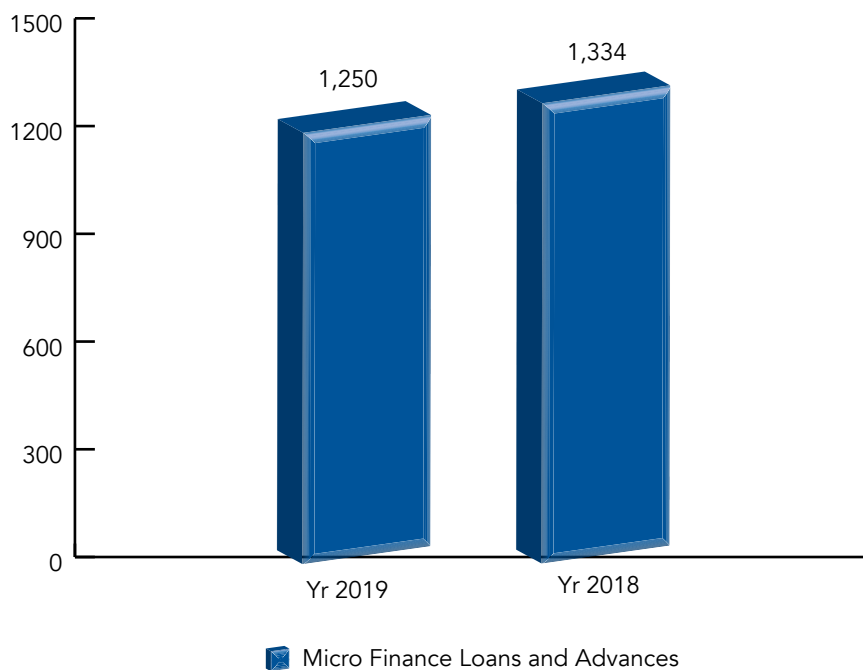
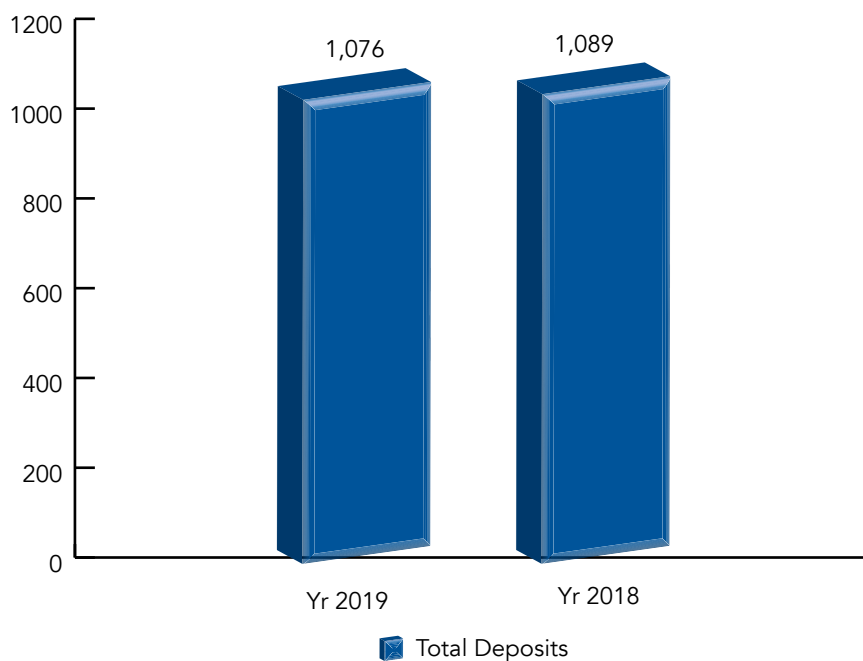
Number of Savings Accounts Comparison - 2019 Vs 2018

Comparison of Expenses - 2019 Vs 2018 (Rs. Mn)


Interest Income - 2019 Vs 2018 (Rs. Mn)



Micro Finance Interest Income Comparison - 2019 Vs 2018 (Rs. Mn)



Micro Finance Loans and Advances - 2019 Vs 2018 (Rs. Mn)**Total Deposits - 2019 Vs 2018 (Rs. Mn)**



CHAIRPERSON'S MESSAGE

2019 was a momentous year for the Sri Lanka Savings Bank Ltd (SLSB). We continued to focus on the implementation of our strategic commitments, while rolling out an acquisition by National Savings Bank (NSB), amidst the challenging macroeconomic and socio-political context.

Since its establishment to administer the relief package for the defaulted Pramuka Savings and Development Bank (PSDB), SLSB has transformed into a fully-fledged Licensed Specialised Bank (LSB) serving a multitude of customer groups. In addition to mobilisation of deposits, the SLSB offers a wide array of credit facilities such as Leasing/Hire Purchase facilities, Small and Medium Enterprise (SME) Loans, Business Loans, Micro Finance Loans and pawning.

A Challenging Operating Context

The world economy saw significant and broad-based deterioration in 2019 amid prolonged trade disputes and wide-ranging policy uncertainties. The Sri Lankan economy also recorded a moderate GDP growth of 2.3% for the year 2019 due to subdued consumer confidence and investor sentiments following the Easter Sunday terrorist attacks. Almost every sector was impacted, especially tourism,

agriculture and construction sectors. The implications of these adverse effects were reflected in the banking industry through low credit demand and a tightened credit screening in an environment of deteriorating credit quality.

At the time of writing this letter, COVID-19 outbreak has been declared a pandemic on March 2020 and it is likely to cause severe disruptions in global supply chains and international trade, declines in international tourism and business travel, lower consumption etc., posing significant challenges to the global economic development in 2020 and beyond. Sri Lanka will not be an exception. Significant economic downturn will directly affect the banks. Due to difficult operating conditions, the performance of the banking sector will be more challenging, affecting asset quality, profitability and recoveries. The greatest initial impact is likely to be for funds granted to industries mostly affected by the pandemic. In particular, banks with higher exposure to the SME sector and individuals employed in these sectors are likely to record the largest increase in loan delinquencies.

The Central Bank of Sri Lanka (CBSL) adopted an accommodative monetary policy stance to stimulate the economy in view of subdued economic growth, muted inflationary pressures and decelerating private sector credit growth results from weak macroeconomic fundamentals along with COVID-19 outbreak. The CBSL took steps to expedite the transmission of monetary policy measures to the economy through reducing policy rates, refinancing facility to the affected sectors and other regulatory actions.

Financial Performance

Operating in a challenging macro backdrop, with low economic growth, the SLSB recorded a total income of LKR 1.2Bn, a growth of 11.2% underpinned by a growth in other operating income. The Bank's Net Interest Income grew only by 0.1% to LKR 1.0 Bn while interest expenses increased marginally by 1.1% to LKR 0.95 Mn during the period under review. Consequently, Net interest Margin of the Bank at the end of 2019 remain unchanged at 11.0% compared to the previous year. Nevertheless, the Bank's Profit after tax of LKR 447.8mn recorded an impressive growth of 27.5% against the previous year derived by waived off tax penalty despite the higher tax burden.

Total assets of the Bank amounted at LKR 8.7 Bn as of December 2019, dropped by 4.9% compared to LKR 9.2 Bn reported in the 2018 on the account of settlement of Pramuka Savings and Development Bank's Debenture and the capital repayment of Asian Development Bank's loan. Given the prevalent unfavourable circumstances, the loans and advances portfolio of the Bank declined by 7.7% to LKR 2.2Bn as of the end of 2019. The main reason that could be attributable to the decline in the loan portfolio was reducing disbursement and increasing recovery of the loans and advances during the period of acquisition process carried out by NSB. The Gross NPL of the Bank also stood at 41%, mainly due to the increase in loans granted to microfinance activities. Total deposit base was reported at Rs.1,1 Bn as at the end of December 2019, decreased by Rs.12 Mn against the last year, largely driven by increase in Fixed deposits which accounted for 46.0% of total deposits, were taken as collateral for micro finance activities.

Acquisition by NSB & Way Forward

Following the Government budget proposal 2016 to merge the SLSB with NSB, SLSB was acquired by paying LKR 3,111 Mn to the General Treasury by National Savings Bank as a fully-owned subsidiary with effect from 11 October 2019.

The acquisition provide us with a unique opportunity to pave a new path with the new strategy to make changes. The changes will be to the way we adopt technology and the way in which we serve our customers. Subsequently, SLSB is having an opportunity to expand its business operations with NSB as well as to opening up for the new market opportunities especially in the needy sectors of the national economy while expanding substitute for agricultural imports in line with the national government policy.

SLSB will position itself as the apex institution for Development Banking Market (SME, Microfinancing) while also offering selected retail products to complement its parent's business portfolio. Product focus is to be mainly driven along wholesale SME (Lending to Financial institutions/ Partner Organisation's), Microfinance lending, Direct SME lending, Retail lending, Leasing (to complement parent portfolio) and savings mobilisation (specialised savings such as minor accounts, women's savings accounts). Further, it will provide value added services such as capacity building, advisory services and project based financing solutions to eventually transform into a full service SME bank. Combined with its parent (NSB), SLSB will cover a wider gamut of financial products and services. We envisage that synergizing NSB brand and SLSB track record in Micro, Small and Medium Enterprises (MSME) lending will attract international and public sector funding for disbursement among the MSME sector.

We are encouraged by the Government's initiatives in reviving the SME sector as well as relief packages granted to the Banking sector in 2020 by the CBSL for Small and Medium Enterprises (SME) loan packages to enhance the national economy which had been hindered due to the outbreak of Covid-19 pandemic. We hope that we would make the best of this opportunity by strengthening the country's SME sector which has been earmarked to drive Sri Lanka's socio-economic progress.

Expressing Gratitude

I wish to thank my colleagues on the Board for their strong and consistent support and insightful guidance. My sincere appreciation is also extended to our team of loyal and dedicated employees led by the Corporate Management Team. Their commitment and relentless focus on driving success, engaging with our customers, developing innovative solutions and strengthening our brand has made a difference for our success.

My appreciation is extended to our customers for their valued patronage and loyalty and our shareholder for the steadfast support extended to us at all times. I am grateful to the continued support and assistance extended by the Hon. Minister of Finance Economic and Policy Development and the Hon. State Minister of Finance. I appreciate the support and guidance extended by the Secretary to the Treasury and the officials, the Governor and officials of the Central Bank of Sri Lanka. My appreciation is extended to the Attorney General and the Auditor General.



Keasila Jayawardena

Chairperson

GENERAL MANAGER/CEO'S MESSAGE

The year 2019 was a turning point for the Sri Lanka Savings Bank. The "Savings Giant", National Savings Bank (NSB) acquired the 100% stake of SLSB from the General Treasury on 11th October 2019 and it will remain as a fully owned subsidiary of NSB. National Savings Bank, with a branch network of 258, asset & deposit base exceeding Rs. One Trillion each, this partnership would definitely be a positive boost for the Bank's future prospective. On the other hand, SLSB would play a pivotal role in expanding the banking business domain of NSB by embarking onto Leasing, SME loans, Project Loans, Business Loans and Micro Finance Loans for NSB clientele.

Financial Highlights

By the end of the year 2019, the Bank has achieved Rs. 633.9 Mn Profit Before Tax and it was Rs. 447.8Mn after deduction of income tax which was Rs.186.1Mn. Compared with the previous year and the Bank was able to increase

the Return on Average Assets up to 7% which was 5% in the Year 2018. Bank has also able to increase the Return on Average Equity by 2% up to 9% compared to last year.

The Gross Income of the Bank reported during the period was Rs. 1,157.2 Mn, which was an increase of Rs. 116.7 Mn, equivalent to 11.22 % compared with the previous year. Specially, other income increased by 619% amounting to Rs. 135.9 Mn and the same is represented as 12.1 % of the total income. A tax penalty waives off with a value of Rs.125.8 Mn was the major reason for this increase. The interest income generated from the non-performing advance of the Pramuka Savings & Development Bank (PSDB) was Rs. 12.1 Mn.

Interest Expenses did not change significantly compared with Yr. 2018. For the year 2019, it was Rs.95 Mn. Impairment of Loans & Advances was Rs.5 Mn, which was a reversal affected to the income statement positively as per the new Accounting Standard SLFRS 9. The total operating expenses for the period (Without VAT, NBT& DRL) was Rs.249.3Mn and when compared with the previous year it has decreased by Rs.75.6 Mn. Anyhow, the liability of the new tax "DRL" introduced by the Government was Rs. 59 Mn and it was another reason to decline the profit for the year 2019.

The cost to income ratio for the year 2018 was 35% whereas it has been quantitatively decreased up to 23% for the year 2019, which was a positive sign of increased profitability.

Deposit portfolio

The deposit volume of the Bank has been decreased up to Rs.1,076.1 Mn as at 31st December 2019 and the total deposit base of the Bank decreased by Rs.12.3 Mn which is equivalent to a 1 % decline compared to the year 2018.

Loans and Advances

With the Vision for catering to the Micro Finance and SME sector, the Bank has launched special loan disbursement programs to cater to its registered societies and organisations. Also, SME Division had implemented different kinds of loan products under the "Enterprise Sri Lanka" loan scheme launched by the Ministry of Finance & Mass Media.

The gross loan & advance portfolio as at 31st December 2019 was Rs.3,758.9 Mn and compared to last year it had declined by Rs.197.9 Mn. Out of the total portfolio, PSDB's loan portfolio represents Rs.1,013 Mn as at 31st December 2019 and total provision value as per SLFRS 9 Rs.1,537.2 Mn.

Borrowings

The long term borrowings were amounting to Rs. 552.1 Mn as at December 2019. These borrowings were represented by unsecured debenture and money market bills of PSDB amounting to Rs.33.8 Mn and Rs.512.4 Mn respectively. A borrowing from Asian Development Bank (ADB), amounting to a Balance of Rs.5.8 Mn was to be paid to the Central Bank of Sri Lanka (CBSL).

Asset Structure of the Bank

The total Asset Base of the Bank was Rs. 8,716.9 Mn as at 31st December 2019. This has been decreased by Rs. 451.4 Mn compared with the previous year, mainly due to affecting a payment for the ADB loan installment on 1st

November 2019, for a value of Rs.821.8 Mn. Liquid Asset Base of the Bank was Rs. 5,680.4 Mn represented by cash & bank balance and short-term high liquid investments. Statutory Liquid Asset Ratio against the deposits & short term borrowings reported to the CBSL on 31st December 2019 was 514%.

PSDB Recoveries

The Bank continuously carried out the recovery activities on non-performing advances including PSDB advances. Out of the total PSDB non-performing portfolio of Rs. 1,850 Mn which was vested from CBSL, the Bank was able to reduce the same to a value of Rs. 1,013.4 Mn. PSDB Debenture & Deposits Liability as at 31st December 2019 was Rs.188.52 Mn & 119.64 respectively. Up to December 2019, Bank was able to settle Rs.2,700 Mn PSDB customer deposits including converted debenture & investments. Total value to be paid for the PSDB customers as at 31st December 2019 was Rs.557 Mn including accumulated interest.

All these achievements were made possible by operating a meager branch network of four (4) branches. However, with the partnership of NSB, Sri Lanka Savings Bank should be able to create a land-mark year in 2020 with a turnaround in their banking businesses.

Appreciation

I greatly value and appreciate the guidance and visionary leadership of the Chairperson, the Board of Directors and the management of National Savings Bank. I deeply appreciate invaluable contribution and dedication of the management team and the SLSB staff members. I earnestly like to keep my thanking note to Secretary to the Treasury and the Officials, the Governor and Officials of the Central Bank of Sri Lanka, the Attorney General, the Auditor General and his team, Heads of other regulatory bodies, and their teams for their continued support and guidance.



Janaka Herath

General Manager / Chief Executive Officer

BOARD OF DIRECTORS

Left to right

Mr. Prasad Imbulagoda
Mr. Hemantha Gamage
Ms. Keasila Jayawardena



Mr. Jayantha Perera
Mr. Janaka Arunashantha
Brigadier (Dr.) Thiran De Silva Rtd.
Mr. Sunil Galagama



**Mrs. Keasila Jayawardena**

Chairperson

Mrs. Keasila Jayawardena is a well-known personality in the Banking sector with an experience expanding well over a decade as the Chairperson of Kandurata Development Bank and Regional Development Bank.

Graduated from the University of Peradeniya, with a Degree in Political Science, she has obtained her master's Degree in Political Science from the same University. She has commenced her career as an academic in the University of Peradeniya and published a number of academic articles on important topics in Political Science and Studies including Preferential Voting System, Women and Politics in the Third World Countries and Presidential System in Sri Lanka, during her academic career.

Ms. Jayawardane has served as a lecturer at the university of peradeniya from 1987 to 2002.

She was appointed as the Chairperson of Kandurata Development Bank in 2004 and served in the position for four years. She has served as a Member of the Central Provincial Council during the period from 2009 – 2011.

Having appointed as the Chairperson in Regional Development Bank (RDB) in 2011, Mrs. Jayawardena was able to initiate several programs to improve the living standards of the rural masses by providing accessible and affordable credit facilities, which will contribute to strengthen the rural economy towards eliminating poverty in the country during her tenure at the RDB until 2015.

**Mr. Sunil Galagama**

Director (Treasury Representative)

Mr. Galagama , an additional Director General of Department of Public Enterprises, Ministry of Finance is an Non-Executive Director appointed to the Board on 13th January 2020. He holds a Bachelor of Arts Degree from the University of Sri Jayawardenapura and Post Graduate Diploma in Economic Development from the University of Colombo. Mr.Galagama obtained his Masters in International Studies from University of Queensland, Australia

Mr. Galagama started his career as Assistant Director, Department of External Resources in Ministry of Finance. He brings to the Board, 20 years' experience serving in the Sri Lanka Administrative Service. He held the position of Municipal Commissioner, Dehiwala-Mt. Lavinia Municipal Council and Municipal Secretary of Colombo Municipal Council from 2018-2019.

**Mr. Hemantha Gamage**

Director

Mr. Gamage was appointed to the Board on 15th January 2020. He is an Attorney-at-Law with 32 years' experience.

Mr. Gamage has served in the capacity of Director at the Sri Lanka Bureau of Foreign Employment from 2010 to 2012. He is serving as the legal consultant to the Sri Lanka Transport Board from 2009 to up to date.



Mr. Prasad Imbulagoda

Director

Mr. Imbulagoda was appointed to the Board on 15th January 2020. He is an Attorney-at-Law with 27 years' experience.

Mr. Imbulagoda has served in the capacity of Director at the Sri Lanka Transport Board, National Transport Medical Institute and Lanka Phosphate Ltd.



Mr. Janaka Arunashantha

Director

Mr. Arunashantha was appointed as a member of the Board on 15th January 2020. He is an Attorney-at-Law with 06 years' experience.

Mr. Arunashantha holds a Diploma in Construction, City & Guilds (2008), United Kingdom and an Advance Diploma in Construction, City & Guilds (2010), United Kingdom. He has served as an Assistant Engineer at Maga Engineering for 05 years period.



Mr. M.T.J. Perera

Director

Mr. M.T.J Perera was appointed to the Board of Directors of Sri Lanka Savings Bank on 26th February 2020. Mr. Perera had served in National Savings Bank for a period exceeding four decades and retired in 2017 as a Chief Manager. He had widely involved in branch operations exposing him to wider spectrum of service delivery.

Mr. M.T.J Perera had served as a member of the Board of Janatha Estates Development Board (JEDB) from 2010 to 2013.

He serves as a Board Member of National Savings Bank and NSB Fund Management Company Ltd.

**Brigadier (Dr.) Thiran De Silva Rtd.**

Director

Dr. Thiran De Silva was appointed to the Board of Directors of Sri Lanka Savings Bank on 26th February 2020.

Dr. Thiran has set records as the youngest Brigadier in the Sri Lankan military history, youngest officer appointed as a Director of Sri Lanka Army and the youngest Director General at Ministry of Defense. Further, he is the youngest Chief Information Officer (CIO) served in the Banking Sector in Sri Lanka.

Dr. Silva holds a PhD in Business Administration from the Central Queensland University, Australia (2006), Master of Information Technology from Charles Sturt University (2004), Australia and Bachelor of Information Technology (Honours) from Swinburne University of Technology, Australia (2002). He is awaiting results of his Doctor of Philosophy Degree in Geo Informatics from the University of Peradeniya. In addition to the above, he is a Microsoft Certified Professional in Server Management (USA) and a Certified Artificial Neural Networks -Artificial Intelligence (Sri Lanka).

He is currently serving as a member of the Board of Directors of National Savings Bank, NSB fund Management Company Limited and the Chairman/CEO of Celta Tech (PVT) LTD which engages in GIS Application Development. He had served in various positions both in public and private sector institutions which cover a vast array of experiences. Director- IT in Sri Lanka Army, Head of IT/GIS at Centre for Research & Development, Ministry of Defense, Founder & Head of Defense Cyber Security Operation Centre, CIO/ Head of IT of National Savings Bank, Director of MBSL Savings Bank, Director of MCSL Financial Services Ltd and Director of Trillium Residencies and Director General at Centre for Research & Development, Ministry of Defense were some of the key positions held by him.

Dr. Thiran has involved in various research publications and presented in many international programs/symposiums and Cyber Security, ICT Education, Disaster Risk Analysis and Geo-Citizen Information Systems were among the key topics. He has attended many international seminars representing the country and served as a panel member, resource person and speaker etc. at these events. He serves as a Board Member of National Savings Bank and NSB Fund Management Company Ltd.

SENIOR MANAGEMENT

Left to right

Ms. T. Pradeepa Pushpakanthi

Act. Senior Manager - Credit,
Manager-SME
BSc. Marketing Mgt(SP)USJ,
MSLIM, DCB(IBSL), DCM(IBSL)

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. Janaka Herath

General Manager/CEO
MBA-PIM
Bcom (Sri J), AIB, AICM





Mr. E.W. Priyantha

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

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

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

Mr. N.N.N. Vithanage

Senior Manager- IT,
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



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



Ms. S.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
Management



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



Mr. K.M. Perera
Manager
Matara Branch



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



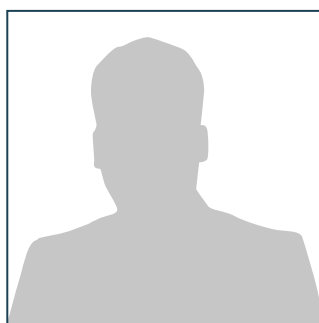
Mr. G.D.K.S. Yapa
Assistant Manager
Head Office Branch



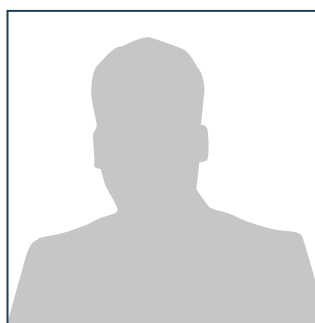
Ms. C.J. Ambepitiya
Assistant Manager
Legal



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



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



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

CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES 2019

Sri Lanka Savings Bank Limited (SLS Bank) has enlarged community support initiatives over the 10 years period and maintained a reputation as being a socially responsible bank that engages in many social responsible programs across the country. SLS Bank constantly focuses on being a responsible corporate entity makes standout from other organizations in the financial industry. SLS Bank is committed to eradicate poverty by offering financial assistance and non-financial services for various societies in the country. Such projects are recommended by our Branch staff who has their close interactions with the local communities.

The major objective of the Bank is to develop, promote, catalyze and support sustainable income generating opportunities and record a high quality life to middle and low income earners, through financial and non-financial assistance. It has become necessary to improve access to financial services by small and micro-entrepreneurs in lower income groups. The contribution made by these

entrepreneurs to the national economy is significant. One of the cost effective solutions to extend credits to small and micro enterprises in remote areas is selecting Community Based grass-root level organizations as vehicles to disburse credits and carry out pre- and post credit supervision towards recovery of loans.

This meant a sustainable development that helps to boost both the national and rural economy and played a key role in assisting low income families to minimize debt and pave the way for them to strengthen their income generating activities and create secured future.

Celebrating Children's day program 2019

All Branches of SLS Bank has arranged some CSR Programmes to commemorate International Children's Day -2019 on 1st of October.



The Head Office Branch of SLS Bank has organized CSR project at Pamunuwa Kanishta Vidyalaya by providing water tank to the school and distributed school uniforms, stationery requirements and censurable items in respect of

International Children's Day – 2019 with the participation of Board of Directors, General Manager and Senior Management and staff members of SLS Bank.



Anuradapura Branch has organized special event in respect of International Children's day and distributed stationary & gift items among the students of A/ Maha Ehetuwewa Viduhala, Elayapaththuwa.





Matara Branch has distributed School items, dancing costumes and Electric light system under the bank CSR program. The event conducted for the disabled Students of "Rohana Special School", Welegoda, Matara.



Mannar Branch has organized shramadana campaign and special event at Franciscan Minim Sisters of the Sacred Heart, Church Road, Thoddaveli and distributed school items and consumable items to the children.



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 2019

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 31.12.2019. 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 15 Directors during the year under review.

Participation at Board Meeting during the Year 2019

Name of the Director	No. of Meetings held during 2019	No. of Meetings eligible to attend	No. of Meetings Attended
Mr. Srilal Daynanda	14	11	10
Mr. P.B.S.C. Nonis	14	03	02
Mr. K.G. Pradeep Pushpakumara	14	08	08
Mr. Sunil Witharanage	14	11	11
Mr. P. Deerasinghe	14	11	11
Mr. R.M.C. Rathnayake	14	11	11
Mr. C.V.J. Arambewela	14	11	11
Mr. P.H.A.S. Wijayarathne	14	11	10
Mr. H.N.J. Chandrasekara	14	03	03
Mr. A.M.P. Rajakaruna	14	03	03
Mr. U.G.R. Ariyaratne	14	03	03
Mr. P. Algama	14	03	03
Mr. A.N. Pathirana	14	03	03
Mr. M.N. Nizar	14	03	00
Mr. S.D.N. Perera	14	03	03

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 14 times during the Year 2019. The Directors of the bank during the year 2019 were as follows:

- Mr. Srilal Daynanda (up to 11-10-2019)
- Mr. P.B.S.C. Nonis (Treasury Representative until February, 2019)
- Mr. K.G. Pradeep Pushpakumara (Treasury Representative from February, 2019 up to 11-10-2019)
- Mr. Sunil Witharanage (up to 11-10-2019)
- Mr. P. Deerasinghe (up to 11-10-2019)
- Mr. R.M.C. Rathnayake (up to 11-10-2019)
- Mr. C.V.J. Arambewela (up to 11-10-2019)
- Mr. P.H.A.S. Wijayarathne (up to 11-10-2019)

The Directors of the bank after the acquisition of Sri Lanka Savings Bank by National Savings Bank were as follows:

- Mr. H.N.J. Chandrasekara (from 11-10-2019 to 25-11-2019)
- Mr. A.M.P. Rajakaruna (from 11-10-2019 to 05-12-2019)
- Mr. U.G.R. Ariyaratne (from 11-10-2019 to 02-12-2019)
- Mr. P. Algama (From 11-10-2019 to 17-01-2020)
- Mr. A.N. Pathirana (from 11-10-2019 to 02-12-2019)
- Mr. M.N. Nizar (from 11-10-2019 to 18-12-2019)
- Mr. S.D.N. Perera (from 11-10-2019 to 02-12-2019)

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 37 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 29-51 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 - Chairman (from 01.01.2019 to 13.02.2019)
- Mr. K.G.P. Pushpakumara- Member (from 13.02.2019 to 11.10.2019)

- Mr. P.H.A.S.Wijayarathne- Member (from 01.01.2019 to 11.10.2019)
- Mr. C.V.J.Arambewela - Member (from 01.01.2019 to 11.10.2019)

The composition of the Board Audit Committee after the acquisition of Sri Lanka Savings Bank by National Savings Bank as follows:.

- Mr. P. Algama - Chairman (from 11.10.2019 to 17.01.2020)
- Mr. A.M.P. Rajakaruna - Member (from 11.10.2019 to 05.12.2019)
- Mr. M.N.Nizar - Member (from 11.10.2019 to 18.12.2019)

The report of the Audit Committee is given on page 70-71.

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 government Auditors. A resolution pertaining to ratification of appointment of Auditors has been proposed at the Annual General Meeting

Staff

As at 31st December 2019 there were 103 members employed by the Bank. The composition of this number is as follows:-

Cadre position as at 31.12.2019

Designation	Number of Employees
General Manager / CEO	00
Assistant General Manager	00
Chief Manager	00
Senior Manager	05
Manager	05

Branch Manger	01
Deputy Manager	04
Assistant Manager	06
Officer	10
Credit Officer	05
Recovery Officer	01
Business Development officer	02
Management Trainee	00
Senior Bank Assistant	23
Secretaries	02
Bank assistant	21
Legal Assistant	01
Receptionist Cum telephone Operator	01
Care Taker	03
Senior Drive	05
Driver	01
Senior Office Assistant	04
Office Assistant	01
Labourer	02
Trainee	00
Total	103

General Manager / Chief Executive Officer (CEO) Financial Statement

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 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	31.12.2019 (Rs)	31.12.2018 (Rs)
Profit before taxation	633,963,595	488,105,760
Taxation	(186,146,888)	(136,839,624)
Profit after taxation	447,816,707	351,266,136
Retained Profit /(loss) brought Forward	3,002,953,139	3,013,894,242
Profit available for Appropriation	447,816,707	351,266,136
Directors have made the Following appropriations : to reserve	(905,497,279)	(362,207,239)
Retained Profit carried Forward	2,545,272,567	3,002,953,139

Revenue

The total gross income of the Bank for the financial year ended 31st December 2019 was Rs. 1,157.2 Million. The analysis of income is given in Note 5-7 to the Accounts

Capital Expenditure

The total expenditure on the acquisition of Property, Plant & Equipment during the year amounted to Rs. 1.1 Million. Details of Which are shown in Note 19.1 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.

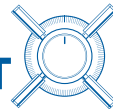
Post Balance Sheet Events

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



මගේ අංකය
எனது இல.
My No. }

BAF/A/SLSB/CG/2019/03

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

09 July 2020

The Chairperson
Sri Lanka Savings Banks

Auditor General's Report of Factual Findings of Sri Lanka Savings Bank to the Board of Directors on the compliance requirement of the Corporate Governance Direction issued by the Central Bank of Sri Lanka – 31 December 2019.

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, taken as a whole.


W.P.C. Wickramaratne
Auditor General



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. Check whether the bank has communicated the bank's strategic objectives and corporate values throughout the bank.	Complied The strategic plan prepared for the period 2019-2021 was approved by the Board of Directors. The strategic goals included in the Strategic Plan were implemented through the action plan which included responsible officers for each objective had been discussed in the management committee meetings while informing strategic goals.
	b)	Check the board approval of the overall business strategy of the bank. Check that the overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented. Check that the overall business strategy contains measurable goals, for at least the next three years.	Complied Strategic plan for the period of 2019-2021 was approved by the board Integrated Risk Management (IRM) policy was approved by the Board and it contains liquidity risk, Market risk, Credit risk and how those risks are managed. Strategic plan contains measurable goals for the next three years period.
	(c)	Check that the appropriate systems to manage the risks identified by the board are prudent and are properly implemented.	Complied Integrated risk management policy was approved by the Board which contains the risk appetite, identifying principal risks, setting governance structure and implementing systems to measure, monitor and manage the principal risks. The committee reviews the risk reports submitted by risk management division.

	d)	Check that the board has approved and implemented a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers.	Complied Communication Policy was approved by the Board and it contained communications with Director, Customers, Creditors, Debtors and Staff.
	e)	Check that the board has reviewed the adequacy and the integrity of the bank's internal control systems and management information systems.	Complied Internal audit reports are reviewed by Board Audit Committee (BAC) and those reports contains observations in relation to internal controls of the Bank. An audit had been performed by an external audit firm on management Information System during the year 2019.
	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;	Complied Board had separately identified Key Management Personnel at the 82nd board meeting held on 27th May 2013.
	g)	Check that the board has defined the areas of authority and key responsibilities for the board of directors themselves and for the key management personnel.	Complied 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 Personal 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 The Board reviews the progress of the Bank in relation to its strategic goals, financial reporting, internal controls, risk management, human resources and any other matters delegated to them through Board sub committees. Sub committees assist the Board reviewing areas defined for their oversight.
	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 Annual declarations of all appointed directors were obtained by the Bank in respect of related party transaction and their interest to measure the conflict of interest. The overall assessment of the Board's performance is incorporated in the Director self-evaluation process. However, in January 2020, above process could not be conducted due to resignation of directors in November 2019.
	j)	Check that the board has a succession plan for key management personnel.	Complied Board approved Succession Plan is available and it has approved in 2017. However, it should be revised.
	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 Key management personal are regularly involving board level discussion on performance, strategy, policy and other matters pertaining to their subject area set before the board.
	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 Compliance officer has been appointed to maintain regular contact relationships with regulators based upon clear and timely communication and mutual understanding of the regulators objectives. CBSL statutory examination reports and quarterly progress reports on those reports are closely monitored by the board.

	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.	Not applicable As per Section 22 of the Article of association (AOA), Chairman may be appointed by the Secretary to the Treasury and as per section 41 of the AOA, the General Manager/ CEO may be appointed by the Board of directors. Chairman's functions and responsibilities were determined by Board paper No. 2013/23 and CEO/GM functions and responsibilities were determined by Board Paper No.2012/21.
3(1)(iii)		Check that the board has met regularly and held board meetings at least twelve times a year at approximately monthly intervals.	Complied Board had met 14 times during the year 2019.
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 As a practice, directors are including matters and proposals to agenda for each Board meeting by discussing with 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 Notice of meetings is given one week prior to the meeting via emails. The agenda & Board Papers of the Board Meetings are circulated to the Directors 05 days prior to the meeting giving directors time to attend & submit any urgent proposals.

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.	Complied All directors except one director had attended at least two-thirds of the meetings. However, one director had not attended 03 consecutive meetings from October 24, October 30 and November 08. Further, an alternate director had not been appointed as per Section 29 of Article of Association.
3(1)(vii)		Check that the board has appointed a company secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and carry out other functions specified in the statutes and other regulations.	Complied The Board has appointed Board Secretary by the Board paper No .BP/2016/MAR/17/41 with effect from 01 April 2016. She was an Attorney at Law & holds Bachelor of Law degree from the University of Colombo and Mac degree in transport from the University of Moratuwa. She is also having the position of Senior Manager - Legal.
3(1)(viii)		Check the process to enable all directors to have access to advice and services of the company secretary.	Complied Normally, all Directors access to advice & service of the Board Secretary who is responsible to the Board for follow up on Board procedures, compliance with rules & regulation & 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 Board Meeting minutes, books are maintained with the Secretary for inspection of any Director.
3(1)(x)		Check that the minutes of a board meeting contain or refer to the following: (a) a summary of data and information used by the board in its deliberations (b) the matters considered by the board (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the board was carrying out its duties with due care and prudence; (d) the matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations; (e) the understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and (g) the decisions and board resolutions.	Complied Minutes of the Board meeting contains all the necessary information required under the direction

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 Directors have approved a procedure to enable directors to seek independent professional advice as per the board minute dated 26th July 2017.
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 Directors had furnished annual declarations for which provided details about interest with the Bank. As per the board minute dated 17th October 2013, Directors had guided on how a Director should act when there is a conflict of interest. Accordingly, it may not post any board paper that discuss the matter that involves conflict of interest or when matter is raised, director should declare the interest and leave from room. However, it had not mentioned whether directors who has an any interest is disregard or not for counting the quorum of the meeting in which discuss the interest matter.
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 The area of powers and duties of directors and delegation of authority to general manager and other employees are stated in the article of association of the company.
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.	Not applicable No such situations had arisen during the year 2019.
3(1)(xv)		Check that the board has the bank capitalized at levels as required by the Monetary board.	Complied Capital adequacy and other prudential measures are monitored by the board to ensure compliance with regulatory requirements and the banks defined risk appetite. The bank is complied with the minimum capital requirements for the year 2019.

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 Annual corporate governance report is included in pages numbers 29-67 of the annual report 2019.
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 However, self-assessment process had not been done for the year 2019 due to unavailability of directors as at 31 December 2019.
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 According to the Articles, the number of directors shall not be less than seven (07) nor more than thirteen (13).
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 No any directors held directorship of more than 9 years.
3(2)(ii)	(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 All Directors are Non- Executive Directors except one director who is the CEO since 24th October 2019.
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 cannot be considered independent if he/she:	Complied For the year 2019, Since 24 October, All Directors are Non-independent directors.
a)		Holds a direct and indirect shareholding 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 II. 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.	Not Applicable
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.	Not Applicable No alternative Director was appointed during the year 2019.
3(2)(vi)		Check that the bank has a process for appointing independent directors.	Not applicable. All Directors are 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 According to the AOA, the quorum of the Board is four which is more than one-half of the Directors and all of them are Non-Executive Directors.
3(2)(viii)		Check that the bank discloses the composition of the board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report.	Complied Disclosures are given in the pages 10 and 14 of the Annual Report for the year 2019.
3(2)(ix)		Check the procedure for the appointment of new directors to the board.	Not applicable, Appointment of the directors is done by the secretary to the treasury as per AOA.
3(2)(x)		Check that all directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment.	Not Applicable.

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.	Complied As per the Section 21 of AOA, Secretary to the Treasury can remove a director and a director may resign by delivering a written notice to the Registered Office of the Company. During the year 2019, one director had resigned from the Bank by a written notice to the secretary to the treasury.
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 Directors are appointed by the Secretary to the Treasury. The Bank had obtained declarations from the Directors at the time of appointment as a Director of the Bank. No any employee had been appointed as directors of another Bank.
3(3)		Criteria to assess the fitness and propriety of directors	
3(3)(i)	a	Check that the age of a person who serves as director does not exceed 70 years.	Complied None of the Directors of the Bank are over 70 years of the age during the year 2019.
	b	Check that the transitional provisions have been complied with.	Not Applicable
3(3)(ii)		Check if a person holds office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.	Complied As per the declaration made by the Directors at the time of appointment, there are no Directors who hold office as Directors of more than 20 companies.
3(4)		Management functions delegated by the board	
3(4)(i)		Check that the delegation arrangements have been approved by the board.	Complied Delegation arrangements have been approved by the Board on selected matters. Delegated 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 According to the Article of Association, of the Bank, the Board shall have all the powers necessary for managing and directing and supervising the management of the business and affairs of the Bank.
3(4)(iii)		Check that the board review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.	Complied The delegation arrangements 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 role of chairman and CEO is separate and not performed by the same individual.	Complied; Roles of Chairman and CEO are separated and not performed by the same individual.
3(5)(ii)		Check that the chairman is a non-executive director. 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 The Chairman is a Non-Executive and independent Director. The Chairman is appointed by the Secretary to the Treasury who is the major shareholder of the bank.
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 Directors submit their self-evaluations and declarations annually to evaluate whether any financial, business or other relationship between Chairman CEO and other Board members. However, in the year 2019 self-evaluation and declaration has not been conducted due to unavailability of board of directors as at 31 December 2019.
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

3(5)(v)		Check that a formal agenda is circulated by the company secretary approved by the chairman.	Complied 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 The agenda & Board papers of the Board Meeting are circulated to the Directors 05 days prior to the meeting by allowing them to properly brief on issues arising at board meeting.
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 The evaluation of the role of the Chairman and the overall assessment of the Board's performance are incorporated in the Director self-evaluation process. The Self-evaluation forms are filed at the Secretary's Division to evidence.
3(5)(viii)		Check that the board has a self-evaluation process that assesses the contribution of non-executive directors.	Complied Evaluation of the role of the non- executive directors' is incorporated in the Directors self-evaluation process.
3(5)(ix)		Check that the chairman engages in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Chairman acts in Non –Executive capacity and an instance was 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 The shareholder, general treasury is being represented at the Board as a 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 The CEO functions as the person in charge of day to day management of the Bank's business with the support of the Management.

3(6)		Board appointed committees	
3(6)(i)		Check that the bank has established at least four board committees as set out in Directions 3(6)(ii), 3(6)(iii), 3(6)(iv) and 3(6)(v) of these Directions. Check that each board committee report is addressed directly to the board. Check that the board presents in its annual report, a report on each committee on its duties, roles and performance.	Board had appointed four sub committees related to this directions, Board Audit committee, Human Resource and Remuneration committee, Nomination committee Board Integrated Risk Management committee. Each committee report had been addressed and submitted to the Board. Reports related to each committee had been included in pages 68-83, 84-87 and 88-90 of the Draft annual report for the year 2019
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 The committee is chaired by treasury director.
	b)	Check that all members of the committee are non-executive directors.	Complied. All members are Non-Executive Directors.
	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; and (iv) the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Not applicable. As per the constitution of Sri Lanka, Auditor General shall be the auditor of the bank.
	d)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied 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
	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 was determined by the Auditor General.
	g)	Check that the committee has a process to review the financial information of the bank, in order to monitor the integrity of the financial statements of the bank, its annual report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following; (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.	Complied. The Board Audit Committee review quarterly financial statements of the Bank and the significant financial reporting judgments contained thereon, when prepared for the disclosure purposes and ready for the publication. 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.	Non-Complied No such meeting was held during the year under concern.
	i)	Check that the committee has reviewed the external auditor's management letter and the management's response thereto.	Complied. Committee has reviewed Auditor General's reports submitted in the form of audit queries together with replies submitted by the Bank.
	j)	Check that the committee shall take the following steps with regard to the internal audit function of the bank: I. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	Complied 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 Audit Committee has reviewed the internal audit plan and findings of the internal audit process during the year 2019

		III. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	Complied Annual Performance Appraisal of the Manager Internal Audit for the year 2018 was carried out by the Board Audit Committee in 2019.
		IV. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Complied However, no such circumstance was raised during the year.
		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;	Complied No resignations of senior staff members of the Internal Audit Department were occurred during the year under review.
		VI. Check that internal audit function is independent of the activities it audits.	Complied The Internal Audit function is independent according to the section 2.7 of the Terms of Reference of Board Audit Committee and Internal Audit Departments directly reports 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 BAC has reviewed the major findings of internal management responses thereto during the period under review.
	l)	Check whether the committee has had at least two meetings with the external auditors without the executive directors being present.	Complied. One BAC meetings were held in the year of 2019 and a representative from Auditor General was presented at all meetings. All members are non-executive and non-independent.
	m)	Check the terms of reference of the committee to ensure that there is; (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 As per the Terms of Reference, BAC has been empowered these matters.

	n)	Check that the committee has met, at least four times and maintained minutes.	Non-complied Committee has met one 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 These facts had been included in pages 88 of the draft annual report.
	p)	Check that the secretary of the committee is the company secretary or the head of the internal audit function.	Complied 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 (iii) Appropriate follow-up action.	Complied A "Whistle blower" 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 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 Goals and targets for KMPs are set based on the Strategic Business Plan and linked to key performance indicators through action plan.

	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 Board Human Resource and Remuneration Committee (BHRRC) evaluate the performance of the CEO and KMPs. However for the year 2019, the performance evaluation had not been done until June 2020.
	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 According to paragraph 2.5 of the Terms of Reference of the BHRRC, CEO shall be present at all meetings of the committee, except when matters relating to the CEO being discussed.
3(6)(iv)		Does the following rules apply in relation to the Nomination Committee:	
	a)	Check that the committee has implemented a procedure to select/appoint new directors, CEO and key management personnel.	Complied Directors are appointed by the Secretary to the Treasury as per the Article. As per the paragraph 6.1 of the TOR of the nomination committee, the committee shall implement a procedure to appoint CEO and KMP.
	b)	Check that the committee has considered and recommended (or not recommended) the re-election of current directors.	Not applicable 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 Bank has a scheme of recruitment (SOR) to appoint General Manager (CEO) and other KMPs and it contains qualifications and other requirements.
	d)	Check that the committee has obtained from the directors, CEO and key management personnel signed declarations that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes.	Complied Annual declarations from the directors have been obtained by the bank. Further, Bank had obtained signed declarations from the KMPs.

	e)	Check that the committee has considered a formal succession plan for the retiring directors and key management personnel.	Complied. Directors are appointed by the Secretary to the Treasury Succession Plan for KMP's is available. It was approved by Board on 28 June 2017.
	f)	Check that the Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied The Committee is comprised of 3 Non-executive directors as per TOR. Chairman is nondependent. All directors are non-executive and non-independent of the Bank.
3(6)(v)		Does the following rules apply in relation to the Integrated Risk Management Committee (IRMC):	
	a)	The committee shall consist of at least three non-executive directors, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee.	Complied The BIRMC committee consists of three Non-Executive Directors. Compliance Officer and Senior Manager - Legal are members of the committee. Senior Manager - Risk is the Secretary to the Committee. Chairman and CEO/GM are attended by invitation. Risk Management Committee TOR is available. Board approved Risk Management Policy is available.
	b)	Check that the committee has a process to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	Complied According to the risk management committee (BIRMC) meeting minutes of 2019, the committee had reviewed credit risk, liquidity risk, and Market risk.
	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.	Non-Complied. Specific quantitative and qualitative risk limits for all management level committees had not been set for the year 2019.
	d)	Check that the committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	Non-complied
	e)	Check how many times the committee has met at least quarterly.	Non-complied The committee has met 01 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.	Complied According to the Section 4.5.9 of the RiskManagement Policy, the violation or non-compliance in relation to credit risk will be reported immediately to the BIRMC and Board of Directors. However, the TOR of BIRMC does not include disciplinary procedures for non-compliance.
	g)	Check that the committee submits a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.	Complied. Committee had submitted Board Integrated Risk Management Committee (BIRMC) minutes for the approval of the Board. Ex: BIRMC meeting minutes 08 May 2019 was submitted to the Board.
	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 The Bank has appointed Compliance Officer for the compliance functions. Compliance officer had submitted reports to BIRMC.
	i)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the bank to address such concerns	Not applicable Monitory board has not directed any disclosures to be made public during the year.
3(7)		Related Party Transactions	
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: a. Any of the bank's subsidiary companies; b. Any of the bank's associate companies; c. Any of the directors of the bank; d. Any of the bank's key management personnel; e. A close relation of any of the bank's directors or key management personnel; f. A shareholder owning a material interest in the bank; g. 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.	Complied. 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.

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.	Non complied
	a)	The grant of any type of accommodation, as defined in the Monetary board's Directions on maximum amount of accommodation.	The related party transaction policy of the Bank had not covers the under mentioned transaction.
	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
	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 with a maturity of 5 years or more.	Transactions which are carried out with related parties in the normal course of business are disclosed under Related Party Disclosures. No favorable treatment is observed during the period.
	b)	Charging of a lower rate of interest than the bank's best lending rate or paying more than the bank's deposit rate for a comparable transaction with an unrelated comparable counterparty.	
	c)	Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;	
	d)	Providing services to or receiving services from a related-party without an evaluation procedure;	
	e)	Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	

3(7)(iv)		Check that the bank has a process for granting accommodation to any of its directors and key management personnel, and that such accommodation is sanctioned at a meeting of its board of directors, with not less than two-thirds of the number of directors other than the director concerned, voting in favor of such accommodation and that this accommodation be secured by such security as may from time to time be determined by the Monetary board as well.	Complied Accommodations granted to the Directors are governed by Section 47 of the Banking Act.
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.	Complied Accommodations granted to the Directors are governed by Section 47 of the Banking Act.
	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.	
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 Annual declarations had been obtained from the Directors where such transactions would be identified. No such situation had arisen during the year 2019.
3(7)(vii)		Check that there is a process to obtain prior approval from the Monetary board for any accommodation granted by a bank under Direction 3(7)(v) and 3(7)(vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary board and any remission without such approval is void and has no effect.	Non complied No such process had been existing in the bank. Further, no such situation had arisen during the year 2019.

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. Bank had disclosed under accounting policies that the financial statement of the Bank complied with the requirement of the Banking Act 30 of 1988 and applicable accounting standards. Annual audited financial statements for the year 2019 were published on 18 May 2020 in Sinhala, Tamil and English medium. Complied. Quarterly financial statements had been prepared and published. (Ex. 1st quarter-2019/5/29, 2nd quarter-2019/08/30, 3rd quarter – 2019/11/29)
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 The Bank had disclosed that the financial statements had been prepared in accordance with accounting standards and regulatory requirements, inclusive of specific disclosures.
	b)	The report by the board on the bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements	Complied Director's statement of internal control over the financial report is included in pages 91-92 of the draft 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. External auditors report had been obtained on directors' statements of internal control and it has been included in the pages 93-94 of the draft annual report.

	d)	Details of directors, including names, qualifications, age, experience fulfilling the requirements of the guideline fitness and propriety, transactions with the bank and the total of fees/ remuneration paid by the bank.	Complied Details of directors had been included in pages 10-14 of the draft annual report for the year 2019. The total remuneration paid by the Bank to the directors is disclosed in Note No 37 to the Financial Statement for the year 2019.
	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.	Complied. Related Party Transactions are also disclosed in Note No 37 to the Financial Statement for the year 2019.
	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 The total remuneration paid by the Bank to the Key Management Personnel is disclosed in Note No 37 to the Financial Statement for the year 2019.
	g)	Check that the board has obtained the external auditor's report on the compliance with Corporate Governance Directions.	Complied. Necessary action had been taken to obtain the External auditors report on compliance with corporate governance
	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 The Director's statement of Internal Control for Financial Reporting in the Annual Report disclosed these requirements.
	i)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the bank to address such concerns.	Not Applicable Monetary Board has not directed any disclosures to be made public during the year.

RISK MANAGEMENT

Increase in complexity of technological, social, market and regulatory developments asserts the need of sound risk management for a sustainable future.

We reassessed our risk management structure, processes and culture to ensure the management of emerging risk landscape.

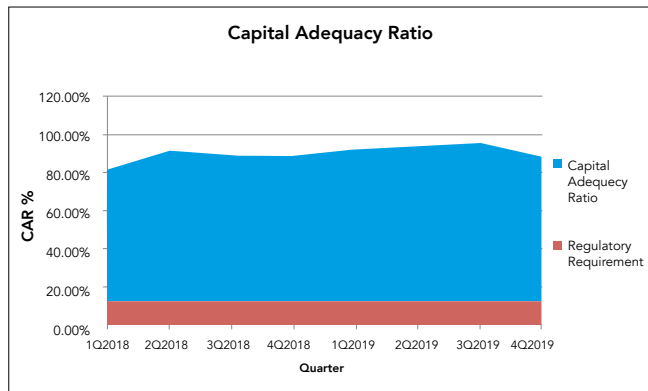


Figure: Capital Adequacy ratio

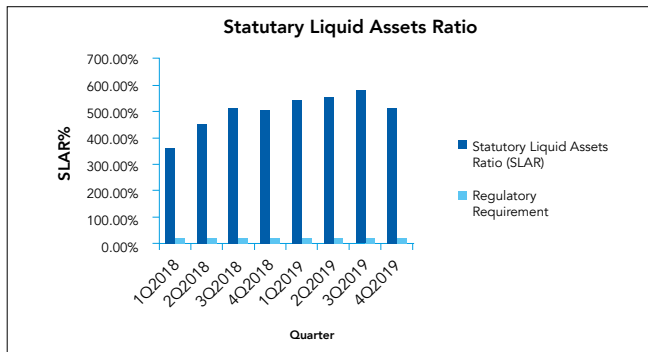


Figure: Statutory Liquid Assets ratio

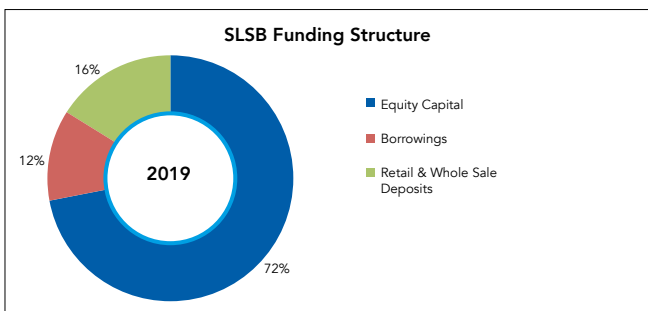


Figure: funding Composition

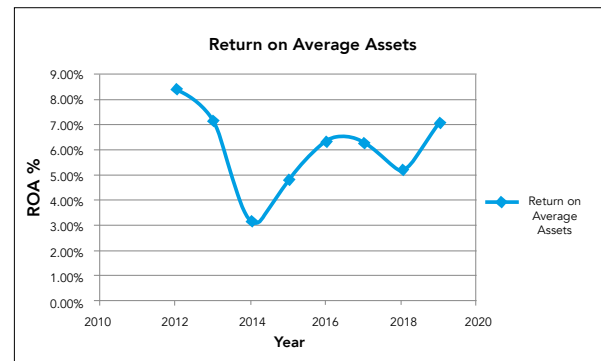


Figure: Return on Average assets

Risk Management report discusses the information related to various types of risks faced by the Bank such as Credit Risk, Market Risk, Operational Risk, Liquidity Risk, ...etc. These disclosures will enable stakeholders to more fatten on understanding over the Sri Lanka Savings Bank (SLSB) or "the Bank"

Risk Management Framework

SLSB has placed effective risk management framework to identify, assess and measure, treat and monitor risks faced by the Bank. Credit risk, Market risk, Liquidity Risk, and Operational Risk are the key risk faced by the Bank. Existing business model has inherently mitigated the market risk towards the Bank up to immaterial level as SLSB is not performing activities which create market risk to the Bank.

Other than above key risks, SLSB consider the various other risks such as Compliance Risk, Legal Risk, and Reputational Risk. These emerging risks highlight the importance and vulnerability of sound risk management in practice throughout the Bank. SLSB is gradually adopting to the best practices of risk management techniques against industry development to mitigate the risks face by the Bank.

Risk Governance

Risk Governance of the Bank starts from the Board of Directors (The Board) through setting strategies, objectives and policies to the Bank and overseeing the functions of executives. While having ultimate responsibility over the Board, the Board has delegated their authority to Board sub committees, Executive level committees, GM/CEO and Key Management personals.

As per the Board's instructions and guidance, Board Integrated Risk Management Committee (BIRMC) manages the overall risk profile of the Bank within the risk appetite. BIRMC sets Risk Management policies and procedures and review periodically to align with emerging risks and recommends to the Board. The BIRMC is chaired by a Director with two other non executive directors and supported by four key management personals including GM/CEO and Compliance officer

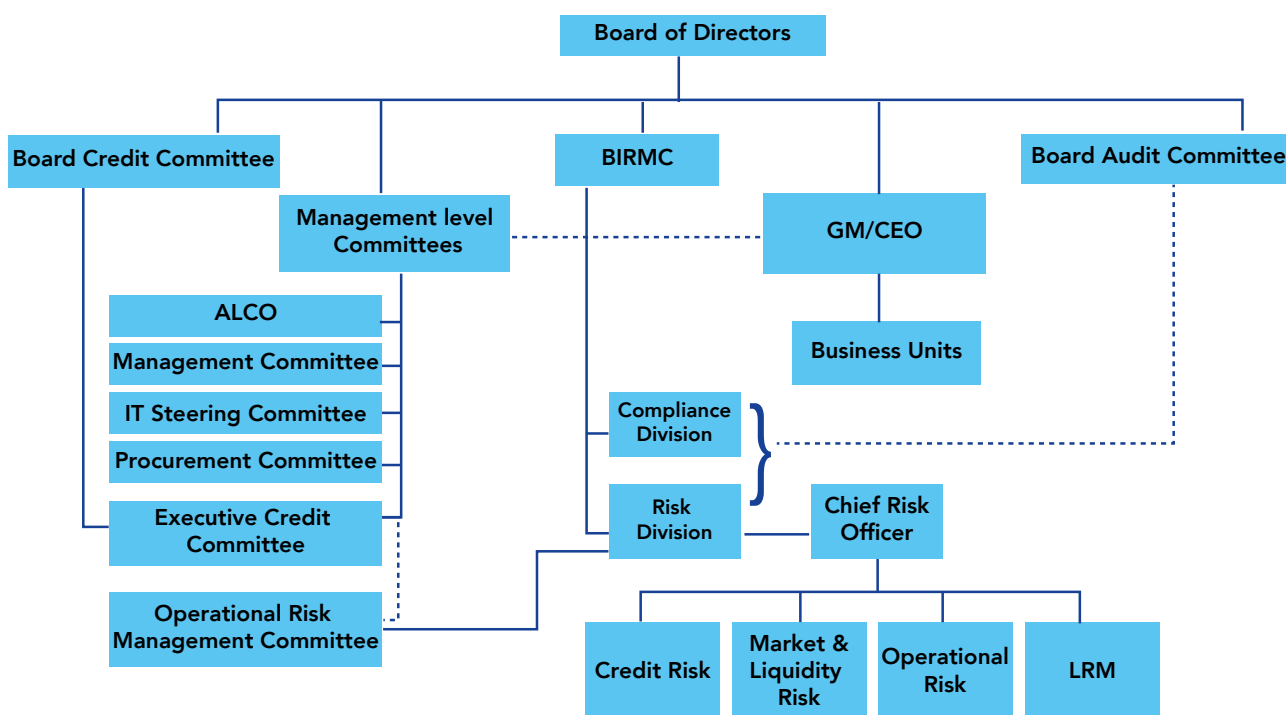


Figure : Risk Governance structure

Risk Culture

Risk culture is the shared values, attitudes, competencies, and behaviours throughout the Bank that shape and influence governance practices and risk decisions. Building risk culture requires recognition at all levels and by all employees of the Bank on individual responsibility and accountability in identifying and managing risks.

Violations in banking practices serve as a potential major risk to the Bank. The internal audit department plays significant role in evaluating the cultures, process, procedures and controls in place. This makes sure bank wide employees

not to engage in improper practices at the work to meet expectations and targets.

The Risk Management Architecture comprises the Bank's policies, processes, organizational structure and controls which identifies, measures, monitors, reports and controls risks.

The specific set of risk policies, and other policies, manuals, and directions establish sound Risk management Architecture within the Bank.



Figure: Risk Management Architecture

Risk Appetite

Risk appetite is the aggregate level and types of risk that the Bank is willing to assume or to avoid, in pursuit of its goals, objectives, and operating plan, consistent with applicable capital, liquidity and other requirements and reinforces the risk culture.

The BIRMC, in consultation with the Board of Directors, develops the risk appetite. The Bank executed the strategic, capital and operating plans within the risk appetite and established limits.

Risk Management Process

Risk Management Processes are the procedures, programs, and practices that impose order on the Bank's pursuit of its objectives. SLSB has placed a well-designed risk assessment process to address emerging risks at an early stage and allows it to develop and implement appropriate strategies to mitigate the risks before they have an adverse effect on the Bank's soundness or financial condition.

Results of risk evaluations periodically reviewed by the BIRMC through monthly risk assessment report and quarterly BIRMC meetings. Highlights and material risk incidents if any reports to the Board of Directors on regular basis.

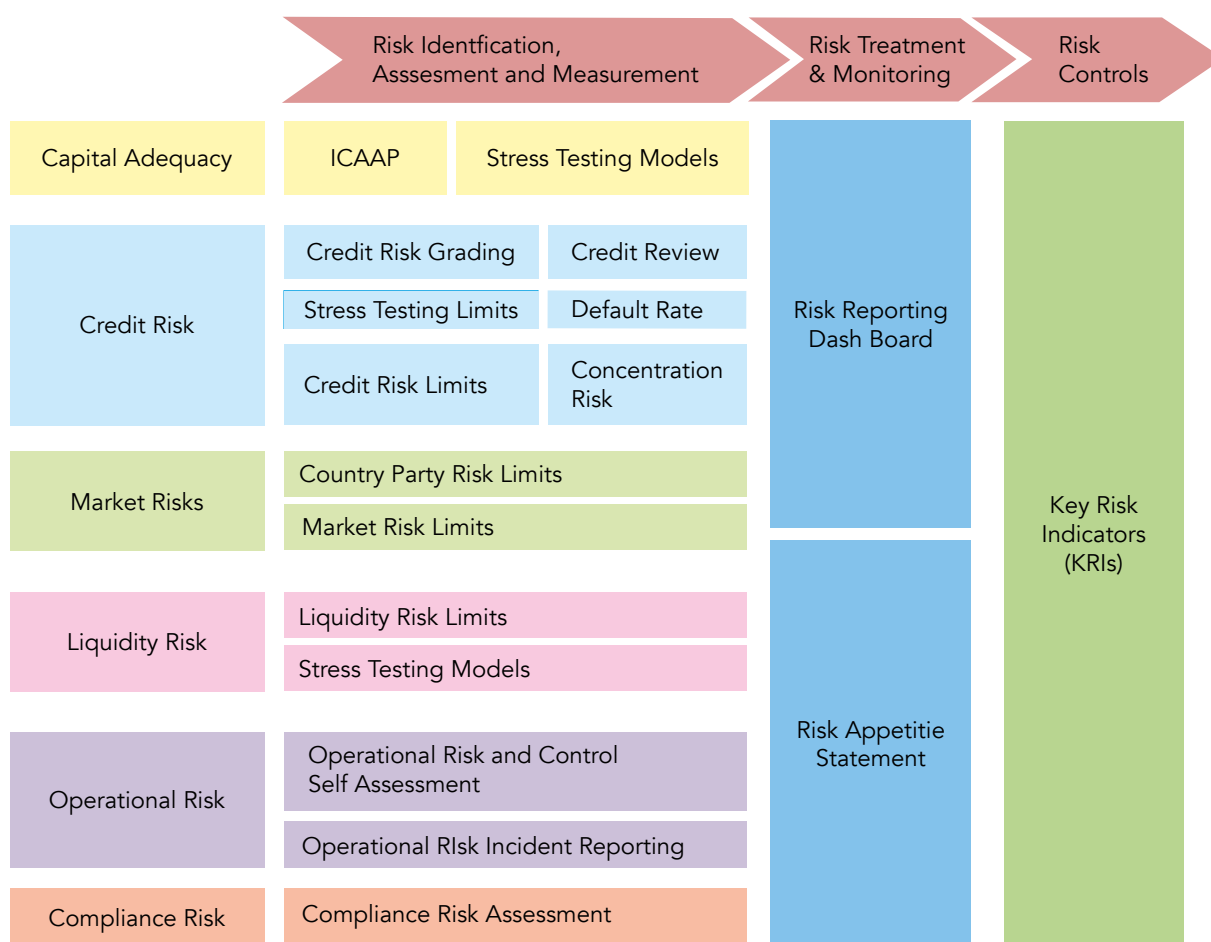


Figure: Risk management process

Managing Risk

Credit Risk

Credit Risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to

perform such obligation is impaired resulting in economic loss to the Bank.

As major credit line of SLSB being Micro Finance and SME lending, credit risk is the material risk faced by the Bank and credit risk weighted assets contributes 75% of total risk weighted assets.

Risk Weighted Assets -2019	Amount (Rs)
Credit Risk	4,075,699.38
Market Risk	-
Operational Risk	1,183,390.24
	5,259,089.62

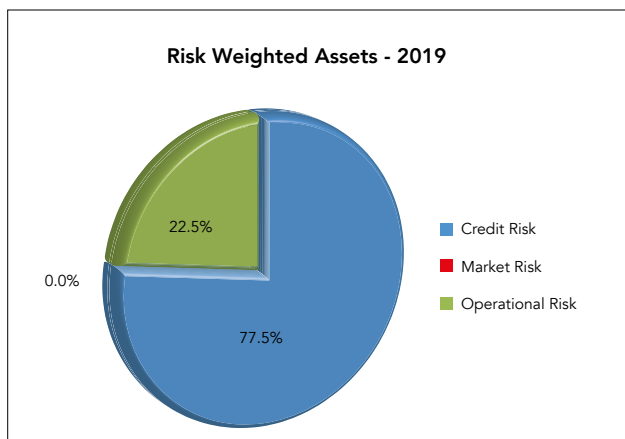


Figure: Risk Weighted Assets

Credit Risk Management

Board approved Integrated Risk management policy provides the fundamental for credit Risk management and IRM policy provide the guidelines for identifying, analyzing and measuring and monitoring mechanism to mitigate the credit risk.

The Board of Directors, Board sub Committees and Management Level committees directly involved in credit risk management process through periodic review of credit risk profile, delegating authority for credit approvals from top level to bottom level according to quantum and risk profile of the facilities.

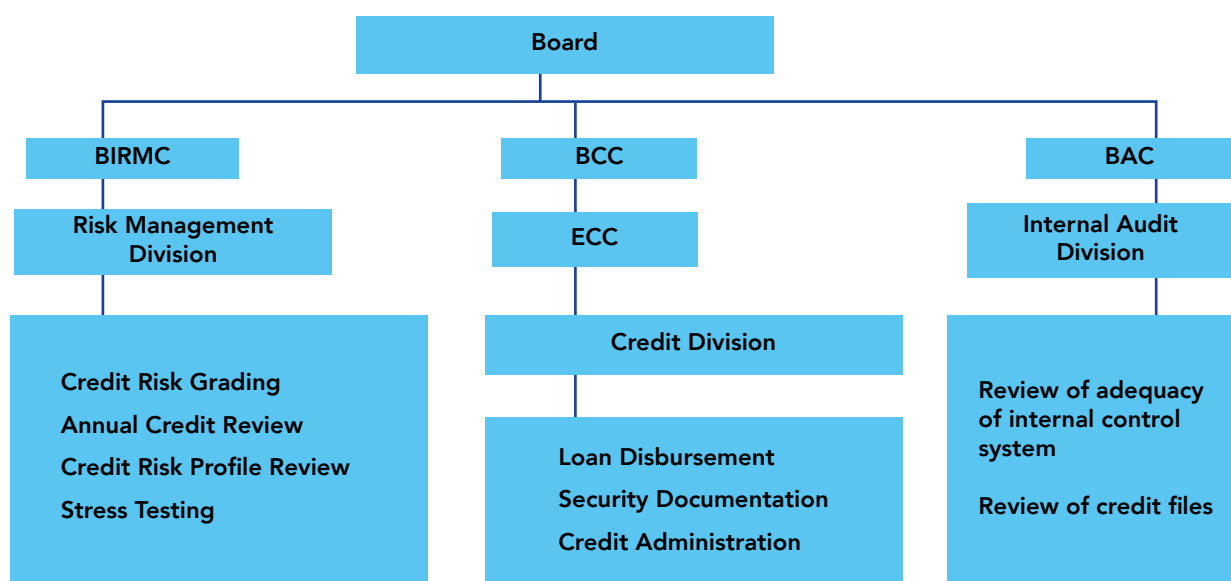


Figure: Credit Risk Governance

Assessment of credit Risk

Well defined Credit Risk Management framework articulates the segregation of delegated authority levels for credit approval based on the qualifications, experience and ability of judgement to enhance the quality of bank's loan Book. All credit facilities above Rs. 5 Mn is approved/recommended by the Executive committee which comprise

three (3) Key Management Personals including GM/CEO. This enables Bank to enhance the quality of loan portfolio further.

As the Bank's vision is to development of Micro Finance and SME sector, significant portion of loan book is captured by Micro finance lending which was funding to island wide micro entrepreneurs through partner organizations.

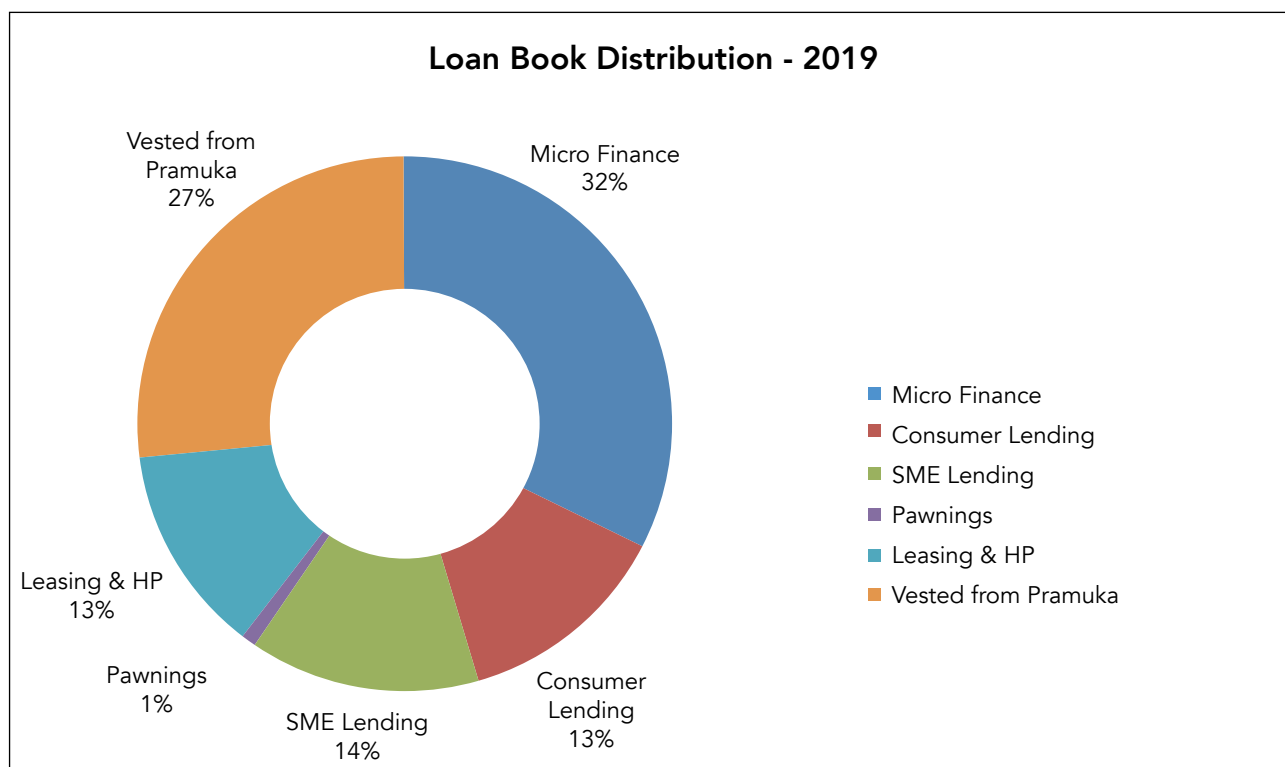


Figure: Loan Book distribution

The Loan book of the SLSB is closely monitored by respective branch managers or heads of credit origination unit regularly and attends on recovery process. Recovery division monitors watch list on monthly basis and continuously follow up to retain watch list customers in performing status. Risk Management division analyze the loan portfolio of the bank and reports to the BIRMC and Board of Directors accordingly.

Analysis of loan portfolio consist NPA analysis, Concentration Risk, Portfolio distribution, and review of top 20 borrowers, etc. Through these analyses BIRMC and Board of Directors take suitable credit risk mitigation actions to enhance the quality of loan book.

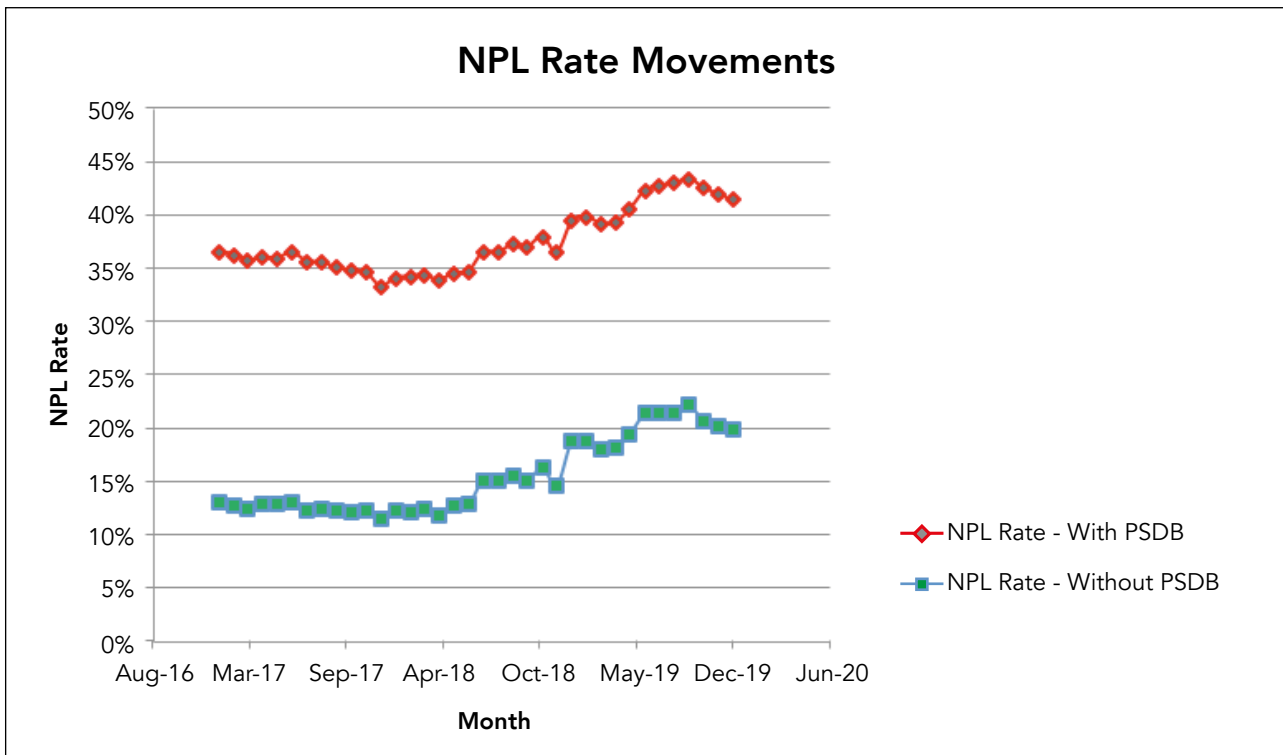


Figure: NPL Rate Movements

Credit Risk Grading

Risk Management Division has introduced robust credit risk grading module to evaluate the quality of credit proposals at the pre sanctioning of the loans. The rating module aims to estimate the probability of default of each proposed facility based on the quantitative and qualitative data analysis. Results of the credit ratings gives 5 rating scales called "A" to "E". Facilities rated as "A" has the lowest risk while facilities rated as "E" has the highest risk and "E" rated facilities are rejected. During the year 2019 SLSB assigned risk grading for all credit facilities above Rs. 0.5 Mn

Instruments accounting standard. Loan losses that have been incurred but have not been separately identified at the statement of financial position date are determined on a portfolio basis, which takes in to account Expected Credit Loss (ECL) experienced as a result of uncertainties arising from the economic environment and defaults based on portfolio trends.

Risk Management division submits the details of loan portfolio, non performing advances amount, amount of impairment provision and provision cover to the BIRMC on regular basis.

Loan Loss Provisioning

Loan loss provision over the loan portfolio of the Bank is calculated based on the requirement of IFRS 9-Financial

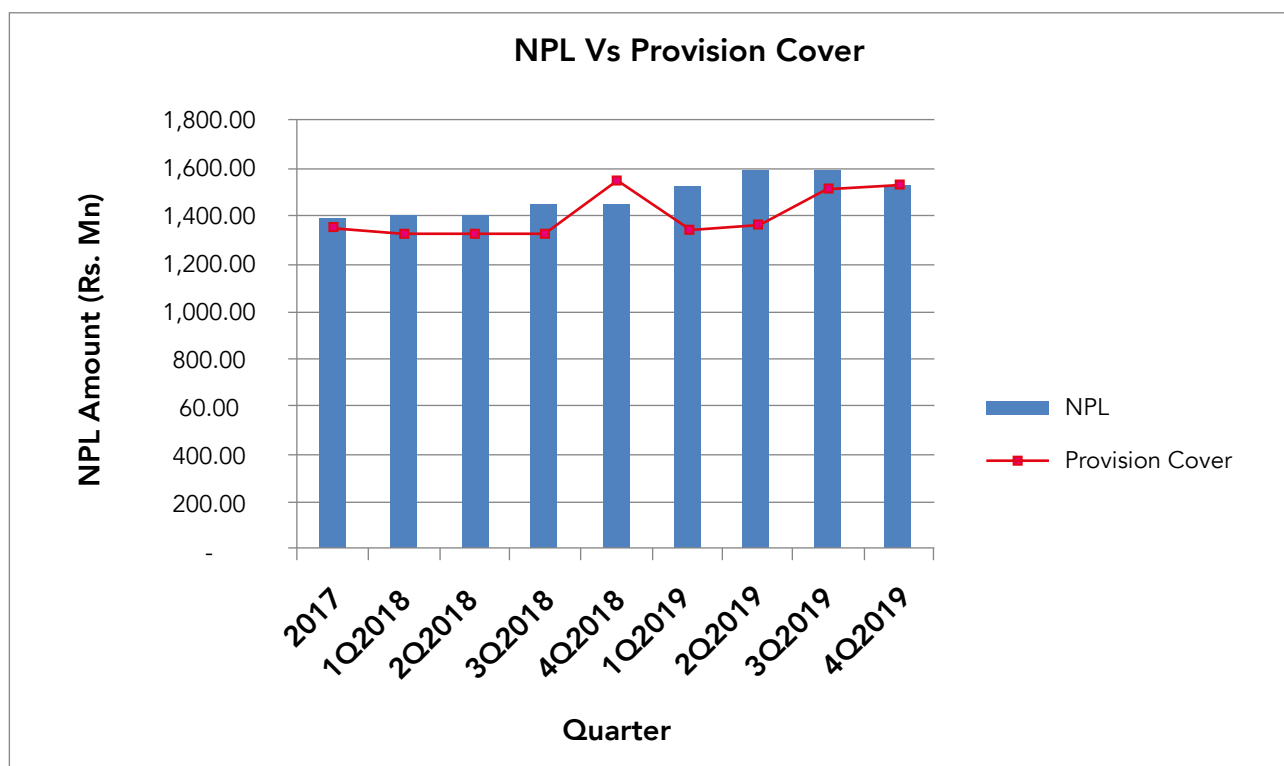


Figure: NPL vs Provision cover ratio

Concentration Risk

Credit concentration is a key risk area within the Credit Risk category which may create significant loss to the Bank. Credit concentration risk may arise where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in inability to meet contractual obligations being similarly affected by changes in economic or environmental conditions.

Concentration risk in credit portfolios comes through uneven distribution of loans to individual borrowers (Name Concentration), Loan products (Product Concentration), geographical distribution (Geographical concentration) or in Industry or services sectors (sector concentration). Concentration risk of the Bank is measured through Herfindahl Hirschman Index (HHI Index).

Product Concentration

Product concentration risk arises as a result of material share of loan portfolio is allocated to a lending product or group of related products. Micro Finance loan portfolio holds 32.7% and vested loan portfolio from Pramuka Savings and Development Bank (PSDB) holds 27% of the total loan portfolio of the Bank. Rest 40.3% of loan portfolio diversified among 20 loan products including consumer loans and SME loans.

Sector Concentration

SLSB was able to serve variety of industry sectors in the country through bank's diversification of loan portfolio. Sector concentration risk of the bank is moderate.

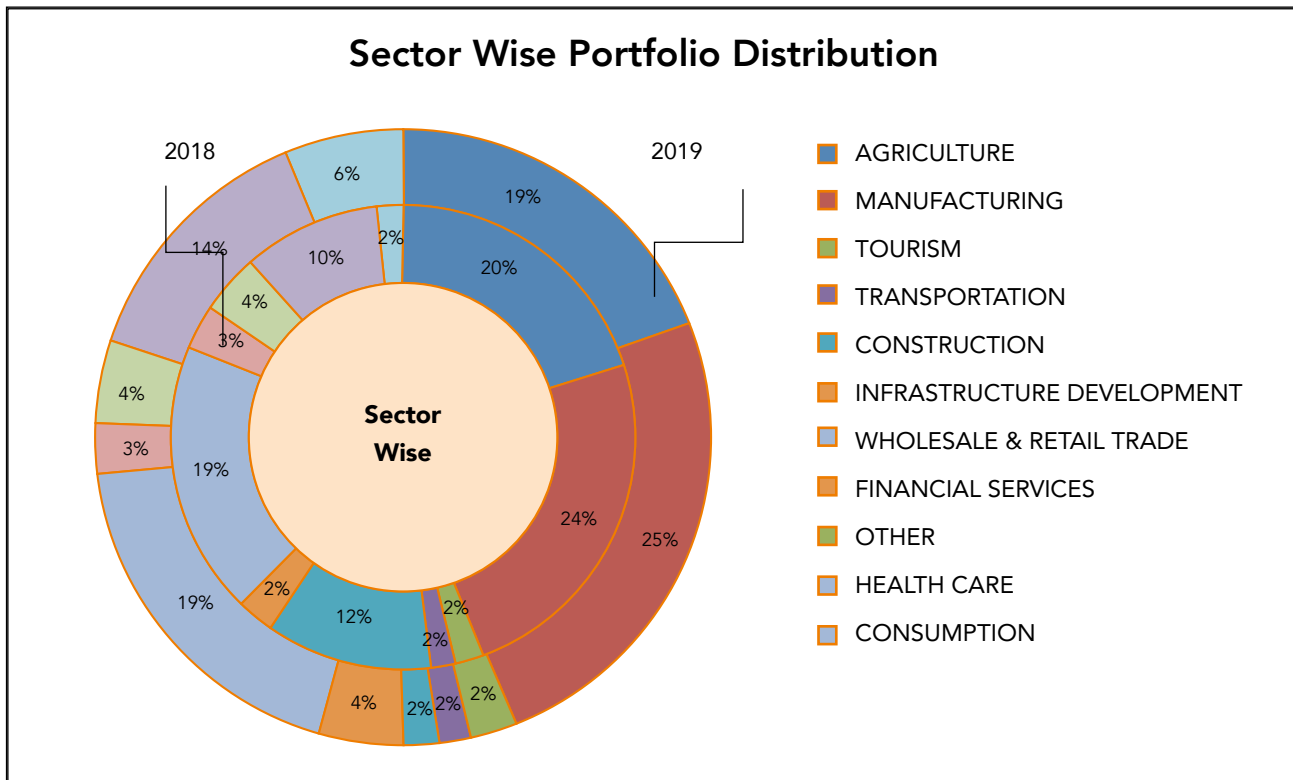


Figure: Sector Concentration

Geographical Distribution

Even though the Bank's existing operations carried out through four branches (Colombo, Matara, Mannar,

Anuradhapura), SLSB was able to diversify its loan portfolio in island wide with reducing geographical concentration risk to the Bank.

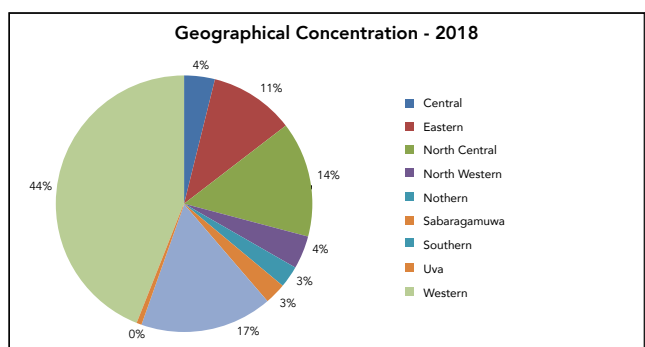
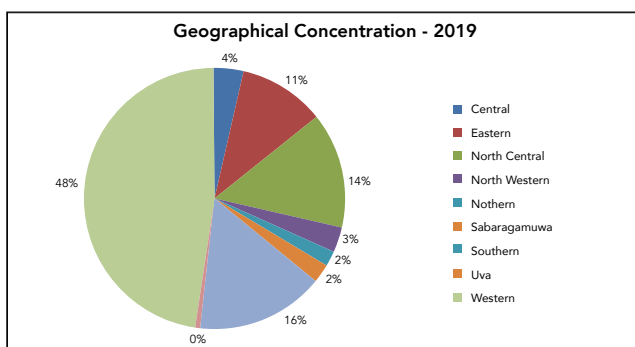


Figure : Geographical Concentration

Stress Testing on Credit Risk

Risk Management division perform the stress testing on credit risk on quarterly basis and assess the impact on capital adequacy ratio. As the Bank maintain high capital adequacy ratio above the regulatory requirement, even at material stress scenario also bank is sustainable with Capital adequacy ratio.

Market Risk

Market risk is defined as potential losses arise in on and off balance sheet positions due to movement of market

prices. Interest rate risk is the key market risk exposed by the bank and Equity price risk and commodity price risk adjoined to the SLSB is minimal. Bank is not exposed to Foreign currency risk.

Interest Rate Risk

Interest Rate Risk is the main risk faces by the Bank under Market Risk and it creates through both from the Trading Book and Banking Book. Currently SLSB is not maintaining a trading portfolio instead of holding all financial assets and liabilities in Banking Book.

	Carrying Amount Amount - 2019 (Rs. 000)	Trading Book Amount - 2019 (Rs. 000)	Banking Book Amount - 2019 (Rs. 000)
Cash and cash equivalent	18,801.58	-	18,801.58
Placement with Banks	5,395,758.21	-	5,395,758.21
Financial assets at amortised cost	-	-	-
-Loans and Advances	2,221,690.98	-	2,221,690.98
-Debt and other instruments	265,893.60	-	265,893.60
Financial assets measured at fair value through other comprehensive income	136,065.45	-	136,065.45
Total	8,038,209.82	-	8,038,209.82

Figure: Bank's Exposure to Market Risk

Interest Rate Risk of the banking Book arises due to the gap differences in maturity or time remaining to their next re-pricing of rate sensitive assets and Rate sensitive liabilities. The bank's interest rate sensitive assets and

Interest Rate sensitive liabilities are analysed by different maturity buckets to determine re-pricing risk and to identify appropriate strategies to optimise earnings of the Bank.

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
RSA	1,086.18	2,902.64	1,582.03	1,059.43	993.93	402.97	139.19
RSL	540.38	55.65	109.76	284.02	256.10	256.01	-
Period Gap	545.80	2,846.99	1,472.27	775.41	737.83	146.96	139.19
Cumulative Gap	545.80	3,392.78	4,865.05	5,640.47	6,378.30	6,525.26	6,664.45
Cumulative Gap as % of RSL	101%	569%	689%	570%	512%	434%	444%

Figure: Interest Rate Sensitivity Analysis

Equity Price Risk

The Bank's Equity investment portfolio is managed taking a long term view and accounted in banking book of the Bank. Market value of the equity investment portfolio was Rs. 136 Mn and its 1.5% of total assets base of the Bank. The Bank calculates the mark to market calculations for quoted equity portfolio on weekly basis and circulate to ALCO members on weekly basis.

Commodity Price Risk

The Bank's Commodity price risk limited to the extent of the pawning portfolio which is impacted by the movements of

gold prices. The Banks exposure to the Pawning portfolio is 0.4% to the total assets of the Bank and impact of change in gold prices make negligible risk to the Bank.

Liquidity Risk

Liquidity risk of the bank is considered as inability to meet contractual and contingent obligations as they fall due without incurring unacceptable losses to the Bank. As the Banks are key players in the financial system of the country, it is crucial to maintain adequate liquidity at all time.

	Regulatory Requirement	2019	2018
Statutory Liquid Asset Ratio	20%	514%	506%
Liquidity Coverage Ratio	100%	504%	110%
Net Stable Funding Ratio	100%	220%	198%
Net Loans to Total Assets		25%	27%
Liquid Assets to Short Term Liabilities		244%	273%
Loan to Customer Deposits		349%	363%
Purchased Funds to Total Assets		6%	15%

Figure: Liquidity Ratios

Liquidity Risk Management

Integrated Risk Management Policy outlines the guidelines for managing liquidity risk of the Bank. Assets and Liability Management Committee (ALCO) holds the responsibility for managing liquidity risk of the Bank. Treasury front office (Treasury division) is responsible managing daily funding and liquidity position of the bank while treasury middle

office (Risk Division) independently monitors the Bank's liquidity management.

Bank measures the liquidity risk using stock approach (analysis through key ratios) and flow approach (maturity gap analysis report). Other than above two measures Risk division closely monitors compliance with regulatory liquidity ratios imposed by the Central Bank of Sri Lanka.

	Up to 1 Month	1-3 Months	3-6 Months	6-9 Months	9-12 Years	1-3 Years	3-5 Years	Over 5 Years
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Assets	1,219.74	2,975.35	1,643.45	894.50	343.61	1,002.25	315.98	1,150.04
Liability & Equity	481.72	113.03	122.14	226.83	239.29	637.85	984.31	5,998.10
Mismatch	738.02	2,826.31	1,521.31	667.66	107.31	364.41	668.33	4,848.06
Cumulative Gap	738.02	3,600.33	5,121.64	5,789.30	5,789.30	6,261.02	5,592.69	744.63
Cumulative Gap as % of cumulative liabilities	153%	605%	714%	714%	613%	344%	200%	8%

Figure: Maturity of Assets & Liabilities- 2019

Operational Risk

Operational risk is either direct or indirect losses resulting from inadequate or failed internal processes, People and systems, or from external events such as natural disasters, social or political events. The Bank is inherently exposed to operational risk due to the products and process in the Bank.

branches and Business Units as the first line of defence are responsible for identification of operational risks at the point of origination. Risk Management Division evaluates the impact of operational risk events and reports to BIRMC accordingly. Internal audit division periodically reviews the effectiveness and efficiency of internal control systems in place, and operational risk management process across the Bank.

Operational Risk Management

The Bank's Integrated Risk Management policy outlines the clear guidelines to manage operational risk. The Bank's

The Bank has identified that, SLSB is exposed to seven potential operational risks covering People risk, Technology risk and Legal risk.



Figure: Operational Risk Components

Categorization of Operational Losses

Internal fraud	Acts of fraud committed internally in an organization go against its interest. Losses can result from intent to defraud, tax non-compliance, misappropriation of assets, forgery, bribes, deliberate mismarking of positions and theft.
External fraud	External frauds are activities committed by third parties. Theft, cheque fraud, and breaching the system security like hacking or acquiring unauthorized information are the frequently encountered practices under external fraud.
Employment practices and workplace safety	Non-compliance to employment or health-and-safety laws and regulations, incompetent maintenance of employee relations,, unethical termination criteria and discrimination are operational risks that subject institutions to serious financial and reputational damage.
Clients, products, & business practice	Organizations fail to meet promises made to their clients as a result of unintended circumstances rising from negligent practices. Privacy and fiduciary breaches, misuse of confidential information, suitability issues, market manipulation, money laundering, unlicensed activities and product defects are very common practices that lead companies to face lawsuits.
Damage to physical assets	These are losses incurred by damages caused to physical assets due to natural disasters or other events like terrorism and vandalism. Rapid and unexpected changes in climatic conditions have been a constant cause of concern in the business world for more than a decade in recent history.
Business disruption and systems failures	Supply-chain disruptions and business continuity have always been a big challenge for banks. System failures (hardware or software), disruption in telecommunication, and power failure can all result in interrupted business and financial loss.
Execution, delivery, & process management	Failure in delivery, transaction or process management is an operational risk that has the potential to bring loss to a business.

Information Technology Risk

The Bank faces IT risk due to bank's products and processes are highly depend on information technology. System interruptions, errors, frauds through system manipulations, cyber attacks such as hacking & theft of information, and inadequate infrastructure to support business volumes are potential major IT related risk events faced by the Bank.

Currently SLSB does not perform internet banking operations and does not have ATMs. Therefore IT risk adjoining to the SLSB has inherently reduced up to a certain level.

IT Steering Committee plays key role in managing IT risk in the Bank and IT steering Committee identifies the required changes, upgrades and developments to the existing system and take suitable actions with instructions of Board of Directors where it is necessary.

resources, inappropriate employee activity, and the Bank's failure to comply with employee related requirements. The Bank's Board approved HR policy and other related policies provide the guidelines to manage the people risk within the Bank while HR Committee holds the responsibility for managing HR risk across the Bank.

Key people risk faced by the Bank in previous years is high turnover of skilled staff including key Management Personnel and inability to recruit qualified skilled staff to the bank due to certain restrictions imposed by the regulator. However a recruitment restriction has withdrawn after acquisition of SLSB by NSB in October 2019.

During the year 2019, Bank has offered Local & foreign training to the employees for upgrading their knowledge & skills, conducted outbound training programmes to enhance motivation and interrelationship among bank staff. These programmes enable skills among people and reduce staff turnover.

People Risk

People are the most important asset in the Bank and also the most vulnerable asset. Anyhow people risk arises as a result of potential losses due to inadequacy of human

Legal Risk

Legal risk integral part of operational risk and it defined as the exposure to the adverse consequences resulting from inaccurately drafted contracts and their execution, the absence of written agreements or inadequate agreements resulting in fines, penalties, or punitive damages.

Legal risk is primarily managed by Legal division of the Bank ensuring that, all applicable regulations are fully taken in to consideration for contracts with individuals and institutions who maintain business relationships with bank. Managing legal risk is delegated to business unit owners and with the oversight of Legal division. Legal & Recovery Committee monitors the material legal risk events and take appropriate corrective and preventive actions immediately and reports to the attention of Board of directors' attention where it is necessary.

Compliance Risk

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

Compliance division which is headed by independent compliance officer act as the key control point in monitoring and coordinating all regulatory requirements while ensuring that bank complies with all laws, regulations and best practices.

The Board of Directors holds the ultimate responsibility for managing compliance risk and Board of Directors have delegated their authority to BIRMC and BAC. Compliance division regularly monitors the compliance risk through, compliance assessments and audits. Results of the compliance assessments reports to the BIRMC and BAC accordingly.

Compliance division with the aim of minimizing potential compliance risk of the Bank has taken certain steps such as introducing new policies and procedures, conducting compliance audits & assessments, and conducting compliance training & awareness programmes.

Strategic Risk

Strategic risk is potential loss stemming as a result of inefficient, inadequate or failed business plans, forecasts and decisions which create loss of market share, and failure to achieve strategic goals.

Corporate Management and the Board of Directors takes the responsibility to lead the Bank through setting strategic goals and corporate plans, while maintaining its vision and mission in order to minimize the failures in business environment.

The Management Committee monitors the performance in achieving targets given in the Board approved corporate plan on monthly basis and take suitable corrective actions so as to be able to achieve the strategic goals of the Bank.

Reputational Risk

Reputational risk refers to the potential adverse effects, which can arise from the Bank's reputation being tarnished due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints. Negative/ adverse publicity etc.

The Bank has identified that, reputational risk is driven by wide range of other business risks that must all be actively managed. In addition, the exponential growth in channels of communication such as social media has widened the stakeholder base and expanded the sources of reputational risk. Accordingly reputational risk is broadly managed through the systems and controls adopted for all other risk types such as credit, market, operational, etc.

Capital Management

SLSB has complied with the capital requirements stipulated under Basel III guidelines issued by Central Bank of Sri Lanka. Due to the Bank's funding structure and composition of assets portfolio, SLSB maintains satisfactory capital adequacy ratios and it is relatively high compared to industry norms.

	2019 Rs. Min	2018 Rs. Min
Capital		
Tier 1 Capital	4,355.00	5,268.16
Total capital	4,405.95	5,263.16
Risk Weighted Assets		
Credit Risk	4,075.70	4,725.33
Market Risk	-	-
Operational Risk	1,183.39	1,131.97
Total Risk Weighted Assets	5,259.09	5,857.30
Capital Adequacy Ratio		
Tier 1 CAR	82.81%	89.94%
Total CAR	83.78%	89.94%
Regulatory Minimum		
Tier 1 CAR	8.50%	7.88%
Total CAR	12.50%	11.88%

Figure: Capital Adequacy Ratio as per Basel III requirements

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. 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 two successful meetings during the year 2019 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	02	02
Mr. R M C Rathnayake	02	02
Mr. D A R P Dheerasinghe	02	02

2. Main functions

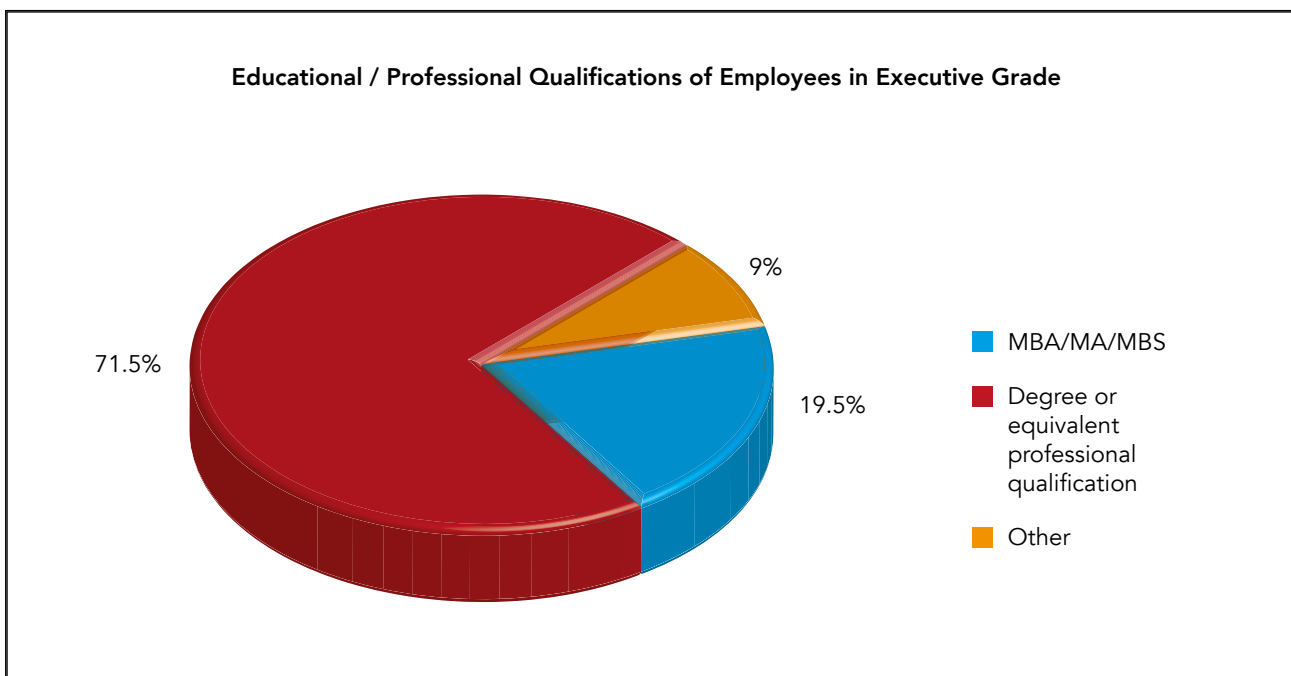
- Determine the remuneration policy (salaries, allowances and other financial payments) relating to the Chief Executive Officers (CEO) and other Key Managerial personnel of the Bank.
- Set goals and targets for the Directors, CEO and Key managerial personnel.
- Lay down guidelines, policies and parameters 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 2019 against the set goals and targets and granted the increments, bonuses and promotions for the staff members including the KMPs.
- b) After completion of the acquisition process, priority was given to review the existing HR policies of the Bank as well as reviewed remuneration structure of the SLSB to adjust the same similar to the remuneration structure of the NSB.
- The total number of staff as at 01st January 2019 was 109 and by the end of the year it was 103.

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:

Year ended	Hours	No. of Participants
Credit	262.5	32
Financial Management and Auditing	103	44
Banking Operations	17	03
HR & General Management	136.5	23
IT	00	00
Legal	23.5	09
Risk Management	08	03
Treasury Management	21	01
Compliance	44.5	04

Five 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 BAC 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. The members who served the BAC during the year 2019 are as follows:

Name	Designation	Period served
Mr. P.B.S.C. Nonis	Chairman	From 01/01/2019 to 13/02/2019
Mr. K.G.P. Pushpakumara	Chairman	From 13/02/2019 to 11/10/2019
Mr. P. Algama	Chairman	From 24/10/2019 to 31/12/2019
Mr. P.H.A. Wijerathna	Member	From 01/01/2019 to 11/10/2019
Mr. C.V.J. Arambewela	Member	From 01/01/2019 to 11/10/2019
Mr. A.M.P. Rajakaruna	Member	From 24/10/2019 to 05/12/2019
Mr. M.N. Nizar	Member	From 24/10/2019 to 18/12/2019

Meetings

Company Secretary functions as Secretary to the BAC Meetings. Generally, a representative from the Auditor General's Department participates to the BAC as an observer. During the year 2019, only one (01) BAC Meeting was held due to practical difficulties and proceeding of

the Meeting was reported to the Board. Mrs. R.M.D.S. Rathnayaka attended the Meeting representing the Auditor General.

Attendance of the BAC members during the financial year ended Dec 31, 2019 is as follows.

Name	Required to attend	Attended
Mr. K.G.P. Pushpakumara	01	01
Mr. P.H.A.S. Wijayarathne	01	01
Mr. C.V.J. Arambewela	01	01

Mandate and Role

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

Terms of Reference

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

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

Financial Reporting

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

The Committee reviews 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 assesses the effectiveness of internal control over financial reporting. 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 BAC ensures that Internal Audit function is independent of the activities it audits and it performs with impartiality proficiency and due professional care. The Committee monitors and reviews 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 carries out audits of Branches, Divisions and other Units as per the Internal Audit Plan. The frequency of audit is determined by the level of risk assessed. The audit plan is approved by the BAC for implementation.

The Committee under review attended to the following during the year

- (a) Reviewed financial statements for the year ended 31/12/2018 of the Bank and recommended to submit the same to the Board.
- (b) Reviewed and discussed issues raised at CBSL Statutory Examinations and follow-up actions by the Bank Management and monitored the progress of rectification.
- (c) Reviewed of internal audit reports and the performance of the Internal Audit Department.



Sunil Galagama
Chairman of the Board Audit Committee
Colombo, Sri Lanka
May 22, 2020

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 ICASL. 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 checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights 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 70 to 71.
- 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, 2019 and will report to the Board.

By order of the Board



Mrs. Keasila Jayawardena
Chairperson of the Board



Mr. Sunil Galagama
Chairman of the Board Audit Committee



Mr. Hemantha Gamage
Director

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



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எனது இல.
My No.

BAF/A/SLSBL/IC/2019/02

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உமது இல.
Your No.

දිනය
திகதி
Date

30 June 2020

The Chairperson
Sri Lanka Savings Bank

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

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over financial reporting ("Statement") of Sri Lanka Savings Bank included in the annual report for the year ended 31 December 2019.

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 (Revised)

My responsibility is 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 design and effectiveness of the internal control of the Sri Lanka Savings Bank.

I conducted this engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 (Revised) – Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

This standard required that I plan and perform procedures to obtain limited assurance about whether management has prepared, in all material aspects, the statement on internal control.

For the purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.



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NATIONAL AUDIT OFFICE

Summary of Work Performed

I conducted my engagement to assess whether the statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

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

SLSAE 3050(Revised) 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(Revised) 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.

The Procedures selected depend on my judgment, having regard to my understanding of the nature of the bank, the event or transaction in respect of which the statement has been prepared.

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

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 system over the financial reporting of the Bank.



W.P.C Wickramaratne

Auditor General



AUDITOR GENERAL'S REPORT ON FINANCIAL STATEMENTS



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எனது இல.
My No.

BAF/A/NSB/SLSBL/FA/2019/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

30 March 2020

Chairperson

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 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Savings Bank Limited (the "Bank") for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and statement of Income, statement of comprehensive income, statement of changes in equity and statement of cash flow 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 of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



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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.

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 intend 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



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NATIONAL AUDIT OFFICE

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:

- 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 Bank'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.



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- Evaluate the overall presentation, structure and content of 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.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and companies Act, No 07 of 2007 includes 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 07 of 2007 and section 12 (a) of 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



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

SRILANKA SAVINGS BANK STATEMENT OF INCOME FOR THE YEAR ENDED 31ST DECEMBER 2019

	NOTE	2019 LKR	2018 LKR
Interest income	5	1,019,645,665	1,019,059,257
Interest expenses	5	(95,067,883)	(94,079,725)
Net interest income		924,577,782	924,979,532
Fee and commission income	6	1,664,118	2,561,434
Fee and commission expenses	6	(301,000)	(565,750)
Net fee and commission income/(expenses)		1,363,118	1,995,684
Other operating income (net)	7	135,932,214	18,900,464
Total operating income		1,061,873,114	945,875,680
Impairment (charges)/reversal	8	5,024,907	10,196,371
Net operating income		1,066,898,021	956,072,051
Personnel expenses	9	(155,841,907)	(167,712,542)
Depreciation and amortization expenses	10	(17,398,134)	(16,248,637)
Other expenses	11	(76,085,274)	(141,027,317)
Operating profit before VAT, NBT & DRL on financial services		817,572,707	631,083,555
Value Added Tax (VAT) on financial services		(112,974,317)	(113,773,218)
Nation Building Tax (NBT) on financial services		(11,581,497)	(15,855,664)
Debt Repayment Levy (DRL) on financial services		(59,053,298)	(13,348,913)
Operating profit after VAT, NBT & DRL on financial services		633,963,595	488,105,760
Income Tax expenses	12	(186,146,888)	(136,839,624)
Profit for the year		447,816,707	351,266,136
*The accounting policies, notes No. 1 to 43 and detail notes No. D1 to D4 form an integral part of these financial statements.			
Basic Earning per share	13	55	43

SRILANKA SAVINGS BANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	NOTE	2019 LKR	2018 LKR
Profit for the period ended		447,816,707	351,266,136
Items that will not be reclassified to income statement			
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income		(20,929,944)	(9,974,805)
Actuarial Gain/(loss) on defined benefit plan		(892,476)	869,967
Other comprehensive income for the period ended, net of taxes		(21,822,420)	(9,104,838)
Total comprehensive income for the period ended		425,994,287	342,161,299

*The accounting policies, notes No. 1 to 43 and detail notes No. D1 to D4 form an integral part of these financial statements.

SRILANKA SAVINGS BANK

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST DECEMBER 2019

	NOTE	31.12.2019 LKR	31.12.2018 LKR
Assets			
Cash and cash equivalents	14	18,801,576	31,124,180
Placements with Banks	15	5,395,758,206	5,555,979,786
Financial assets at amortised cost			
- Loans and Advances	16	2,221,690,979	2,407,752,546
- Debt and Other Instruments	17	265,893,601	349,359,853
Financial assets measured at fair value through other comprehensive income	18	136,065,453	156,995,397
Property, plant and equipment	19	287,954,838	294,607,054
Right of use assets	20	14,365,209	-
Investment property	21	333,315,000	333,315,000
Intangible assets	22	548,958	1,348,750
Other assets	23	42,605,182	37,980,844
Total assets		8,716,999,003	9,168,463,410
Liabilities			
Due to Banks	24	71,620	-
Financial liabilities at amortised cost	25		
Due to depositors	25.1	1,076,178,328	1,088,554,732
Due to other borrowers	25.2	552,131,770	1,383,220,674
Lease Liability	26	14,115,619	-
Debt securities issued	27	263,986,105	270,896,037
Retirement benefit obligations	28	25,031,876	19,568,762
Current tax liability	29	404,435,975	324,955,124
Deferred tax liability	30	763,990	-
Other liabilities	31	1,449,507,916	694,272,598
Total liabilities		3,786,223,199	3,781,467,926
Equity			
Stated capital/assigned capital	32	3,805,290,302	3,805,290,302
Statutory reserve fund	33	239,997,353	217,606,517
OCI Reserve	34	38,384,500	59,314,444
Retained earnings	35	2,545,272,567	3,002,953,139
Other reserves	36	(1,698,168,918)	(1,698,168,918)
Total equity		4,930,775,804	5,386,995,484
Total equity and liabilities		8,716,999,003	9,168,463,410
Contingent liabilities and commitments	39	20,839,999	18,020,000

*The accounting policies, notes No. 1 to 43 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

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



Mrs. Keasila Jayawardena
Chairperson



Director



Director

SRILANKA SAVINGS BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	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 01.01.2018	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
Actuarial Gain 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
Balance as at 01.01.2019	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
Prior Year Adjustments							(882,213,968)	(882,213,968)
Balance as at 01.01.2019 after adjustment	820,446,600	2,984,843,702	(2,166,190,408)	217,606,517	59,314,444	468,021,489	2,120,739,172	4,504,781,517
Profit for the year	-	-	-	-			447,816,707	447,816,707
Actuarial loss on defined benefit plan	-	-	-	-			(892,476)	(892,476)
Fair value changes	-	-	-	-	(20,929,944)			(20,929,944)
Transferred to statutory reserve fund	-	-	-	22,390,835			(22,390,835)	-
Balance as at 31.12.2019	820,446,600	2,984,843,702	(2,166,190,408)	239,997,353	38,384,500	468,021,489	2,545,272,567	4,930,775,804

Note: The accounting policies, notes No. 1 to 43 and detail notes No. D1 to D4 form an integral part of these financial statements.
Prior Year Adjustment in Yr2019 Refer Note No.34.

SRILANKA SAVINGS BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	NOTE	2019 LKR	2018 LKR
Cash flows from operating activities			
Profit before tax		633,963,595	488,105,760
Adjustment for:			
Prior year adjustment		(882,213,968)	(259,513,899)
Non-cash items included in profits before tax	40	17,514,138	10,611,951
Change in operating assets	41	407,502,918	356,533,790
Change in operating liabilities	42	(107,466,411)	(459,981,949)
Contribution paid to defined benefit plans		(570,273)	(722,858)
Tax paid		(79,459,939)	(41,948,440)
Net cash generated from operating activities		(10,729,938)	93,084,355
Cash flows from investing activities			
Purchase of property, plant and equipment	19.1	(1,089,286)	(1,210,310)
Purchase of Intangible assets	22.1	(575,000)	(550,000)
Proceeds from the sale of property, plant and equipment		-	-
Purchase of Financial investments		-	-
Proceeds from the sale of maturity of financial investments		-	-
Net cash (used in)/from investing activities		(1,664,286)	(1,760,310)
Cash flows from finance activities			
proceeds from the issue of ordinary share capital		-	-
Repayment of subordinate debts		-	-
Dividend paid to the Shareholders		-	(86,000,000)
Net cash (used in)/from investing activities		-	(86,000,000)
Net increase/(decrease) in cash & cash equivalents		(12,394,224)	5,324,045
Cash and cash equivalents at the beginning of the year		31,124,180	25,800,135
Cash and cash equivalents at the end of the year	43	18,729,956	31,124,180

*The accounting policies, notes No. 1 to 43 and detail notes No. D1 to D4 form an integral part of these financial statements.

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 Mannar, Matara, Anuradhapura 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 2019 were authorized for issue on 11th February 2020.

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.

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:

- Financial assets measured at Fair Value Through Other Comprehensive Income,
- Land and buildings, which are measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation.

- Liability for employee defined benefits obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.

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

2.8

Changes in Accounting Policies

2.8.1 Sri Lanka Accounting Standard (SLFRS 16) – Leases

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. This Standard supersedes the following Standard and Interpretations:

- (a) LKAS 17 Leases;
- (b) IFRIC 4 Determining whether an Arrangement contains a Lease;
- (c) SIC-15 Operating Leases-Incentives; and
- (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Set out below are the accounting policy of the Bank upon adoption of SLFRS 16, which have been applied from the date of initial application of 1 January 2019.

2.8.1.1. Identifying a Lease

A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Hence, at inception of a contract, Bank assesses whether the contract is, or contains, a lease by considering following aspects.

- 1. Availability of identified asset
- 2. Bank's right to control the use of the identified asset
- 3. Bank's right to obtain substantially all economic benefits from use of the identified asset
- 4. Bank's right to direct the use of the identified asset

Accordingly, Bank identifies all the Rent Agreements (except short-term agreements, less than twelve months & low value agreements) entered by the Bank for operating a branch and for using machineries contain a lease under SLFRS 16: Leases.

2.8.1.2 Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date as specified in the Lease Agreement). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.8.1.3 Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. Calculating the present value of lease payments, the Bank uses the Treasury bond rate (The tenure of the Treasury bond should be identical to the lease term) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.8.1.4 Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the

lease of low-value assets recognition exemption that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. The Bank considers the leases of low value assets, if the value of the underlying asset is less than or equal to Rs 1 Mn.

2.8.1.5 Significant judgment in determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The bank uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Accordingly, bank identified the lease term as the number of years based on the period covered by the Rent Agreement signed by the Bank and the lessor.

2.8.1.6 Measurement

The Bank adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Since the Bank applies SLFRS 16 using the modified retrospective approach.

- the Bank leaves comparatives as previously reported
- any difference between asset and liability recognized in opening retained earnings at transition
- measure ROU asset as if SLFRS 16 had been applied from lease commencement (but using discounting rate at date of transition)

Initial Measurement of the Right of Use Asset & the Lease Liability

The Right-Of-Use (ROU) Asset is initially measured at the present value of all the lease rentals adjusted to any advances made outstanding as at 01st January 2019. The lease liability is initially measured at the present value of the future lease rentals over the remaining lease period at commencement date.

Subsequent Measurement of the Right of Use Asset & the Lease Liability

After the commencement, date the bank measure the ROU asset applying a cost model. The assets are amortized to the balance lease term as at 01st January 2019, using the straight-line method. The Lease liability subsequently measure by increasing with the lease interest & reducing with the lease payments.

Discount Rate

The lessee has to apply the Incremental borrowing rate to discount the future rental payments. That is "The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment". The Bank applies a single discount rate for leases with similar lease periods.

- **Separating Components of a Contract**

The Bank elects to consistently apply as a practical expedient not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

- **Initial Direct Costs**

The Bank excludes the initial direct costs from the measurement of the right-of-use asset at the date of initial Application as a practical expedient.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balance with Banks. For the purpose of the

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

3.2 Financial assets – Recognition and measurement

3.2.1 Date of recognition

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

3.2.2 Initial measurement of financial instruments

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

3.2.3 Non-derivative financial assets

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

3.2.4 Classification and Subsequent Measurement of Financial Assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost,
- Fair Value Through Other Comprehensive Income (FVOCI),

3.2.4.1 Financial assets measured at amortized cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3.2.4.2 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

3.2.5 Reclassification of Financial Instruments at "Amortized Cost"

-to Fair value through other comprehensive income.

The asset is re-measured to fair value, with any difference recognized in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

The Bank do not have any reclassification of financial instrument for the reporting period.

3.2.6 De-recognition of financial assets financial liabilities

3.2.6.1 Financial assets

The Bank derecognizes a financial asset (or where applicable a part thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less and new liability assumed) and any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

However, cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities as per SLFRS 9. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

The bank enters into transactions whereby it transfers assets recognized on its SOFP, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized.

When the bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred

nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the bank also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Bank has retained.

3.2.6.2 Financial assets

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.2.7 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.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

• Stage 1:

The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD, multiplied by the expected LGD, and discounted by an approximation to the original EIR.

• Stage 2:

When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

• **Stage 3:**

For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

3.2.8 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 4 years
- Furniture & fittings 5 years
- Motor vehicles 5 years
- Office equipment and other fixed assets 5 years
- Buildings including Investment Buildings 20 years

De-recognition

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

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

3.3.2. Impairment of non-financial assets.

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

3.3.3. Investment property

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

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

Cost model

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

Fair Value

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

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

3.3.4. Inventories

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

3.3.5. Borrowing costs

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

3.3.6. Intangible Assets

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

3.3.6.1 Basis of Recognition

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

3.3.6.1 (a) Computer Software

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

3.3.6.2 Subsequent Expenditure

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

3.3.6.3 Amortization of Intangible Assets

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

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

3.3.7. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of SLFRS 09 are classified as due to banks, deposits from customers and refinance borrowings as appropriate. The Bank determines the classification of its financial liabilities at initial recognition.

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

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

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

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

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

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

ii. Other Financial liabilities

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

3.3.8. 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.

The bank was 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.

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.

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.

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 recognized 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 recognized on an accrual basis.

3.8.3. Dividend income

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

3.9. Cash flow statement

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

3.10. Standards issued but not yet effective

Any SLFRSs that have impact to bank and the group did not published by the Institute of Chartered Accountants of Sri Lanka as at the reporting period.

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. 1,013,436,936.89 as at 31 December 2019 where such loans vested with 100% provisions.

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NOTES TO THE FINANCIAL STATEMENTS

5. Net Interest Income

	31.12.2019 LKR	31.12.2018 LKR
Interest income		
Interest income- REPO investments	33,528,444	32,452,781
Interest income- Debenture	6,821,474	8,382,270
Interest income- Fixed Deposits	640,408,792	594,533,038
Interest income- Call Deposit	2,364,117	2,402,542
Interest income- PSDB loans	12,108,415	11,930,703
Interest income- leasing	31,258,971	40,314,179
Interest income- Loans against deposit balances	990,005	1,666,235
Interest income- Hire purchases	39,196,321	39,102,726
Interest income- Loans to partner organizations	127,950,613	159,432,694
Interest income- Door to Door Loans	1,159,869	2,612,241
Interest income- Staff loans	2,757,203	2,326,532
Interest income- Personal loans	40,513,333	48,752,446
Interest income- Individual & corporate loans	17,279,364	20,328,864
Interest income- MFD Loans	557,832	958,214
Interest income- Pawning advances	7,093,089	7,390,199
Interest income- Praja Diriya Loans	4,936,212	13,550,669
Interest income- Vehicle loans	10,454	49,535
Interest income- Staff Housing Loans	4,318,310	4,043,360
Interest income- Professional Loans	3,192,884	2,933,240
Interest income-SIs Diriya	29,043,482	21,405,367
Interest income-Swashakthi Loan	249,789	435,555
Interest income-Jaya Isura Loan	13,083,679	3,945,587
Interest income-Athwela Loan	24,410	34,624
Interest income- Rivi Bala Savi Loan	114,958	64,337
Interest income- Ran Aswenna Loan	376,216	11,318
Interest income- Green Loan	295,740	-
Interest income- Govi Nawoda Loan	11,688	-
Total interest income	1,019,645,665	1,019,059,257
Due to other customers	59,102,693	55,239,678
Due to PSDB depositors	6,853,337	7,117,378
Debenture issued	-	(17,397)
Other borrowing	29,111,853	31,740,066
Total interest expenses	95,067,883	94,079,725
Net interest income	924,577,782	924,979,532

5.1 Net Interest Income from Sri Lanka Government Securities

	31.12.2019 LKR	31.12.2018 LKR
Interest income	33,528,444	32,452,781
Net interest income	33,528,444	32,452,781

6. Net Fee and Commission Income

	31.12.2019 LKR	31.12.2018 LKR
Fee and commission income	1,664,118	2,561,434
Fee and commission expenses	(301,000)	(565,750)
Net Fee and commission income	1,363,118	1,995,684
Comprising		
Commission on - Closing Fee on Savings A/C	53,825	62,562
Documentation charges	69,000	129,000
Commission on guarantees	83,000	83,000
Processing fees loans	880,200	1,654,845
Inspection charges	148,322	215,367
Commission insurance general	428,271	379,659
Non-refundable deposit income	1,500	37,000
Total Fee and commission income	1,664,118	2,561,434
Fee and Commission Expenses		
Introducer Commission Expense - Leasing & HP	301,000	565,750
Total Fee and commission expenses	301,000	565,750

7. Other Operating Income (net)

	31.12.2019 LKR	31.12.2018 LKR
Dividend income	652,802	569,057
Sundry income	1,043,516	1,264,157
Income- Nuwara Eliya bungalow	270,800	330,500
Income- Anuradhapura bungalow	49,800	80,000
Cultivation income	260,000	660,000
Provision recovered other receivable	105,907	50,629
Trust Recovery	10,000	67,200
Loan Provision recovered (Over Provision)	6,665,501	15,289,016
Penalty interest	175,257	153,184
Termination income	1,608	74,678
Legal charges recovered	197,500	362,043
Repossess Gain	614,000	-
Penalty Waive off	125,885,523	-
Other Operating Income (net)	135,932,214	18,900,464

8. Impairment Charges /(Reversal)

	31.12.2019 LKR	31.12.2018 LKR
Placement with banks		
Stage 1	316,418	(490,795)
Financial assets at amortised cost - loans & advances		
Stage 1	(87,423,235)	(47,341,473)
Stage 2	4,358,800	673,369
Stage 3	77,887,570	37,015,488
Financial assets at amortised cost - Debt instruments		
Stage 1	(164,460)	(52,960)
Total	(5,024,907)	(10,196,371)

9. Personnel Expenses

	31.12.2019 LKR	31.12.2018 LKR
Salary and bonus	105,378,840	124,548,258
Contributions to defined contribution/benefit plans	17,194,825	11,076,831
Other allowance and staff related expenses	28,127,330	27,527,767
Gratuity	5,140,911	4,559,686
Total	155,841,907	167,712,542

10. Depreciation and amortization expenses

	31.12.2019 LKR	31.12.2018 LKR
Depreciation of property, plant and equipment	7,741,501	14,834,470
Amortization for Intangible assets	1,374,792	1,414,167
Amortization for ROU assets	8,281,840	-
Total	17,398,134	16,248,637

11. Other Expenses

	31.12.2019 LKR	31.12.2018 LKR
Directors' emoluments	2,553,788	3,906,700
Audit related fees	3,173,877	-
Office administration and establishment expenses	15,220,734	25,517,781
Consultancy fee	68,050	1,528,946
Professional fee	807,376	1,877,161
Legal fee	6,217,933	5,277,475
License Fee	3,500,000	2,728,151
Repairs and maintenance	12,657,894	10,557,645
Advertisements	4,418,434	3,840,315
CSR Activities	225,381	145,343
Entertainment	40,000	39,045
Labour outsourcing expenses	8,250	96,683
Security charges	10,682,655	10,395,220
Insurance	1,591,613	1,495,145
Printing and stationery	3,928,756	5,941,585
Rates and taxes	717,552	1,053,631
Donation	37,500	3,000
National Insurance Trust Fund Levy	2,208,266	5,851,155
Transport and fuel expenses	3,467,561	3,578,724
Subsistence and lodging expenses	636,854	1,128,431
Miscellaneous	1,219,490	1,540,079
Tax Penalty Charges	-	33,247,292
Repossess Loss	-	21,160,081
Leasehold property - Interest	2,005,682	-
Write Off - Correction of data migration	633,617	-
Bank charges	64,010	117,729
Total	76,085,274	141,027,317

12. Tax Expenses

	31.12.2019 LKR	31.12.2018 LKR
Current Year expense		
Current Year	181,102,131	136,839,624
Prior Year's Provision	4,280,768	-
Deferred Tax expense		
Temporary Difference (refere note - 12.2)	763,990	-
Prior Year's Provision	-	-
Total	186,146,888	136,839,624
Effective tax rate (%)	29.36	28.03
Effective tax rate (excluding deferred tax) (%)	29.24	28.03

12.1 Reconciliation of the Accounting Profit to Income Tax Expenses

	01-01-2019 to 31-12-2019	9 Months (April 18 to Dec 18)
Profit before tax	633,963,595	488,105,760
Income Tax for the period (Accounting Profit @ 28%)	177,509,807	102,502,210
Add: Tax effect of expenses that are not deductible for tax purposes	41,311,788	48,795,356
(Less): Tax effect of expenses that are deductible for tax purposes	(37,719,464)	(14,457,942)
Tax expense for the period	181,102,131	136,839,624

12.2 The deferred tax (credit)/charge in the Income Statement comprises the following:

	31.12.2019 LKR	31.12.2018 LKR
Deferred tax assets	-	-
Deferred tax liabilities	763,990	-
Deferred tax (credit)/charge to Income Statement	763,990	-

13. Earning per share

	31.12.2019 LKR	31.12.2018 LKR
Net profit attributable to ordinary equity holders	447,816,707	351,266,136
Weighted average number of ordinary shares for basic earning per share	8,204,466	8,204,466
Basic earnings per ordinary share	55	43

14.0 Cash and Cash Equivalents

	31.12.2019 LKR	31.12.2018 LKR
Cash in hand	6,129,235	4,620,538
Balances with banks (Note 14.1)	12,672,341	26,503,642
Total	18,801,576	31,124,180

14.1 Balances with banks

	31.12.2019 LKR	31.12.2018 LKR
People's Bank - Borella No. 1 (078-1-001-5-8517396)	125,482	504,579
People's Bank - Borella No. 2 (078-1-001-7-0000683)	-	856,515
People's Bank - collection account leasing (078-1-003-3-8517396)	-	851,739
People's Bank - Liberty plaza old 046-1-001-3-0387266	75,373	75,373
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)	11,038	306,244
Bank of Ceylon - Borella - 0007521176	341,833	88,133
Bank of Ceylon - Mannar - 0074291980	144,247	484,524
People's Bank - Mannar - 044-1-001-2-0060585	405,148	897,492
People's Bank - Matara - 032-1-001-2-0000683	396,654	2,458,654
People's Bank - Anuradhapura - 008-1-001-2-0000683	1,887,514	1,016,170
Cash at Bank - NDTF 309-1001-72536876	1,401,053	5,964,218
People's Bank-Call deposit	7,884,000	13,000,000
Total	12,672,341	26,503,642

15.0 Placements with Banks

	31.12.2019 LKR	31.12.2018 LKR
Fixed deposits- People's Bank	757,673,440	1,397,949,333
Fixed deposits- Bank of Ceylon	598,149,509	1,225,746,532
Fixed deposits- National Saving Bank	2,015,043,572	815,060,236
Fixed deposits- Regional Development Bank	802,594,925	1,028,180,656
Fixed deposits- HDFC	626,639,051	828,420,189
Fixed deposits- SMIB	597,564,848	262,213,562
(-) Impairment on Financial Assets		
Stage 01	(1,907,139)	(1,590,722)
Total	5,395,758,206	5,555,979,786

16.0 Financial assets at amortised cost - Loans and Advances

	31.12.2019 LKR	31.12.2018 LKR
Gross loans and receivables		
Stage 01	2,019,426,653	2,296,919,007
Stage 02	209,957,770	240,529,543
Stage 03	516,124,188	399,298,492
PSDB Loans	1,013,436,937	1,020,102,438
(Less): Impairment on Loan & Advances		
Stage 01	(105,814,891)	(193,238,126)
Stage 02	(43,030,447)	(38,671,647)
Stage 03	(374,972,295)	(297,084,725)
PSDB Loans	(1,013,436,937)	(1,020,102,438)
Net loans and receivables	2,221,690,979	2,407,752,546

16.1 Analysis

		31.12.2019 LKR	31.12.2018 LKR
By product			
Loans and advances			
Micro Finance - PO Loans		1,222,222,116	1,313,529,261
Micro Finance Development Loans		8,769,282	9,564,686
REPPIA		47,173,984	49,337,224
Staff loans		29,647,585	32,826,933
Special loans-staff		1,673,985	1,763,015
Loans against deposit balances		2,765,789	3,262,089
Loans - Door to door		10,630,331	14,489,101
Loans against PSDB balances		1,920,000	2,002,000
Loans -Public and private employment		287,914,876	355,307,697
Loans - Individual & corporate Loans		147,679,050	166,195,758
Pawning advances		37,832,350	48,420,376
Loans - Vehicle loan		1,542,717	1,571,532
Praja Diriya Loans		25,890,835	55,718,485
Staff Housing Loans		92,097,442	82,372,804
Professional Loans		22,735,579	25,277,092
Loans & Advances - vested from Pramuka Savings & Development Bank (PSDB)		1,013,436,937	1,020,102,438
SIs Diriya		201,284,266	197,361,894
Swashakthi Loan		6,505,572	8,703,381
Jaya Isura Loan		104,572,740	52,471,775
Athwela Loan		735,606	1,372,384
Rivi Bala Savi Loan		806,961	994,265
Cash Back Loan		6,483,125	3,826,474
Ran Aswenna Loan		5,569,352	501,237
Green Loan		5,818,478	-
Govi Nawoda Loan		489,348	-
Lease rental receivable	16.2	248,383,215	244,037,486
Hire purchases receivable	16.3	224,364,030	265,840,090
Loan Control		11,790,000	10,520,001
Undisbursed loans		(11,789,999)	(10,520,000)
Net Total		3,758,945,549	3,956,849,480

	31.12.2019 LKR	31.12.2018 LKR
By industry		
Agriculture and fishing	689,614,000	732,814,000
Manufacturing	960,704,000	970,410,000
Tourism	90,717,000	69,134,000
Transport	67,941,000	73,653,000
Construction	232,381,000	-
Traders	708,986,000	731,625,000
New economy	13,462,000	12,340,000
Others	995,140,549	1,366,873,480
Gross total	3,758,945,549	3,956,849,480

16.2 Lease rental receivable

	31.12.2019 LKR	31.12.2018 LKR
Lease rental receivable	248,435,025	244,089,296
Unearned Interest Asset	70,386,952	59,770,415
(Less) Unearned Interest Liability	(70,438,762)	(59,822,225)
Net Lease rental receivable	248,383,215	244,037,486

16.3 Hire purchase receivable

	31.12.2019 LKR	31.12.2018 LKR
Hire purchase receivable	224,376,766	266,059,432
Unearned Interest Asset	62,653,052	83,066,202
(Less) Unearned Interest Liability	(62,872,394)	(83,285,544)
Net Hire purchase receivable	224,364,030	265,840,090

16.4 Movements in impairment during the Year

	31.12.2019 LKR	31.12.2018 LKR
Stage 1		
Opening Balance	193,238,126	240,579,599
Charge/(Write back) to income statement	(87,423,235)	(47,341,473)
Balance at the end of the year	105,814,891	193,238,126
Stage 2		
Opening Balance	38,671,647	37,998,277
Charge/(Write back) to income statement	4,358,800	673,369
Balance at the end of the year	43,030,447	38,671,647
Stage 3		
Opening Balance	297,084,725	260,069,237
Charge/(Write back) to income statement	77,887,570	37,015,488
Balance at the end of the year	374,972,295	297,084,725
PSDB		
Opening Balance	1,020,102,438	1,035,391,453
Capital Recoveries	(6,665,501)	(15,289,016)
Balance at the end of the year	1,013,436,937	1,020,102,438

17 Financial assets at amortised cost - Debt and Other Instruments

	31.12.2019 LKR	31.12.2018 LKR
Sri Lanka Government Securities	265,893,601	261,990,685
Debenture investments	-	87,369,168
Other investments	-	-
Total	265,893,601	349,359,853

17.1 Sri Lanka Government Securities

	31.12.2019 LKR	31.12.2018 LKR
Reverse Repo investment	265,893,601	261,990,685
Total	265,893,601	261,990,685

17.2 Debenture investments

	31.12.2019 LKR	31.12.2018 LKR
Debentures - PABC	-	85,972,000
Int Receivable - Debentures	-	1,561,628
(-) Impairment on Financial Assets	-	(164,460)
Net Debenture investments	-	87,369,168

17.3 Other investments

	31.12.2019 LKR	31.12.2018 LKR
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	-	-

17.4 Analysis

	31.12.2019 LKR	31.12.2018 LKR
By Collateralization		
Pledged as collateral	265,893,601	261,990,685
Unencumbered	-	-
Total	265,893,601	261,990,685

18.0 Financial assets measured at fair value through other comprehensive income

	31.12.2019 LKR	31.12.2018 LKR
Equity securities	178,541,637	199,471,581
(Less) Impairment chargers	(42,476,184)	(42,476,184)
Net Investments	136,065,453	156,995,397

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.

18.1 Quoted equity security

Investment Company	No of shares	As at 31.12.2019 Cost of shares LKR	Market Value LKR	No of shares	As at 31.12.2018 Cost of shares LKR	Market Value LKR
National Development Bank	15,634	970,956	1,563,400	14,825	970,956	1,583,310
Commercial Bank Limited	212	7,135	20,140	209	7,135	24,035
Lanka Orix Leasing Company	200	855	35,500	200	855	17,980
Sampath Bank Limited	3,609	83,221	586,102	3,379	83,221	794,065
Watawala Plantation	4,046	20,288	105,196	4,000	20,288	76,400
Trans Asia Hotel	4,000	34,983	278,800	4,000	34,983	351,200
Lanka Ceramic PLC	917	23,536	127,096	917	23,536	120,035
Lanka Walltile PLC	117	2,073	8,483	117	2,073	8,307
Kelani Valley Plantation	5,500	198,121	489,500	5,500	198,121	548,350
Hapugastenna Plantation	100	2,666	1,550	100	2,666	1,630
Aitken Spence	18,000	160,364	837,000	18,000	160,364	860,400
Pan Asia Bank Limited	10,298,499	96,012,455	131,820,787	10,298,499	96,012,455	152,417,785
Hatton Plantations PLC	4,000	-	27,600	4,000	-	27,600
		97,516,653	135,901,154		97,516,653	156,831,098

18.2 Unquoted Equity Securities

Investment Company	No of shares	As at 31.12.2019 Cost of shares LKR	Management valuation LKR	No of shares	As at 31.12.2018 Cost of share 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	-
Janashakthi Life	2500000	25,000,000	-	2500000	25,000,000	-
Janashakthi 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.

18.3 Movements in impairment during the Year

	31.12.2019 LKR	31.12.2018 LKR
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

19 Property, Plant and Equipment

	31.12.2019 LKR	31.12.2018 LKR
Cost	422,956,481	421,867,195
Accumulated depreciation	(135,001,642)	(127,260,141)
	287,954,838	294,607,054

19.1 Property, Plant and Equipment

	Lands LKR	Buildings LKR	Motor Vehicles LKR	Computer Equipments LKR	Office Equipments LKR	Telephone Equipment LKR	Furniture & Fittings LKR	Total LKR
Cost/fair value								
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 during the year								-
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
Balance at the beginning of the year 2019	282,200,000	4,320,000	44,241,186	40,325,189	29,122,879	1,190,501	20,467,441	421,867,195
Additions		-	-	-	964,920	3,350	121,016	1,089,286
Disposals			-					-
Revaluation gain								-
Transfers								-
Balance at the end of the year 2019	282,200,000	4,320,000	44,241,186	40,325,189	30,087,799	1,193,851	20,588,457	422,956,481

19.1 Property, Plant and Equipment

	Lands LKR	Buildings LKR	Motor Vehicles LKR	Computer Equipments LKR	Office Equipments LKR	Telephone Equipments LKR	Furniture & Fittings LKR	Total LKR
Accumulated depreciation								
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
Balance at the beginning of the year 2019	-	2,430,000	43,784,729	35,913,699	25,673,145	691,292	18,767,276	127,260,141
Charge for the year		216,000	456,457	3,281,301	2,593,936	183,975	1,009,832	7,741,501
Over / Under Depreciation adjustments								-
Revaluation Adjustment								-
Disposals			-					-
Balance at the end of the year 2019	-	2,646,000	44,241,186	39,195,000	28,267,081	875,267	19,777,108	135,001,642
Net book value at 31.12.2019	282,200,000	1,674,000	(1)	1,130,189	1,820,717	318,584	811,349	287,954,838
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

There are 20 motor vehicle amounting Rs.44,241,185.5 fully depreciated as of 31/12/2019 but still in use.
 There are 211 Computer Equipment items amounting Rs.39,195,000 fully depreciated as of 31/12/2019 but still in use.
 There are 52 Telephone Equipment items amounting Rs.274,814 fully depreciated as of 31/12/2019 but still in use.
 There are 189 Furniture & Fittings items amounting Rs.11,827,634 fully depreciated as of 31/12/2019 but still in use.
 There are 104 Re-Furbishments items amounting Rs.6,495,254 fully depreciated as of 31/12/2019 but still in use.
 There are 115 Office Equipments items amounting Rs.10,183,829 fully depreciated as of 31/12/2019 but still in use.
 There are 151 Other Assets items amounting Rs.11,990,986 fully depreciated as of 31/12/2019 but still in use.

20 Right-of -Use Assets (ROU assets)

	31.12.2019 LKR	31.12.2018 LKR
Right-of -Use Assets (ROU assets)	22,647,050	-
(Less) Provision for Amortization on ROU assets	(8,281,840)	-
Closing balance	14,365,209	-
Leasehold Property has been recognized as per SLFRS -16.		

21 Investment Properties

	31.12.2019 LKR	31.12.2018 LKR
Land		
Cost		
Balance at the beginning of the year	316,095,204	316,095,204
Addition	-	-
Revaluation Gain	-	-
Balance at the end of the year	316,095,204	316,095,204
	31.12.2019 LKR	31.12.2018 LKR
Building		
Cost		
Balance at the beginning of the year	17,219,796	17,219,796
Revaluation Gain	-	-
Balance at the end of the year	17,219,796	17,219,796
Accumulated depreciation		
Balance at the beginning of the year	-	-
Depreciation for the year	-	-
Balance at the end of the year	-	-
Net balance as at 31st December 2018	17,219,796	17,219,796
Total balance as at 31st December 2018	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.

22 Intangible assets

	31.12.2019 LKR	31.12.2018 LKR
Computer Software and Licenses	548,958	1,348,750
Sub total	548,958	1,348,750

22.1 Computer Software and Licenses.

	31.12.2019 LKR	31.12.2018 LKR
Cost		
Opening balance	10,380,000	9,830,000
Addition	575,000	550,000
Closing balance	10,955,000	10,380,000
Accumulated Depreciation		
Opening balance	9,031,250	7,617,083
Charge for the year	1,374,792	1,414,167
Closing balance	10,406,042	9,031,250
Net book value as at the year	548,958	1,348,750

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.

23.0 Other Assets

	31.12.2019 LKR	31.12.2018 LKR
Assets vested from PSDB	20,633,079	20,738,986
Receivables D1	41,305,040	30,334,848
Advances D2	652,783	2,730,130
Refundable deposits	673,551	673,551
Other advance	1,299,971	1,314,348
Sundry debtors	21,261	11,739
Inventory	2,020,403	2,388,544
Deposits & prepayments	1,103,917	4,999,428
Total	67,710,005	63,191,574
Less: Impairment charges	(25,104,823)	(25,210,730)
Total	42,605,182	37,980,844
Other Assets vested from PSDB		
Discount paid in advance	13,534,879	13,640,786
Deposit fund on behalf of PSDB L/T Case	7,098,200	7,098,200
Total	20,633,079	20,738,986

24 Due to other Banks

	31.12.2019 LKR	31.12.2018 LKR
People's Bank - Borella No. 2 (078-1-001-7-0000683)	20,081	-
People's Bank - collection account leasing (078-1-003-3-8517396)	51,540	
Total	71,620	-

25 Financial liabilities at amortised cost

		31.12.2019 LKR	31.12.2018 LKR
Due to depositors	25.1	1,076,178,328	1,088,554,732
Due to other borrowers	25.2	552,131,770	1,383,220,674
Total		1,628,310,099	2,471,775,406

25.1 Due to depositors

		31.12.2019 LKR	31.12.2018 LKR
Total amount due to depositors	25.1.1	1,076,178,328	1,088,554,732
Total		1,076,178,328	1,088,554,732

25.1.1 Analysis

		31.12.2019 LKR	31.12.2018 LKR
By product			
Normal savings		198,901,394	204,646,489
Normal savings Co-Operative		38,405,266	35,883,482
Minor savings		13,993,578	14,195,007
Ladies savings		5,052,534	6,340,772
Senior citizen's savings		8,251,506	4,391,073
Normal savings - staff		10,740,250	4,225,402
Door to door savings		6,463,849	6,659,425
Fixed deposits		497,002,427	517,337,600
Sl's Thilina		3,361,685	2,758,520
Pramuka Savings and Development bank - deposits		293,229,539	291,373,542
Janasewana Swashakthi minor savings		775,595	742,740
Janasewana Swashakthi ordinary savings		706	679
Sub Total		1,076,178,328	1,088,554,732

25.2 Due to other borrowers

	31.12.2019 LKR	31.12.2018 LKR
PSDB - Borrowing	33,882,439	35,626,533
Micro finance loans to ADB	512,403,498	1,338,039,975
Payable-Refinance Loan Swashakthi (CBSL)	5,179,167	8,220,833
Payable- Refinance Loan Athwela (CBSL)	666,667	1,333,333
Sub Total	552,131,770	1,383,220,674

26 Lease Liability

	31.12.2019 LKR	31.12.2018 LKR
Lease Liability on ROU assets	14,115,619	-
Total	14,115,619	-

26.1 Lease Liability on ROU assets

	31.12.2019 LKR	31.12.2018 LKR
Balance at the beginning of the year	18,437,025	-
Addition during the year	2,073,992	-
Lease Interest for the year	2,005,682	-
Less: Paid during the year	(8,401,080)	-
Closing balance	14,115,619	-

26.2 Maturity analysis - Lease Liabilities

	31.12.2019 LKR	31.12.2018 LKR
Amount Payable within one year	7,336,646	-
Amount Payable within one to three years	5,935,773	-
Amount Payable within three to five years	843,200	-
Total	14,115,619	-

27. Debt securities issued

	31.12.2019 LKR	31.12.2018 LKR
Unsecured Subordinate Debentures	188,524,610	92,200
Unsecured Subordinate Debentures pending allotment	-	193,367,110
Interest payable	75,461,495	77,436,727
Sub Total	263,986,105	270,896,037

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 capital at the rate describe above. All such Debentures are matured on 03/12/2017. further upto now 90% of the debentures has been settled.

28. Retirement benefit obligation

	31.12.2019 LKR	31.12.2018 LKR
Balance at the beginning of the year	19,568,762	16,601,901
Add: Gratuity charge for the period	5,140,911	4,559,686
(Gain)/loss arising from changes in actuarial assumptions	892,476	(869,967)
Less: Payments made/Payable during the year	(570,273)	(722,858)
Balance at the end of the year	25,031,876	19,568,762

The actuarial valuation of the gratuity liability of the bank was carried out as at 31.12.2016 by Actuarial & Management Consultants (Pvt) Ltd. The valuation method used by the actuaries to value the fund is the 'Project unit credit method' permitted by the Sri Lanka Accounting Standard No: 19 'Employee benefits'. The bank does not fund the gratuity liability externally.

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

	31.12.2019 LKR	31.12.2018 LKR
Retirement age	55	55
Rate of interest	0.11	0.11
Salary increment	0.20	0.30
Mortality Table	A67/70	A67/70

29. Current Tax Liability

	31.12.2019 LKR	31.12.2018 LKR
Opening Balance at the beginning of the period	324,955,124	230,063,940
Charges for the period	185,382,899	136,839,624
Payments made during the period	(79,459,939)	(41,948,440)
(less) adjustments	(26,442,109)	-
Balance at the end of the year	404,435,975	324,955,124

30. Deferred tax assets/liabilities

	31.12.2019 LKR	31.12.2018 LKR
(a) Deferred tax assets		
Opening balance	-	-
Charge for the year recognised in		
- Profit and loss	-	-
- Other comprehensive Income	-	-
Closing Balance	-	-
(b) Deferred tax liability		
Deferred tax liability	-	-
Income Statement	763,990	-
Net Deferred tax liabilities	763,990	-

31. Other liabilities

		31.12.2019 LKR	31.12.2018 LKR
Interest payable	31.1	60,298,112	58,590,245
Payable -expense creditors	31.2	1,363,422,114	612,361,541
PSDB liabilities	31.3	24,534,707	23,005,707
Inter branch accounts	31.4		(862,537)
Sundry creditors	31.5	1,252,983	1,177,642
Total		1,449,507,916	694,272,598

31.1 Interest Payable

	31.12.2019 LKR	31.12.2018 LKR
Interest payable - PSDB Borrowing	60,298,112	58,590,245
Sub Total	60,298,112	58,590,245

31.2 Payable - Expense Creditors

		31.12.2019 LKR	31.12.2018 LKR
Accrued expenses	D3	419,840,144	524,249,896
Other payables	D4	943,581,970	88,111,645
Sub Total		1,363,422,114	612,361,541

31.3 PSDB liabilities

	31.12.2019 LKR	31.12.2018 LKR
Margin account loans	24,534,707	23,005,707
Sub Total	24,534,707	23,005,707

31.4 Interbranch accounts

	31.12.2019 LKR	31.12.2018 LKR
Borella branch	(99,374,180)	(99,374,180)
PSDB current account	361,576,026	369,765,153
SLSB current account	(60,485,819)	207,995,367
Matara current account	(247,077,453)	(267,453,200)
National Development Trust Fund current account	103,629,460	(76,366,952)
Branch Account - Anuradhapura	(119,422,849)	(182,649,266)
Branch Account - Mannar	61,154,816	48,945,616
Inter branch - Loan	-	-
Sub Total		862,537

31.5 Sundry creditors

	31.12.2019 LKR	31.12.2018 LKR
WW/OP Contribution collected from employees	35,109	35,109
Staff security deposit	208,500	208,500
Staff critical illness fund	766,348	666,998
Payable - CRIB charges	32,840	31,965
Payable VAT leasing	1	18,070
Payable-Deposit Insurance	210,184	217,000
Sub Total	1,252,983	1,177,642

32. Stated Capital/Assigned Capital

	31.12.2019 LKR	31.12.2018 LKR
Ordinary shares	820,446,400	820,446,400
Ordinary shares application	200	200
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.

33. Statutory Reserve Fund

	31.12.2019 LKR	31.12.2018 LKR
Balance at the beginning of the year	217,606,517	200,043,210
Transfer during the period	22,390,835	17,563,307
Balance at the end of the year	239,997,353	217,606,517

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 2019, the bank has transferred sum equal to 5% of the Net Profits for the year ended 31st December 2019 to Reserve Fund.

34. OCI Reserve

	Balance at the beginning of the period as at 01.01.2019 LKR	Movement/ transfers LKR	Balance at the end of the period 31.12.2019 LKR
OCI Reserve	59,314,444	(20,929,944)	38,384,500
Total	59,314,444	(20,929,944)	38,384,500

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

35. Retained Earnings

	31.12.2019 LKR	31.12.2018 LKR
Balance at the beginning of the year as previously stated	3,002,953,139	3,013,894,242
Prior Year adjustments	(882,213,968)	(259,513,899)
Profit for the year- restated	447,816,707	351,266,136
Actuarial gain/(loss) on defined benefit plan	(892,476)	869,967
Transferred to statutory reserve fund	(22,390,835)	(17,563,307)
Dividend paid to the shareholders	-	(86,000,000)
Balance at the end of the year	2,545,272,567	3,002,953,139
Breakup of the Prior Year Adjustments		
Impairment on loans & advances as per SLFRS 9	-	(219,109,281)
Impairment on Financial assets as per SLFRS 09	-	(2,298,936)
Interest in Suspense	-	(47,564,236)
Other Adjustments	-	9,458,556
Provision for Contingent Liabilities	(882,070,000)	-
Adjustments made on leasehold property as per SLFRS16	(143,968)	-
	(882,213,968)	(259,513,899)

36. Other Reserves

	Balance at the beginning of the year as at 01.01.2019 LKR	Movement/transfers LKR	Balance at the end of the year 31.12.2019 LKR
Revenue deficit before vesting	(2,166,190,408)	-	(2,166,190,408)
Revaluation reserve	468,021,489	-	468,021,489
Total	(1,698,168,918)	-	(1,698,168,918)

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.

37. 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".

37.1 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 KMP

	2019.12.31	2018.12.31
Short Term Employment benefits	25,581,584	27,910,766
Post employment benefits		-
	25,581,584	27,910,766
Directors Emoluments -Sitting Allowances	1,503,025	2,588,865
Directors Emoluments -Fixed Allowances	1,050,763	1,317,836
Remuneration of Corporate Management	23,027,796	24,004,066
	25,581,584	27,910,766

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	2019.12.31	2018.12.31
Assets		
Loan and receivables	20,524,555	20,178,297
Total	20,524,555	20,178,297
Liabilities		
Deposit (FD's/Savings)	2,112,540	794,525
Total	2,112,540	794,525

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

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 Guarantor	
Other Loans	832,756	Personal Guarantor	
Total	20,178,297		12.50
Type Of Loan	Balance as at 31 Dec.2019 (Rs)	Security Details as at 31 Dec. 2019	
		Security Details	Value (Rs .Mn)
Staff Housing Loans /Staff Loan	13,201,998	Land	22.20
Staff Vehicle Loans /Leasing /HP	6,380,334	Personal Guarantor	
Other Loans	942,223	Personal Guarantor	0.25
Total	20,524,555		22.45

38. Contingent liabilities and commitments

	31.12.2019 LKR	31.12.2018 LKR
Commitment for unutilised credit facilities	11,789,999	10,520,000
Other commitments indirect credit facilities	-	-
Capital commitments (Note 378.1)	-	-
	11,789,999	10,520,000
Contingent liabilities		
Guarantees	9,050,000	7,500,000
	9,050,000	7,500,000
Total commitment and contingencies	20,839,999	18,020,000
38.1 Capital commitments		
Approved and contracted for	-	-
Approved and not contracted for	-	-

The value of bank guarantees outstanding as at the reporting date amounts to Rs. 9.05 Mn. With 100% cash margin.

39. 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.

40. Non-Cash Items Included in Profit Before Tax

	31.12.2019 LKR	31.12.2018 LKR
Depreciation of property, plant and equipment	7,741,501	14,834,470
Depreciation of Intangible assets	1,374,792	1,414,167
Charge for defined benefit plans	5,140,911	4,559,686
Impairment of loans and receivables	(5,024,907)	(10,196,371)
Amortization for ROU assets	8,281,840	-
Total	17,514,138	10,611,951

41. Change in Operating Assets

	31.12.2019 LKR	31.12.2018 LKR
Placements with Banks	160,069,623	(747,309,645)
Loans and Advances	191,238,431	475,697,646
Debt and Other Instruments	83,466,252	652,884,687
Right of use assets	(22,647,050)	-
Other assets	(4,624,338)	(24,738,897)
Total	407,502,918	356,533,790

42. Change in Operating Liabilities

	31.12.2019 LKR	31.12.2018 LKR
Due to depositors	(12,376,403)	11,170,155
Due to other borrowers	(831,088,904)	652,265
Lease Liability	14,115,619	-
Debt securities issued and other borrowings	(6,909,932)	(503,617,496)
Current tax liability	(26,442,109)	40,624,998
Other liabilities	755,235,319	(8,811,871)
Total	(107,466,411)	(459,981,949)

43. Cash and Cash Equivalent

	31.12.2019 LKR	31.12.2018 LKR
Cash in hand and cash at bank	18,801,576	31,234,810
Due to bank	(71,620)	-
Total	18,729,956	31,234,810

FINAL ACCOUNTS YR 2019

DETAILED NOTES TO THE FINANCIAL STATEMENTS

	31.12.2019 LKR	31.12.2018 LKR
D1. Receivables		
Cash Shortage pending settlement	48,498	48,498
Receivable-CRIB charges	37,767	37,767
Receivable - WHT	34,608,569	10,422,306
Insurance Receivable	464,476	480,257
Loan-termination proceed receivable	701,695	690,209
Documentation chargers receivables	4,434	4,477
Leasing- Seizing Charges Receivable	338,590	90,090
Processing charges receivable	22,000	22,000
Inspection charges receivable	66,949	66,949
Stamp Duty - Receivable	1,999,000	1,999,000
Receivable -Senior Citizen FD - Subsidy	377,131	1,351,917
Leasing Repossession Control A/C	-	-
Receivable-Staff Bonus Advance	20,000	20,000
Receivable- Loan Grant Swashakthi Loan	40,000	390,000
ESC - Receivable	2,575,932	14,711,378
Total	41,305,040	30,334,848
	31.12.2019 LKR	31.12.2018 LKR
D2 Advances		
Festival advance	323,500	339,500
Cash Advance	229,283	110,630
Advance on rent	100,000	2,280,000
Total	652,783	2,730,130

	31.12.2019 LKR	31.12.2018 LKR
D3 Accrued Expenses		
EPF	9,755,379	1,289,694
ETF	1,463,307	193,454
PAYE Tax	423,871	93,153
Water	50,756	60,503
Security expenses	2,118,750	1,677,000
Electricity expenses	307,999	411,275
Building up keep	257,751	276,000
Telephone general	60,308	75,398
Email & internet	294,000	462,614
Telephone mobile	128,000	147,000
Stamp duty	824,468	601,851
Postage and Telegrams	3,812	9,746
W H Tax	431,343	370,315
Payable-Bonus	12,975,596	4,626,242
Payable-Out of Pocket	2,157,783	750,097
Payable-Overtime Expenses	297,143	866,539
Payable-Sub & Lodging	167,769	244,186
Economic service charges	234,940	1,546,647
Audit fees	-	1,000,313
Suppliers	3,205,333	2,607,049
Financial services VAT	173,101,476	170,933,637
NBT	3,506,709	6,560,508
Tax Payable - Penalty	196,424,540	322,310,063
News papers & periodicals	2,220	6,140
Valuation charges payable	135,800	83,150
Insurance	237,444	181,072
CRIB charges	182,354	474,596
Saving standing order control account	(103,810)	(46,360)
Payable-National Insurance Trust Fund Levy	1,000,000	1,520,000
Payable-Debt Repayment Levy	10,195,104	4,918,013
Sub Total	419,840,144	524,249,896

	31.12.2019 LKR	31.12.2018 LKR
D4 Other Payables		
Unidentified deposits	308,150	308,150
Suspense customers	228,619	228,619
Other accrued expenses	520,400	1,829,351
Suspense account clearing	4,789,709	2,355,335
Cheque control -Savings	(2,270,869)	(1,597,627)
Suspense account creditors	29,300	66,550
Suspense account migration creditors	5,575	5,575
Creditors for Leasing & HP equipment	-	7,827,625
Delivery Order Control Account-Leasing & HP	-	-
Cash excess - pending settlement	61	61
Suspense loan creditors		
Error Correction-Savings accounts	1,975,871	1,975,556
Payable-pension fund	1,765,404	1,765,404
Receivable - Staff	268,358	268,978
Receivable-CRIB charges personal loans	32,650	32,650
Provision for contingencies	919,102,798	37,032,798
Provision for Salaries as per collective agreement	6,360,588	26,818,005
Control Acc for Loan-Savings	1,428,707	1,438,493
FD Suspense	-	(202,815)
Pre-mature Suspense-FD	-	63,392
Maturity Capital Suspense Account-FD	267,853	91,373
Termination Overpayment - Mf	3,439,410	3,436,387
Suspense Ac unidentified Bank Deposit	5,165,612	4,213,011
Loan Control accounts	96,424	96,423
Loan Security Fund-Praja Diriya Loan	67,350	58,350
Sub Total	943,581,970	88,111,645

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

AS AT 31ST DECEMBER 2019

In Rupee Thousands	Current Period As at 31/12/2019	Previous Period As at 31/12/2018
Product-wise Gross loans and advances		
By product - Domestic Currency		
Overdrafts	-	-
Term loans	2,062,857	2,200,490
Lease rental receivable	472,747	509,878
Credit Cards	-	-
Pawning	37,832	48,420
Pramuka Savings & Development Bank's Loans (PSDB)	1,013,437	1,020,102
Housing loans	48,653	60,996
Staff loans	123,419	116,963
Total	3,758,946	3,956,849
Stage-wise impairment on loans & advances		
Less: Accumulated impairment under stage 1	(105,815)	(193,238)
Accumulated impairment under stage 2	(43,030)	(38,672)
Accumulated impairment under stage 3	(1,388,409)	(1,317,187)
Net value of loans & advances	2,221,691	2,407,753
Movements of impairment during the period		
Under Stage 1		
Opening balance	193,238	240,580
Charge/(write back) to income statement	(87,423)	(47,341)
Closing balance	105,815	193,238
Under Stage 2		
Opening balance	38,672	37,998
Charge/(write back) to income statement	4,359	673
Closing balance	43,030	38,672
Under Stage 3		
Opening balance	1,317,187	1,295,461
Charge/(write back) to income statement	77,888	37,015
Other Movements	(6,666)	(15,289)
Closing balance	1,388,409	1,317,187
Total Impairment	1,537,255	1,549,097

ANALYSIS OF DEPOSITS

AS AT 31ST DECEMBER 2019

In Rupee Thousands	Current Period As at 31/12/2019	Previous Period As at 31/12/2018
By Product		
Demand deposits	-	-
Savings deposits	285,946	279,844
Fixed deposits	497,002	517,338
Pramuka Savings & Development Bank's (PSDB) deposits	293,230	291,374
Total	1,076,178	1,088,555

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

AS AT 31ST DECEMBER 2019

a. Bank – 31/12/2019

In Rupees Thousands	AC	FVPL	FVOCI	Total
ASSETS				
Cash and cash equivalents	18,802	-	-	18,802
Balances with central banks	-	-	-	-
Placements with banks	5,395,758	-	-	5,395,758
Derivative financial instruments	-	-	-	-
Loans and advances	2,221,691	-	-	2,221,691
Debt Instruments	265,894	-	-	265,894
Equity Instruments	-	-	136,065	136,065
Total financial assets	7,902,144	-	136,065	8,038,210

In Rupees Thousands	AC	FVPL	Total
LIABILITIES			
Due to banks	72		72
Derivative financial instruments	-		-
Financial liabilities at amortised cost			-
- Due to depositors	1,076,178		1,076,178
- Due to other borrowers	552,132		552,132
Debt securities issued	263,986		263,986
Total financial liabilities	1,892,368		1,892,368

b. Bank – 31/12/2018

In Rupees Thousands	AC	FVPL	FVOCI	Total
ASSETS				
Cash and cash equivalents	31,124	-	-	31,124
Balances with central banks	-	-	-	-
Placements with banks	5,555,980	-	-	5,555,980
Derivative financial instruments	-	-	-	-
Loans and advances	2,407,753	-	-	2,407,753
Debt Instruments	349,360	-	-	349,360
Equity Instruments	-	-	156,995	156,995
Total financial assets	8,344,216	-	156,995	8,501,212

In Rupees Thousands	AC	FVPL	Total
LIABILITIES			
			-
Due to banks	-	-	-
Derivative financial instruments	-	-	-
Other financial liabilities at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	-	-	-
- Due to depositors	1,088,555	-	1,088,555
- Due to other borrowers	1,383,221	-	1,383,221
Debt securities issued	270,896	-	270,896
Total financial liabilities	2,742,671	-	2,742,671

SELECTED PERFORMANCE INDICATORS (BASED ON REGULATORY REPORTING)

AS AT 31ST DECEMBER 2019

Item	31/12/2019	31/12/2018
Regulatory Capital Adequacy (LKR in Thousands)		
Common Equity Tier 1	4,355,002	5,268,163
Core (Tier 1) Capital	4,355,002	5,268,163
Total Capital Base	4,405,948	5,268,163
Regulatory Capital ratios (%)		
Common Equity Tier 1 capital (%) (Minimum Requirement - 7%)	83%	90%
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.50%)	83%	90%
Total Capital Ratio (%) (Minimum Requirement - 12.50 %)	84%	90%
Leverage Ratio (Minimum Requirement - 3%)	50%	56%
Regulatory Liquidity		
Statutory Liquid Assets (LKR in Thousands)	5,405,188	5,330,720
Statutory Liquid Assets Ratio (%) (Minimum Requirement - 20%)	514%	506%
Total Stock of High-Quality Liquid Assets (LKR in Thousands)	292,618	77,425
Liquidity Coverage Ratio - Rupee (%) (Minimum Requirement - 100%)	504%	110%
Net Stable Funding Ratio (%) - Minimum Requirement - 100%)	204%	198%
Assets Quality (Quality of Loan Portfolio)		
Gross Non Performing Advances Ratio (%) (net of Interest in suspense)	20%	15%
Net Non Performing Advances Ratio (%) (net of Interest in suspense and Provision)	5%	5%
Profitability		
Interest Margin (%)	13%	12%
Return on Assets (before Tax) (%)	7%	5%
Return of Equity (%)	13%	9%

MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

Area	Template Reference		Publication Location
	No	Name	
Regulatory Requirements on Capital and Liquidity	1	Basel III Computation of Capital Ratios	Template I
	2	Basel III Computation of Leverage Ratio	Template II
	3	Basel III Computation of Liquidity Coverage Ratio	Template III
Risk Weighted Assets (RWA)	4	Summary discussion on adequacy/meeting current and future capital requirements	Template IV
	5	Credit Risk under Standardised Approach: Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects	Template V
	6	Credit Risk under Standardised Approach: Exposures by AssetClasses and Risk Weights	Template VI
	7	Operational Risk under Basic Indicator Approach/The Standardised Approach/The Alternative Standardised Approach	Template VII
Linkages Between Financial Statements & Regulatory Exposures	8	Differences Between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories-Bank Only	Template VIII

Template I

BASEL III COMPUTATION OF CAPITAL RATIOS

Item	Amount (LKR '000)	
	As at 31 December 2019	As at 31 December 2018
Common Equity Tier 1 (CET1) Capital after Adjustments	4,355,001	5,268,163
Common Equity Tier 1 (CET1) Capital	4,424,369	5,385,391
Equity Capital (Stated Capital)/Assigned Capital	3,805,290	3,805,290
Reserve Fund	239,997	199,999
Published Retained Earnings/(Accumulated Retained Losses)	379,082	842,791
Published Accumulated Other Comprehensive Income (OCI)	-	537,311
General and other Disclosed Reserves	-	-
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	69,368	117,228
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Shortfall of the cumulative impairment to specific provisions	16,537	-
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity	52,831	69,047
Regulatory adjustments applied to CET1 Capital due to insufficient AT1 and Tier 2 Capital to cover adjustments	-	48,181
Additional Tier 1 (AT1) Capital after Adjustments	-	-
Additional Tier 1 (AT1) Capital	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to AT1 Capital	-	-
Investment in Own Shares	-	-
Others (specify)	-	-
Tier 2 Capital after Adjustments	50,946	-
Tier 2 Capital	50,946	12,625
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
General provisions	50,946	12,625
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-

Total Adjustments to Tier 2	-	12,625
Investment in Own Shares		
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity	-	12,625
CET1 Capital	4,355,001	5,268,163
Total Tier 1 Capital	4,355,001	5,268,163
Total Capital	4,405,947	5,268,163
Total Risk Weighted Assets (RWA)	5,259,089	5,857,295
RWAs for Credit Risk	4,075,697	4,725,329
RWAs for Market Risk	-	-
RWAs for Operational Risk	1,183,392	1,131,966
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	82.81	89.94
of which: Capital Conservation Buffer (%)	2.5	1.875
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	82.81	89.94
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	83.78	89.94
of which: Capital Conservation Buffer (%)	2.5	1.875
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Template II

COMPUTATION OF LEVERAGE RATIO

Item	Amount (LKR '000)	
	As at 31 December 2019	As at 31 December 2018
Tier 1 Capital	4,355,002	5,268,163
Total Exposures	8,795,417	9,462,795
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	8,520,473	9,195,295
Derivative Exposures	-	-
Securities Financing Transaction Exposures	265,894	260,000
Other Off-Balance Sheet Exposures	9,050	7,500
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	50%	56%

Template III

BASEL III COMPUTATION OF LIQUIDITY COVERAGE RATIO

Item	Amount (LKR'000)			
	As at 31 December 2019		As at 31 December 2018	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)		292,618		77,425
Total Adjusted Level 1A Assets		284,821		36,794
Level 1 Assets		291,712		76,442
Total Adjusted Level 2A Assets		-		-
Level 2A Assets		-		-
Total Adjusted Level 2B Assets		906		984
Level 2B Assets		906		984
Total Cash Outflows		232,201		282,072
Deposits		76,387		77,575
Unsecured Wholesale Funding		153,524		157,976
Secured Funding Transactions		-		-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	9,050	631	7,050	20,664
Additional Requirements		1,659		25,857
Total Cash Inflows		835,431		847,595
Maturing Secured Lending Transactions Backed by Collateral	35,000	-	200,000	-
Committed Facilities		-		-
Other Inflows by Counterparty which are Maturing within 30 Days		786,545		805,297
Operational Deposits		-		-
Other Cash Inflows		48,886		42,298
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) *100		504%		110%

Template IV

SUMMARY DISCUSSION ON ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS

Sri Lanka Savings Bank as a licensed Specialized bank in Sri Lanka required to achieve Rs. 7.5 Bn by end of 2022. Bank's 2021-2025 corporate plan and ICAAP report 2020 clearly describe the way of achieving the minimum capital required for the Bank. Through Bank's existing and planned business operations, Bank will satisfy the minimum Capital adequacy ratio of 12.5% as directed by CBSL. Bank will comply minimum Capital requirement of Rs. 7.5 Bn in 2022 through forecasted earnings and with the help of the Parent(NSB Bank). forecasted earnings as per the Corporate Plan are realistic and achievable.

Template V

CREDIT RISK UNDER STANDARDISED APPROACH –CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS

Asset Class	Amount (LKR'000) as at 31.12.2019							
	Exposures before Credit Conversion Factor (CCF) and CRM				Exposures after CCF and CRM			
	On-Balance Sheet Amount	Off-Balance Sheet Amount	Total		On-Balance Sheet Amount	Off-Balance Sheet Amount	Total	RWA and RWA Density (%)
Claims on Central Government and CBSL	37,185	-	37,185		37,185	-	37,185	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-		-	-	-	-
Claims on Public Sector Entities	164	-	164		164	-	164	100
Claims on Official Entities and Multilateral Development Banks	-	-	-		-	-	-	-
Claims on Banks Exposures	5,454,582	-	5,454,582		5,454,582	-	5,454,582	25
Claims on Financial Institutions	-	-	-		-	-	-	-
Claims on Corporates	442	-	442		442	-	442	100
Retail Claims	2,053,609	-	2,053,609		2,053,609	-	2,053,609	87
Claims Secured by Residential Property	205,917	-	205,917		205,917	-	205,917	100
Claims Secured by Commercial Real Estate	-	-	-		-	-	-	-
Non-Performing Assets (NPAs)(i)	104,740	-	104,740		104,740	-	104,740	100
Higher-risk Categories	-	-	-		-	-	-	-
Cash Items and Other Assets	647,519	-	647,519		647,519	-	647,519	99
Total	8,504,158	-	8,504,158		8,504,158	-	8,504,158	48
								4,075,698

Template VI

CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Description	Amount (LKR'000) as at 31.12.2019 (Post CCF & CRM)						
	Risk Weight						
Asset Classes	0%	20%	50%	75%	100%	150%	>150%
Claims on Central Government and CBSL	37,185	-	-	-	-	-	37,185
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	164	-	164
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-
Claims on Banks Exposures	-	4,602,957	851,625	-	-	-	5,454,582
Claims on Financial Institutions	-	-	-	-	-	-	-
Claims on Corporates	-	-	-	-	442	-	442
Retail Claims	3,795	23,330	-	1,016,261	1,010,223	-	2,053,609
Claims Secured by Residential Property	-	-	-	-	205,917	-	205,917
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	9,591	-	86,448	8,701	104,740
Higher-risk Categories	-	-	-	-	-	-	-
Cash Items and Other Assets	6,129	-	-	-	641,390	-	647,519
Total	47,109	4,626,287	861,216	1,016,261	1,944,584	8,701	8,504,158

Template VII

OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31.12.2019		
			1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		949,860	946,441	1,062,174
The Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%				
Commercial Banking	15%				
The Alternative Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%	0.035			
Commercial Banking	15%	0.035			
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach					147,924
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					1,183,390
The Standardised Approach					
The Alternative Standardised Approach					

Template VIII

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

Item	Amount (LKR '000) as at 31.12.2019				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	8,716,999	8,716,999	8,398,274	-	318,725
Cash and Cash Equivalents	18,802	18,802	18,802	-	-
Balances with Central Banks	-	-	-	-	-
Placements with Banks	5,395,758	5,395,758	5,395,758	-	-
Derivative Financial Instruments	-	-	-	-	-
Financial assets at amortised cost					
-Loans and Advances	2,221,691	2,221,691	2,221,691	-	-
-Debt and Other Instruments	265,894	265,894	-	-	265,894
Financial assets measured at fair value through other comprehensive income	136,065	136,065	83,234	-	52,831
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	287,955	287,955	287,955	-	-
Right of use assets	14,365	14,365	14,365	-	-
Investment properties	333,315	333,315	333,315	-	-
Goodwill and Intangible Assets	549	549	549	-	-
Deferred Tax Assets	-	-	-	-	-
Other Assets	42,605	42,605	42,605	-	-
Liabilities	3,786,223	3,786,223	-	-	-
Due to Banks	72	72	-	-	-
Financial liabilities at amortised cost					
-Due to depositors	1,076,178	1,076,178	-	-	-
-Due to other borrowers	552,132	552,132	-	-	-
Lease Liability	14,116	14,116	-	-	-
Debt Securities Issued	263,986	263,986	-	-	-

Retirement benefit obligations	25,032	25,032	-	-	-
Current Tax Liabilities	404,436	404,436	-	-	-
Deferred Tax Liabilities	764	764	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	1,449,508	1,449,508	-	-	-
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Shareholders' Equity	4,930,776	4,930,776	-	-	-
Stated capital/Assigned capital	3,805,290	3,805,290	-	-	-
Statutory reserve fund	239,997	239,997	-	-	-
OCI reserve	38,385	38,385	-	-	-
Retained earnings	2,545,273	2,545,273	-	-	-
Other reserves	-1,698,169	-1,698,169	-	-	-
Total Equity and Liabilities	8,716,999	8,716,999	-	-	-
Off-Balance Sheet Liabilities	20,840	20,840	11,790	-	9,050
Guarantees	9,050	9,050	-	-	9,050
Performance Bonds	-	-	-	-	-
Letters of Credit	-	-	-	-	-
Other Contingent Items	-	-	-	-	-
Undrawn Loan Commitments	11,790	11,790	11,790	-	-
Other Commitments	-	-	-	-	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE SHARE HOLDERS OF THE SRI LANKA SAVINGS BANK LIMITED WILL BE HELD ON2020 AT NO., 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 2019 and the Report of the Auditors thereon.
2. To re appoint Auditor General Department as Auditors for the year ended 31st December 2020

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 :

Ms. Keasila Jayawardena	of Colombo or failing her
Mr. Sunil Galagama	of Colombo or failing him
Mr. Hemantha Gamage	of Colombo or failing him
Mr. Prasad Imbulagoda	of Colombo or failing him
Dr. Thiran De Silva	of Colombo or failing him
Mr. Jayantha Perera	of Colombo or failing him
Mr. Janaka Arunashantha	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 the2020 and at any adjournment thereof.

Signed thisthe day of2020.

	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 ofTwo 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"

STATISTICAL INDICATORS 2012-2019

	Audited 2012	Audited 2013	Audited 2014	Audited 2015	Audited 2016	Audited 2017	Audited 2018	Audited 2019
Assets (Rs.000)								
Profit after tax	523,538	563,229	234,855	432,283	599,700	604,369	351,266	447,817
Cash and Short-term Funds	14,212	109,981	17,059	40,462	58,816	30,990	31,235	18,802
Loans and Investment's	6,699,068	7,536,786	8,233,984	8,271,244	8,735,368	8,851,139	8,470,088	8,019,408
Property, Plant and equipment/ intangible assets /Investment Properties	201,177	203,407	206,322	670,366	654,400	643,759	629,271	621,819
Other assets	470,643	161,186	222,473	192,617	234,617	13,242	44,968	56,970
Total	7,385,100	8,011,361	8,679,838	9,174,689	9,683,201	9,539,130	9,175,562	8,716,999
Liabilities and shareholder's funds (Rs.000')								
Total Deposits	488,184	749,211	1,192,188	907,707	916,690	1,077,385	1,088,555	1,076,178
Borrowings	2,889,223	3,083,641	3,111,104	3,123,339	3,159,076	2,157,082	1,646,209	816,118
Other liabilities	634,210	345,172	363,094	799,819	838,937	914,315	1,053,802	1,893,927
Shareholder's funds	3,373,482	3,833,337	4,013,451	4,343,824	4,768,498	5,390,348	5,386,995	4,930,776
Total	7,385,100	8,011,361	8,679,838	9,174,689	9,683,201	9,539,130	9,175,562	8,716,999
Performance ratio's								
Return on Average Assets	8%	7%	3%	5%	6%	6%	5%	7%
Return on Average Equity	17%	16%	6%	10%	13%	12%	7%	9%
Net Interest Margin	8%	10%	6%	6%	8%	9%	9%	10%
Loans to Deposits	518%	429%	248%	384%	422%	392%	363%	349%
Cost to Income	17%	17%	26%	32%	24%	23%	35%	23%
NPL (gross)	56%	47%	55%	43%	37%	33%	37%	41%
NPL (net)	7%	5%	12%	8%	7%	6%	-2%	1%
Income growth	24%	25%	-28%	-7%	24%	10%	-5%	10%
Deposit growth	-12%	35%	37%	-31%	1%	15%	1%	-1%
*Note: SLFRS 9 Applied on Yr 2018 Loan Provision onward.								
Shareholder ratio's (Rs.)								
Earnings per share	114	123	51	94	131	132	43	55
Net Assets per share	736	836	875	948	1,040	1,176	657	601
Other information								
Number of employees	72	73	96	106	123	116	109	103
Number of branches	1	4	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	6.15
Number of shares	4,584,466	4,584,466	4,584,466	4,584,466	4,584,466	4,584,466	8,204,466	8,204,466