

ANNUAL REPORT 2020



info@slsbl.lk



0112691721-2
0112674700/1/2/3



265, Ward Place,
Colombo 07.



0112674704 /5 /6

SRI LANKA SAVINGS BANK



ANNUAL REPORT 2020



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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 Registration No: PB 296. A Licensed Specialized Bank established under the Banking Act No.30 of 1988 and a fully owned subsidiary of National Savings Bank.

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 (CILTSL)
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 (Up to October 2020)
Mr. Saliya Dharmawardena - Treasury Representative
Mr. Hemantha Gamage
Mr. Prasad Imbulagoda
Mr. Janaka Arunashantha
Mr. Jayantha Perera
Dr. S.T.S. De Silva (Up to October 2020)

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

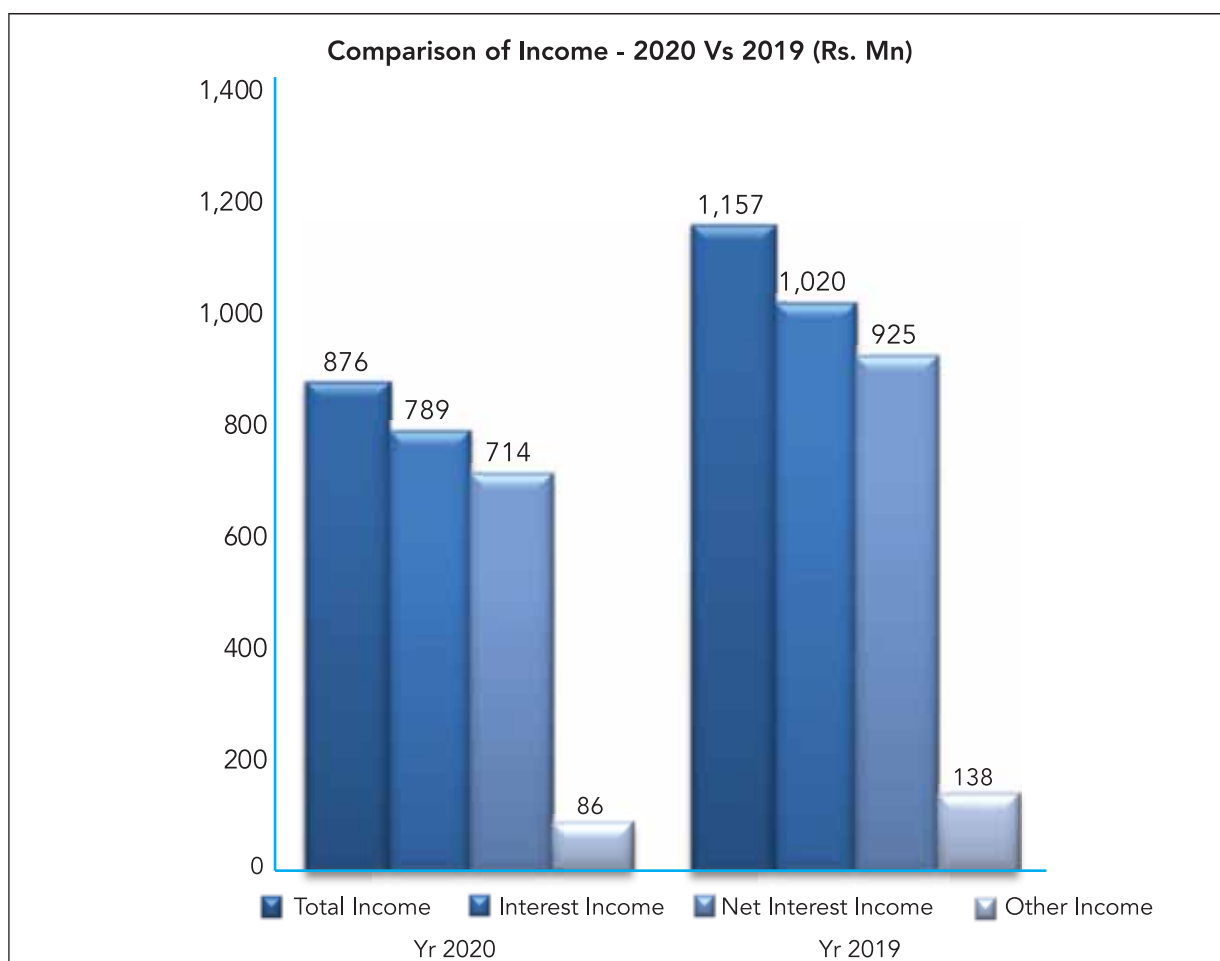
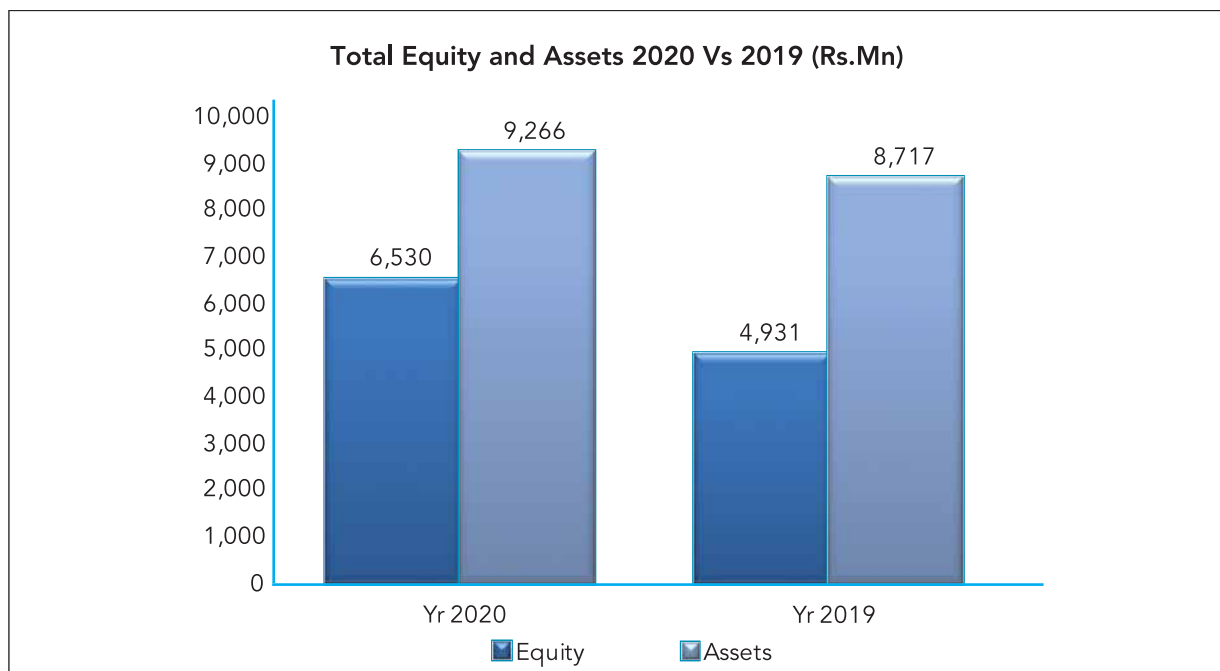
Efficiency

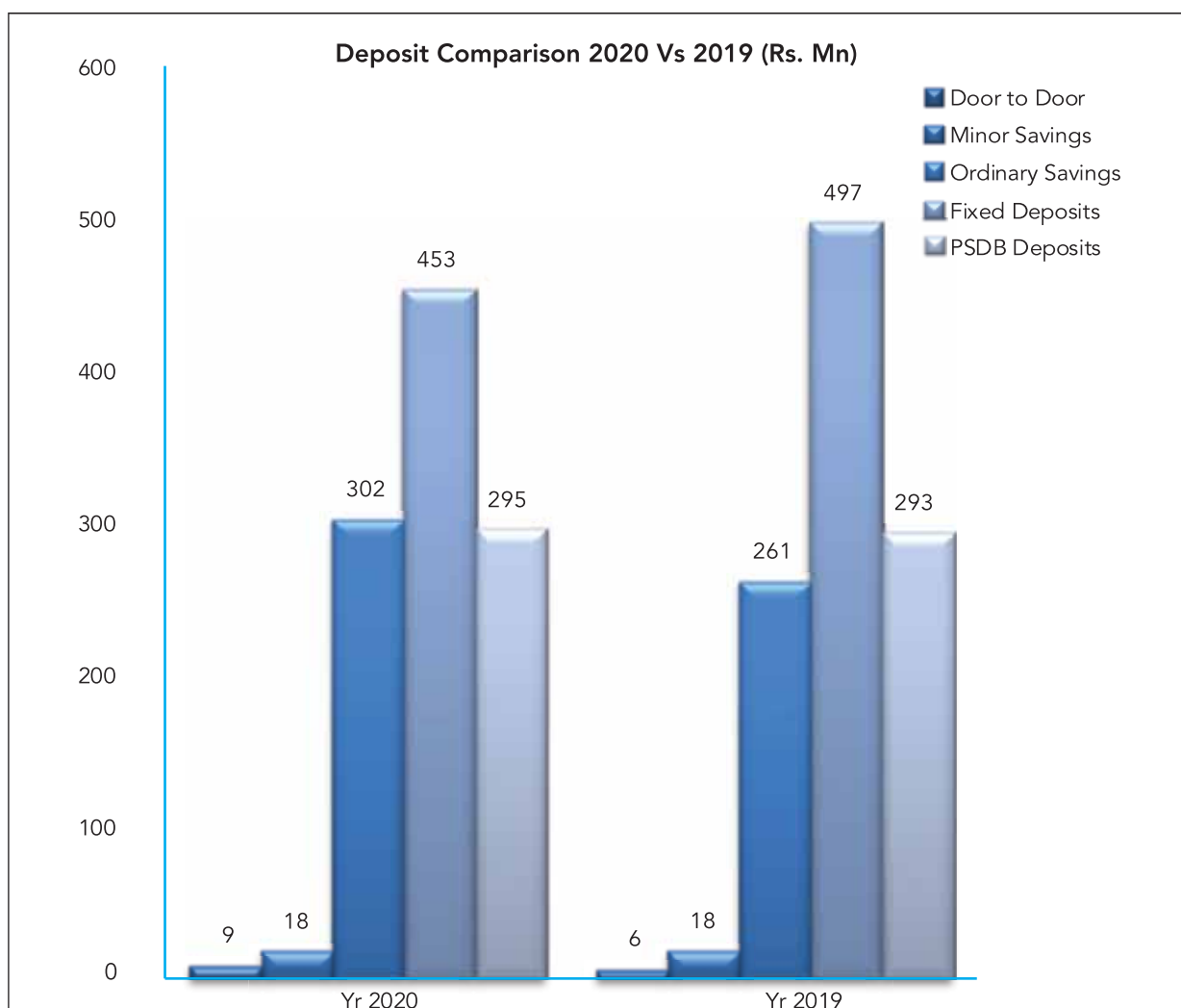
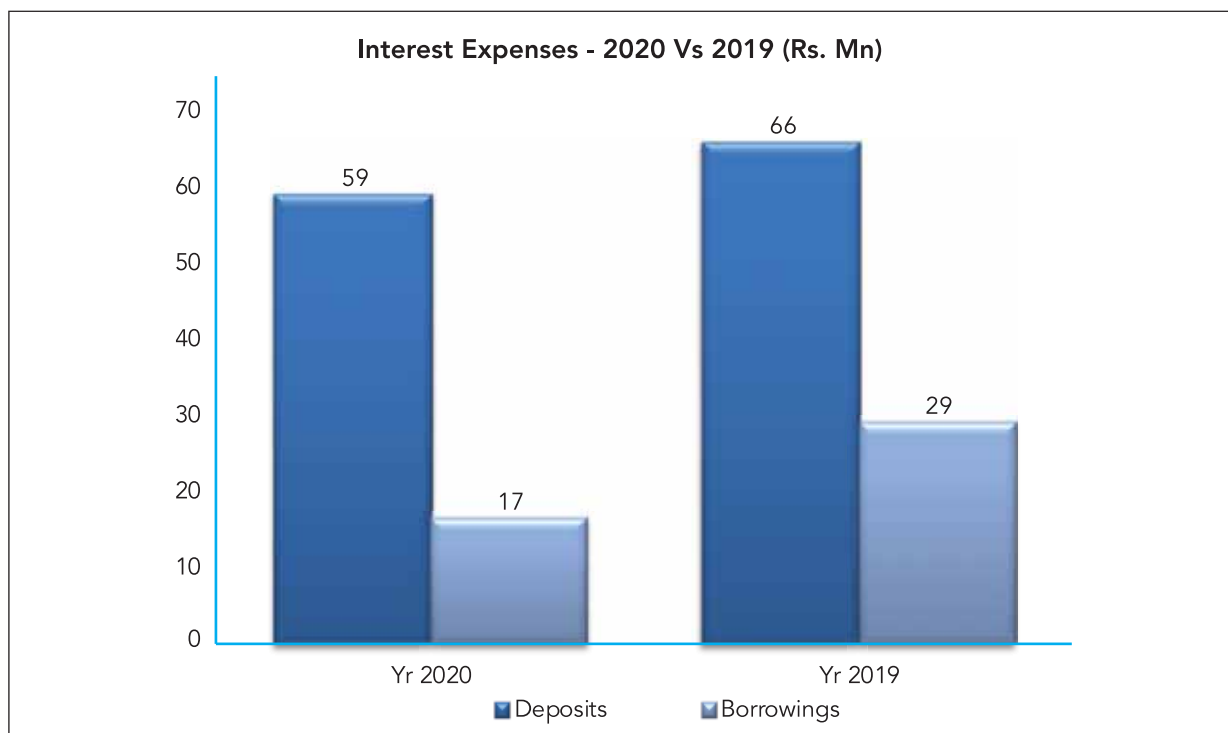
Trust

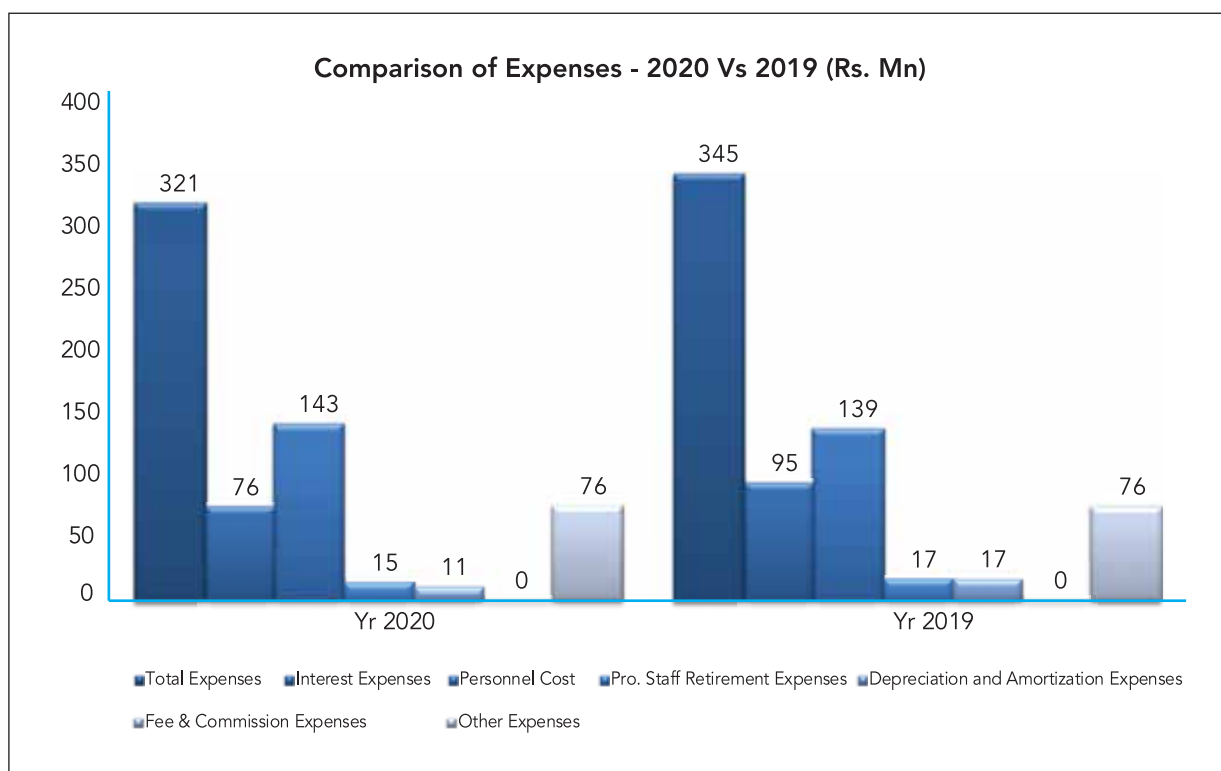
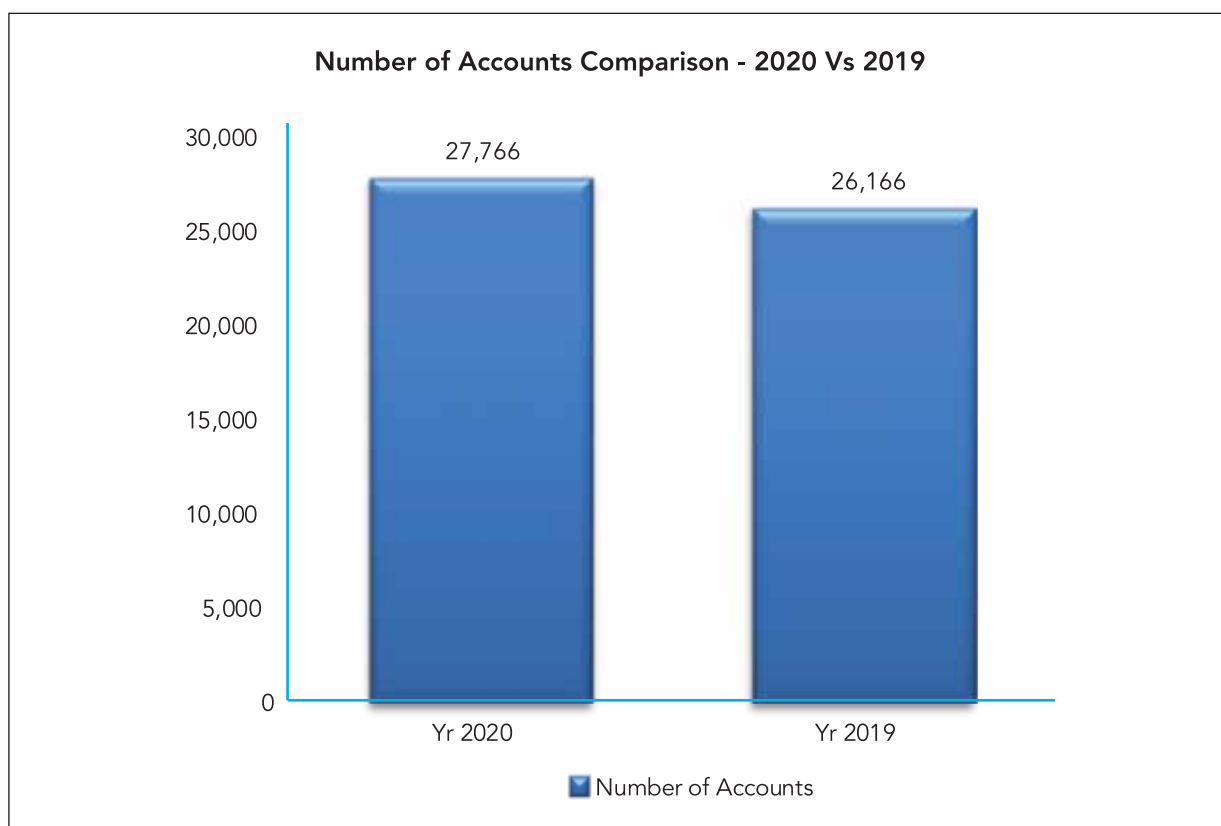
Openness and

Social Responsibility

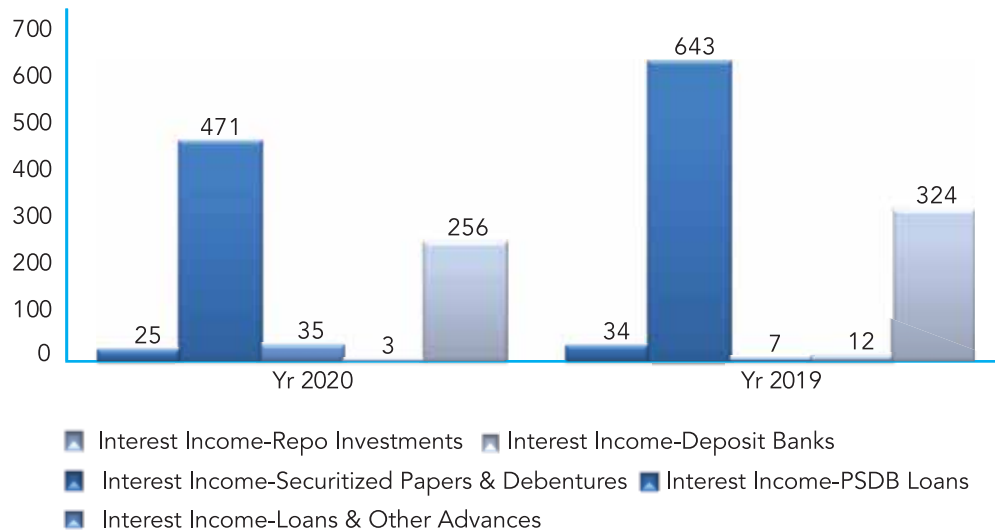
FINANCIAL HIGHLIGHTS



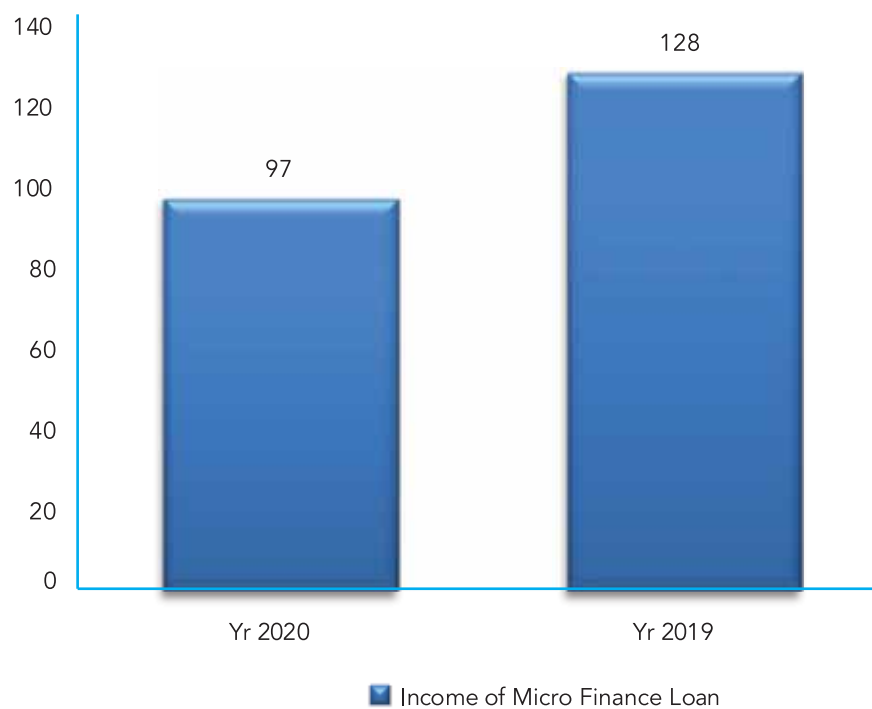




Interest Income - 2020 Vs 2019 (Rs. Mn)



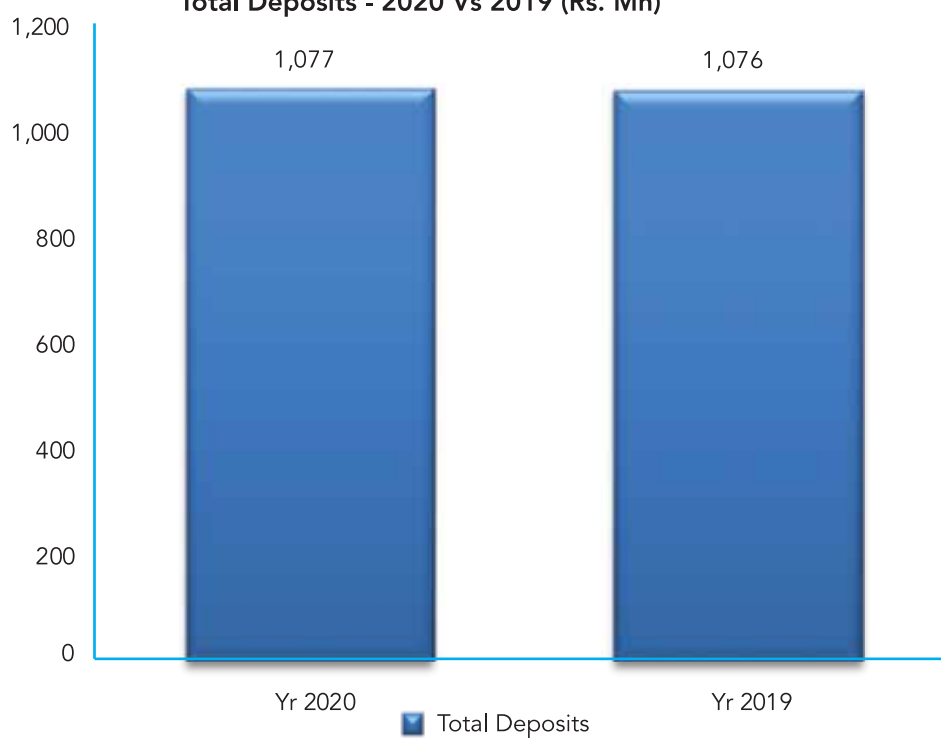
Micro Finance Interest Income Comparison - 2020 Vs 2019 (Rs. Mn)



Micro Finance Loans and Advances - 2020 Vs 2019 (Rs. Mn)



Total Deposits - 2020 Vs 2019 (Rs. Mn)





CHAIRPERSON'S MESSAGE

The year 2020 begins to embark on a new journey with the financial strength benefited on the completion of merge of Sri Lanka Savings Bank in October 2019 as a fully-owned subsidiary of National Savings Bank. At this special juncture, the Bank's aim is to cater to its existing customers in a more fruitful manner and distribute its products especially Leasing, Micro Finance and SME Loans through the island wide branch network of the parent company.

By focusing with Bank's Vision to be the "Most preferred Microfinance & Small Medium Enterprises (MSME) Bank" the Bank was of the view to launch several poverty alleviation programmes on realization of the narrow focus and low financial assistance given by the Banks for the economic growth of the rural community of the country.

It is my pleasure and privilege to present to you the Annual Report and Audited Financial Statement of Sri Lanka Savings Bank (SLSB) for 2020.

A Challenging Operating Context

The year marked was a very challenging year to the financial sector around the world due to the spread of COVID – 19 which severely affected to Sri Lanka from March 2020. But, it is with great pleasure that I announce to you that our journey has reached a new milestone, overcoming many obstacles and hardships at a time of great catastrophe of COVID – 19, regardless of wealth or poverty of all the nations of the world.

Due to the rapid spread of the epidemic, the Bank field was unable to behave in its environment accustomed and could not reap the expected targets in 2020. The Central Bank of Sri Lanka has made directions to all Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs) to implement debt moratorium to business and individuals who are adversely affected due to the 1st wave of COVID -19 and extended the said relief measures on spreading of 2nd wave.

Searching widespread pathway to strengthen potentials in developing micro, small and medium entrepreneurs, we could stepped into new era companion with a joint state owned partner creating a new landscape in the financial sector.

Success Initiatives

In order to strengthen sustainable banking environment, the government as well as respective authorities were proposed mergers and acquisitions of independent legal bodies and as a result, acquisition process of SLSB by NSB finalized in the year 2019 as a subsidiary. But on the assessment of viability of Sri Lanka Savings Bank Ltd to continuing its operations as a separate entity and potential impact to National Savings Bank by the Central Bank of Sri Lanka (CBSL), it was proposed at the beginning of the year 2021 to fully merge the Bank with NSB. With this collaboration, it would be an assurance reaching untapped market segments.

Way Forward

Despite existence and servicing abundant of financial institutions for the economically poorest segment, the massive demand arising out of entrepreneurial sector could not be fulfilled satisfactorily and deprivation especially the farmers and small entrepreneurs are pulled them out to get remedy from informal financial sector. We, the SLSB have well defined the so called scenario and we are induced by our Vision, Mission and set of strategies to reach economical vulnerable people.

The economic growth of the country was lowered and simultaneously the government has introduced several credit lines, especially with a view to strengthen entrepreneurs, designing lower interest rate. As a trusted state owned bank, we could assist providing huge amounts of fund disbursing to enterprises.

Strategic Initiatives

Identifying the core business area with the market segment, we designed several loan products for targeted beneficiaries those who are not catered to by financial market. Especially, newly introduced loan product to pre-school teachers under soft terms and this would be another landscape represent the loan portfolio other than converting into positive upgrade of lives of certain segment of the society.

Microfinance, the core aim of the Bank business has reached thousands of grassroots people through a network of partner organizations. So that getting an understanding and make a relationship by the beneficiaries with the Bank, it has made certain measures to create the image of the Bank in the minds of them.

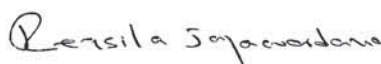
To hoist the name and image of the bank, correlation with state and private institutions has made an another pathway to expand the business.

Expressing Gratitude

As we look forward to a successful year 2021, I wish to extend my gratitude to my colleagues on the Board for their guidance and unstinted cooperation to take correct and collective decisions to steer the Bank to achieve its goals in the competitive environment.

I wish extend my sincerely appreciation for the assistance extended by the Hon. Prime Minister and Minister of Finance and the Hon. State Minister of Money and Capital Market and State Enterprise Reforms.

I deeply express my gratitude to the General Manager/CEO and the dedicated management team for their commitment in performing their duties and all employees for their valued contribution during the year reviewed. I also wish to thank the officials at the Central Bank of Sri Lanka for their guidance on regulatory matters.



Keasila Jayawardena

Chairperson



GENERAL MANAGER/CEO'S REVIEW

The year 2020 has been a challenging year like none other in recent times to the people and countries throughout the world. The spreading of the COVID-19 pandemic impacted millions of people necessitating unprecedented lockdowns, border closures, business closures resulting in job losses and supply chain disruptions throughout the world. Bankers as essential service providers, were required to keep distribution channels open despite social distancing requirements, curfew and lockdown situations ensuring continued service to the Public. Governments around the world faced the exigent task of balancing twin economic and health crises and adopted extraordinarily accommodative monetary and fiscal policies aiming to keep their economies afloat. Governments provided extensive relief measures which included debt moratoria to support businesses, refinancing schemes and financing much needed working capital at low interest rates. Despite all these efforts the global trade declined, disrupting global supply chains and fuel prices recorded the lowest in

recent times demand dropped due to lockdowns and travel restrictions. Sri Lanka had been fortunate to emerge quite successful containing the first wave of the pandemic and was able to commence economic activities in the second quarter. However, the second wave in the fourth quarter of the year brought disruptions to the economy. Tourism became the worst hit sector with world-wide lockdowns and non-arrival of tourists. This not only deprived Sri Lanka much needed foreign exchange but also resulted in mass unemployment in the sector.

With the revision of Standing Deposit Facility Rate and Standing Lending facility rate to historic low levels, the interest rates declined sharply in line with the revision of policy rates. Several measures like import restrictions were also implemented to relieve the pressure on exchange rate. The country also witnessed a downgrading of sovereign rating which was a unfortunate incident.

Supporting Our Clients

While appreciating the commitment and work carried out by health authorities, tri-forces, and local authorities to control the spread of this pandemic in the country, the Bank strived to play its part by helping the clients affected by COVID-19 while carrying out its operations strictly adhering to health guidelines. The Bank also paid special attention to the health and safety of its workforce outfitting our branches with partitions, providing sanitizers, protective equipment and instituting other best practices for social distancing and hygiene to safeguard our employees. These measures enabled the Bank to provide customers with urgently required services, from opening of our branches. The branch managers and credit offices have consistently kept in touch with the customers to ensure that they are well informed on the relief measures and are able to avail themselves with the relief package being offered. The Bank also took measures to immediately roll out the financial relief scheme recommended by the Central Bank of Sri Lanka (CBSL) in March 2020, in a bid to help communities to recover from the financial impacts of the pandemic and revival of the economic activities in the short to medium term. The Bank also granted moratorium to all the clients who have requested it and interest was charged @7% p.a. for the moratorium period. The Bank also granted debt relief packages to significant number of customers which goes beyond the CBSL directives and eligibility criteria with the Bank's credit policy framework. The Bank also granted relief to our Partner Organizations who engage in micro financing.

Performance

The Bank's performance, growth and profitability for the year 2020 has to be placed in this challenging context. The Bank and the Board of Directors are of the view that our efforts in supporting customers as an future investment in relationship capital, and one that will hold the Bank in good standing in the future. I am happy to report that in a challenging year the Bank mobilized all its experience and expertise to build the necessary resilience and agility to turn in an admirable performance and recorded an after tax profit of Rs.275.06 Mn. The top line of the Bank, the interest income stood at Rs.789.31Mn, which has shown a decrease of Rs.230.34 Mn compared to the year 2019. This is mainly due to the decline in interest income on investments caused due to the significant decline in market interest rates. Out of the Bank's assets, 63% had been held in investments, mainly in fixed deposits with other Banks. Due to this higher proportion of investments Bank has been heavily depending on interest earned on these investments and decline in market rates affected the interest income of the Bank. The interest expenses amounted to Rs.75.58 Mn and recorded an decrease of 21% over the previous year. The Fee and Commission income recorded an impressive increase of 149% compared to the year 2019.

Bank impairment charge amounted to Rs.59.18Mn, an increase of 1278% over the previous year where Bank had a impairment reversal. The increase in Bank's impairment charge reflects the prudent approach adopted for provisioning based on the prevailing challenging environment. Total Operating expenses declined by 2% to Rs. 244.93Mn. as wide effort was undertaken to trim expenses which are largely fixed in nature. These concerted efforts and changes to processes saw the operating expenses of the Bank declining by Rs 4.4 Mn. Rs. 244.93Mn. As a result, the cost to income ratio of the Bank stood at 31% which is one of the best in the Industry. Taxation declined to Rs.103.4Mn from Rs. 183.6 Mn in the previous year mainly due to the lower profits and the removal of NBT and Debt Repayment Levy imposed on Banks which helped to alleviate stress in a year when banks stepped up to stabilize the economy and helped its clients. The Bank's total asset growth remained flat at 6% increase to Rs. 9.27 Bn mainly due to the merger process with the Parent, National Savings Bank.

Lending and fostering micro finance sector is one of the main objectives of the Bank. The Bank's lending to micro finance also came under pressure due to the challenging market conditions. The Bank has lend Rs. 355 Mn. to micro finance Partner Organizations in the year 2020. These Partner Organizations have disbursed loans to over 100,000 clients who are in the low income category during last 5 years and Bank is extremely happy to see that it achieve its objective of financial inclusion by providing much needed capital to the non-banking segment of the society. The Bank also disbursed Rs. 314.68 Mn. to SME sector in the year 2020 to fulfill its mission of catering in to SME sector. The lending to this sector cached up in the latter part of the year with special emphasis given and marketing programs conducted. The loan portfolio of the Bank was Rs. 2.07Bn at the end of the year showed an decline of 6.9% compared to the previous year. However, due to the concentrated efforts of the team the Bank was able to achieve its highest monthly disbursement of Rs.372.15 Mn in December 2020.

The Bank's Capital adequacy ratios were the highest among the Banks in Sri Lanka. The Tier I ratio stood at 73% and Total Capital ratio was 73% as at 31st December 2020. During the year 2020 Bank revised all of its procedure manuals and stringed the risk management and control structures were implemented. .

Way Forward

The Bank achieved all these achievements with just four branches and lack of visibility had been a major factor affecting the Bank's growth and expansion. The Bank developed its corporate plan for 2021-2025 to address this issue and also paid more emphasis on digitalization. To overcome the visibility, the Bank planned to set up window-banking units in Divisional Secretariat Offices and

selected branches of National Savings Bank. These expansion strategies were devised to reach the grass-root level and to cater to the low income segment in the economy and to realize the banks goal to be the leader in the micro finance in Sri Lanka.

The Bank also made arrangements to change its logo and name and rebrand its product portfolio in the year 2021.

The revision of processes and procedures were done with the aim of adhering to regulatory guidelines. The credit policy was revised during the year aiming to expand the lending portfolio rapidly whilst maintain the credit policy. The Bank also devised a plan to launch a new micro finance product and staff too was trained to roll out this product. Virtually the Bank laid a strong foundation in the year 2020 to go for a long and steady journey in the years to come.

Having understood the highly competitive environment and need to digitalize the banking services to give an outstanding service to the clients, Bank developed a mobile banking platform. Arrangements were also made to integrate CAS, SWIFT, SLIPS and LOLIPOP to the core banking system.

Merger with National Savings Bank

As per the government policy the Central Bank of Sri Lanka informed the Bank to merge its business fully with the Parent, National Savings Bank and Bank is gearing for the merger which would probably concluded in the year 2021.

Appreciation

The challenging journey in the year 2020 would not have been possible without the support of our stakeholders, especially our valued customers who have continued to place their confidence in us and continue their strong standing relationships with us. I wish to take this opportunity to place on record my sincere thank to our customers for being with us during this challenging time.

The Board has been a source of support throughout this testing year and played a key role in navigating the Bank. I thank our Chairperson and the Board for their advice and guidance throughout the year which proved invaluable in staying on the correct path, avoiding potential pitfalls. I thank my team who demonstrated their commitment, determination and courage in numerous ways during the year enriching our team spirit. I also express my sincere appreciation to the GM/CEO and Management of National Savings Bank for all the unstinted support and guidance given to us during the year. I would also like to thank the Governor and officials of the Central Bank of Sri Lanka for

all the support extended to us. I earnestly like to keeping my thanking note to the Ministry of Finance and officials of the Treasury for the guidance given to the Bank.



M.A.S. Fernando

General Manager / Chief Executive Officer

BOARD OF DIRECTORS



Mrs. Keasila Jayawardena

Chairperson

Mrs. Keasila Jayawardena was appointed as the Chairperson of the Sri Lanka Savings Bank Limited in February 2020. Mrs. Jayawardena is serving as the Chairperson of the National Savings Bank (NSB) and NSB Fund Management Company Ltd. She 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.

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 been 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 the Ministry of Finance. He brought to the Board, 20 years' experience serving in the Sri Lanka Administrative Service and resigned on 05th October 2020 from the directorship of Sri Lanka Savings Bank Limited.



Mr. Hemantha Gamage

Director

Mr. Gamage was appointed to the Board on 15th January 2020 as an independent Non-Executive Director. He is an Attorney-at-Law with 32 years' experience and serving as the Senior Director of the Sri Lanka Savings Bank Limited.

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 as an independent Non-Executive Director. He is an Attorney-at-Law with 27 years' experience.

Mr. Imbulagoda has served as the Chairman of the National Transport Medical Institute from 2013 to 2014. He has served in the capacity of Director at the Sri Lanka Transport Board (from 2014 to 2015), Lanka Phosphate Ltd. (from 2006 to 2010) and Foreign Employment Agency (Pvt) Ltd (from 2004 to 2006).



Mr. Janaka Arunashantha

Director

Mr. Arunashantha was appointed as a member of the Board on 15th January 2020 as an independent Non-Executive Director. He is an Attorney-at-Law with 07 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.



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 2016 as a Chief Manager. He was widely involved in branch operations exposing him to wider spectrum of service delivery.

Mr. 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. De Silva has set records as the youngest Brigadier in the Sri Lankan military history, youngest officer appointed as a Director of the Sri Lanka Army and the youngest Director General at the Ministry of Defense. Further, he is the youngest Chief Information Officer (CIO) to serve 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). 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 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. He served as a Non-Executive Director of Sri Lanka Savings Bank Limited until October 2020.

SENIOR MANAGEMENT



Mr. M A S Fernando
General Manager/CEO
MBA - University of Colombo
Associate Member - IBSL
Associate Member – CIMA



Mr. G.M.S.N.K.M. Gurusinghe
Chief Manager - Operation
B.Sc Busi Admin (Special) (Sri J),
AIB, Licentiate (CASL)
ADCM (IBSL)



Mr. K.M.W.C. Perera
Chief Manager -
HRD, Admin & Establishment
B.Sc. (HRM) USJ
MBA (University of Wales)
PGDBA - LSC London



Mr. E.W. Priyantha
Chief Manager - Micro Finance,
B.B.Mgt(HR)Sp,
University of Kelaniya
MBS-University of Colombo
CGAP Accredited Trainer (DQIR)



Mr. N.N.N. Vithanage
Chief Manager- IT,
MBA(IT), M.Sc(IT),
B.Sc.Eng(Hons)
MBCS, AMIE(SL), MCSSL



Ms. A.R.R Piyasekara
Chief 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. K. A. N. Rasikapriya
Senior Manager-Internal Audit
Bachelor of Commerce - Ruhuna
Professional - I -ICAL



Mr. R. N. Rajamanthri
Senior Manager-Recovery
MBS-Colombo
B. Com. (Special) - Kelaniya



Mr. H. K. E. Padmakumara
Senior Manager-Finance & Planning
MA-Kelaniya
B.B.Mgt(Accountancy)Sp,
IABF(IBSL)



Ms. T. P. Pushpakanthi
Senior Manager - Credit,
BSc.Marketing Mgt(SP)USJ,
MSLM, DCB(IBSL),DCM(IBSL)



Ms. S. P. P. L. Wanniarachchi
Senior Manager-Procurement
B.Sc. Phys. S.
MISMM
Life Member - (ASCI)
CBA (ICASL)



Mr. A. D. B. C. Athapaththu
Manager - Treasury Management
B.Sc. Finance (Special) (USJ)
DTRM (IBSL)
CBA (ICASL)



Ms. D. M. N. T. Dissanayake

Manager - Compliance

BBA - Ruhuna

AIB-IBSL

Member of The Compliance
Association - ACOB

DBIRM (IBSL)

Intermediate-ICASL



Ms. W. M. T. R. Weerawardhana

Assistant Manager - Credit Administration

B. Com (General) Degree

ADCM(IBSL)

CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES 2020

Sri Lanka Savings Bank Limited (SLS Bank) has enlarged community support initiatives over the 12 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 stands out from other organizations in the financial industry. SLS Bank is committed to eradicate poverty by offering financial assistance and non-financial services for various categories of customers in the country. Such projects are recommended by Branches which have close interactions with the local communities.

Further, with a view to eradicate poverty and uplift the living standards of the poor community, the SLS Bank has launched many number of credit programs through its Community Based Organizations (CBOs) which are operating island-wide.

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 a path 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.



Based on these objectives, SLS Bank has launched a CSR program to promote women entrepreneurship to coincide with International Women's Day 2020. The event was held on 11th of March 2020 at the National Museum Auditorium with the participation of The Chairperson of Sri Lanka Savings Bank & National Savings Bank (NSB) Mrs. Keasila Jayawardena, Members of Board of Directors, Women Entrepreneurs, SLS Bank & NSB Top

Management and Employees.

Through this, SLS Bank hopes that women will contribute to the country's economy, their personal economic viability and ultimately the sustainable economic growth of the country.



It is here to encourage women entrepreneurs, develop their capabilities and empower them, emphasizing the social responsibility of women entrepreneurs. Also, prizes were awarded in recognition of the women entrepreneurs who participated in the event.

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 2020.

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 31.12.2020. In addition to this, a full account of operations can be found in the Audit Report presented by Government Auditors.

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 2020. The Directors of the Bank during the year 2020 were as follows:

- Ms. Keasila Jayawardena
- Mr. Sunil Galagama - (up to October 2020)
- Mr. Hemantha Gamage
- Mr. Prasad Imbulagoda
- Mr. Janaka Arunashantha
- Mr. Jayantha Perera
- Dr. S.T.S. De Silva - (up to October 2020)

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 07 Directors during the year under review.

Participation at Board Meeting 2020

Name of the Director	No. of Meetings held during 2020	No. of Meetings eligible to attend	No. of Meetings Attended
Ms. Keasila Jayawardena	14	13	13
Mr. Sunil Galagama	14	12	12
Mr. Hemantha Gamage	14	14	14
Mr. Prasad Imbulagoda	14	14	14
Mr. Janaka Arunashantha	14	14	14
Mr. Jayantha Perera	14	11	11
Dr. S.T.S. De Silva	14	09	03

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 pages No 28-55 of this Report.

Audit Committee

The following Non-Executive Directors of the Board served as members of the Board Audit Committee.

- Mr. Sunil Galagama (up to October 2020)
- Mr. Prasad Imbulagoda (up to July 2020)
- Mr. Hemantha Gamage
- Mr. Jayantha Perera (From July 2020)

Cadre position as at 31.12.2020

Category	No. employed as at 31.12.2020
General Manager	01
Assistant General Manager	00
Chief Manager	05
Senior Manager	06
Manager	03

Vision, Mission and Corporate Conduct

The Bank's Vision and Mission are given on page 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 2020 there were 106 members employed by the Bank. The composition of this number is as follows:-

Manager - Branches	01
Deputy Manager	06
Asst. Manager	16
Officer / CO / RO / Mgt. Tr.	24
Senior Bank Assistant	11
Bank Assistant	11
Social Media Advertiser/Media Coordinator	01
Business Development Officer	00
Secretaries	00
Stenographer III	02
Legal Assistant	01
Receptionist Cum Tel. Op.	01
Care Taker	02
Senior Driver	05
Driver	01
Senior Office Assistant	04
Office Assistant	03
Senior Labourer	01
Labourer	01
Total	106

General Manager / Chief Executive Officer (CEO)

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

Going Concern

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

Financial Statement

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

Profit and Appropriations (in thousands)

Year ended	31.12.2020 (Rs)	31.12.2019 (Rs)
Profit before taxation	415,340,975	633,963,595
Taxation	(140,284,743)	(186,146,888)
Profit after taxation	275,056,231	447,816,707
Retained Profit /(loss) brought Forward	2,545,272,567	3,002,953,139
Profit available for Appropriation	275,056,231	447,816,707
Directors have made the following appropriations : to reserve	869,786,650	(905,497,279)
Retained Profit carried Forward	3,690,115,449	2,545,272,567

Revenue

The total gross income of the Bank for the financial year ended 31st December 2020 was Rs. 876 Million. The analysis of income is given in Page 3 to the accounts.

Capital Expenditure

The total expenditure on the acquisition of Property, Plant & Equipment during the year amounted to Rs.1 Million. Details of which are shown in Note 19 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
Date: -2022
Colombo

General Manager/CEO's and Senior Manager's (Finance and Planning) Statement of Responsibility

Compliance

The Financial Statements of the Sri Lanka Savings Bank (the Bank) and the Consolidated Financial Statements of the Bank as at 31 December 2020 are prepared and presented in compliance with following:

Sri Lanka Savings Bank incorporated under the provisions of the Companies Act No. 17 of 1982 and amendments thereto.

Finance Act No. 38 of 1971.

Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Banking Act No. 30 of 1988 and amendments thereto and Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL) there under relating to Financial Statements formats and disclosure of information. Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Code of Best Practices on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Banking Act Direction No. 12 of 2007 on Corporate Governance issued by the CBSL.

The formats used in the preparation of the Financial Statements and disclosures made, comply with the specified formats prescribed by the Central Bank of Sri Lanka which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard 1 (LKAS 1) – 'Presentation of Financial Statements'. The Bank present the financial results to its users on a quarterly basis.

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Bank. The significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Bank's External Auditors and the Board Audit Committee (BAC).

There were no changes to the accounting policies and methods of computation since the publication of the Annual Report for the year ended 31 December 2019. Accordingly, there was no necessity to amend comparative information to comply with the current presentation.

We confirm that to the best of our knowledge, the Financial Statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material aspects of the assets, liabilities, results of the operations and the cash flows of the Bank during the year under review and given a true and fair view of the Financial Statements. We also confirm that the Bank has adequate resources to continue in operation and has applied the going concern basis in preparing these Financial Statements.

Responsibility of Internal Control and Procedures

We are responsible for establishing, implementing and maintaining internal controls and procedures of the Bank. We ensure that effective Internal Controls and Procedures are in place ensuring material information relating to the Bank is made known to us for safeguarding assets, preventing and detecting fraud and/ or error as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis. We are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations, that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and procedures, to the best of our knowledge. We confirm, based on our evaluations, that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involved management or other employees. The Bank's Internal Auditors also conduct periodic reviews to ensure that the established Internal Controls over Financial Reporting and Procedures are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

Directors' Statement on Internal Control over Financial Reporting is provided on pages 77 and 78 of this Annual Report. The Auditor General have audited the effectiveness of the Internal Controls over financial reporting adapted by the Bank and have given an unqualified opinion is provided on page of this Annual Report.

External Audit

The Financial Statements of the Bank was audited by the Auditor General. The Auditor General's Report on the Bank's Financial Statements is given on pages 81 to 84 of this Annual Report. The Board Audit Committee, reviewed all Internal Audit and Inspection Programmes, the efficiency of internal control systems and procedures and also reviewed the Significant Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the Board Audit Committee report on pages 75 and 76 of this Annual Report. To ensure complete independence, the Auditor General and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

Confirmation

We confirm that to the best of our knowledge:

- The Bank has complied with all applicable laws and regulations and prudential requirements
- There are no material non-compliances and
- There are no material litigations that are pending against the Bank other than those disclosed in the Financial Statements;

All taxes, duties, levies and all statutory payments payable by the Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank as at 31 December 2020 have been paid, or where relevant, provided for.



Sujith Fernando
General Manager/CEO

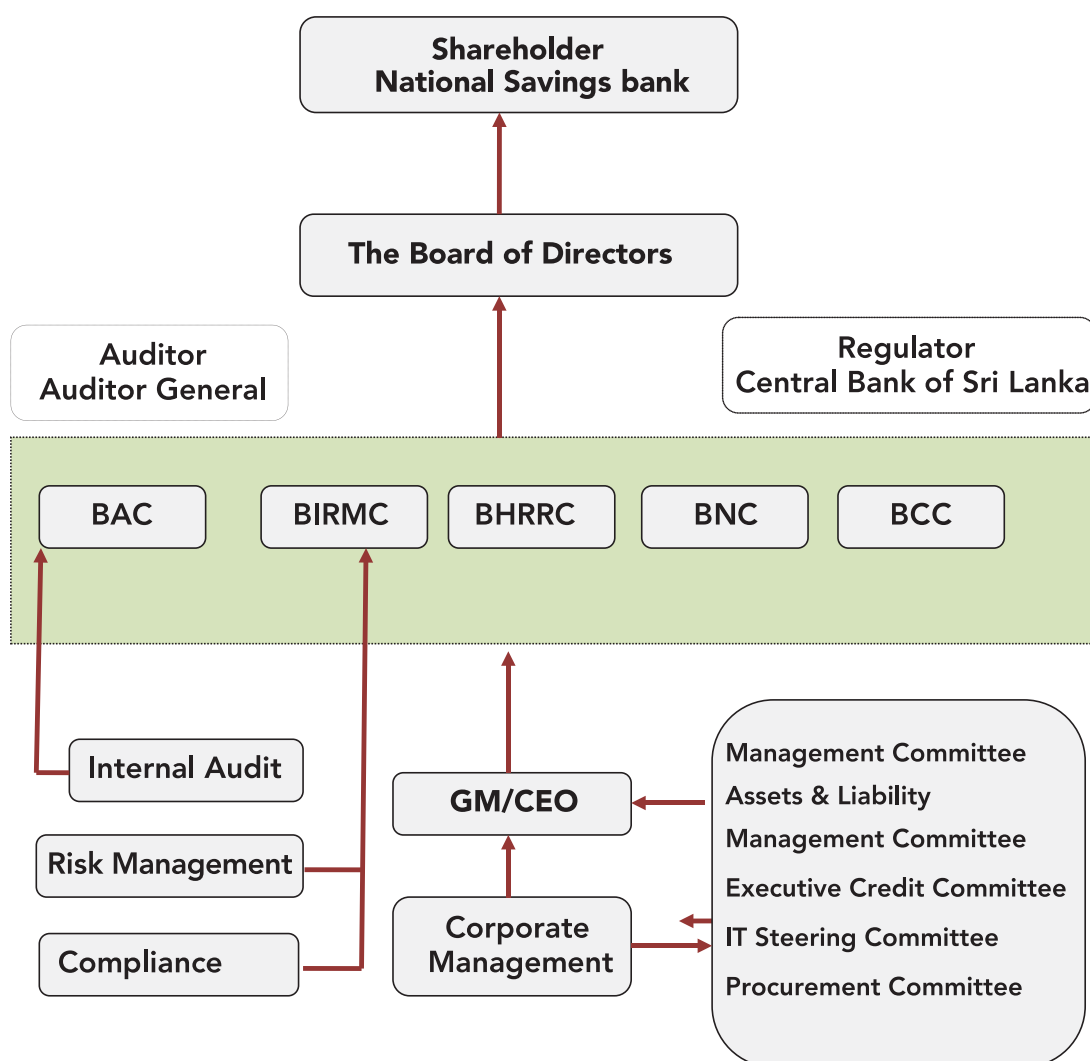


Eranjith Padma Kumara
Senior Manager (Finance and Planning)
19 March 2021
Colombo

CORPORATE GOVERNANCE

The Bank's Corporate Governance framework defines the structure of roles, practices and processes used to direct and manage the Bank. A strong and effective Corporate Governance framework has enabled the integrity, high performance and sustainability of the Bank.

Governance Structure



BAC : Board Audit Committee

BIRMC : Board Integrated Risk Management Committee

BHRRC :Board Human Resource and Remunerations Committee

BNC : Board Nomination Committee

BCC : Board Credit Committee

Assurance

The Auditor General provides assurance on the Financial Statement of the Bank and on the Directors' Statement on Internal Controls over Financial Reporting which are published on pages 77 to 78 respectively. He also certifies the level of compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Specialized Banks issued by the Central Bank of Sri Lanka.

Compliance with the Code of Best Practice for Corporate Governance

The Board

The members of the Board of the Bank are appointed by the Secretary to the Treasury. The current Board comprises the Chairperson and Non-Executive Directors. All Directors are eminent professionals of the State and private sector. The Chairperson is a well experienced professional with over 30 years experience especially in the finance field. The diverse range of skills and experience of the Non-Executive Directors enrich the Bank's risk management and control process. Profiles of the Directors are given on pages 14 to 16.

Holding of regular Board meetings

The Board meets at least once a month and additional meetings are convened based on necessity. The Board met 14 times during the year 2020.

The attendance of each Director at Board meetings and respective committee meetings in 2020 are detailed below:

Name of the Director	Director Status	Attendance			
		Board	BAC	BIRMC	BHRRC
Ms. Keasila Jayawardena Chairperson	NED NID	13/13	-	-	02/02
Mr. Sunil Galagama Treasury Representative	NED ID	12/12	03/03	01/01	02/02
Mr. Hemantha Gamage Senior Director	NED ID	14/14	07/07	-	02/02
Mr. Prasad Imbulagoda Director	NED ID	14/14	02/02	04/04	02/02
Mr. Janaka Arunashantha Director	NED ID	14/14	-	04/04	02/02
Mr. Jayantha Perera Director	NED NID	11/11	05/05	-	-
Dr. S.T.S. De Silva Director	NED NID	03/09	-	-	-

NED - Non Executive Director

NID - Non Independent Director

ID - Independent Director

Role of the Board

The Board is responsible to provide leadership, oversight, control, development, and ensure long-term success of the Bank. The Board is also responsible for nurturing the right culture, instilling values and promoting ethical behaviour throughout the Bank. There is a formal schedule of matters reserved for the Board, which are reviewed regularly to ensure it remains current.

The Board has delegated some of its responsibilities to committees of the Board.

Monitoring the effectiveness of the Bank's risk management and internal control systems has been delegated to the Board Risk Management Committee and Audit Committee. The Board retains ultimate responsibility for determining the Bank's "risk tolerance". The Risk Management Report is reviewed by the Board, and this includes, monitoring, controlling and reporting of identified risks and uncertainties.

Compliance with laws of the country as applicable to the business and procedure to obtain Independent professional advice

The Board of Directors collectively and severally, are expected to act in accordance with the laws of the country, applicable to the business conducted by the Bank. Therefore, the Board is responsible for ensuring all relevant procedures and controls are in place to maintain compliance with all applicable laws and regulations.

The Board acknowledged the need to obtain independent judgement from time to time, on certain matters. Accordingly, Board members are entitled to seek independent professional advice (including but not limited to legal, accounting, and financial advice) at the Bank's expense on any matter connected with the discharge of his/her duties and responsibilities.

Company Secretary

All Directors have access to the Board Secretary. The Board Secretary is responsible to the Board for ensuring all agreed procedures and applicable rules and regulations are observed. In addition, the Board Secretary serves as the Secretary to all committees and maintains the minutes of all Board meetings and committee meetings. Other responsibilities of the Board Secretary include:

- Coordinating matters pertaining to the conduct of Board meetings and sub committee meetings
- Conducting proceedings in accordance with the relevant legislation
- Facilitating adoption of best practice on corporate governance including assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practices.

Independent judgment of Directors

Directors are required to bring an independent judgement to bear on decisions of the Bank. As experienced professionals, their duties are performed without any influence from other persons. The Board promotes dynamic, and constructive contribution from Non-Executive Directors.

Dedication of adequate time and effort by the Directors

Directors are expected to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification and to follow-up on issues. Directors are also expected to ensure sufficient time is dedicated at every meeting to ensure all responsibilities are discharged satisfactorily.

Chairman and CEO

Whilst the Chairman and Chief Executive Officer (CEO)/General Manager (GM) are collectively responsible for the leadership of the Bank and for promoting the highest standards of integrity and probity, there is a clear and effective division of accountability and responsibility between the Chairman and the CEO/GM. Each play a distinctive role which complements each other to ensure balance of power and authority and avoid unfettered powers of decision and control for one individual.

The Chairman is responsible for leading, directing and managing the Board to ensure effective operations and fully discharging its legal and regulatory responsibilities. The primary role of CEO/GM is to manage the day-to-day operations of the Bank,

A decision to combine the posts of Chairman and Chief Executive Officer in one person should be justified and highlighted.

The position of the Chairman and the CEO/GM are clearly separated, preventing unfettered powers for decision-making by one person.

Chairman's role

The Chairman is responsible for ensuring the CEO/GM and the Management effectively implement the strategies and policies agreed by the Board.

Conducting Board proceedings in a proper manner

The Chairman is responsible not only for providing leadership but also for overseeing the functioning of the Board to safeguard the best interest of the Bank. Accordingly, the Chairman is responsible for:

- Ensuring Board meetings are planned and conducted effectively.
- Setting the agenda for each Board meeting, taking cognisance of the matters proposed by other Directors, members of various sub committees or the Board Secretary.
- Ensuring the Board members receive accurate, timely, and clear information.
- Ensuring minutes of Board meetings are accurately recorded and circulated among the Directors.
- Providing leadership and governance to the Board to create a conducive environment for the Board and individual Director's to discuss issues in a timely manner.
- Promoting a culture of transparency and encouraging Non-Executive Directors to engage in constructive and healthy exchange of views pertaining to matters of the Board and there by facilitating contribution to the effective functioning of the Board.
- Ensuring the Board plays a full and constructive role in developing and assessing Group's strategies and policies, and ensuring Board decisions are taken in the best interest of the Bank and fairly reflect Board's consensus.
- Proving leadership for self-assessment to generate meaningful feedback to further improve the effectiveness of the Board.

Financial acumen

The Bank Board comprises members with sufficient financial acumen and knowledge.

Board balance

The Bank Board is well balanced with seven Non-Executive Directors, of whom five function in an independent capacity.

All Non-Executive Directors are independent of management and free from any business or other affiliations that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

Every Non-Executive Director submits a signed declaration of Independence against the specified criteria and they are evaluated to ensure compliance with the criteria for determining independence.

In the year under review, there were no circumstances that warranted the appointment of Alternate Directors. The board designated an Independent Director as the Senior Director due to Chairman is not an Independent Director. Mr. Hemantha Gamage was appointed as the Senior Director on 13-05-2020.

Supply of information

Board meetings are scheduled well in advance, giving adequate notice to Directors. Prior to every Board or committee meeting, the Bank Secretary ensures all relevant papers including the agenda, content and a summary of management presentations are made available to all the Directors seven working days prior to the meeting. The Directors who are unable to attend the meetings are updated through the documented minutes, which are tabled at the next meeting with the matters to be followed-up from the minutes.

Monthly accounts for a given month are prepared and circulated among Directors in the following month along with key financial performance indicators of each division. If the Board feels the information provided is insufficient or not clear, they are entitled to request for further clarification or additional information. The respective management personnel can be called for the meetings when deemed necessary to provide further details.

Appointments to the Board

Appointment of Board of Directors are made by the Secretary to the Treasury.

All appointments for Directorships are submitted to the Central Bank of Sri Lanka for assessment under the Fit and Proper Criteria for Directors.

Appraisal of Board performance

Every member of the Board conducts a self-assessment of his/her own effectiveness as well as the Board as a team annually, incorporating all criteria specified in the Board performance evaluation checklist. The responses are collated by the Board Secretary and submitted to the Board as a summary report.

Disclosure of information in respect of Directors

Information specified in the Code in relation to Directors is disclosed in this Annual Report as follows:

- Name, qualifications, brief profile and the nature of expertise on pages 13-16
- Each Director's Executive / Non-Executive and Independent / Non-Independent status is given on pages 13-16
- Membership of Directors in Board mandatory sub committees are given on pages 70 to 75

Appraisal of the CEO

The evaluation of the CEO/GM is one of the most important responsibilities of the Board. The evaluation process provides a formal opportunity for the Board and CEO/GM to have a constructive discussion regarding the performance and the leadership of the CEO/GM. The set of KPIs for the CEO/GM are formulated under the Strategic Plan.

These goals should be confirmed by the Board and are used as the basis for the annual CEO/GM's appraisal process. The CEO/GM is responsible to provide the Board with explanations for any adverse variances along with corrective action to be taken.

Director's and executive remuneration procedure

Board remuneration is decided according to guidelines set by the Ministry of Finance. No Director is involved in determining his/her own remuneration. The BHRRC makes recommendations to the Board pertaining to the remuneration and benefits of the CEO/GM and Key Management Personnel within agreed terms of reference and in accordance with the remuneration policies of the Bank, and the Collective Agreement. Remuneration is designed to attract, retain and motivate high performing, qualified and experienced employees of the Bank. The Board in turn makes recommendations to the Minister of Finance who is the final authority for approval of their remuneration under the collective agreement.

The report of the BHRRC, disclosing the Statement of Remuneration Policy and the names of the Chairman and members of the BHRRC is given on page 70. The aggregate remuneration paid to the Directors is given on page 122.

Relations with shareholders

As a State Bank, with the Government of Sri Lanka being the main shareholder, of the Bank comes directly under the purview of the National Savings Bank.

Major and material transactions

There were no transactions which would materially alter the Bank's net asset base.

Financial reporting

The Annual Report presents a balanced review of the Bank's financial position, performance, and prospects. Both narrative and visual elements have been used in presenting the information, to increase comprehension and clarity.

The Bank takes every effort to ensure compliance with statutory requirement in the Annual Report and in the issue of interim communications on financial performance.

Internal control and Audit Committee

The Internal Audit Department reviews the adequacy and effectiveness of the internal control systems and reports to the BAC on a regular basis. Duties of the BAC include keeping under review the scope and results of such audits and its effectiveness. BAC also plays a primary role in liaising with the Auditor General, who conducts the external audit of the Bank. Their roles and responsibilities are provided in the Committee Reports given on pages 75 and 76, respectively.

Code of Business Conduct and Ethics and Corporate Governance Report

The Bank has Codes of Conduct for employees. BHRRC is responsible to regularly review the respective codes to ensure they remain relevant and adequate considering the evolving business operations of the Bank.

AUDITOR GENERAL'S REPORT ON CORPORATE GOVERNANCE



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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எனது இல.
My No. }

BAF/A/SLSBL/CG/2020/02

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உமது இல.
Your No. }

දිනය
திகதி
Date }

15 July 2021

The Chairperson
Sri Lanka Savings Bank Limited

Auditor General's Report of Factual Findings of Sri Lanka Savings Bank Limited to the Board of Directors of the Sri Lanka Savings Bank Limited on the compliance requirement of the Corporate Governance Direction issued by the Central Bank of Sri Lanka – 31 December 2020.

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

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

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

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

My report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

This Report relates only to the item specified above and does not extend to any Financial Statements of Sri Lanka Savings Bank Limited, taken as a whole.

W.P.C. Wickramaratne

Auditor General

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+94 11 2 88 70 28 - 34

கோ: 306/72, பாலவத்த வீதி, பாலவத்த, புராதனம்.



+94 11 2 88 72 23

No. 306/72, Pollewa Road, Pollewa, Sri Lanka.



ag@auditorgeneral.gov.lk



www.naosl.gov.lk

Compliance with Banking Act Direction

The Banking Act Direction No.12 of 2007 and subsequent amendments thereto on Corporate Governance for licensed specialized banks in Sri Lanka issued by the Central Bank of Sri Lanka.

Annexure to the report on factual finding

3 (1)		The Responsibilities of the Board	Reference
3.1.(i)	a)	Procedures to be carried out to ensure the board have strengthened the safety and soundness of the bank. 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 Board approved Strategic Plan 2020 - 2025 is in place and strategic objectives have been communicated to the Business Unit Heads and to the operational level staff. Budget 2020 has been presented by Head of Finance and the Board has granted approval for the same.
	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 includes strategic objectives and overall business strategy of the Bank. Risk management procedures and mechanisms are in place. Board has reviewed the Risk Management Policy of the Bank. Measurable goals for the next five -year period from 2020 to 2024 are included in the ICAAP Report 2020 of the Bank under Projected Financial Statements.
	c)	Check that the appropriate systems to manage the risks identified by the board are prudent and are properly implemented.	Complied BIRMC takes the initiative in the assessing of all risks of the Bank. Board members discuss new strategies of the Bank, the risks arising out of new strategies and further the ways and means to mitigate such risks.
	d)	Check that the board has approved and implemented a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied The Board has approved and implemented an effective communication policy with all stakeholders.
	e)	Check that the board has reviewed the adequacy and the integrity of the bank's internal control systems and management information systems;	Complied There is a Board mechanism to identify the accuracy of the financial information and the internal control systems through the process over design and effectiveness of internal control over financial reporting. Further, Internal Audit Department (IAD) adds value to the process. IAD is in the process of reviewing the

			internal control systems with the collaboration of respective heads of departments. As an initial step, IAD has identified Non-Financial MIS Reports which have been reviewed by the Board.
	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 has defined CEO, of the Bank and KMPs as defined in Bank Supervision Department. Guideline No. No 01 of 2019 issued on 19.12.2019 Board has further defined and designated the following categories as KMPs in line with the above Banking Act Determination. This consists of CEO/GM, HOF, Compliance Officer, Head of Treasury, Head of Legal, Head of IT, Board Secretary, Officers serving as consultants, and any other officers falling under the definition of Section 2.1 of the above direction.
	g)	Check that the board has defined the areas of authority and key responsibilities for the board directors themselves and for the key management personnel;	Complied There is clear segregation of authority and responsibilities between the Directors and the KMP. Board members are responsible for taking strategic decisions of the Bank. KMPs are responsible for carrying out the decisions made by the Board and for operations. Key responsibilities of the KMP are entirely operational based and are specified in their respective job descriptions. Authority of key management personnel are defined under delegation authority limits.
	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 Board has exercised appropriate oversight of the affairs of the Bank by key management personnel.
	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 Appointment of Board of Directors are made by the Secretary to the Treasury. Bank has a self-evaluation process in place for the Board of Directors which include the evaluation of Board Directors'

			own governance practices. Self-evaluations for the year 2020 have been collected by the Board Secretary.
	j)	Check that the board has a succession plan for key management personnel.	Complied Board approved Succession Plan is in place. However, existing succession plan need to be revised at least annually in order to have a proper succession arrangement for KMPs.
	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 Personnel are called regularly when the need arises by the Board to explain matters relating to their area of functions.
	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 Board has taken measures and processes in place to understand the regulatory environment and that the Bank maintains a relationship with regulators. CBSL Statutory Examination Report as at 31.12.2019 and progress reports have submitted to the Board for their information and to take actions where necessary. Further Board Members attend the Director forums arranged by the CBSL, developing relationship with the regulator.
	m)	Check that the board has a process in place for hiring and oversight of external auditors. Check that the board has appointed the Chairman and the Chief Executive Officer (CEO). Check that the functions and responsibilities of the Chairman and the CEO are in line with Direction 3(5) of these Directions.	Complied As per the 20th Amendments to the Constitution Auditor General is the Auditor of the Bank. Complied CEO is appointed by the Board. Chairman has been appointed by the Minister in charge of the subject. Functions and responsibilities of the Chairman and the GM/CEO are clearly defined and approved in line with Direction 3 (5) of these Directions.

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 Meeting are held monthly while special meetings are scheduled on a needs basis. The Board has met 14 occasions during 2020.
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 include matters and proposals in the agenda for regular meetings. Board approved procedure is in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings.
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 email. The agenda & Board Papers of the Board Meetings are circulated to the Directors 03-05 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 The Directors are apprised of their attendance in accordance with the Corporate Governance Code.
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 a Board Secretary who satisfies the provision of Section 43 of the Banking Act No.30 of 1988 & whose primary responsibilities are to handle the secretarial services to the Board and carry out functions specified in the statutes and other regulations. She was an Attorney at Law & holds Bachelor of Law degree from the University of Colombo and MSc degree in transport from the University of Moratuwa. She is having the position of Chief Manager - Legal.
3.1.(viii)		Check the process to enable all directors to have access to advice and services of the company secretary.	Complied All Directors have access to advice & service of the Board Secretary who is responsible to

			the Board for follow up on Board procedures, compliance with rules & regulations & maintaining minutes & relevant records of the Bank.
3.1.(ix)		Check that the company secretary maintains the minutes of board meetings and there is a process for the directors to inspect such minutes.	Board Meeting minutes, books are maintained with the Secretary for inspection of any Directors.
3.1.(x)		Check that the minutes of a board meeting contain or refer to the following. (a) a summary of data and information used by the board in its deliberations (b) the matters considered by the board (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the board was carrying out its duties with due care and prudence (d) the matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations (e) the understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and (f) the decisions and board resolutions.	Complied Detailed Board minutes contain the required details such as individual views of the members, ultimate decision of the Board, complies with strategies and policies of the Bank and further on data, reports and information used by the Board members in arriving at the decisions.
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 Board approved policy is in place to seek independent professional advice in appropriate circumstances, at the Bank's expense.
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 There is a provision in the Board Approved Related Party Transaction Policy to determine, report, resolve and to take appropriate actions relating to Directors to avoid conflicts of interests, or the appearance of conflicts of interest.
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 Board has formal schedule of matters reserved for their attention and a delegation of Authority ensures that the direction and control of the Bank is firmly under Board's control and authority.
3.1.(xiv)		Check that the board has forthwith informed the Director of Bank Supervision of the situation of the bank prior to taking any decision or action, if it considers that the procedures to identify when the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.	Complied The board is aware of the need to inform the director of bank supervision prior to taking any decision or action if the bank is becoming insolvent.

		The board is aware of the need to inform the director of bank supervision prior to taking any decision or action if the bank is becoming insolvent.	No such situations have arisen.
3.1.(xv)		Check that the board has the bank capitalised 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 Bank's defined risk appetite.
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
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 The Bank has a scheme of self-evaluation of Directors in place and the Board Secretary annually obtains the evaluation forms from all the Directors.
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.	Composition has been maintained until October 2020 and after resignation of Treasury Representative in October 2020 and removal of one Director in October 2020 there were two vacancies and has requested the to Finance Ministry to fill the vacant positions on 29th October 2020. All Directors were Non-Executive Directors and Mr. Hemantha Gamage was appointed as the Senior Director on 13-05-2020.
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 None of the Directors has exceeded the service of nine years during the year 2020. All the Directors have been appointed during the period by the Minister in Charge of the subject.
	(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 and appointed by the Secretary to the Treasury.
3.2.(iv)		Check that the Board has at least three independent Non-Executive directors or one third of the total number of directors,	Complied Board comprises of Non-Executive Directors. The Board comprised an adequate number of Independent Non-Executive Directors on the Board to comply with the direction during the current year.
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 Directors was appointed during the year 2020.
3.2.(vi)		Check that the bank has a process for appointing independent directors.	Complied All Directors are Non-Executive Non independent Directors and appointed by the Secretary to the Treasury.
3.2.(vii)		Check that the stipulated quorum of the bank includes more than 50% of the directors and out of this quorum more than 50% should include non-executive directors.	Complied According to the AOA ,a quorum for meeting of the Board is four (o4),if the total number of Directors is 7 and more than half the number of Directors should be present to constitute a quorum. All the Directors of the Bank are Non - Executive Directors.

3.2.(viii)		Check that the bank discloses the composition of the board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report.	Complied Composition of the Board, including the names of the Chairman, Executive Directors, Non Executive Directors and Independent Non-Executive Directors have been disclosed in the Annual Report.
3.2.(ix)		Check the procedure for the appointment of new directors to the board.	Complied Appointment of the Directors is done by the Secretary to the Treasury as per the AOA.
3.2.(x)		Check that all directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment.	Not Applicable This does not arise since the Minister in charge of the subject appoints them.
3.2.(xi)		Check if a director resigns or is removed from office, the board: (a) announce the director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the bank, if any; and (b) Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Not Applicable Director can resign by writing a letter to Secretary to the Treasury. The Secretary to the Treasury can also remove a Director.
3.2.(xii)		Check if there is a process to identify whether a director or an employee of a bank is appointed, elected or nominated as a director of another bank.	Directors are appointed by the Secretary to the Treasury .The Bank obtains declarations from the Directors at the time of appointment as a Director of the Bank.
3(3)		Criteria to assess the fitness and propriety of directors.	
3.3.(i)		Check that the age of a person who serves as director does not exceed 70 years.	Complied None of the Directors of the Bank are over 70 years of the age as at 31st December 2020.
	(A)	Check that the transitional provisions have been complied with.	Not Applicable
3.3.(ii)		Check if there is a process to identify whether a director holds office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.	Complied None of the Directors holds Directorships of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank during the year.

3(4)		Management functions delegated by the board.	
3.4.(i)		Check that the delegation arrangements have been approved by the board.	Complied Delegation of Authority is in place.
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 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 delegated powers are reviewed periodically by the Board to ensure that they remain relevant to the needs of the Bank.
3(5)		The Chairman and CEO	
3.5.(i)		Check that the roles of chairman and CEO is separate and not performed by the same individual.	Complied Roles of Chairman and CEO are clearly separated and not performed by the same individual.
3.5.(ii)		Check that the chairman is a non-executive director and preferably an independent director as well. In the case where the chairman is not an independent director, check that the board designate an independent director as the senior director with suitably documented terms of reference. Check that the designation of the senior director be disclosed in the bank's Annual Report.	Complied The Chairman is a Non-Executive Director and is appointed by the Secretary to the Treasury. Chairman and the Board of Directors consist of Non-Executive Directors who are appointed by the secretary to the Treasury.
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.	Bank has a process in this regard. As per the declaration for the year 2020 there are no financial, business, family or other material/relevant relationships between, Chairman, CEO, and among Directors.

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 Board has a scheme of self-evaluation for the Board of Directors which complies with the requirement.
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 Chairman through the General Manager submitted the Board papers at the Board meetings.
3.5.(vii)		Check that the board has a self-evaluation process that encourages all directors to make a full and active contribution to the board's affairs and the chairman taking the lead to act in the best interest of the bank.	Complied The Bank has a process of self-assessment which is carried out during the year to evaluate individual Director's performance of preceding year.
3.5.(viii)		Check that the board has a self-evaluation process that assesses the contribution of non-executive directors.	Complied Self-evaluation process covers the contribution of Non-Executive Directors.
3.5.(ix)		Check that the chairman engages in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Chairman does not directly get involved in the supervision of Key Management Personnel or any other executive duties.
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 Board maintains effective communication with the NSB Who is the main shareholder of the Bank (Parent company).
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 As per the functions and responsibilities of the CEO, he is the apex executive-in-charge of the day-to-day management of the Bank's operations and business.

3(6)			
3.6.(i)		Check that the bank has established at least four board committees as set out in 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.	Complied The Bank has established five Board committees namely, Audit Committee, Human Resources and Remuneration Committee, Board Credit Committee, Legal & Recovery Committee and Integrated Risk Management Committee. Reports/minutes of such committees are submitted and tabled at the Main Board for the information and review by the Board.
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 Chairman of the Board Audit Committee is a Non-Executive Director. He is representing the Government Treasury & possess necessary qualifications and experience.
	(b)	Check that all members of the committee are non-executive directors.	Complied All members of the Committee 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; (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.	Complied The Auditor General, is the External Auditor of the Bank as provided in the Constitution of the country. Therefore, the Committee has no role to play in the engagement of the External Auditor. Committee has made recommendations on matters in connection with the implementation of the Central Bank guidelines issued to Auditors from time to time. Implementation of the CBSL guidelines issued to Auditors from time to time. Committee has reviewed and discussed the relevant accounting standards as and when required. The Auditor General, is the External Auditor of the Bank as provided in the Constitution of the country.

	(d)	Check that the committee has obtained representations from the external auditor's on their independence, and that the audit is carried out in accordance with SLAuS.	Complied This is not relevant since the Bank's Auditor is the Auditor General.
	(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.	Complied This is not relevant since the Bank's Auditor is the Auditor General.
	(f)	Check that the committee has discussed and finalised, the nature and scope of the audit, with the external auditors in accordance with SLAuS before the audit commences.	Committee has discussed and finalised the nature and scope of the audit, with the External Auditors in accordance with SLAuS before the audit commences.
	(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 Committee has a process to review financial information of the Bank when the quarterly and annual audited financial statements and the reports prepared for disclosure are presented to the Committee by the HOF.
	(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.	Complied Committee has held a confidential meeting with the representative of Auditor General at the BAC meeting.
	(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 Committee has discussed the scope and functions of the IAD. Further, Committee also has reviewed the resources of the IAD such as staff position in number of instances.

		(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 Head of Internal Audit has presented the Audit Plan 2020 to the Committee and BAC has discussed the scope of the internal audit and the new features added to the Audit Plan. Committee has reviewed the results of internal audit reports submitted with regard to the Bank's departments. Committee has reviewed progress of the Internal Audit Plan from time to time. Appraisal of the performance of the head Internal Auditor generally carried out by the Board Audit Committee.
		(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	Complied No termination of the head, senior staff members of IAD took place during the year 2020. IS Audit function has been outsourced to Messrs KPMG for the year 2019.
		(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Complied No resignations of senior staff of IAD taken place during the year 2020.
		(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; Check that the internal audit function is independent of the activities it audits.	Complied IAD has confirmed the Independence of the Internal Audit activity with reference to provisions of the Internal Audit Charter of the Bank. As per BAC minutes the Internal Audit Department performs with impartiality, proficiency, and due professional care.
	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 investigations and management's responses thereto.
	(l)	Check whether the committee has had at least two meetings with the external auditors without the executive directors being present.	Complied
	(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	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.	Complied BAC has held seven (07) meetings during the year 2020 and minutes of such meetings are maintained by the Board Secretary.
	(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 Details of the activities of the Audit Committee have been disclosed in the 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 has been appointed as the secretary of the Board Audit Committee and keeps detailed minutes of the meetings.
	(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 Board approved whistle blowing policy has been reviewed in the year 2020 .
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 for Directors determined by the Ministry of Finance. The Human Resource and Remuneration Committee will determine the remuneration relating CEO and Department heads remunerations on the basis of the collective agreement. (salaries, allowances and other financial payments)
	b)	Check that the goals and targets for the directors, CEO and the key management personnel are documented	Complied Goals and targets for the CEO/GM and KMPs are set based on the Strategic Plan and linked to Key Performance Indicators.
	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) evaluates the performance of the CEO and KMPs.

	d)	Check that the "Terms of reference" provides that the CEO is not present at meetings of the committee, when matters relating to the CEO are being discussed by reviewing the minutes.	Complied According to the Terms of Reference of the BHRC, CEO shall be present at all meetings of the committee, except when matters relating to the CEO are 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. Main functions of the Board Nomination Committee are to be implemented a procedure to select/appoint CEO/GM and senior management personnel to set the criteria.
	b)	Check that the committee has considered and recommended (or not recommended) the re-election of current directors.	N/A This requirement does not arise since Directors are appointed by the Minister in charge of the subject.
	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 Board has approved the selection criteria such as qualifications, experience, and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and Key Management Personnel) included in their job descriptions. Further, Committee has granted approval for the evaluation criteria for the selection and appointment of KMPs in the Bank.
	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 Declarations of Directors CEO and Key Management personnel have been submitted to the CBSL
	e)	Check that the committee has considered a formal succession plan for the retiring directors and key management personnel.	Complied Board of Directors are appointed by the Ministry of Finance. Board approved Succession Plan for CEO and Key Management Personnel is in place. However ,existing succession plan need to be revised at least annually in order to have a proper succession arrangement for KMPs.

	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 chaired by an Non-Executive Director consists with three Non-Executive Directors. The CEO participates only by invitation.
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 Committee consists of three Non-Executive Directors, CEO/GM Head of Risk Management. Compliance Officer and Head of Legal . Other KMPs who supervises credit, market, liquidity, Operational, reputational and strategic risks are invited to attend the meeting on a regular basis.
	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 BIRMC has implemented a procedure to assess risks such as credit, market, strategic, operational, and liquidity risks of the Bank on a monthly basis through relevant risk indicators and management information and such risks are reported to IRMC through Quarterly Risk Assessment Report.
	c)	Check that the committee has reviewed specific quantitative and qualitative risk limits for all management level committees such as the credit committee and the asset-liability committees, and report any risk indicators periodically.	Complied Committee has evaluated the adequacy and effectiveness of all managerial level committees against their current Terms of References (TOR).
	d)	Check that the committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	Complied Committee has reviewed and considered risk indicators which have gone beyond the specified quantitative and qualitative risk limits.
	e)	Check how many times the committee has met at least quarterly	Complied BIRMC has held four (04) meetings during the financial year 2020.

	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.	At the Bank, risks are identified by the BIRMC and as such decisions are taken collectively.
	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 submits risk minutes to the Board for their review. Committee has submitted a risk assessment report of each meeting to the following Board seeking the Board's views, concurrence and/or specific directions.
	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 Committee has established a compliance function to assess the Bank's compliance with laws, regulations, and regulatory guidelines. Compliance Officer who has been designated as a KMP submits monthly reports on statutory and mandatory requirements/regulations and the status of compliance to the Board and Report on Compliance Risk to the BIRMC. Quarterly Report on Compliance is submitted to the BIRMC. Compliance function annually conducts an audits for departments and branches to ensure Bank's compliance with internal controls and approved policies on all areas of business operations of the Bank.
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 Board approved Policy is in place. 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. Compliance Officer has established a Related Party Transaction Policy which has been recommended by the BIRMC and approved by the Board.
3.7.(ii)	A)	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. The grant of any type of accommodation, as defined in the Monetary board's Directions on maximum amount of accommodation.	Complied Board approved policy is in place and there is a process to identify and report the which types of related party transactions and for the Bank to avoid any conflicts of

	B)	The creation of any liabilities of the bank in the form of deposits, borrowings and investments.	interest that may arise from any transaction with the related parties.
	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 the bank's share capital and debt instruments with a maturity of 5 years or more.	There is a Board approved "Related Party Transaction Policy" in place which speaks on related parties and types of related party transactions and for the bank not to engage in transactions with related parties as defined in Direction 3(7) (i) above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the bank carrying on the same business.
	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
			As per the Board approved policy which speaks on granting accommodation to any of its Directors or to a (close relation) 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.

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 Board approved policy of the Bank Section 3.1.3 includes a procedure as required by point No. 3.(7) v.
	b)	Check where such security is not provided by the period as provided in Direction 3(7) (v) (a) above, has the bank taken steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier.	
	c)	Check that there is a process to identify any director who fails to comply with the above sub-directions be deemed to have vacated the office of director and has the bank disclose such fact to the public.	
	d)	Check the process in place to ensure clause 3 (7) (v) (c) does not apply to any director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.	
3.7.(vi)		Check that there is a process in place to identify when the bank grants any accommodation or "more favorable treatment" relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary board in respect of accommodation granted as per Direction 3(7)(v) above.	Complied As per the Board approved policy 3.1.3. there is a process in place at the Bank in this regard. No accommodation has granted to employees on a favorable basis other than the general schemes applicable to all employees of the Bank, such as staff loan facilities.
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.	Complied As per policy Section 3.1.3. there is a process in place at the Bank in this regard.
3(8)		Disclosures	
3.8.(i)	a)	Check that the board has disclosed:	Complied
	b)	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. Quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.	

3.8.(ii)		Check that the board has made the following minimum disclosures in the Annual Report:	
	a)	The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. Specific disclosures are available in the Annual Report 2020 under "Statement of Directors responsibility for Financial Reporting".	Complied Specific disclosures are available in the Annual Report under "Statement of Directors responsibility for Financial Reporting".
	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 Report by the Board on the Bank's internal control mechanism has been disclosed in the "Annual Report".
	c)	Check that the board has obtained the external auditor's report on the effectiveness of the internal control mechanism referred to in Direction 3(8) (ii) (b) above.	Complied "Auditor General's Assurance Report" on Internal Controls disclosed in the 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, including names, qualifications and experience disclosed in the Annual Report under profiles of Directors.
	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
	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 Details are disclosed in the Annual Report under Note of the Financial Statements.
	g)	Check that the board has obtained the external auditor's report on the compliance with Corporate Governance Directions.	Complied Board has obtained the Auditor General's Factual Findings Report on Corporate Governance. All Findings of the Auditors have been incorporated in this Corporate Governance Report.

	h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliance.	Complied This has been disclosed in "Directors' Responsibility for Financial Reporting" in the Annual Report.
	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.	Complied

RISK MANAGEMENT

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

A well-defined, comprehensive risk management framework of our Bank is based on accepting various risks, controlled risk assessment, measurement and monitoring of these risks. The key components of the Bank's Risk Management architecture rely on the risk governance structure, comprehensive processes and internal control mechanism based on approved policies and guidelines. The Bank's risk management processes are guided by way of policies adopted appropriately for various risk categories, independent risk oversight and periodic monitoring by the Board of Directors, the Sub-committees of the Board of Directors and Senior Management Committees .

These policies approved from time to time by Board of Directors, Committees of the Board form the basis for

governing framework for each type of risk. The Board sets the overall risk appetite and philosophy for the Bank and have an oversight on all the risks assumed by the Bank. The Bank's Risk Management framework focuses on the management of key areas of Risk such as Credit, Market, Operational Risk and Liquidity Risk and Pillar II risks; quantification of these risks, wherever possible. The risk management function in the Bank strives to proactively anticipate vulnerabilities in the business operations through quantitative or qualitative examination of the embedded risks for effective and continuous monitoring and control. An independent risk management function ensures that risk is managed through a risk management architecture as well as through policies and processes approved by Board of Directors. The risk management policies and procedures established are updated on continuous basis in compliance to CBSL guidelines and benchmarked to best practices. The Board of Directors with its sub-committee Board Integrated Risk Management Committee (BIRMC) reviews risk management policies of the Bank pertaining to credit, market, liquidity, operational & Pillar II risks that includes strategic risk and reputational risk, Internal Capital Adequacy Assessment Process (ICAAP) and stress testing.

Risk management is administered by Executive/ Senior management committees & Chief Risk Officer (CRO) through Risk Management Department (RMD).



Figure : Risk Management at Glance

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 Personnel.

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 for Key Management Personnel including GM/CEO and Head of Compliance.

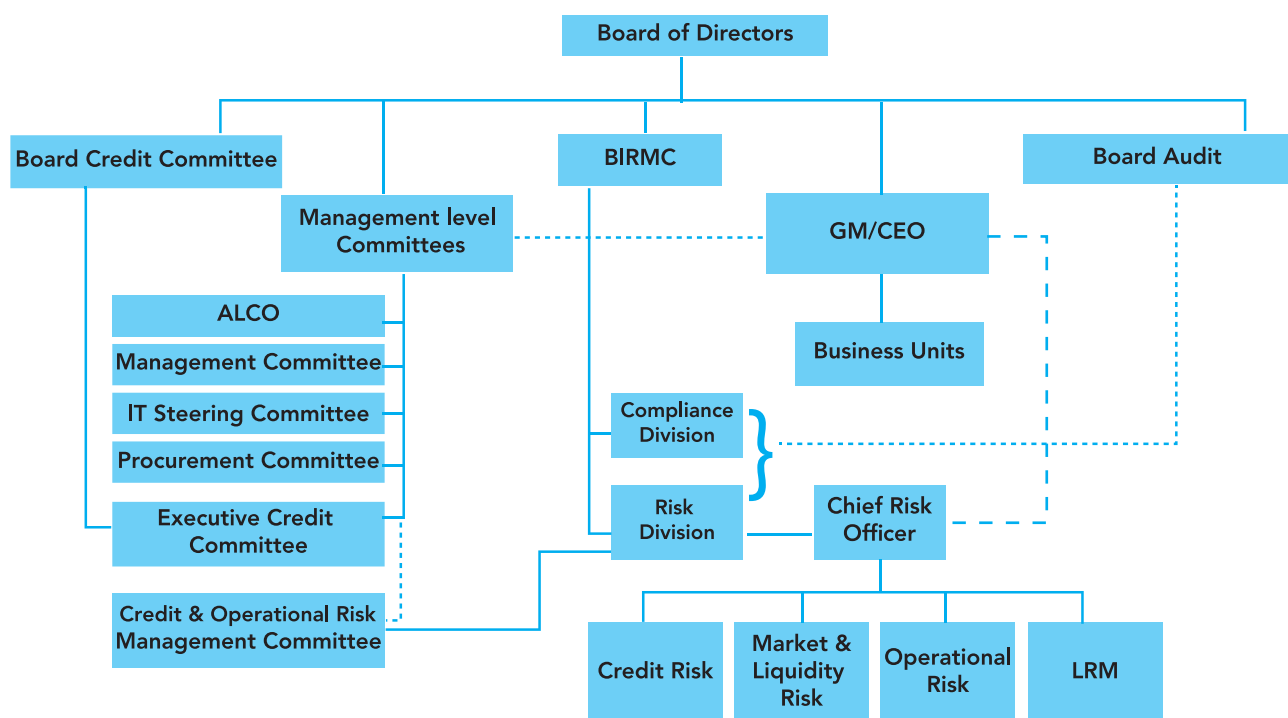


Figure : Risk Governance structure

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 a sound 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.

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 the Bank, 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.

	31st December 2020	
	Exposure to Credit risk (Rs.)	Credit Risk Weighted Assets (Rs.)
Cash and cash equivalents	105,548	20,180
Placements with Banks	4,738,239	1,904,634
Financial Assets Recognized through profit & Loss		
- Measured at fair value	303,806	151,903
- Designated at fair value		
Financial assets at amortised cost		
- Loans and Advances	3,648,543	2,012,291
- Debt and Other Instruments	779,809	155,133
Financial assets measured at fair value through other comprehensive income	180,488	28,545
Other Assets/Fixed Assets	1,135,059	1,134,975
Total	10,891,491	5,407,661

Figure : Risk Weighted Assets

Credit Risk Management

Board approved Integrated Risk Management policy (IRM policy) provides the fundamental for credit Risk management and IRM policy provides 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.

Assessment of credit Risk

Well defined Credit Risk Management framework articulate 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 four (4) 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.

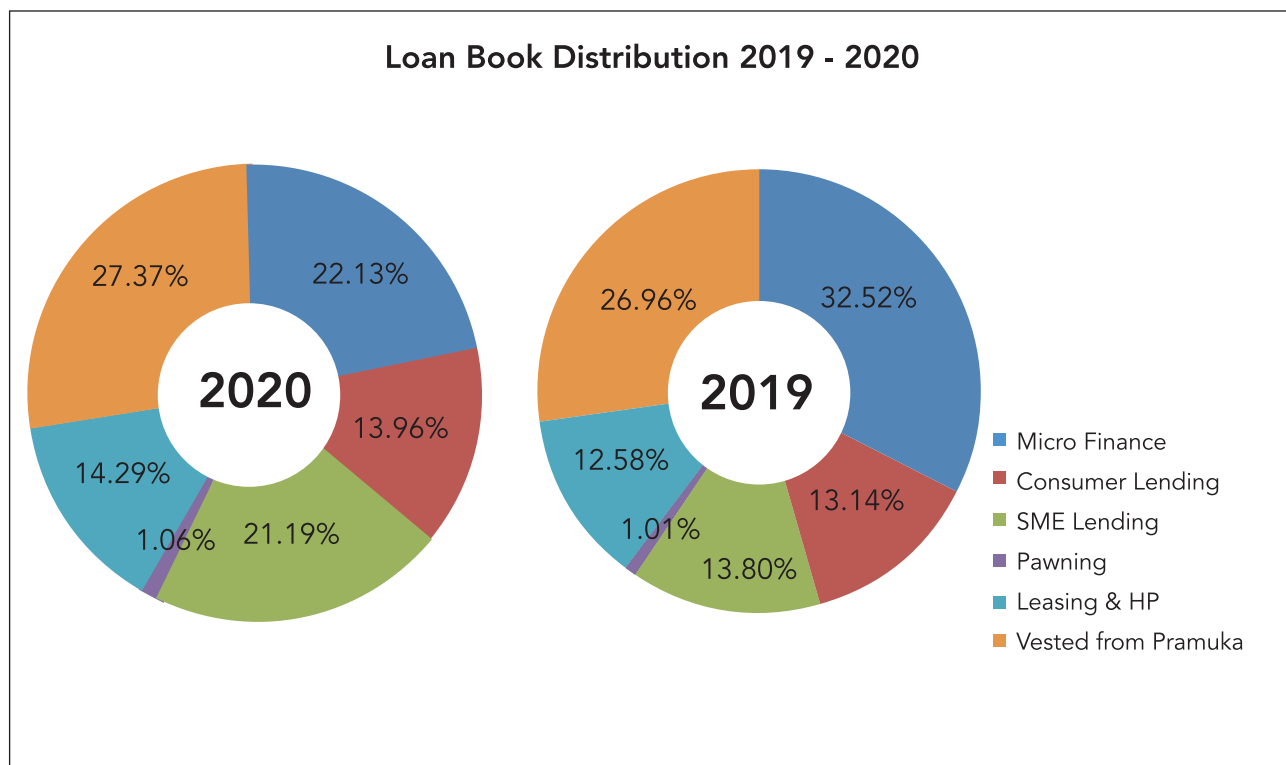


Figure: Loan Book distribution

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 analyzes 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 analysis BIRMC and Board of Directors take suitable credit risk mitigation actions to enhance the quality of Loan Book.

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 2020 SLKB assigned risk grading for all credit facilities above Rs. 0.5 Mn.

Loan Loss Provisioning

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

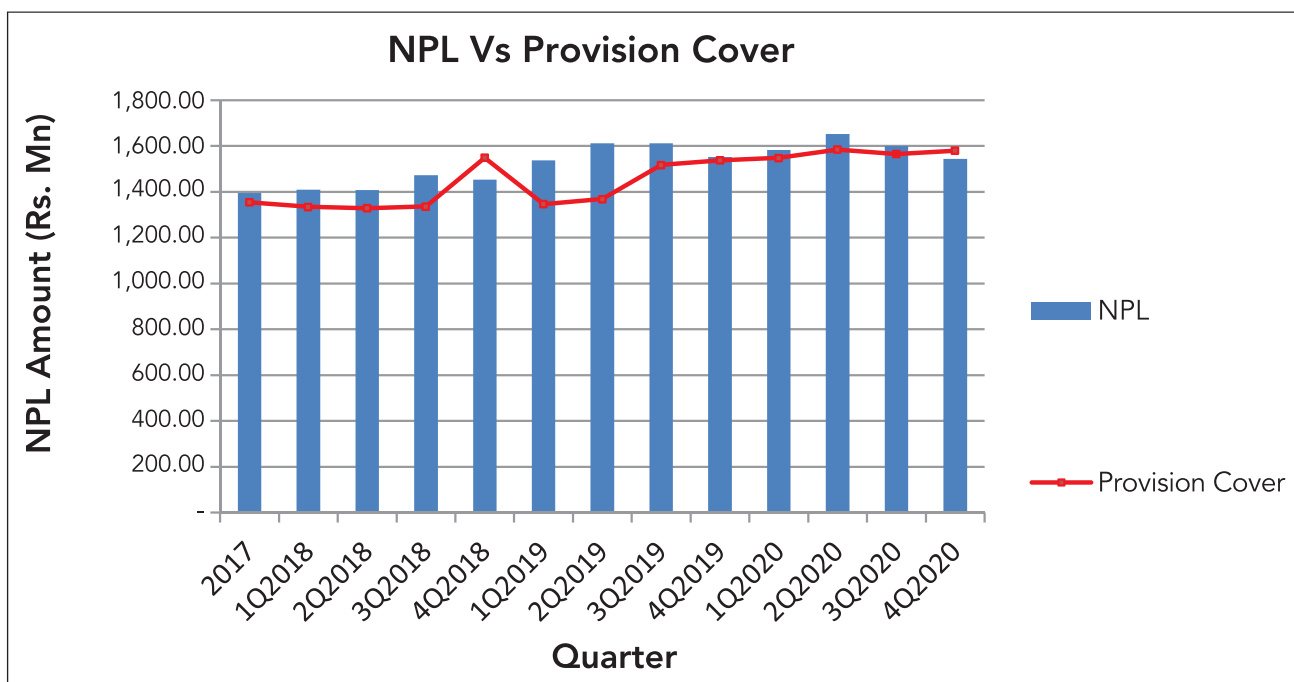


Figure: NPL vs Provision cover ratio

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 results 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 21.48% and vested loan portfolio from Pramuka Savings and Development Bank (PSDB) holds 26.57% of the total loan portfolio of the Bank. SME loans portfolio has increased with refinance loans and loan granted through own funds resulting 20.57% share from the total loan portfolio. Rest 31.38% of loan portfolio diversified among 13 loan products including consumer loans & Lease & Hire purchase portfolio.

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 low.

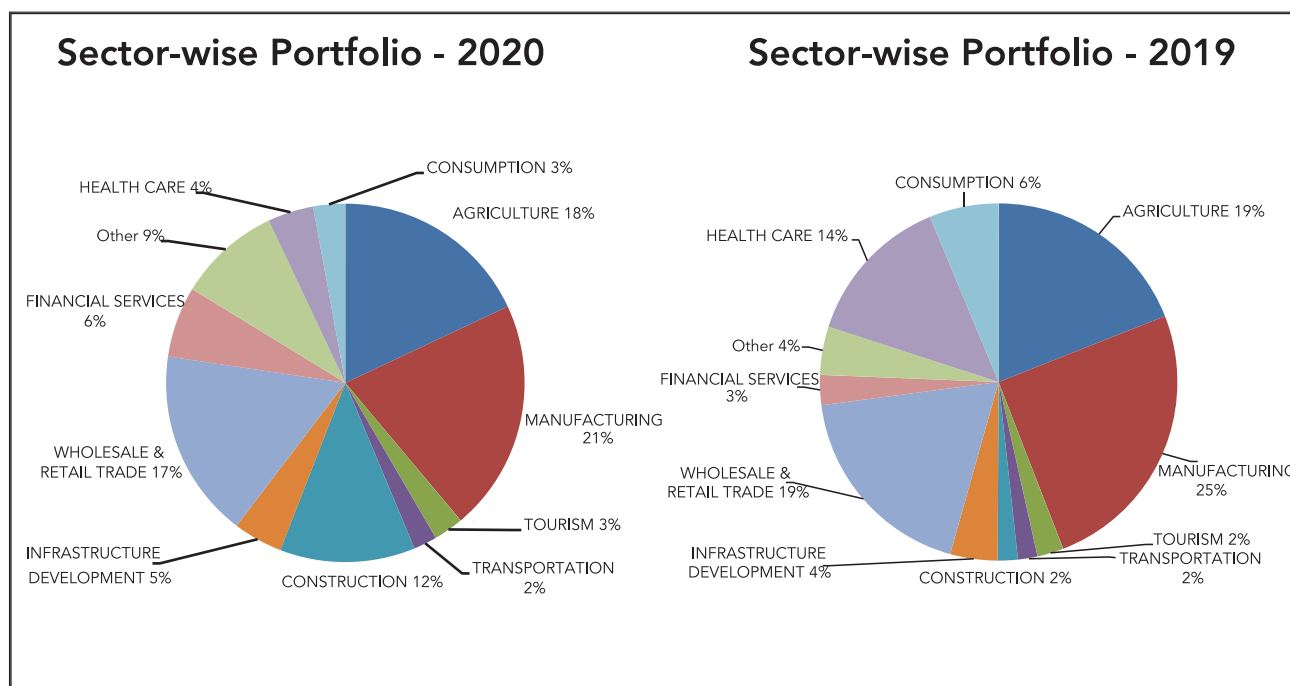


Figure: Sector Concentration

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 islandwide with reducing geographical concentration risk to the Bank. However, half of Bank's Loan Portfolio (50.8% - 2020) is concentrated in the Western Province.

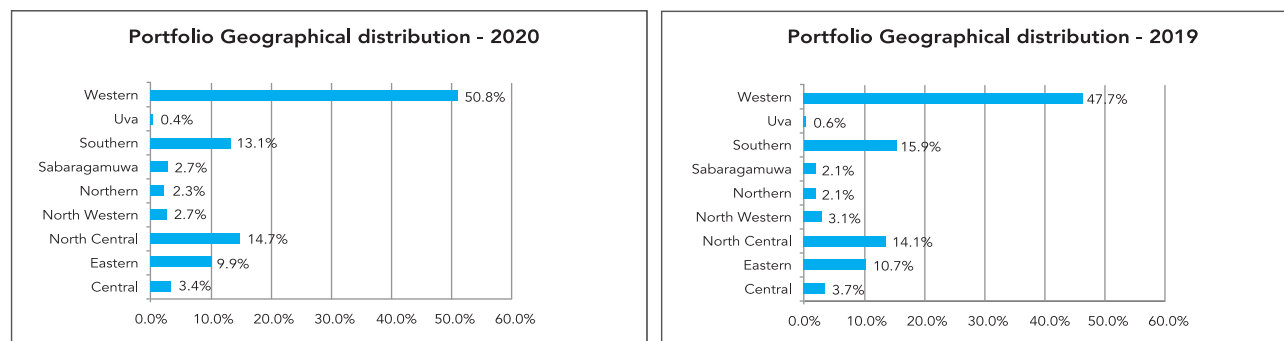


Figure : Geographical Concentration

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. Trading Portfolio of SLSB is just 3.74% of total financial assets and rest of financial assets and liabilities are in Banking Book.

	Carrying Amount Amount - 2020 (Rs. 000)	Trading Book Amount - 2020 (Rs. 000)	Banking Book Amount - 2020 (Rs. 000)
Cash and cash equivalent	105,547.62	-	105,547.62
Placement with Banks	4,734,648.48	-	4,734,648.48
Financial assets at amortised cost	-	-	-
- Loans and Advances	2,068,720.18	-	2,068,720.18
- Debt and other instruments	779,707.84	-	779,707.84
Financial assets measured at fair value through profit & loss	303,805.89	303,805.89	
Financial assets measured at fair value through other comprehensive income	138,011.35	-	138,011.35
Total	8,130,441.36	303,805.89	7,826,635.46

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 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.

	2020		2019	
	Parallel Increase	Parallel Decrease	Parallel Increase	Parallel Decrease
	Rs.	Rs.	Rs.	Rs.
Net Interest Income				
Change in 50 bps	16,884,032	(16,884,032.49)	20,420,721.88	(20,420,721.88)
Change in 100 bps	33,768,065	(33,768,064.99)	40,841,443.75	(40,841,443.75)
Change in 200 bps	67,536,130	(67,536,129.97)	81,682,887.50	(81,682,887.50)

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. 138 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.

	2020			2019		
	Financial Assets recognized through Profit & Loss	Financial assets measured FVOCI	Total	Financial Assets recognized through Profit & Loss	Financial assets measured FVOCI	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Market Value of equity security portfolio as at 31st December	-	138,011,347	138,011,347	-	136,065,453	136,065,453

	2020			2019		
	Impact to P & L	Impact OCI	Impact to Equity	Impact to P & L	Impact OCI	Impact to Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Shock of 5% on equity prices (Upward)	-	6,900,567	6,900,567	-	6,803,273	6,803,273
Shock of 5% on equity prices (Downward)	-	(6,900,567)	(6,900,567)	-	(6,803,273)	(6,803,273)
Shock of 10% on equity prices (Upward)	-	13,801,135	13,801,135	-	13,606,545	13,606,545
Shock of 10% on equity prices (Downward)	-	(13,801,135)	(13,801,135)	-	(13,606,545)	(13,606,545)
Shock of 20% on equity prices (Upward)	-	27,602,269	27,602,269	-	27,213,091	27,213,091
Shock of 20% on equity prices (Downward)	-	(27,602,269)	(27,602,269)	-	(27,213,091)	(27,213,091)

Figure : Impact of market equity price movement

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	2020	2019
Statutory Liquid Asset Ratio	20%	511%	514%
Liquidity Coverage Ratio	90%	567%	504%
Net Stable Funding Ratio	90%	199%	220%
Net Loans to Total Assets		22%	25%
Liquid Assets to Short Term Liabilities		418%	244%
Loan to Customer Deposits		337%	349%
Purchased Funds to Total Assets		6%	6%

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	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
Assets	1,576.46	2,387.55	975.17	1,565.74	1,137.27	380.87	1,242.65
Liability & Equity	652.05	517.93	493.01	300.71	167.24	520.36	6,614.41
Mismatch	924.41	1,869.61	482.16	1,265.03	970.03	139.49	5,371.76
Cumulative Gap	924.41	2,794.03	3,276.19	4,541.22	5,511.25	5,371.76	-
Cumulative Gap as % of cumulative liabilities	142%	239%	197%	231%	259%	203%	0%

Figure: Maturity of Assets & Liabilities

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.

Operational Risk Management

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

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.

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, SLBS does not perform Internet banking operations and does not have ATMs. Therefore IT risk adjoining to the SLBS 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 identify the required changes, upgrades and developments to the existing system and take suitable actions with instructions of Board of Directors where it is necessary.

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 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.

During the year 2020, Bank has offered training to the employees for upgrading their knowledge & skills. These programmes enable skill development among people and reduce staff turnover.

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.

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 take 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.

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.

	2020 Rs. Min	2019 Rs. Min
Capital		
Tier 1 Capital	5,357.99	4,355.00
Total Capital	5,357.99	4,405.95
Risk Weighted Assets		
Credit Risk	5,407.66	4,075.70
Market Risk	-	-
Operational Risk	1,123.31	1,183.39
Total Risk Weighted Assets	6,530.97	5,259.09
Capital Adequacy Ratio		
Tier 1 CAR	82.04%	82.81%
Total CAR	82.04%	83.78%
Regulatory Minimum		
Tier 1 CAR	8.50%	8.50%
Total CAR	12.50%	12.50%

Figure: Capital Adequacy Ratio as per Basel III requirements

Reputational Risk

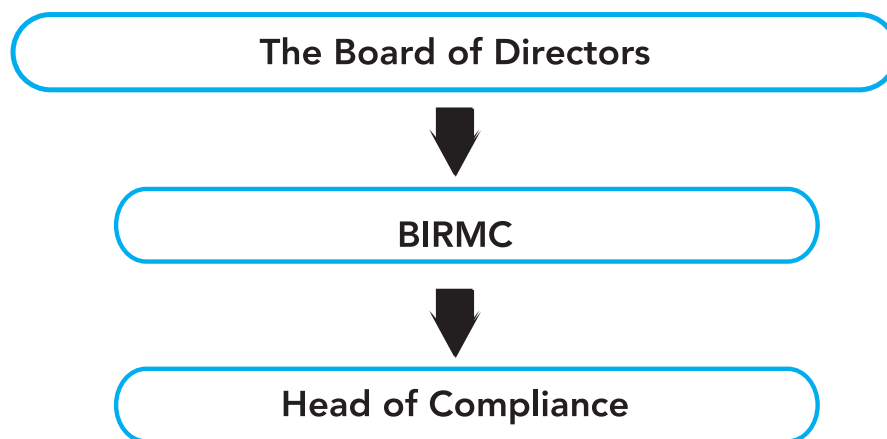
Reputational risk refers to the potential adverse effects, which can arise from the Bank's reputation being tarnished due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints. Negative/adverse publicity etc.

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.

Compliance Risk

Compliance risk arises due to non-compliance with applicable laws regulations, codes of conduct and standards of good practice that results in financial loss and reputational loss. Compliance helps to maintain and enhance the reputation of the Bank.

The Bank has established compliance function to ensure employees comply with the applicable laws and regulations.



The Board holds highest responsibility to ensure compliance with relevant external regulations and internal guidelines.

The Board is duly supported by the BAC and the BIRMC in its compliance functions. The Compliance Officer, reporting directly to the BIRMC, ensures that the Bank is fully compliant.

The Compliance Officer oversees the compliance status of the Bank and regularly assesses the Bank's compliance and reports the status to the BIRMC and Board of Directors.

The duties entrusted to the Compliance Department are twofold; mandatory compliance functions and ancillary compliance function.

Mandatory compliance functions

- Develop compliance policies and procedures to eliminate or minimize the risk of non-compliance with regulatory requirements and guard the Bank from reputational risk.
- Develop a code of conduct/ethics for all employees clearly articulating the best practices and monitor and ensure compliance at all levels.
- Develop an Anti-Money Laundering Policy aligned to Know Your Customer (KYC) regulations, to be adhered by all departments of the Bank.
- Maintain regular contact and a good working relationship with regulators based on clear and timely communication and mutual understanding.
- Nurture a culture of compliance within the Bank.
- Keep abreast with new legal and regulatory developments relevant to the Bank and facilitate effective implementation.
- Furnish reports highlighting regulatory developments, changes in laws and any other relevant developments to the Management that could give rise to compliance issues.
- Highlight any breaches in compliance and work with the management to address and rectify them within an acceptable time frame.
- Submit monthly compliance reports to the Central Bank of Sri Lanka on compliance with Central Bank Directives and Guidelines and as stipulated by the law.
- Prepare and submit quarterly compliance reports to the Board Integrated Risk Management Committee (BIRMC).
- Submit monthly compliance reports to the Board.
- Establish a customer charter based on directions issued by the Central Bank of Sri Lanka.
- Prepare policies and implement procedures to minimise compliance risk and reputation risk including developing a Whistle-blowing Policy and a Code of Conduct.
- Liaise with the Credit Information Bureau to maintain updated credit details of customers.

Ancillary compliance functions

- Promote compliance as a success enabler.
- Conduct assessments and reviews at regular intervals to assess compliance with internal and external regulations.
- Represent the compliance function in relevant internal and external committees.
- Clearly communicate policies on compliance to Management and staff.
- Liaise with the Bank's internal and external audit function, to address compliance issues.
- Follow up on compliance issues identified through audits.
- Liaise with the Auditors and conduct random compliance audits on risk based assessment

Prevention of money laundering and terrorist financing

The Bank takes every effort to prevent the rising prevalence of money laundering and terrorist financing. All employees are trained on Anti-Money Laundering, Know Your Customer concept, the concept of Customer Due Diligence.

Compliance reporting

Monthly compliance reports are submitted to the Board by the Compliance Department. These non-compliances, suspicious transaction reports filed with Financial Intelligence Unit (FIU), branch assessments, reviews and department assessments. Quarterly reports are submitted to BIRMC and BAC on any special compliance related matters within the particular quarter.

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:

- Mrs. Keasila Jayawardena – Chairperson
- Mr. Sunil Galagama – Member
- Mr. Hemantha Gamage – Member
- Mr. Prasad Imbulagoda – Member (Up to July 2020)
- Mr. Janaka Arunashantha – Member (Up to November 2020)

Mrs. Keasila Jayawardena, Chairperson of the Bank headed the Committee as its Chairperson and Chief Manager – Legal cum Company Secretary functioned as the Secretary. The Chief Executive Officer (CEO) shall present at meetings of the committee, except when matters relating to the CEO are being discussed. 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 2020 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
Mrs. Keasila Jayawardena	02	02
Mr. Sunil Galagama	02	02
Mr. Hemantha Gamage	02	02
Mr. Prasad Imbulagoda	02	02
Mr. Janaka Arunashantha	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 Management Personnel of the Bank.
- Set goals and targets for the Directors, CEO and Key management Personnel.
- Lay down guidelines, policies and parameters for the compensation structures for all Key Management 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

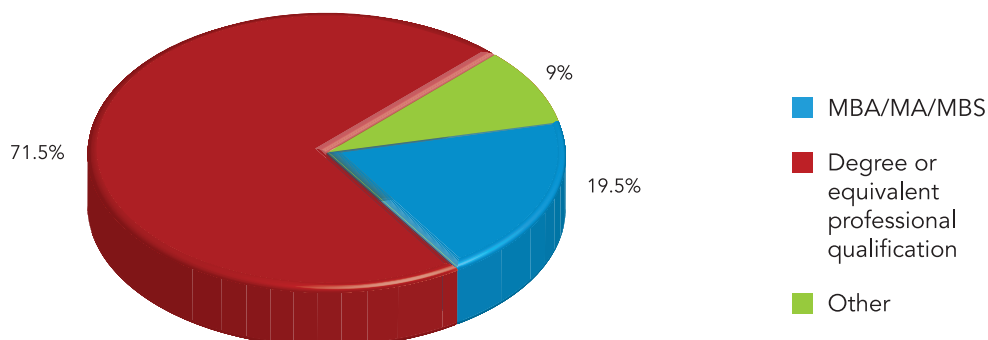
other employment related decisions in relation to the Key Management Personnel and members of the Management to the Board of Directors.

- 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

- During the year, Human Resources and Remuneration Committee comprehensively reviewed the existing human resource policies such as Recruitment & Selection, Attendance & Leave, Training & Development, Remuneration, Overtime, Promotion, etc. in addition to that 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.
- Majority of employees have been promoted and grade to the next level by evaluating current performance and contribution given by them to the Bank in line with existing promotion policy of the Bank.
- During this period newly appointed General Manager / CEO assumed the duties with effect from 01.09.2020 who is having broad vision to drive the Bank to achieve its Vision and Mission and Key Objectives.
- The total number of staff as at 01st January 2020 was 103 and by the end of the year increased to 107.
- The educational / professional background of the executive level management is given below:

Educational / Professional Qualifications of Employees in Executive Grade



- f) 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
	28	04
Financial Management and Auditing	98	06
Banking Operations	07	02
HR & General Management	33.3	05
IT	14	01
Legal	09	03
Risk Management	00	00
Treasury Management	35	05
Compliance	59	09

Majority of training programs were conducted via online and Bank discouraged to provide foreign trainings to employees due to spread of COVID – 19 pandemic.

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

g) During this period new organizational structure was designed and implemented which was developed aligning with new corporate plan approved by the Board of Directors.

h) 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 INTEGRATED RISK MANAGEMENT COMMITTEE

Charter of the BIRMC

The Board of Directors has established the Board Integrated Risk Management Committee (BIRMC) in compliance with the Banking Act Direction No. 12 of 2007, Corporate Governance for Licensed Specialised Banks in Sri Lanka, issued by the Monetary Board of Central Bank of Sri Lanka under the power vested in the Monetary Board, in terms of the Banking Act No. 30 of 1988.

Roles and Responsibilities of BIRMC

The main role and responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. In this connection the Committee focuses on and reviews risks such as credit, market, liquidity, operational, reputational and strategic risks through appropriate risk indicators and management information.

In addition to the above, the Committee is responsible for tasks/activities which are identified in the Terms of Reference (TOR) of the Integrated Risk Management Committee:

- Reviewing the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- Monitoring the actions initiated by Senior Management to test the effectiveness of the measures taken by the respective Committees referred to above.
- Maintaining a continuous dialogue with the Management Committees directly or indirectly dealing with specific risks, so that the BIRMC is immediately informed of any hindrance, obstacle, discouragement or constraint in the performance of their functions and/or the implementation of their decisions.
- Periodically reviewing and approving the Internal Capital Adequacy Assessment Process (ICAAP) framework and ensure that ICAAP is subject to comprehensive internal audit oversight.
- Reviewing and improving the effectiveness of the risk related policy framework of the Bank.
- Reviewing the risk indicators designed to monitor the level of specific risks at any given time, with a view of determining the adequacy of such indicators to serve the intended risk management objectives.
- Reviewing and approving the parameters and limits set by the management against various categories of risk and ascertain whether they are in accordance with the relevant laws and regulations as well as the desired policy levels stipulated by the Board of Directors.
- Monitoring the effectiveness and the independence of the risk management function within the Bank and ensure that adequate resources are deployed for this purpose.
- Reviewing the effectiveness of the compliance function, to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.
- Reviewing the updated Business Continuity and Disaster Recovery Plan annually.

Composition of BIRMC

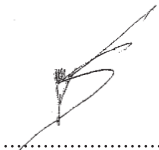
BIRMC committee represent six members comprising three (3) members from the Board of Directors and three permanent members from the Management. The Committee by its discretion may call Chief Managers, Senior Managers or any other officer of the Bank to present at the meeting.

Brief profiles of the Board members and the General Managers/CEO of the Board Integrated Risk Management Committee during year 2020 are given on pages 10 to 16.

Name	Eligible to attend	Attended
Mr. Sunil Galagama	01	01
Mr. Janaka Arunashantha	04	04
Mr. Prasad Imbulagoda	04	04

BIRMC Activities in 2020

- Reviewed the risk management report submitted on quarterly, covering the all risk management aspect of the Bank.
- Reviewed the risk management policies including integrated risk management policy, Risk Appetite and risk tolerance limits.
- Reviewed the compliance programme and compliance report submitted by the Compliance Officer.
- Reviewed the Bank's policies, procedure manuals and submitted for approval of the Board of Directors.
- Reviewed the liquidity position of the Bank.
- Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) report and recommended for approval of the Board.



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Mr. Prasad Imbulagoda
Chairman
Board Integrated Risk Management Committee

28th June 2021
Colombo

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 2020 are as follows:

Name	Designation	Period served
Mr. Sunil Galagama	Chairman	From 17/04/2020 to 05/10/2020
Mr. Hemantha Gamage	Member	From 17/04/2020 to 31/12/2020
Mr. Prasad Imbulagoda	Member	From 17/04/2020 to 28/07/2020
Mr. Jayantha Perera	Chairman	From 28/07/2020 to 31/12/2020

Meetings

During the year 2020, seven (07) BAC Meetings were held and proceedings of such meetings were regularly reported to the Board. 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. Mrs. R.L.T Priyangani attended all BAC Meetings representing the Auditor General in the year 2020.

Attendance of the BAC members during the financial year ended Dec 31, 2020 is as follows.

Name	Eligible to attend	Attended
Mr. Sunil Galagama	03	03
Mr. Hemantha Gamage	07	07
Mr. Prasad Imbulagoda	02	02
Mr. Jayantha Perera	05	05

Mandate and Role

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

Terms of Reference

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

- (a) Determination of the responsibilities of the Internal Audit Division and review of the annual audit plans.
- (b) Review and evaluate internal control systems for all activities of the entity.
- (c) Review performance at regular intervals for cost effectiveness and to eliminate unnecessary/wasteful expenditure etc.
- (d) Liaise with external auditors and follow up on Auditor General's/ External 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 actions are 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 the 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.
- (b) Reviewed the Independence Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Sri Lanka Savings Bank.
- (c) Reviewed the 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.
- (d) Reviewed and discussed issues raised at CBSL Statutory Examinations and follow-up actions by the Bank Management and monitored the progress of rectification.
- (e) Reviewed of internal audit reports and the performance of the Internal Audit Department.



Mr. Jayantha Perera
Chairman of the Board Audit Committee
Colombo, Sri Lanka
March 23, 2021

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 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 Board Audit Committee Report on pages 75 to 76 in this annual report.
- 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 is 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.

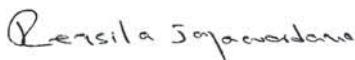
Confirmation

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 System over Financial Reporting of the Bank for the year ended December 31, 2020 and will report to the Board.

By order of the Board



Mrs. Keasila Jayawardena
Chairperson of the Board



Mr. Jayantha Perera
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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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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Your No. }

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திகதி } 19 July 2021
Date }

The Chairperson

Sri Lanka Savings Bank Limited

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

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over financial reporting ("Statement") of Sri Lanka Savings Bank Limited included in the annual report for the year ended 31 December 2020.

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 Limited.

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 and audit or review of the financial information.





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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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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My No.

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Your No.

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திகதி
Date

23 March 2021

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 2020 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 Sri Lanka Savings Bank Limited (the "Bank") for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the income statement, 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 and the Finance Act, No. 38 of 1971. 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 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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





1.3 Other information included in the Bank's 2020 Annual Report.

The other information comprises the information included in the Bank's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Bank's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

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

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

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

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and companies Act. No 07 of 2007 include specific provisions for following requirements.

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

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

2.1.3 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.

2.1.4 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.

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

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

2.2.2 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;

2.2.3 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;

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

W.P.C. Wickramaratne
Auditor General

FINANCIAL STATEMENTS

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020

	NOTE	2020 LKR	2019 LKR
Interest income	5	789,309,230	1,019,645,665
Interest expenses	5	(75,574,224)	(95,067,883)
Net interest income		713,735,006	924,577,782
Fee and commission income	6	4,137,381	1,664,118
Fee and commission expenses	6	(270,735)	(301,000)
Net fee and commission income/(expenses)		3,866,646	1,363,118
Other operating income (net)	7	82,055,198	135,932,214
Total operating income		799,656,850	1,061,873,114
Impairment (charges)/reversal	8	(59,184,038)	5,024,907
Net operating income		740,472,812	1,066,898,021
Personnel expenses	9	(157,380,307)	(155,841,907)
Depreciation and amortization expenses	10	(11,170,353)	(17,398,134)
Other expenses	11	(76,377,422)	(76,085,274)
Operating profit before VAT, NBT & DRL on financial services		495,544,730	817,572,707
Value Added Tax (VAT) on financial services		(80,203,755)	(112,974,317)
Nation Building Tax (NBT) on financial services		-	(11,581,497)
Debt Repayment Levy (DRL) on financial services		-	(59,053,298)
Operating profit after VAT, NBT & DRL on financial services		415,340,975	633,963,595
Income Tax expenses	12	(140,284,743)	(186,146,888)
Profit for the year		275,056,231	447,816,707
<i>*The accounting policies, Notes No. 1 to 43 and detail Notes No. D1 to D4 form an integral part of these financial statements.</i>			
Basic Earning per share	13	34	54

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020

	NOTE	2020 LKR	2019 LKR
Profit for the period ended		275,056,231	447,816,707
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		1,371,922	(20,929,944)
Actuarial Gain/(loss) on defined benefit plan		1,469,462	(892,476)
Change in Revaluation Surplus		439,106,000	-
Other comprehensive income for the period ended, net of taxes		441,947,384	(21,822,420)
Total comprehensive income for the period ended		717,003,615	425,994,287
<i>*The accounting policies, Notes No. 1 to 44 and detail Notes No. D1 to D4 form an integral part of these financial statements.</i>			

SRI LANKA SAVINGS BANK LIMITED

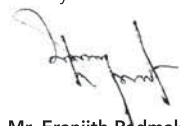
STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST DECEMBER 2020

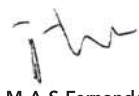
	NOTE	31.12.2020 LKR	31.12.2019 LKR
Assets			
Cash and cash equivalents	14	105,547,621	18,801,576
Placements with Banks	15	4,734,648,477	5,395,758,206
Financial assets at amortised cost			
- Loans and Advances	16.1	2,068,720,182	2,221,690,979
- Debt and Other Instruments	16.2	779,707,836	265,893,601
Financial assets measured at fair value through Profit & Loss	17	303,805,894	-
Financial assets measured at fair value through other comprehensive income	18	138,011,347	136,065,453
Property, plant and equipment	19	875,771,439	287,954,838
Right of use assets	20	5,979,669	14,365,209
Investment property	21	237,077,000	333,315,000
Intangible assets	22	215,625	548,958
Other assets	23	16,230,799	42,605,182
Total assets		9,265,715,889	8,716,999,003
Liabilities			
Due to Banks	24	391,326	71,620
Financial liabilities at amortised cost	25		
Due to depositors	25.1	1,077,085,449	1,076,178,328
Due to other borrowers	25.2	575,874,022	552,131,770
Lease Liability	26	6,733,838	14,115,619
Debt securities issued	27	134,525,875	263,986,105
Retirement benefit obligations	28	29,529,593	25,031,876
Current tax liability	29	363,666,842	404,435,975
Deferred tax liability	30	995,009	763,990
Other liabilities	31	547,064,518	1,449,507,916
Total liabilities		2,735,866,470	3,786,223,199
Equity			
Stated capital/assigned capital	32	3,805,290,302	3,805,290,302
Statutory reserve fund	33	253,750,164	239,997,353
OCI Reserve	34	39,756,422	38,384,500
Retained earnings	35	3,690,115,449	2,545,272,567
Other reserves	36	(1,259,062,918)	(1,698,168,918)
Total equity		6,529,849,419	4,930,775,804
Total equity and liabilities		9,265,715,889	8,716,999,003
Contingent liabilities and commitments	38	34,020,006	20,839,999

**The accounting policies, Notes No. 1 to 44 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.

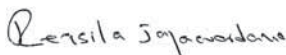


Mr. Eranjith Padmakumara
Senior Manager - Finance and Planning



M.A.S. Fernando
General Manager/CEO

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



Mrs. Keasila Jayawardena
Chairperson



Director



Director

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020

	Ordinary Share Capital	Capital Pending Allotment	PSDB Revenue Deficit	Statutory Reserves fund	OCI Reserve	Revaluation Reserve	Revenue Reserve	Total Equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
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 adjustments	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 Gain 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
Balance as at 01.01.2020	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
Prior Year Adjustments							882,070,000	882,070,000
Balance as at 01.01.2020 after adjustments	820,446,600	2,984,843,702	(2,166,190,408)	239,997,353	38,384,500	468,021,489	3,427,342,567	5,812,845,804
Profit for the year	-	-	-	-	-	-	275,056,231	275,056,231
Actuarial loss on defined benefit plan	-	-	-	-	-	-	1,469,462	1,469,462
Fair value changes	-	-	-	-	1,371,922	-	-	1,371,922
Dividend paid to the shareholders	-	-	-	-	-	-	-	-
Revaluation Gain	-	-	-	-	-	439,106,000	-	439,106,000
Transferred to statutory reserve fund	-	-	-	13,752,812	-	-	(13,752,812)	-
Balance as at 31.12.2020	820,446,600	2,984,843,702	(2,166,190,408)	253,750,164	39,756,422	907,127,489	3,690,115,449	6,529,849,419

*The accounting policies, Notes No. 1 to 44 and detail Notes No. D1 to D4 form an integral part of these financial statements.

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31ST DECEMBER 2020

	NOTE	2020 LKR	2019 LKR
Cash flows from operating activities			
Profit before tax		415,340,975	633,963,595
Adjustment for:			
Prior year adjustment		882,070,000	(882,213,968)
Non-cash items included in profits before tax	40	23,814,544	17,514,138
Change in operating assets	41	(36,923,230)	407,502,918
Change in operating liabilities	42	(1,054,230,045)	(107,466,411)
Contribution paid to defined benefit plans		-	(570,273)
Tax paid		(142,483,824)	(79,459,939)
Net cash generated from operating activities		87,588,419	(10,729,938)
Cash flows from investing activities			
Purchase of property, plant and equipment	19.1	(1,162,080)	(1,089,286)
Purchase of Intangible assets	22.1	-	(575,000)
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		(1,162,080)	(1,664,286)
Cash flows from finance activities			
Proceeds from the issue of ordinary share capital		-	-
Repayment of subordinate debts		-	-
Dividend paid to the Shareholders		-	-
Net cash (used in)/from investing activities		-	-
Net increase/(decrease) in cash & cash equivalents		86,426,339	(12,394,224)
Cash and cash equivalents at the beginning of the year		18,729,956	31,124,180
Cash and cash equivalents at the end of the year	43	105,156,295	18,729,956

**The accounting policies, Notes No. 1 to 44 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 2020 were authorized for issue on 16th February 2021.

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 does 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 12m ECL 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, Plant and Equipment

Recognition and measurement

Property, Plant and Equipment 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, Plant and Equipment 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 three (03) years to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

Subsequent cost

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

Depreciation

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

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

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

De-recognition

Property, plant and equipment 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.

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 three (03) 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 Three Non-Executive Directors, one of whom chairs the meetings and the General Manager/CEO, senior management staff that attended meetings were chief Risk Officer, Chief Manager Legal and Manager Compliance.

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. 998,605,882 as at 31 December 2020 where such loans vested with 100% provisions.

SRI LANKA SAVINGS BANK LIMITED
FOR THE YEAR ENDED DECEMBER 2020
NOTES TO THE FINANCIAL STATEMENTS

5. Net Interest Income

	31.12.2020 LKR	31.12.2019 LKR
Interest Income		
Interest income - REPO investments	24,905,829	33,528,444
Interest income - Debenture	6,536,201	6,821,474
Interest income - Fixed Deposits	468,162,622	640,408,792
Earning from Unit Trust	5,371,058	-
Interest income - Commercial paper	23,054,795	-
Interest income - Call Deposit	2,445,907	2,364,117
Interest income - Savings Account	20,183	-
Interest income - PSDB loans	2,943,026	12,108,415
Interest income - Leasing	44,771,591	31,258,971
Interest income - Loans against deposit balances	1,200,006	990,005
Interest income - Hire purchases	22,755,588	39,196,321
Interest income - Loans to partner organizations	96,767,820	127,950,613
Interest income - Door to Door Loans	1,003,834	1,159,869
Interest income - Staff loans	2,030,732	2,757,203
Interest income - Personal loans	30,337,691	40,513,333
Interest income - Individual & corporate loans	9,411,693	17,279,364
Interest income - MFD Loans	3,273,605	557,832
Interest income - Pawning advances	5,611,023	7,093,089
Interest income - Praja Diriya Loans	743,433	4,936,212
Interest income - Vehicle loans	20,283	10,454
Interest income - Staff Housing Loans	3,758,220	4,318,310
Interest income - Professional Loans	2,380,142	3,192,884
Interest income - SIs Diriya	13,967,149	29,043,482
Interest income - Swashakthi Loan	174,148	249,789
Interest income - Jaya Isura Loan	9,496,101	13,083,679
Interest income - Athwela Loan	6,687	24,410
Interest income - Rivi Bala Savi Loan	85,206	114,958
Interest income - Ran Aswenna Loan	655,643	376,216
Interest income - Green Loan	539,125	295,740
Interest income - Govi Nawoda Loan	59,000	11,688
Interest Income - COVID-19 Rf Loan	20,746	-
Interest Income - Saubagya Loan	19,078	-
Interest Income - COVID-19 impact 5.1	6,781,063	-
Total interest income	789,309,230	1,019,645,665
Due to other customers	52,389,873	59,102,693
Due to PSDB depositors	6,666,985	6,853,337
Other borrowing	16,517,366	29,111,853
Total interest expenses	75,574,224	95,067,883
Net interest income	713,735,006	924,577,782

5.1 Interest Income - COVID-19 impact

	31.12.2020 LKR	31.12.2019 LKR
COVID-19 - Interest income	11,051,573	-
COVID-19 - Interest in Suspense (Day 1 impact loss)	(4,270,510)	-
Net Interest Income - COVID 19	6,781,063	-

5.2 Net Interest Income from Sri Lanka Government Securities

	31.12.2020 LKR	31.12.2019 LKR
Interest income	24,905,829	33,528,444
Net interest income	24,905,829	33,528,444

6. Net Fee and Commission Income

	31.12.2020 LKR	31.12.2019 LKR
Fee and commission income	4,137,381	1,664,118
Fee and commission expenses	(270,735)	(301,000)
Net Fee and commission income	3,866,646	1,363,118
Comprising		
Commission on service charges	119,296	53,825
Documentation charges	119,000	69,000
Commission on guarantees	122,000	83,000
Processing fees loans	2,062,650	880,200
Inspection charges	317,880	148,322
Commission insurance general	941,554	428,271
Non-refundable deposit income	455,000	1,500
Total Fee and commission income	4,137,381	1,664,118
Fee and Commission Expenses		
CRIB charges	135	-
Introducer Commission Expense - Leasing & HP	270,600	301,000
Total Fee and commission expenses	270,735	301,000

7. Other Operating Income (net)

	31.12.2020 LKR	31.12.2019 LKR
Dividend income	1,312,193	652,802
Sundry income	61,480	1,043,516
Income - Nuwara Eliya bungalow	15,000	270,800
Income - Anuradhapura bungalow	11,500	49,800
Cultivation income	252,000	260,000
Provision recovered other receivable	4,629,929	105,907
Trust Recovery	4,000	10,000
Loan Provision recovered (Over Provision)	14,831,055	6,665,501
Penalty interest	375,873	175,257
Termination income	5,751,661	1,608
Legal charges recovered	316,448	197,500
Repossess Gain	-	614,000
Penalty Waive off	-	125,885,523
DRL - Reversal of Provision	732,060	-
Revaluation Surplus - Investment Properties	53,762,000	
Other Operating Income (net)	82,055,198	135,932,214

8. Impairment Charges /(Reversal)

	31.12.2020 LKR	31.12.2019 LKR
Placement with banks		
Stage 1	1,683,718	316,418
Financial assets at amortised cost - loans & advances		
Stage 1	5,132,594	(87,423,235)
Stage 2	32,843,399	4,358,800
Stage 3	19,423,191	77,887,570
Financial assets at amortised cost - Debt instruments		
Stage 1	101,136	(164,460)
Total	59,184,038	(5,024,907)

9. Personnel Expenses

	31.12.2020 LKR	31.12.2019 LKR
Salary and bonus	110,299,756	105,378,840
Contributions to defined contribution/benefit plans	14,670,243	17,194,825
Other allowance and staff related expenses	26,443,130	28,127,330
Gratuity	5,967,179	5,140,911
Total	157,380,307	155,841,907

10. Depreciation and amortization expenses

	31.12.2020 LKR	31.12.2019 LKR
Depreciation of property, plant and equipment	2,451,479	7,741,501
Amortization for Intangible assets	333,333	1,374,792
Amortization for ROU assets	8,385,540	8,281,840
Total	11,170,353	17,398,134

11. Other Expenses

	31.12.2020 LKR	31.12.2019 LKR
Directors' emoluments	2,768,034	2,553,788
Audit related fees	1,000,000	3,173,877
Office administration and establishment expenses	15,789,293	15,220,734
Consultancy fee	142,200	68,050
Professional fee	1,692,659	807,376
Legal fee	6,610,086	6,217,933
License Fee	3,504,000	3,500,000
Repairs and maintenance	13,356,195	12,657,894
Advertisements	6,369,393	4,418,434
CSR Activities	1,000,000	225,381
Entertainment	14,325	40,000
Labour outsourcing expenses	28,750	8,250
Security charges	7,804,927	10,682,655
Insurance	1,013,239	1,591,613
Printing and stationery	2,549,294	3,928,756
Rates and taxes	106,565	717,552
Donation	41,000	37,500
National Insurance Trust Fund Levy	3,806,039	2,208,266
Transport and fuel expenses	4,063,614	3,467,561
Subsistence and lodging expenses	828,051	636,854
Miscellaneous	2,572,159	1,219,490
Tax Penalty Charges	-	-
Leasehold property - Interest	1,254,974	2,005,682
Write Off - Correction of data migration	-	633,617
Bank charges	62,625	64,010
Total	76,377,422	76,085,274

12. Tax Expenses

	31.12.2020 LKR	31.12.2019 LKR
Current Year expense		
Current Year	139,682,693	181,102,131
Prior Year's Provision	371,031	4,280,768
Deferred Tax expense		
Temporary Difference (Refer Note - 12.2)	231,019	763,990
Prior Year's Provision	-	-
Total	140,284,743	186,146,888
Effective tax rate (%)	33.78	29.36
Effective tax rate (excluding deferred tax) (%)	33.72	29.24
	-	-

12.1 Reconciliation of the Accounting Profit to Income Tax Expenses

	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Profit before tax	415,340,975	633,963,595
Income Tax for the period (Accounting Profit @ 28%)	116,295,473	177,509,807
Add: Tax effect of expenses that are not deductible for tax purposes	30,892,311	41,311,788
(Less): Tax effect of expenses that are deductible for tax purposes	(7,505,091)	(37,719,464)
Tax expense for the period	139,682,693	181,102,131

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

	31.12.2020 LKR	31.12.2019 LKR
Deferred tax assets	-	-
Deferred tax liabilities	231,019	763,990
Deferred tax (credit)/charge to Income Statement	231,019	763,990

13. Earning per share

	31.12.2020 LKR	31.12.2019 LKR
Net profit attributable to ordinary equity holders	275,056,231	446,924,231
Weighted average number of ordinary shares for basic earning per share	8,204,466	8,204,466
Basic earnings per ordinary share	34	54

14. Cash and Cash Equivalents

	31.12.2020 LKR	31.12.2019 LKR
Cash in hand	4,648,774	6,129,235
Balances with banks (Note 14.1)	100,898,847	12,672,341
Total	105,547,621	18,801,576

14.1 Balances with banks

	31.12.2020 LKR	31.12.2019 LKR
NSB Savings Account	105,720	-
People's Bank - Borella No. 1 (078-1-001-5-8517396)	2,245,509	125,482
People's Bank - Borella No. 2 (078-1-001-7-0000683)	2,501,483	-
People's Bank - Collection account leasing (078-1-003-3-8517396)	753,946	-
People's Bank - Liberty Plaza old 309-1001-4-2536401	75,373	75,373
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)	293,346	11,038
Bank of Ceylon - Borella - 0007521176	35,313	341,833
Bank of Ceylon - Mannar - 0074291980	39,500	144,247
People's Bank - Mannar - 044-1-001-2-0060585	472,731	405,148
People's Bank - Matara - 032-1-001-2-0000683	1,321,362	396,654
People's Bank - Anuradhapura - 008-1-001-2-0000683	-	1,887,514
People's Bank - NDTF 309-1001-72536876	2,054,564	1,401,053
People's Bank - Call deposit	91,000,000	7,884,000
Total	100,898,847	12,672,341

15. Placements with Banks

	31.12.2020 LKR	31.12.2019 LKR
Fixed deposits - People's Bank	78,105,132	757,673,440
Fixed deposits - Bank of Ceylon	-	598,149,509
Fixed deposits - National Saving Bank	531,487,184	2,015,043,572
Fixed deposits - Regional Development Bank	1,881,562,535	802,594,925
Fixed deposits - HDFC	806,277,055	626,639,051
Fixed deposits - NDB	-	-
Fixed deposits - SMIB	1,322,652,359	597,564,848
Fixed deposits - SDB	118,155,068	-
(-) Impairment on Financial Assets		
Stage 01	(3,590,857)	(1,907,139)
Total	4,734,648,477	5,395,758,206

16.1 Financial assets at amortised cost - Loans and Advances

	31.12.2020 LKR	31.12.2019 LKR
Gross loans and receivables		
Stage 01	1,801,724,154	2,019,426,653
Stage 02	298,404,183	209,957,770
Stage 03	549,808,662	516,124,188
PSDB Loans	998,605,882	1,013,436,937
(Less): Impairment on Loan & Advances		
Stage 01	(110,947,486)	(105,814,891)
Stage 02	(75,873,845)	(43,030,447)
Stage 03	(394,395,486)	(374,972,295)
PSDB Loans	(998,605,882)	(1,013,436,937)
Net loans and receivables	2,068,720,182	2,221,690,979

16.1.1 Analysis

		31.12.2020 LKR	31.12.2019 LKR
By product			
Loans and advances			
Micro Finance - PO Loans		807,568,720	1,222,222,116
Micro Finance Development Loans		9,419,836	8,769,282
REPPIA		47,442,189	47,173,984
Staff loans		49,617,793	29,647,585
Special loans-staff		1,219,432	1,673,985
Loans against deposit balances		2,805,804	2,765,789
Loans - Door to door		7,946,215	10,630,331
Loans against PSDB balances		1,920,000	1,920,000
Loans - Public and private employment		281,350,163	287,914,876
Loans - Individual & Corporate Loans		153,504,708	147,679,050
Pawning advances		38,606,534	37,832,350
Loans - Vehicle Loan		1,562,832	1,542,717
Praja Diriya Loans		20,427,859	25,890,835
Staff Housing Loans		98,309,935	92,097,442
Professional Loans		11,991,590	22,735,579
Loans & Advances - Vested from Pramuka Savings & Development Bank (PSDB)		998,605,882	1,013,436,937
SIs Diriya		419,864,036	201,284,266
Swashakthi Loan		4,358,441	6,505,572
Jaya Isura Loan		97,121,515	104,572,740
Athwela Loan		(1)	735,606
Rivi Bala Savi Loan		631,099	806,961
Cash Back Loan		13,071,290	6,483,125
Ran Aswenna Loan		5,961,544	5,569,352
Green Loan		5,437,608	5,818,478
Govi Nawoda Loan		581,691	489,348
COVID -19 Refinance Loan		30,926,243	-
Saubagya Loan		10,215,416	
Lease rental receivable	16.1.2	412,328,583	248,383,215
Hire purchases receivable	16.1.3	108,964,860	224,364,030
Interest Receivable - COVID -19 impact		6,781,063	-
Loan Control		22,570,007	11,790,000
Undisbursed loans		(22,570,006)	(11,789,999)
Net Total		3,648,542,881	3,758,945,549

	31.12.2020 LKR	31.12.2019 LKR
By industry		
Agriculture and fishing	660,870,000	689,614,000
Manufacturing	767,442,000	960,704,000
Tourism	99,002,000	90,717,000
Transport	76,983,000	67,941,000
Construction	448,160,000	232,381,000
Traders	623,817,000	708,986,000
New economy	40,889,000	13,462,000
Others	931,379,881	995,140,549
Gross total	3,648,542,881	3,758,945,549

16.1.2 Lease rental receivable

	31.12.2020 LKR	31.12.2019 LKR
Lease rental receivable	412,380,393	248,435,025
Unearned Interest Asset	122,500,772	70,386,952
(Less) Unearned Interest Liability	(122,552,582)	(70,438,762)
Net Lease rental receivable	412,328,583	248,383,215

16.1.3 Hire purchase receivable

	31.12.2020 LKR	31.12.2019 LKR
Hire purchase receivable	109,184,202	224,583,372
Unearned Interest Asset	26,054,702	62,653,052
(Less) Unearned Interest Liability	(26,274,044)	(62,872,394)
Net Hire purchase receivable	108,964,860	224,364,030

16.1.4 Movements in impairment during the Year

	31.12.2020 LKR	31.12.2019 LKR
Stage 1		
Opening Balance	105,814,891	193,238,126
Charge/(Write back) to income statement	5,132,594	(87,423,235)
Balance at the end of the year	110,947,486	105,814,891
Stage 2		
Opening Balance	43,030,447	38,671,647
Charge/(Write back) to income statement	32,843,399	4,358,800
Balance at the end of the year	75,873,845	43,030,447
Stage 3		
Opening Balance	374,972,295	297,084,725
Charge/(Write back) to income statement	19,423,191	77,887,570
Balance at the end of the year	394,395,486	374,972,295
PSDB		
Opening Balance	1,013,436,937	1,020,102,438
Capital Recoveries	(14,831,055)	(6,665,501)
Balance at the end of the year	998,605,882	1,013,436,937

16.2 Financial assets at amortised cost - Debt and Other Instruments

	31.12.2020 LKR	31.12.2019 LKR
Sri Lanka Government Securities	344,727,717	265,893,601
Debenture investments	124,764,141	-
Other investments	310,215,978	-
Total	779,707,836	265,893,601

16.2.1 Sri Lanka Government Securities

	31.12.2020 LKR	31.12.2019 LKR
Reverse Repo investment	344,727,717	265,893,601
Total	344,727,717	265,893,601

16.2.2 Debenture investments

	31.12.2020 LKR	31.12.2019 LKR
Debentures	118,320,000	-
Int Receivable - Debentures	6,491,392	-
(-) Impairment on Financial Assets	(47,251)	-
Net Debenture investments	124,764,141	-

16.2.3 Other investments

	31.12.2020 LKR	31.12.2019 LKR
Commercial papers	316,269,863	6,000,000
Asset Backed Trust Certificates	-	-
Other investments	165,594,500	165,594,500
(Less) Provision made on PSDB Assets	(171,594,500)	(171,594,500)
(-) Impairment on Financial Assets - Stage 01	(53,885)	-
Net Other Investments	310,215,978	-

16.2.4 Analysis

	31.12.2020 LKR	31.12.2019 LKR
By Collateralization		
Pledged as collateral	344,727,717	265,893,601
Unencumbered	-	-
Total	344,727,717	265,893,601

17. Financial assets measured at fair value through Profit & Loss

	31.12.2020 LKR	31.12.2019 LKR
Unit Trust Investment	303,805,894	-
Total	303,805,894	-

18. Financial assets measured at fair value through other comprehensive income

	31.12.2020 LKR	31.12.2019 LKR
Equity securities	180,487,531	178,541,637
(Less) Impairment charges	(42,476,184)	(42,476,184)
Net Investments	138,011,347	136,065,453

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

18.1 Quoted equity security

Investment Company	No of shares	As at 31.12.2020 Cost of shares LKR	Market Value LKR	No of shares	As at 31.12.2019 Cost of shares LKR	Market Value LKR
National Development Bank	16,397	1,282,741	1,280,606	15,634	970,956	1,563,400
Commercial Bank Limited	216	9,943	17,474	212	7,135	20,140
Lanka Orix Leasing Company	200	855	27,000	200	855	35,500
Sampath Bank Limited	3,609	311,103	489,380	3,609	83,221	586,102
Watawala Plantations	4,046	21,305	229,004	4,046	20,288	105,196
Trans Asia Hotel	4,000	34,983	263,600	4,000	34,983	278,800
Lanka Ceramic PLC	917	23,536	125,546	917	23,536	127,096
Lanka Walltile PLC	117	2,073	17,070	117	2,073	8,483
Kelani Valley Plantation	5,500	198,121	435,050	5,500	198,121	489,500
Hapugastenna Plantation	100	2,666	1,830	100	2,666	1,550
Aitken Spence	18,000	160,364	1,040,400	18,000	160,364	837,000
Pan Asia Bank Limited	10,298,499	96,012,455	133,880,487	10,298,499	96,012,455	131,820,787
Hatton Plantations PLC	4,000	30,480	39,600	4,000	-	27,600
		98,090,625	137,847,047		97,516,653	135,901,154

18.2 Unquoted Equity Securities

Investment Company	No of shares	As at 31.12.2020 Cost of shares LKR	Management valuation LKR	No of shares	As at 31.12.2019 Cost of share LKR	Management valuation LKR
Pramuka Merchant Corporation	500,000	5,000,000	-	500,000	5,000,000	-
Prime Development & Constructions	230,000	2,300,000	-	230,000	2,300,000	-
Janashakthi Life	2,500,000	25,000,000	-	2,500,000	25,000,000	-
Janashakthi Holding	1,000,000	10,000,000	-	1,000,000	10,000,000	-
Vanik Incorporation	17,000	176,184		17,000	176,184	
(Less) Impairment for shares		(42,476,184)			(42,476,184)	-
CRIB	200	164,300	164,300	200	164,300	164,300
Net investment in unquoted shares		164,300	164,300		164,300	164,300

Unquoted Equity Securities of defunct Pramuka Savings and Development Bank which had vested by the CBSL to the Sri Lanka Savings Bank had been impaired amount equivalent to the cost of shares, amounting to Rs. 42,476,184.00.

18.3 Movements in impairment during the Year

	31.12.2020 LKR	31.12.2019 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

	31.12.2020 LKR	31.12.2019 LKR
Cost	1,010,362,561	422,956,481
Accumulated depreciation	(134,591,122)	(135,001,642)
	875,771,439	287,954,838

19.1 Property, Plant and Equipment

	Lands LKR	Buildings LKR	Motor Vehicles LKR	Computer Equipment LKR	Office Equipment LKR	Telephone Equipment LKR	Furniture & Fittings LKR	Total LKR
Cost/fair value								
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 during the year								-
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
Balance at the beginning of the year 2020	282,200,000	4,320,000	44,241,186	40,325,189	30,087,799	1,193,851	20,588,457	422,956,481
Additions			-	153,100	206,518	678,000	124,463	1,162,080
Disposals			-					
Depreciation adjustment for revalued assets		(2,862,000)						(2,862,000)
Revaluation gain / (Loss)	439,076,000	30,000						439,106,000
Transfers from investment properties	144,924,000	5,076,000						150,000,000
Balance at the end of the year 2020	866,200,000	6,564,000	44,241,186	40,478,289	30,294,316	1,871,851	20,712,919	1,010,362,561

19.1 Property, Plant and Equipment

	Lands LKR	Buildings LKR	Motor Vehicles LKR	Computer Equipment LKR	Office Equipment LKR	Telephone Equipment LKR	Furniture & Fittings LKR	Total LKR
Accumulated depreciation								
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
Balance at the beginning of the year 2020	-	2,646,000	44,241,186	39,195,000	28,267,081	875,267	19,777,108	135,001,642
Charge for the year		216,000	-	900,290	707,581	214,924	412,684	2,451,479
Over / Under Depreciation adjustments								
Depreciation adjustment for revalued assets		(2,862,000)						(2,862,000)
Disposals			-					-
Balance at the end of the year 2020	-	-	44,241,186	40,095,290	28,974,662	1,090,192	20,189,792	134,591,122
Net book value at 31.12.2020	866,200,000	6,564,000	(1)	382,999	1,319,654	781,659	523,128	875,771,439
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

During the Year 2020 the Property at No. 53/2, Gregory Road, Colombo 07 which had been recognized as an investment property was re-classified under PPE-Lands & Building from Investment Land & Building as the said property is used for the business of the Bank and there is no intention of selling this.

There are 19 motor vehicle amounting Rs.44,241,186.00 fully depreciated as of 31/12/2020 but still in use.

There are 207 Computer Equipment items amounting Rs.37,504,012.33 fully depreciated as of 31/12/2020 but still in use.

There are 53 Telephone Equipment items amounting Rs.697,318.97 fully depreciated as of 31/12/2020 but still in use.

There are 212 Furniture & Fittings items amounting Rs.12,514,634.93 fully depreciated as of 31/12/2020 but still in use.

There are 111 Re-Furnishments items amounting Rs.6,495,253.50 fully depreciated as of 31/12/2020 but still in use.

There are 144 Office Equipment items amounting Rs.11,489,463.02 fully depreciated as of 31/12/2020 but still in use.

There are 158 Other Assets items amounting Rs.11,990,985.50 fully depreciated as of 31/12/2020 but still in use.

20. Right-of-Use Assets (ROU assets)

	31.12.2020 LKR	31.12.2019 LKR
Right-of-Use Assets (ROU assets)	22,647,050	22,647,050
(Less) Provision for Amortization on ROU assets	(16,667,380)	(8,281,840)
Closing balance	5,979,669	14,365,209

Leasehold Property has been recognized as per SLFRS -16.

21. Investment Properties

	31.12.2020 LKR	31.12.2019 LKR
Land		
Cost		
Balance at the beginning of the year	316,095,204	316,095,204
Addition	-	-
Revaluation Gain	56,713,796	-
Transfers to Land	(144,924,000)	-
Balance at the end of the year	227,885,000	316,095,204

	31.12.2020 LKR	31.12.2019 LKR
Building		
Cost		
Balance at the beginning of the year	17,219,796	17,219,796
Revaluation Gain/(Loss)	(2,951,796)	-
Transfers to building	(5,076,000)	-
Balance at the end of the year	9,192,000	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 2020	9,192,000	17,219,796
Total balance as at 31st December 2020	237,077,000	333,315,000

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

During the Year 2020 the Property at No. 53/2, Gregory Road , Colombo 07 which had been recognized as an investment property was re-classified under PPE-Lands & Building from Investment Land & Building as the said property is used for the business of the Bank and there is no intension of selling this.

22. Intangible assets

	31.12.2020 LKR	31.12.2019 LKR
Computer Software and Licenses	215,625	548,958
Sub total	215,625	548,958

22.1 Computer Software and Licenses

	31.12.2020 LKR	31.12.2019 LKR
<u>Cost</u>		
Opening balance	10,955,000	10,380,000
Addition	-	575,000
Closing balance	10,955,000	10,955,000
<u>Accumulated Depreciation</u>		
Opening balance	10,406,042	9,031,250
Charge for the year	333,333	1,374,792
Closing balance	10,739,375	10,406,042
Net book value as at the year	215,625	548,958

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. Other Assets

		31.12.2020 LKR	31.12.2019 LKR
Assets vested from PSDB		20,474,894	20,633,079
Receivables	D1	7,420,418	41,305,040
Advances	D2	253,973	652,783
Refundable deposits		223,551	673,551
Other advance		2,525,899	1,299,971
Sundry debtors		21,261	21,261
Inventory		1,349,941	2,020,403
Deposits & prepayments		4,435,755	1,103,917
Total		36,705,693	67,710,005
Less: Impairment charges		(20,474,894)	(25,104,823)
Total		16,230,799	42,605,182
Other Assets vested from PSDB			
Discount paid in advance		13,376,694	13,534,879
Deposit fund on behalf of PSDB L/T Case		7,098,200	7,098,200
Total		20,474,894	20,633,079

24. Due to other Banks

	31.12.2020 LKR	31.12.2019 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
People's Bank - Anuradhapura	391,326	-
Total	391,326	71,620

25. Financial liabilities at amortised cost

		31.12.2020 LKR	31.12.2019 LKR
Due to depositors	25.1	1,077,085,449	1,076,178,328
Due to other borrowers	25.2	575,874,022	552,131,770
Total		575,874,022	552,131,770

25.1 Due to depositors

		31.12.2020 LKR	31.12.2019 LKR
Total amount due to depositors	25.1.1	1,077,085,449	1,076,178,328
Total		1,077,085,449	1,076,178,328

25.1.1 Analysis

	31.12.2020 LKR	31.12.2019 LKR
By product		
Normal savings	241,247,944	198,901,394
Normal savings Co-Operative	27,507,493	38,405,266
Minor savings	13,263,049	13,993,578
Ladies savings	11,571,407	5,052,534
Senior citizen's savings	7,947,062	8,251,506
Normal savings - staff	13,915,237	10,740,250
Door to door savings	8,720,878	6,463,849
Fixed deposits	453,204,487	497,002,427
Sl's Thilina	3,809,174	3,361,685
Pramuka Savings and Development Bank - deposits	295,139,203	293,229,539
Janasewana Swashakthi minor savings	758,781	775,595
Janasewana Swashakthi ordinary savings	734	706
Sub Total	1,077,085,449	1,076,178,328

25.2 Due to other borrowers

	31.12.2020 LKR	31.12.2019 LKR
PSDB - Borrowing	32,249,689	33,882,439
Micro finance loans to ADB	512,403,499	512,403,498
Payable - Refinance Loan Swashakthi (CBSL)	1,862,500	5,179,167
Payable - Refinance Loan Athwela (CBSL)	-	666,667
Payable - Refinance Loan Saubagya (CBSL)	1,233,333	-
Payable - Refinance Loan COVID-19 Re (CBSL)	28,125,000	-
Sub Total	575,874,022	552,131,770

26. Lease Liability

	31.12.2020 LKR	31.12.2019 LKR
Lease Liability on ROU assets	6,733,838	14,115,619
Total	6,733,838	14,115,619

26.1 Lease Liability on ROU assets

	31.12.2020 LKR	31.12.2019 LKR
Balance at the beginning of the year	14,115,619	18,437,025
Addition during the year	-	2,073,992
Lease Interest for the year	1,254,974	2,005,682
Less: Paid during the year	(8,636,755)	(8,401,080)
Closing balance	6,733,838	14,115,619

26.2 Maturity analysis - Lease Liabilities

	31.12.2020 LKR	31.12.2019 LKR
Amount Payable within one year	3,591,457	7,336,646
Amount Payable within one to three years	3,009,429	5,935,773
Amount Payable within three to five years	132,951	843,200
Total	6,733,838	14,115,619

27. Debt securities issued

	31.12.2020 LKR	31.12.2019 LKR
Unsecured Subordinate Debentures	96,071,110	188,524,610
Interest payable	38,454,765	75,461,495
Sub Total	134,525,875	263,986,105

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

	31.12.2020 LKR	31.12.2019 LKR
Balance at the beginning of the year	25,031,876	19,568,762
Add: Gratuity charge for the period	5,967,179	5,140,911
(Gain)/loss arising from changes in actuarial assumptions	(1,469,462)	892,476
Less: Payments made/Payable during the year	-	(570,273)
Balance at the end of the year	29,529,593	25,031,876

The actuarial valuation of the gratuity liability of the Bank was carried out as at 31.12.2020 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.

	31.12.2020 LKR	31.12.2019 LKR
Retirement age	60	55
Rate of interest	0.09	0.11
Salary increment	0.07	0.30
Mortality Table	A67/70	A67/70

29. Current Tax Liability

	31.12.2020 LKR	31.12.2019 LKR
Opening Balance at the beginning of the period	404,435,975	324,955,124
Charges for the period	140,053,724	185,382,899
Payments made during the period	(142,483,824)	(79,459,939)
(less) adjustments	(38,339,033)	(26,442,109)
Balance at the end of the year	363,666,842	404,435,975

30. Deferred tax assets/liabilities

	31.12.2020 LKR	31.12.2019 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	763,990	-
Income Statement	231,019	763,990
Net Deferred tax liabilities	995,009	763,990

31. Other liabilities

		31.12.2020 LKR	31.12.2019 LKR
Interest payable	31.1	62,164,209	60,298,112
Payable - expense creditors	31.2	461,592,964	1,363,422,114
PSDB liabilities	31.3	21,943,235	24,534,707
Inter branch accounts	31.4	0	0
Sundry creditors	31.5	1,364,110	1,252,983
Total		547,064,518	1,449,507,916

31.1 Interest Payable

	31.12.2020 LKR	31.12.2019 LKR
Interest payable - PSDB Borrowing	62,164,209	60,298,112
Sub Total	62,164,209	60,298,112

31.2 Payable - Expense Creditors

		31.12.2020 LKR	31.12.2019 LKR
Accrued expenses	D3	374,809,485	419,840,144
Other payables	D4	86,783,479	943,581,970
Sub Total		461,592,964	1,363,422,114

31.3 PSDB liabilities

	31.12.2020 LKR	31.12.2019 LKR
Margin account loans	21,943,235	24,534,707
Sub Total	21,943,235	24,534,707

31.4 Interbranch accounts

	31.12.2020 LKR	31.12.2019 LKR
Borella branch	(99,374,180)	(99,374,180)
PSDB current account	258,011,934	361,576,026
SLSB current account	(601,664,355)	(60,485,819)
Matara current account	(194,790,776)	(247,077,453)
National Development Trust Fund current account	653,211,960	103,629,460
Branch Account - Anuradhapura	(89,486,212)	(119,422,849)
Branch Account - Mannar	74,091,630	61,154,816
Inter branch - Loan	-	-
Sub Total	(0)	(0)

31.5 Sundry creditors

	31.12.2020 LKR	31.12.2019 LKR
WW/OP Contribution collected from employees	35,109	35,109
Staff security deposit	208,500	208,500
Staff critical illness fund	864,398	766,348
Payable - CRIB charges	47,060	32,840
Payable VAT leasing	1	1
Payable-Deposit Insurance	209,041	210,184
Sub Total	1,364,110	1,252,983

32. Stated Capital/Assigned Capital

	31.12.2020 LKR	31.12.2019 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

	31.12.2020 LKR	31.12.2019 LKR
Balance at the beginning of the year	239,997,353	217,606,517
Transfer during the period	13,752,812	22,390,835
Balance at the end of the year	253,750,164	239,997,353

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 2020, the Bank has transferred sum equal to 5% of the Net Profits for the year ended 31st December 2020 to Reserve Fund.

34. OCI Reserve

	Balance at the beginning of the period as at 01.01.2020 LKR	Movement/ transfers LKR	Balance at the end of the period 31.12.2020 LKR
OCI Reserve	38,384,500	1,371,922	39,756,422
Total	38,384,500	1,371,922	39,756,422

"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

	31.12.2020 LKR	31.12.2019 LKR
Balance at the beginning of the year as previously stated	2,545,272,567	3,002,953,139
Prior Year adjustments	882,070,000	(882,213,968)
Profit for the year- restated	275,056,231	447,816,707
Actuarial gain/(loss) on defined benefit plan	1,469,462	(892,476)
Transferred to statutory reserve fund	(13,752,812)	(22,390,835)
Dividend paid to the shareholders	-	-
Balance at the end of the year	3,690,115,449	2,545,272,567
Breakup of the Prior Year Adjustments		
Provision for Contingent Liabilities - Reversal	882,070,000	(882,070,000)
Adjustments made on leasehold property as per SLFRS16	-	(143,968)
	882,070,000	(882,213,968)

36. Other Reserves

	Balance at the beginning of the year as at 01.01.2020 LKR	Movement/ transfers LKR	Balance at the end of the year 31.12.2020 LKR
Revenue deficit before vesting	(2,166,190,408)	-	(2,166,190,408)
Revaluation reserve	468,021,489	439,106,000	907,127,489
Total	(1,698,168,918)	439,106,000	(1,259,062,918)

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

	2020.12.31	2019.12.31
Short Term Employment benefits	25,126,118	25,581,584
Post employment benefits		-
	25,126,118	25,581,584
Directors' Emoluments - Sitting Allowances	2,039,000	1,503,025
Directors' Emoluments - Fixed Allowances	729,034	1,050,763
Remuneration of Corporate Management	22,358,084	23,027,796
	25,126,118	25,581,584

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	2020.12.31	2019.12.31
Assets		
Loan and receivables	32,439,009	20,524,555
Total	32,439,009	20,524,555
Liabilities		
Deposit (FD's/Savings)	3,714,893	2,112,540
Total	3,714,893	2,112,540

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

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
Type of Loan	Balance as at 31 Dec.2020 (Rs)	Security Details as at 31 Dec. 2020	
		Security Details	Value (Rs .Mn)
Staff Housing Loans /Staff Loan	21,119,462	Land	31.80
Staff Vehicle Loans /Leasing /HP	5,197,967	Personal Guarantor	
Other Loans	6,121,580	Personal Guarantor	
Total	32,439,009		31.80

38. Contingent liabilities and commitments

	2020 LKR	2019 LKR
Commitment for unutilised credit facilities	22,570,006	11,789,999
Other commitments indirect credit facilities	-	-
Capital commitments (Note 38.1)	-	-
	22,570,006	11,789,999
Contingent liabilities		
Guarantees	11,450,000	9,050,000
	11,450,000	9,050,000
Total commitment and contingencies	34,020,006	20,839,999

Existing legal cases against SLKB

Mr.Gunawardena (Former Employee)	2,000,000
Pannipitiya Property under PPE Land & Building	3,000,000
Gregory Road Property under PPE Land & Building	50,000,000
	55,000,000

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. 11.45Mn. With 100% cash margin.

39. Events after the reporting period

"The Director - Bank Supervision of Central Bank of Sri Lanka has informed by letter dated 05th January, 2021 that the Monetary Board of the Central Bank of Sri Lanka has taken a policy decision to merge the SLSB with the NSB. Accordingly, a resolution that has been adopted by the Monetary Board directing SLSB refraining from granting any new loans, accepting deposits, recruiting new staff and entering in to new contracts with any party. The National Savings Bank, the parent of NSB has informed the Central Bank that SLSB would be merged with NSB. A request also had been made to CBSL by NSB to allow SLSB to continue its business operations as usual until the merger takes place."

40. Non-Cash Items Included in Profit Before Tax

	31.12.2020 LKR	31.12.2019 LKR
Depreciation of property, plant and equipment	2,451,479	7,741,501
Depreciation of Intangible assets	333,333	1,374,792
Charge for defined benefit plans	5,967,179	5,140,911
Impairment of loans and receivables	59,184,038	(5,024,907)
Amortization for ROU assets	8,385,540	8,281,840
Lease Liability interest	1,254,974	-
Revaluation Surplus - Investment Properties	(53,762,000)	-
Total	23,814,544	17,514,138

41. Change in Operating Assets

	31.12.2020 LKR	31.12.2019 LKR
Placements with Banks	659,324,876	160,069,623
Loans and Advances	95,571,613	191,238,431
Debt and Other Instruments	(514,388,207)	83,466,252
Unit Trust Investment	(303,805,894)	-
Right of use assets	-	(22,647,050)
Other assets	26,374,383	(4,624,338)
Total	(36,923,230)	407,502,918

42. Change in Operating Liabilities

	31.12.2020 LKR	31.12.2019 LKR
Due to depositors	907,120	(12,376,403)
Due to other borrowers	23,742,251	(831,088,904)
Lease Liability	(8,636,755)	14,115,619
Debt securities issued and other borrowings	(129,460,230)	(6,909,932)
Current tax liability	(38,339,033)	(26,442,109)
Other liabilities	(902,443,399)	755,235,319
Total	(1,054,230,045)	(107,466,411)

43. Cash and Cash Equivalent

	31.12.2020 LKR	31.12.2019 LKR
Cash in hand and cash at bank	105,547,621	18,801,576
Due to bank	(391,326)	(71,620)
Total	105,156,295	18,729,956

For The Year Ended December 2020

Detailed Notes to the Financial Statements

	31.12.2020 LKR	31.12.2019 LKR
D1. Receivables		
Cash Shortage pending settlement	48,498	48,498
Receivable - CRIB charges	37,767	37,767
Receivable - WHT	81,927	34,608,569
Insurance Receivable	428,191	464,476
Loan - termination proceed receivable	1,696,052	701,695
Documentation chargers receivables	4,393	4,434
Leasing - Seizing Charges Receivable	1,241,590	338,590
Processing charges receivable	22,150	22,000
Inspection charges receivable	70,949	66,949
Stamp Duty - Receivable	1,999,000	1,999,000
Receivable - Senior Citizen FD - Subsidy	1,585,454	377,131
Leasing Repossession Control A/C	181,940	-
Receivable - Staff Bonus Advance	20,000	20,000
Receivable - Loan Grant Swashakthi Loan	-	40,000
ESC - Receivable	2,507	2,575,932
Total	7,420,418	41,305,040
	31.12.2020 LKR	31.12.2019 LKR
D2 Advances		
Festival advance	114,500	323,500
Cash advance	139,473	229,283
Advance on rent	-	100,000
Total	253,973	652,783

	31.12.2020 LKR	31.12.2019 LKR
D3 Accrued Expenses		
EPF	1,739,640	9,755,379
ETF	260,946	1,463,307
PAYE Tax	5,401	423,871
Water	41,110	50,756
Security expenses	1,132,070	2,118,750
Electricity expenses	326,542	307,999
Building up keep	294,810	257,751
Telephone general	59,512	60,308
Email & Internet	454,247	294,000
Telephone mobile	151,500	128,000
Stamp duty	771,805	824,468
Postage and Telegrams	24,312	3,812
W H Tax	66,424	431,343
Payable - Bonus	-	12,975,596
Payable - Out of Pocket	364,449	2,157,783
Payable - Overtime Expenses	170,189	297,143
Payable - Sub & Lodging	147,810	167,769
Economic service charges	(301,520)	234,940
Audit fees	2,178,000	-
Suppliers	2,324,476	3,205,333
Financial services VAT	164,462,109	173,101,476
NBT	1,170,510	3,506,709
Tax Payable - Penalty	196,424,540	196,424,540
Newspapers & periodicals	5,520	2,220
Valuation charges payable	233,800	135,800
Insurance	690,711	237,444
CRIB charges	29,005	182,354
Saving standing order control account	(109,885)	(103,810)
Payable - National Insurance Trust Fund Levy	1,691,453	1,000,000
Payable - Debt Repayment Levy	-	10,195,104
Sub Total	374,809,485	419,840,144

	31.12.2020 LKR	31.12.2019 LKR
D4 Other Payables		
Unidentified deposits	308,150	308,150
Suspense customers	189,955	228,619
Other accrued expenses	2,523,005	520,400
Suspense account clearing	3,030,594	4,789,709
Cheque control - Savings	(2,449,304)	(2,270,869)
Suspense account creditors	34,341	29,300
Suspense account migration creditors	5,575	5,575
Creditors for Leasing & HP equipment	2,000,000	-
Delivery Order Control Account - Leasing & HP	(2,000,000)	-
Cash excess - pending settlement	61	61
Suspense loan creditors	-	-
Error Correction - Savings accounts	1,975,871	1,975,871
Payable - pension fund	1,765,404	1,765,404
Receivable - Staff	268,358	268,358
Receivable - CRIB charges personal loans	32,650	32,650
Provision for contingencies	40,532,798	919,102,798
Provision for Salaries as per collective agreement	-	6,360,588
Control Acc for Loan - Savings	2,557,912	1,428,707
FD Suspense	-	-
Pre-mature Suspense - FD	-	-
Maturity Capital Suspense Account - FD	267,853	267,853
Termination Overpayment - MF	1,722,042	3,439,410
Suspense Ac unidentified Bank Deposit	4,657,371	5,165,612
Advance Collection - MF	9,039,400	-
Loan Control accounts	305,654	96,424
Loan Security Fund - Praja Diriya Loan	67,350	67,350
Retain Deposit	19,948,439	-
Sub Total	86,783,479	943,581,970

For The Year Ended December 2020

Notes to the Financial Statements

44. Financial Risk management

Introduction

As a financial intermediary, the Bank is exposed to array of risks through its daily operations. The Bank's key risk exposures include;

- Credit Risk
- Market Risk
- Liquidity Risk and
- Operational risk.

In response to an increasingly dynamic and competitive operating landscape, evolving risks and significant regulatory developments, there is an ongoing imperative to enhance risk management continuously across the Bank. A robust risk management framework in place supports the efficient management and mitigation of the said risk exposure.

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 risks 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 the best practices of risk management techniques against industry development to mitigate the risks face by the Bank.

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.

44.1. Credit Risk

Credit risk is the risk of potential loss to the Bank, if a borrower or counterparty to a financial instrument fails to meet their financial or contractual obligations, and arises principally from the Bank's loans and advances to customers/other banks and investments in debt securities.

44.1.1. Credit Quality Analysis

44.1.1.1. Net Exposure to credit risk by class of financial assets

Below table demonstrate the maximum credit risk exposure and net credit risk exposure of the financial assets by class of financial assets.

As at 31st December	2020		2019	
	Max Exposure to Credit risk (Rs.)	Net Exposure to Credit risk (Rs.)	Max Exposure to Credit risk (Rs.)	Net Exposure to Credit risk (Rs.)
Cash and cash equivalents	105,547,621	100,898,847	18,801,576	12,672,341
Placements with Banks	4,738,239,333	4,734,648,477	5,397,665,345	5,395,758,206
Financial Assets Recognized through profit & Loss				
- Measured at Fair Value	303,805,894	303,805,894	-	-
- Designated at Fair Value				
Financial assets at amortised cost				
- Loans and Advances	3,648,542,881	2,068,720,182	3,758,945,549	2,221,690,979
- Debt and Other Instruments	779,808,972	779,707,836	265,893,601	265,893,601
Financial assets measured at fair value through other comprehensive income	180,487,531	138,011,347	178,541,637	136,065,453
Total	9,756,432,233	8,125,792,583	9,619,847,709	8,032,080,580

44.1.1.2. Concentration of credit risk by product and sector

The Bank monitors the concentration of credit risk by product and sectors. Below table provide and analysis over concentration risk of the Bank.

Concentration by Product

As at 31st December	2020	2019
	(Rs.)	(Rs.)
Loan & Advances		
Cash Back	17,797,094	11,168,913
Refinance	41,141,660	-
Lease/HP	521,293,443	472,747,245
Staff	149,147,160	123,419,012
Personal	293,341,754	310,650,454
SME/Business Loans	781,040,635	567,468,522
Vested from PSDB	998,605,882	1,013,436,937
Micro Finance	807,568,720	1,222,222,116
Pawning	38,606,534	37,832,350
Total	3,648,542,881	3,758,945,549

Concentration by Sector

As at 31st December	2020 (Rs.)	2019 (Rs.)
Agriculture and fishing	660,870,000	689,614,000
Manufacturing	767,442,000	960,704,000
Tourism	99,002,000	90,717,000
Transport	76,983,000	67,941,000
Construction	448,160,000	232,381,000
Traders	623,817,000	708,986,000
New economy	40,889,000	13,462,000
Others	931,379,881	995,140,549
Total	3,648,542,881	3,758,945,549

44.1.1.3. Credit Quality (Past Due) by class of financial assets

As at 31st December	Neither Past due Nor Impaired (Rs.)	Past due but not Impaired (Rs.)	Individually Impaired (Rs.)	Total (Rs.)
Cash and cash equivalents	105,547,621	-	-	105,547,621
Placements with Banks	4,738,239,333	-	-	4,738,239,333
Financial Assets Recognized through profit & Loss				
- Measured at Fair Value	303,805,894	-	-	303,805,894
- Designated at Fair Value				
Financial assets at amortised cost				2,649,936,999
- Loans and Advances				
Loans and Advances without PSDB	1,746,803,173	704,409,570	198,724,257	2,649,936,999
Portfolio vested from PSDB			998,605,882	998,605,882
- Debt and Other Instruments	951,403,472		-	951,403,472
Financial assets measured at fair value through other comprehensive income	138,011,347	-	42,476,184	180,487,531
Total	7,983,810,840	704,409,570	1,239,806,323	9,928,026,733

Past due facilities consist facilities arrears of 1 days and above.

Age Distribution of past due but not impaired facilities by class of financial assets are as below

As at 31st December 2020	1 to 30 Days Rs.	31 to 60 Days Rs.	61-90 days Rs.	More than 90 days Rs.	Total Rs.
Financial Assets at amortised cost - Loans & Advances (Gross)	55,560,781	193,212,869	106,598,953	349,036,967	704,409,570

As at 31st December 2019	Neither Past due Nor Impaired Rs.	Past Due but not impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash and cash equivalents	18,801,576	-	-	18,801,576
Placements with Banks	5,397,665,345	-	-	5,397,665,345
Financial Assets Recognized through profit & Loss				
- Measured at Fair Value	-	-	-	-
- Designated at Fair Value				
Financial assets at amortised cost				-
- Loans and Advances				
Loan & Advances without PSDB	1,749,875,185	796,336,400	199,297,027	2,745,508,612
Portfolio vested from PSDB			1,013,436,937	
- Debt and Other Instruments	265,893,601	-	-	265,893,601
Financial assets measured at fair value through other comprehensive income	178,541,637	-	-	178,541,637
Total	7,610,777,345	796,336,400	1,212,733,964	8,606,410,772

Age Distribution of past due but not impaired facilities by class of financial assets are as below

As at 31st December 2019	1 to 30 Days Rs.	31 to 60 Days Rs.	61-90 days Rs.	More than 90 days Rs.	Total Rs.
Financial Assets at amortised cost - Loans & Advances (Gross)	51,388,432	235,972,404	170,847,490	338,128,074	796,336,400

44.1.1.4. Credit Quality analysis by class of financial assets - Stage-wise

As At 31st December 2020	Amortised Cost					Impairment Provision				As per Financial Position
	Not Impaired	Stage -1	Stage -2	Stage -3	Total	Stage -1	Stage -2	Stage -3	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cash and cash equivalents	105,547,621	-	-	-	105,547,621	-	-	-	-	105,547,621
Placements with Banks	-	4,738,239,333	-	-	4,738,239,333	3,590,857	-	-	3,590,857.00	4,734,648,476
Financial Assets Recognized through profit & Loss										
- Measured at Fair Value	303,805,894				303,805,894					303,805,894
- Designated at Fair Value										
Financial assets at amortised cost										
- Loans and Advances	176,206,606	1,625,517,548	298,404,183	1,548,414,544	3,648,542,881	110,947,486	75,873,845	1,393,001,368	1,579,822,699	2,068,720,182
- Debt and Other Instruments		779,808,972			779,808,972	101,136			101,136	779,707,836
Financial assets measured at fair value through other comprehensive income	138,011,347		-	42,476,184	180,487,531			42,476,184	42,476,184	138,011,347
Total	723,571,468	7,143,565,853	298,404,183	1,590,890,728	9,756,432,232	114,639,479	75,873,845	1,435,477,552	1,625,990,876	8,130,441,356

As At 31st December 2019	Not Impaired	Stage -1	Stage -2	Stage -3	Total	Stage -1	Stage -2	Stage -3	Total	As per Financial Position
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	18,801,576				18,801,576				-	18,801,576
Placements with Banks		5,397,665,345			5,397,665,345	1,907,139			1,907,139	5,395,758,206
Financial Assets Recognized through Profit & Loss					-					
- Measured at Fair Value	-				-					
- Designated at Fair Value	-				-					
Financial assets at amortised cost										
- Loans and Advances	127,519,210	1,891,907,443	209,957,770	1,529,561,125	3,758,945,549	105,814,891	43,030,447	1,388,409,232	1,537,254,570	2,221,690,979
- Debt and Other Instruments	265,893,601				265,893,601				-	265,893,601
Financial assets measured at fair value through other comprehensive income	136,065,453	-	-	42,476,184	178,541,637			42,476,184	42,476,184	136,065,453
Total	548,279,841	7,289,572,789	209,957,770	1,572,037,309	9,619,847,709	107,722,030	43,030,447	1,430,885,416	1,581,637,893	8,038,209,816

44.2. 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 times.

44.2.1. Statutory Liquid Assets Ratio (SLAR)

As regulated by the Central Bank of Sri Lanka, Licensed Banks are required to maintain 20% liquid assets ratio. Complying with same SLAR has maintained SLAR at satisfactory level.

As at 31st December	2020 Rs. "000"	2019 Rs. "000"
Cash	6,267	5,568
Balances with licensed commercial banks	4,358,546	5,088,827
Money at call in Sri Lanka	-	-
Treasury Bills and Securities issued or guaranteed by the Government of Sri Lanka	342,372	310,793
Commercial Papers/ Promissory Notes (50% of the investment)	150,000	
Treasury Bonds	-	-
Sri Lanka Development Bonds	-	-
Total Liquid Assets (Daily average statutory liquid assets during the month of December)	4,857,185	5,405,188
Total Liability base subject to maintain liquid assets requirement	949,930	1,051,295
Liquid Assets ratio	511%	514%

44.2.2. Maturity of assets and liabilities

SLSB has maintained positive maturity gap position over long period.

	Upto 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1-3 Years	3-5 Years	More than 5 years	Total as at 31st December 2020	Total as at 31st December 2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash & Cash equivalents	105,547,621							105,547,621	18,801,576
Placements with banks	982,041,459	1,824,536,679	768,862,778	899,207,560	260,000,000	-	-	4,734,648,477	5,395,758,206
Financial Assets Recognized through Profit & Loss	-	-	-	-	-	-	-	-	-
- Measured at Fair Value	303,805,894	-	-	-	-	-	-	303,805,894	-
Financial assets at amortised cost									
- Loans and Advances	100,442,077	154,476,930	204,966,000	352,803,080	752,463,725	380,869,123	122,699,247	2,068,720,182	2,221,690,979
- Debt and Other Instruments	80,694,836	264,032,881		310,215,978	124,764,141	-	-	779,707,836	265,893,601
Financial assets measured at fair value through other comprehensive income	-	138,011,347			-	-	-	138,011,347	136,065,453
Other Assets									
Fixed Assets									
Other Assets	3,929,656	6,487,416	1,341,590	3,514,473	46,239		1,119,043,733	1,119,043,733	636,184,006
Total Assets	1,576,461,544	2,387,545,253	975,170,368	1,565,741,092	1,137,274,104	380,869,123	1,242,654,406	9,265,715,889	8,716,999,003
Due to banks	391,326							391,326	71,620
Financial Liabilities at Amortised cost									
- Due to Depositors	449,150,609	90,636,138	108,610,131	289,768,668	42,317,644	55,509,510	41,092,750	1,077,085,449	1,076,178,328
- Due to Other Borrowers	10,391,000	280,154,106	10,850,000	9,870,833	10,275,000	254,333,082		575,874,021	552,131,770
Debt securities issued		134,525,875						134,525,875	263,986,105
Other Liabilities	192,115,833	12,615,555	373,546,481	1,075,481	114,651,670	210,516,951	43,467,828	947,989,799	1,893,855,376
Capital & Reserves									
Total Liabilities & Equity	652,048,768	517,931,673	493,006,612	300,714,982	167,244,314	520,359,544	6,614,409,997	9,265,715,889	8,716,999,003
Gap	924,412,776	1,869,613,580	482,163,756	1,265,026,110	970,029,789	-139,490,421	-5,371,755,590.76		
Cumulative Gap	924,412,776	2,794,026,356	3,276,190,112	4,541,216,222	5,511,246,011	5,371,755,590.76	-		
Cumulative Liabilities	652,048,768	1,169,980,441	1,662,987,053	1,963,702,034	2,130,946,349	2,651,305,892	9,265,715,889		
Cumulative Gap as a % of Cumulative Liabilities	142%	239%	197%	231%	259%	203%	0%		

44.3. 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 SLNB is minimal. Bank is not exposed to foreign currency risk.

44.3.1. Trading and Non-Trading exposure

Below tables present the assets and liabilities subject to market Risk.

	2020			2019		
	Carrying Amount	Amount exposure to trading	Non-Trading Exposure	Carrying Amount	Amount exposure to trading	Non-Trading Exposure
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets subject to Market Risk						
Cash and cash equivalents	105,547,621	-	105,547,621	18,801,576	-	18,801,576
Placements with Banks	4,734,648,476	-	4,734,648,476	5,395,758,206	-	5,395,758,206
Financial Assets Recognized through Profit & Loss			-	-		-
- Measured at Fair Value	303,805,894	-	303,805,894	-	-	-
- Designated at Fair Value		-	-	-	-	-
Financial assets at amortised cost						-
- Loans and Advances	2,068,851,513	-	2,068,851,513	2,221,690,979	-	2,221,690,979
- Debt and Other Instruments	779,707,836	-	779,707,836	265,893,601	-	265,893,601
Financial assets measured at fair value through other comprehensive income	138,011,347	-	138,011,347	136,065,453	-	136,065,453
Total	8,130,572,688	-	8,130,572,688	8,038,209,816	-	8,038,209,816

	2020			2019		
	Carrying Amount	Amount exposure to trading	Non-Trading Exposure	Carrying Amount	Amount exposure to trading	Non-Trading Exposure
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities subject to Market Risk						
Due to banks	391,326	-	391,326	71,620	-	71,620
Financial liabilities recognized through Profit & Loss	-	-	-	-	-	-
Financial Liabilities at Amortised cost						-
- Due to Depositors	1,077,085,449	-	1,077,085,449	1,076,178,328	-	1,076,178,328
- Due to Other Borrowers	575,874,022	-	575,874,022	552,131,770	-	552,131,770
Lease Liability	6,733,838	-	6,733,838	14,115,619	-	14,115,619
Debt securities issued	134,525,875	-	134,525,875	263,986,105	-	263,986,105
Total	1,794,610,509	-	1,794,610,509	1,906,483,442	-	1,906,483,442

44.3.2. 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. 138 Mn and its 1.6% 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.

Below tables presents the market value of equity and impact on price movement towards income statement and equity.

	2020			2019		
	Financial Assets recognized through Profit & Loss	Financial assets measured FVOCI	Total	Financial Assets recognized through Profit & Loss	Financial assets measured FVOCI	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Market Value of equity security portfolio as at 31st December	-	138,011,347	138,011,347	-	136,065,453	136,065,453

	2020			2019		
	Impact to P & L	Impact OCI	Impact to Equity	Impact to P&L	Impact OCI	Impact to Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Shock of 5% on equity prices (Upward)	-	6,900,567	6,900,567	-	6,803,273	6,803,273
Shock of 5% on equity prices (downward)	-	(6,900,567)	(6,900,567)	-	(6,803,273)	(6,803,273)
Shock of 10% on equity prices (Upward)	-	13,801,135	13,801,135	-	13,606,545	13,606,545
Shock of 10% on equity prices (downward)	-	(13,801,135)	(13,801,135)	-	(13,606,545)	(13,606,545)
Shock of 20% on equity prices (Upward)	-	27,602,269	27,602,269	-	27,213,091	27,213,091
Shock of 20% on equity prices (downward)	-	(27,602,269)	(27,602,269)	-	(27,213,091)	(27,213,091)

44.3.3. Interest Rate Risk

Interest Rate Risk is the main risk faced 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.

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.

Following table presents the next 12 month impact in case of market rates are moved upward or downward. All other variables are held constant. Only maturities in respective buckets are reprised at new rate.

	2020		2019	
	Parallel Increase	Parallel Decrease	Parallel Increase	Parallel Decrease
	Rs.	Rs.	Rs.	Rs.
Net Interest Income				
Change in 50 bps	16,884,032	(16,884,032.49)	20,420,721.88	(20,420,721.88)
Change in 100 bps	33,768,065	(33,768,064.99)	40,841,443.75	(40,841,443.75)
Change in 200 bps	67,536,130	(67,536,129.97)	81,682,887.50	(81,682,887.50)

As at 31st December 2020	0 to 1 Month Rs.	0 to 3 Months Rs.	0 to 6 Months Rs.	0 to 12 Months Rs.
Interest Bearing Assets	1,477,111,627	3,591,615,282	4,529,244,905	6,047,169,427
Bank Balances & Placements	1,000,232,107	2,696,932,826	3,429,138,497	4,294,259,939
Financial liabilities recognized through Profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Loans and Advances	96,851,220.54	251,525,978.93	456,949,930.65	809,753,010.78
- Debt and Other Instruments	380,028,299.40	643,156,477.43	643,156,477.43	943,156,477.43
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Interest Bearing Liabilities	261,757,937	700,863,163	820,323,294	1,119,962,795
Due to banks	-	-	-	-
Financial liabilities recognized through Profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Due to Depositors	227,349,159.59	317,985,297.20	426,595,428.06	716,364,095.79
- Due to Other Borrowers	34,408,777.50	248,351,990.95	259,201,990.86	269,072,824.17
Debt securities issued	-	134,525,874.81	134,525,874.81	134,525,874.81
Net rates sensitive Assets/(Liabilities)	1,215,353,690	2,890,752,119	3,708,921,611	4,927,206,633

As at 31st December 2020	0 to 1 Month Rs.	0 to 3 Months Rs.	0 to 6 Months Rs.	0 to 12 Months Rs.
Interest Bearing Assets	937,963,563	3,832,088,731	5,402,752,844	6,526,937,493
Bank Balances & Placements	777,393,021	3,236,111,356	4,527,397,335	5,196,241,625
Financial liabilities recognized through Profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Loans and Advances	125,570,542	331,647,623	611,025,757	1,066,366,116
- Debt and Other Instruments	35,000,000	264,329,752	264,329,752	264,329,752
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Interest Bearing Liabilities	344,883,315	398,217,595	490,112,149	717,420,440
Due to banks	-	-	-	-
Financial liabilities recognized through Profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Due to Depositors	122,403,876	175,738,156	265,565,666	490,936,098
- Due to Other Borrowers	93,019,209	93,019,209	95,086,252	97,024,112
Lease Liability				
Debt securities issued	129,460,230	129,460,230	129,460,230	129,460,230
Net rates sensitive Assets/(Liabilities)	593,080,249	3,433,871,136	4,912,640,695	5,809,517,053

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

AS AT 31ST DECEMBER 2020

In Rupee Thousands	Current Period As at 31/12/2020	Previous Period As at 31/12/2019
Product-wise Gross loans and advances		
By product - Domestic Currency		
Overdrafts	-	-
Term loans	1,896,408	2,062,857
Lease rental receivable	521,293	472,747
Credit Cards	-	-
Pawning	38,607	37,832
Pramuka Savings & Development Bank's Loans (PSDB)	998,606	1,013,437
Housing loans	44,482	48,653
Staff loans	149,147	123,419
Total	3,648,543	3,758,946
Stage-wise impairment on loans & advances		
Less: Accumulated impairment under stage 1	(110,947)	(105,815)
Accumulated impairment under stage 2	(75,874)	(43,030)
Accumulated impairment under stage 3	(1,393,001)	(1,388,409)
Net value of loans & advances	2,068,720	2,221,691
Movements of impairment during the period		
Under Stage 1		
Opening balance	105,815	193,238
Charge/(write back) to income statement	5,133	(87,423)
Closing balance	110,947	105,815
Under Stage 2		
Opening balance	43,030	38,672
Charge/(write back) to income statement	32,843	4,359
Closing balance	75,874	43,030
Under Stage 3		
Opening balance	1,388,409	1,317,187
Charge/(write back) to income statement	19,423	77,888
Other Movements	(14,831)	(6,666)
Closing balance	1,393,001	1,388,409
Total Impairment	1,579,823	1,537,255

ANALYSIS OF DEPOSITS

AS AT 31ST DECEMBER 2020

In Rupee Thousands	Current Period As at 31/12/2020	Previous Period As at 31/12/2019
By Product		
Demand deposits	-	-
Savings deposits	328,742	285,946
Fixed deposits	453,204	497,002
Pramuka Savings & Development Bank's (PSDB) deposits	295,139	293,230
Total	1,077,085	1,076,178

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

AS AT 31ST DECEMBER 2020

a. Bank – 31/12/2020

In Rupees Thousands	AC	FVPL	FVOCI	Total
ASSETS				-
Cash and cash equivalents	105,548	-	-	105,548
Balances with central banks		-	-	-
Placements with banks	4,734,648	-	-	4,734,648
Derivative financial instruments	-	-	-	-
Loans and advances	2,068,720	-	-	2,068,720
Debt Instruments	779,708	-	-	779,708
Equity Instruments		-	138,011	138,011
Unit Trust Investments		303,806		303,806
Total financial assets	7,688,624	303,806	138,011	8,130,441

In Rupees Thousands	AC	FVPL	Total
LIABILITIES			
Due to banks	391		391
Derivative financial instruments			
Financial liabilities at amortised cost			
- Due to depositors	1,077,085		1,077,085
- Due to other borrowers	575,874		575,874
Debt securities issued	134,526		134,526
Total financial liabilities	1,787,877	-	1,787,877

b. 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	-	-	-
Other financial liabilities at fair value through profit or loss	-	-	-
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

SELECTED PERFORMANCE INDICATORS (BASED ON REGULATORY REPORTING)

AS AT 31ST DECEMBER 2020

Item	31/12/2020	31/12/2019
Regulatory Capital Adequacy (LKR in Thousands)		
Common Equity Tier 1	4,305,855	4,355,002
Core (Tier 1) Capital	4,305,855	4,355,002
Total Capital Base	4,305,855	4,405,948
Regulatory Capital ratios (%)		
Common Equity Tier 1 capital (%) (Minimum Requirement - 7%)	73%	83%
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.50%)	73%	83%
Total Capital Ratio (%) (Minimum Requirement - 12.50 %)	73%	84%
Leverage Ratio (Minimum Requirement - 3%)	48%	50%
Regulatory Liquidity		
Statutory Liquid Assets (LKR in Thousands)	4,857,185	5,405,188
Statutory Liquid Assets Ratio (%) (Minimum Requirement - 20%)	511%	514%
Total Stock of High-Quality Liquid Assets (LKR in Thousands)	296,371	292,618
Liquidity Coverage Ratio - Rupee (%) (Minimum Requirement - 100%)	567%	504%
Net Stable Funding Ratio (%) - Minimum Requirement - 100%)	192%	204%
Assets Quality (Quality of Loan Portfolio)		
Gross Non Performing Advances Ratio (%) (net of Interest in suspense)	21%	20%
Net Non Performing Advances Ratio (%) (net of Interest in suspense and Provision)	6%	5%
Profitability		
Interest Margin (%)	10%	13%
Return on Assets (before Tax) (%)	5%	7%
Return of Equity (%)	7%	13%

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

TEMPLATE 01: KEY REGULATORY RATIO – CAPITAL AND LIQUIDITY

Item	Amount (LKR '000)	
	As at 31 December 2020	As at 31 December 2019
Regulatory Capital (LKR '000)		
Common Equity Tier 1	5,357,996	4,355,001
Tier 1 Capital	5,357,996	4,355,001
Total Capital	5,357,996	4,405,947
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement-2020-7.00%,2019-7.00%)	82.04%	82.81
Tier 1 Capital Ratio (Minimum Requirement-2020-8.50%,2019-8.50%)	82.04%	82.81
Total Capital Ratio (Minimum Requirement-2020-12.50%,2019-12.50%)	82.04%	83.78
Leverage Ratio (Minimum Requirement-2020 - 3.00% , 2019-3.00%)	54.22%	50.00
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	4,857,185.00	5,405,188.00
Statutory Liquid Assets Ratio (Minimum Requirement -20%)		
Domestic Banking Unit (%)	511%	514%
Off-Shore Banking Unit (%)	N/A	N/A
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 2020-90% ; 2019-100%)	567%	504%
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 2020-90% ; 2019-100%)	N/A	N/A

TEMPLATE 02

BASEL III COMPUTATION OF CAPITAL RATIOS

Item	Amount (LKR '000)	
	As at 31 December 2020	As at 31 December 2019
Common Equity Tier 1 (CET1) Capital after Adjustments	5,357,996	4,355,001
Common Equity Tier 1 (CET1) Capital	5,581,496	4,424,369
Equity Capital (Stated Capital)/Assigned Capital	3,805,290	3,805,290
Reserve Fund	239,997	239,997
Published Retained Earnings/(Accumulated Retained Losses)	379,082	379,082
Published Accumulated Other Comprehensive Income (OCI)		-
General and other Disclosed Reserves		-
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	1,157,126	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		-
Total Adjustments to CET1 Capital	223,500	69,368
Goodwill (net)		
Intangible Assets (net)	216	
Shortfall of the cumulative impairment to specific provisions	66,548	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	73,122	52,831
Regulatory adjustments applied to CET1 Capital due to insufficient AT1 and Tier 2 Capital to cover adjustments	83,615	-
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	9,877	50,946
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains		
General provisions	9,877	50,946
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-

Total Adjustments to Tier 2	9,877	-
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	-	-
	9,877	-
CET1 Capital	5,357,996	4,355,001
Total Tier 1 Capital	5,357,996	4,355,001
Total Capital	5,357,996	4,405,947
Total Risk Weighted Assets (RWA)	6,530,970	5,259,089
RWAs for Credit Risk	5,407,661	4,075,697
RWAs for Market Risk	-	-
RWAs for Operational Risk	1,123,309	1,183,392
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	82.04%	82.81
of which: Capital Conservation Buffer (%)	-	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	82.04%	82.81
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	82.04%	83.78
of which: Capital Conservation Buffer (%)	-	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

TEMPLATE 03

COMPUTATION OF LEVERAGE RATIO

Item	Amount (LKR '000)	
	As at 31 st December 2020	As at 31 st December 2019
Tier 1 Capital	5,236,394	4,355,002
Total Exposures	9,657,242	8,795,417
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	9,289,944	8,520,473
Derivative Exposures	-	-
Securities Financing Transaction Exposures	344,728	265,894
Other Off-Balance Sheet Exposures	22,570	9,050
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	54%	50%

TEMPLATE 04

COMPUTATION OF LIQUIDITY COVERAGE RATIO (BANK) – ALL CURRENCY

Item	Amount (LKR'000)			
	Reporting Period		Previous Reporting Period	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)		296,371		292,618
Total Adjusted Level 1A Assets		286,876		284,821
Level 1 Assets		295,295		291,712
Total Adjusted Level 2A Assets		-		-
Level 2A Assets		-		-
Total Adjusted Level 2B Assets		1,077		906
Level 2B Assets		1,077		906
Total Cash Outflows		209,021		232,201
Deposits		77,178		76,387
Unsecured Wholesale Funding		45,505		153,524
Secured Funding Transactions		-		-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	11,450	1,125	9,050	631
Additional Requirements		85,212		1,659
Total Cash Inflows		982,381		835,431
Maturing Secured Lending Transactions Backed by Collateral	80,028	-	35,000	-
Committed Facilities		-		-
Other Inflows by Counterparty which are Maturing within 30 Days		937,110		786,545
Operational Deposits		-		-
Other Cash Inflows		45,271		48,886
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) *100		567%		504%

TEMPLATE 05:

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Description of the Capital Instrument	Stated Capital
Issuer	Sri Lanka Savings Bank
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)	-
Governing Law(s) of the Instrument	Sri Lanka
Original Date of Issuance -(shares transfer from Treasury to NSB)	11th October 2019
Par Value of Instrument	-
Perpetual or Dated	Perpetual
Original Maturity Date, if Applicable	Not Applicable
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	3,805,290.00
Accounting Classification (Equity/Liability)	Equity
Issuer Call subject to Prior Supervisory Approval	Not Applicable
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	Not Applicable
Subsequent Call Dates, if Applicable	Not Applicable
Coupons/Dividends	Dividends
Fixed or Floating Dividend/Coupon	Not Applicable
Coupon Rate and any Related Index	Not Applicable
Non-Cumulative or Cumulative	Non Cumulative
Convertible or Non-Convertible	Not Applicable
If Convertible, Conversion Trigger (s)	Not Applicable
If Convertible, Fully or Partially	Not Applicable
If Convertible, Mandatory or Optional	Not Applicable
If Convertible, Conversion Rate	Not Applicable

TEMPLATE 06

SUMMARY DISCUSSION ON ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS

"For summary discussion on adequacy/meeting current and future capital requirements, refer Risk and Management Report on pages 56-69"

TEMPLATE 07

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

Asset Class	Amount (LKR'000) as at 31.12.2020							
	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	RWA Density (%)
Claims on Central Government and CBSL	344,812	-	344,812	84	-	84	-	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	164	-	164	164	-	164	164	100
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-
Claims on Banks Exposures	4,894,953	-	4,894,953	4,894,953	-	4,894,953	1,952,718	40
Claims on Financial Institutions	614,077	-	614,077	614,077	-	614,077	307,039	50
Claims on Corporates	474	-	474	474	-	474	474	100
Retail Claims	1,738,831	20,970	1,759,801	1,725,760	10,485	1,736,245	1,415,070	82
Claims Secured by Residential Property	287,689	1600	289,289	287,689	800	288,489	288,489	100
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	305,168	-	305,168	305,168	-	305,168	308,733	101
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,151,074	-	1,151,074	1,139,624	-	1,139,624	1,134,975	100
Total	9,337,242	22,570	9,359,812	8,967,993	11,285	8,979,278	5,407,662	60

TEMPLATE 08

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

Description		Amount (LKR'000) as at 31.12.2020 (Post CCF & CRM)						
Asset Classes	Risk Weight	0%	20%	50%	75%	100%	150%	>150%
		Total Credit Exposures Amount						
Claims on Central Government and CBSL	84	-	-	-	-	-	-	84
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	-	2,788,197	1,423,355	-	-	683,400	-	4,894,953
Claims on Financial Institutions	-	-	614,076	-	-	-	-	614,077
Claims on Corporates	-	-	-	-	-	474	-	474
Retail Claims	4,690	28,198	-	1,165,223	527,649	-	-	1,725,760
Claims Secured by Residential Property	-	-	-	-	287,689	-	-	287,689
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	-	13,155	271,726	20,288	-	305,168
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	4,649	-	-	-	1,134,975	-	-	1,139,624
Total	9,423	2,816,395	2,050,587	1,165,223	2,906,077	20,288	-	8,967,993

TEMPLATE 10

OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31.12.2020		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		946,441	1,062,174	799,657
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach					140,414
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					1,123,309

TEMPLATE 11

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

Item	Amount (LKR '000) as at 31.12.2020				
	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	9,265,716	9,323,284	9,093,382	-	229,902
Cash and Cash Equivalents	105,548	105,548	105,548	-	-
Balances with Central Banks	-	-	-	-	-
Placements with Banks	4,734,648	4,738,239	4,738,239	-	-
Derivative Financial Instruments	-	-	-	-	-
Financial assets at amortised cost					
- Loans and Advances	2,068,720	2,162,353	2,162,353	-	-
- Debt and Other Instruments	779,708	779,796	623,666	-	156,131
Financial assets measured at fair value through Profit & Loss	303,806	303,806	303,806		
Financial assets measured at fair value through other comprehensive income	138,011	98,267	24,495	-	73,772
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	875,771	875,771	875,771	-	-
Right of use assets	5,980	5,980	5,980	-	-
Investment properties	237,077	237,077	237,077	-	-
Goodwill and Intangible Assets	216	216	216	-	-
Deferred Tax Assets	-	-	-	-	-
Other Assets	16,231	16,231	16,231	-	-
Liabilities	2,735,866	2,735,866	-	-	-
Due to Banks	391	391	-	-	-
Financial liabilities at amortised cost					
- Due to depositors	1,077,085	1,077,085	-	-	-
- Due to other borrowers	575,874	575,874	-	-	-

Lease Liability	6,734	6,734	-	-	-
Debt Securities Issued	134,526	134,526	-	-	-
Retirement benefit obligations	29,530	29,530	-	-	-
Current Tax Liabilities	363,667	363,667	-	-	-
Deferred Tax Liabilities	995	995	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	547,065	547,065	-	-	-
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Shareholders' Equity	6,529,849	6,587,418	-	-	-
Stated capital/Assigned capital	3,805,290	3,805,290	-	-	-
Statutory reserve fund	253,750	253,750	-	-	-
OCI reserve	39,756	-	-	-	-
Retained earnings	3,690,115	3,787,440	-	-	-
Other reserves	-1,259,063	-1,259,063	-	-	-
Total Equity and Liabilities	9,265,716	9,323,284	-	-	-
Off-Balance Sheet Liabilities	34,020	34,020	22,570	-	11,450
Guarantees	11,450	11,450	-	-	11,450
Performance Bonds	-	-	-	-	-
Letters of Credit	-	-	-	-	-
Other Contingent Items	-	-	-	-	-
Undrawn Loan Commitments	22,570	22,570	22,570	-	-
Other Commitments	-	-	-	-	-

TEMPLATE 12:

EXPLANATION OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS**(a) Loans and receivables to other customers.**

The loans and receivables to customers considered in regulatory reporting differs with the published financial statements since CBSL time based provisions were netted off when arriving at loans and receivables for regulatory reporting purposes, while impairment allowances based on incurred losses have been netted off in loans and receivables for publication purposes. The impairment allowance has been computed using established processes with judgments being exercised when determining the presence of objective evidences of impairment. The process used in determining the impairment provision has been described in detail in Note 16.1 & Accounting Policies to the financial statements.

(d) Financial assets at fair value through OCI

Financial assets at fair value through OCI have been measured at fair value in published financial statements while these investments have been measured at cost for regulatory reporting purpose. The details of financial investments - available for sale have been disclosed in Note 18 to the financial statements.

TEMPLATE 13:

BANK'S RISK MANAGEMENT APPROACH AND RISK MANAGEMENT RELATED TO KEY RISK EXPOSURES

The Risk Report from pages 56 to 69 disclose the Bank's approach to risk management including governance structures, policies, processes, limits and the current risk profile of the Bank.

NOTICE OF ANNUAL GENERAL MEETING (AGM)

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE SRI LANKA SAVINGS BANK LIMITED WILL BE HELD ON2022 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 2020 and the Report of the Auditors thereon.
2. To re appoint Auditor General Department as Auditors for the year ended 31st December 2021

By Order of the Board,

Ramya Piyasekara
Company Secretary
Colombo

..... 2022

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. Hemantha Gamage	of Colombo or failing him
Mr. Prasad Imbulagoda	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 the2022 and at any adjournment thereof.

Signed thisthe day of2022.

	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 Twentytwo.

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 2012-2020

Operating results

	Audited 2012 Rs.000'	Audited 2013 Rs.000'	Audited 2014 Rs.000'	Audited 2015 Rs.000'	Audited 2016 Rs.000'	Audited 2017 Rs.000'	Audited 2018 Rs.000'	Audited 2019 Rs.000'	Audited 2020 Rs.000'
Gross Income	759,905	1,017,512	796,399	746,195	980,754	1,093,386	1,041,065	1,157,242	875,502
Interest Income	742,457	996,420	710,502	676,169	924,924	1,039,799	1,019,059	1,019,646	789,309
Interest Expenses	138,840	141,289	183,376	147,622	140,792	143,526	94,080	95,068	75,574
Net Interest Income	603,617	855,131	527,125	528,546	784,132	896,273	924,980	924,578	713,735
Other Income	15,586	19,810	84,050	66,766	50,868	49,298	19,444	135,932	82,055
Operating Expenses, Loan Provisions and VAT, NBT & DRL	19,813	318,228	337,235	153,661	221,385	332,651	446,784	427,910	384,316
Profit before tax	594,579	551,140	267,686	432,283	599,700	604,369	488,106	633,964	415,341
Income tax	71,042	(12,088)	32,831	-	-	-	136,840	186,147	140,285
Profit after tax	523,538	563,229	234,855	432,283	599,700	604,369	351,266	447,817	275,056

Assets

Cash and Short-term Funds	14,212	109,981	17,059	40,462	58,816	30,990	31,235	18,802	105,548
Loans and Investment's (with Impairment adjustment)	6,699,068	7,536,786	8,233,984	8,271,244	8,735,368	8,851,139	8,470,088	8,019,408	8,024,894
Property, Plant and equipment/ intangible assets /Investment Properties	201,177	203,407	206,322	670,366	684,400	643,759	629,271	621,819	1,113,064
Other assets	470,643	161,186	222,473	192,617	234,617	13,242	44,968	56,970	22,210
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	9,265,716

Liabilities and shareholders' funds

Total Deposits	488,184	749,211	1,192,188	907,707	916,690	1,077,385	1,088,555	1,076,178	1,077,085
Borrowings	2,889,223	3,083,641	3,111,104	3,123,339	3,159,076	2,157,082	1,646,209	816,118	710,400
Other liabilities	634,210	345,172	363,094	799,819	838,937	914,315	1,053,802	1,893,927	948,381
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	6,529,849
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	9,265,716

Performance ratios'

Return on Average Assets	8%	7%	3%	5%	6%	6%	5%	7%	5%
Return on Average Equity	17%	16%	6%	10%	13%	12%	7%	9%	5%
Net Interest Margin	9%	12%	7%	7%	9%	10%	11%	11%	9%
Loans to Deposits	518%	429%	248%	384%	422%	392%	363%	349%	339%
Cost to Income	17%	17%	26%	32%	24%	23%	35%	23%	31%
NPL (gross)	56%	47%	55%	43%	37%	33%	37%	41%	42%
NPL (net)	7%	5%	12%	8%	7%	6%	-2%	1%	-1%

*Note: SLFRS 9 Applied on Yr 2018 onward

Shareholder ratios' (Rs.)

Earnings per share	114	123	51	94	131	132	43	55	34
Net Assets per share	736	836	875	948	1,040	1,176	657	601	796

Other information

Number of employees	72	73	96	106	123	116	109	103	107
Number of branches	1	4	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	3.88
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	8,204,466



A FULLY OWNED SUBSIDIARY OF **NSB**