

The background of the cover is a light blue and white hexagonal pattern. A large, semi-transparent grey hexagon is centered on the page, serving as a backdrop for the title. The title is written in a dark blue, serif font. At the bottom, there is a dark blue horizontal band with a hexagonal pattern, containing the bank's name in white.

ANNUAL REPORT 2021

SRI LANKA SAVINGS BANK



ANNUAL REPORT 2021

SRI LANKA SAVINGS BANK

ANNUAL REPORT 2021

TABLE OF CONTENT

Corporate Philosophy	
Corporate Information	01
Vision, Mission and Values	02
Financial Highlights	03-07
Executive Information	
Chairperson's Message	08-09
General Manager / CEO's Review	10-12
Board of Directors	13-15
Senior Management	16-18
Corporate Social Responsibility Programmes 2021	19-20
Director's Report	21-23
General Manager's and Senior Manager's (Finance) Statement of Responsibility	24-25
Corporate Governance	26-32
Compliance with Banking Act Directions	33-62
Risk Management	63-72
Report of the Board Human Resource and Remuneration Committee	73-75
Report of the Board Integrated Risk Management Committee	76-77
Report of the Board Audit Committee	78-80
Directors' Statement on Internal Control over Financial Reporting	81-82
Auditor General's Report on Director's Statement on Internal Control	83-84
Auditor General's Report on Financial Statements	85-89
Financial Statements	90-143
Analysis of Loans & Advances ,Commitments, Contingencies and Impairment	144-147
BASEL III – Market Discipline Disclosure Requirement under PILLAR III	148-155
Notice of Annual General Meeting (AGM)	156
Form of Proxy	157-158
Statistical Indicators	159

CORPORATE INFORMATION

REGISTERED NAME

Sri Lanka Savings Bank Limited

LEGAL STATUS

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

National Audit Office,

306/72, Polduwa Road,

Baththaramulla, Sri Lanka.

BANKERS

Bank of Ceylon

People’s Bank

BOARD OF DIRECTORS

Ms.Keasila Jayawardena- Chairperson

Mr.Saliya Dharmawardena-Treasury Representative

Mr.Hemantha Gamage, AAL

Mr.Prasad Imbulagoda, AAL

Mr.Jayantha Perera

Mr.Janaka Arunashantha, AAL



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.

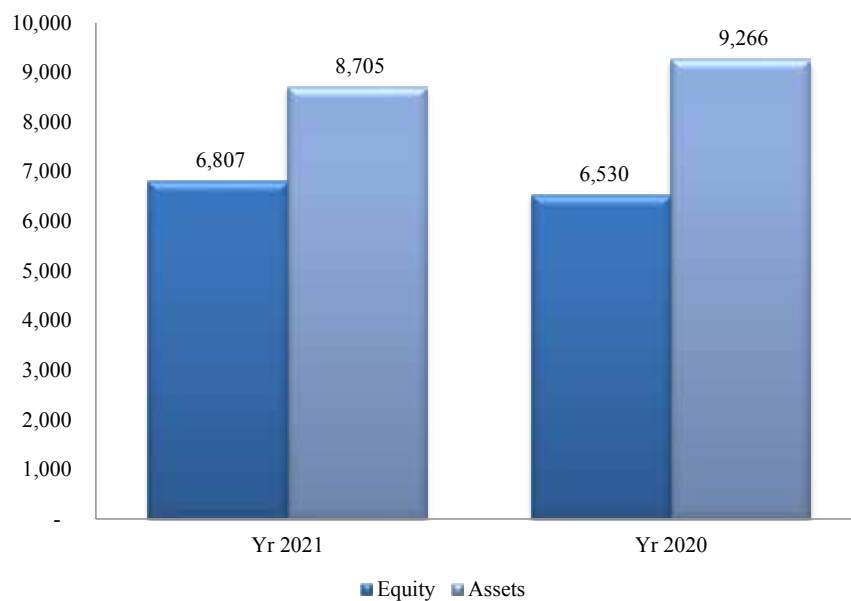
OUR VALUES

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

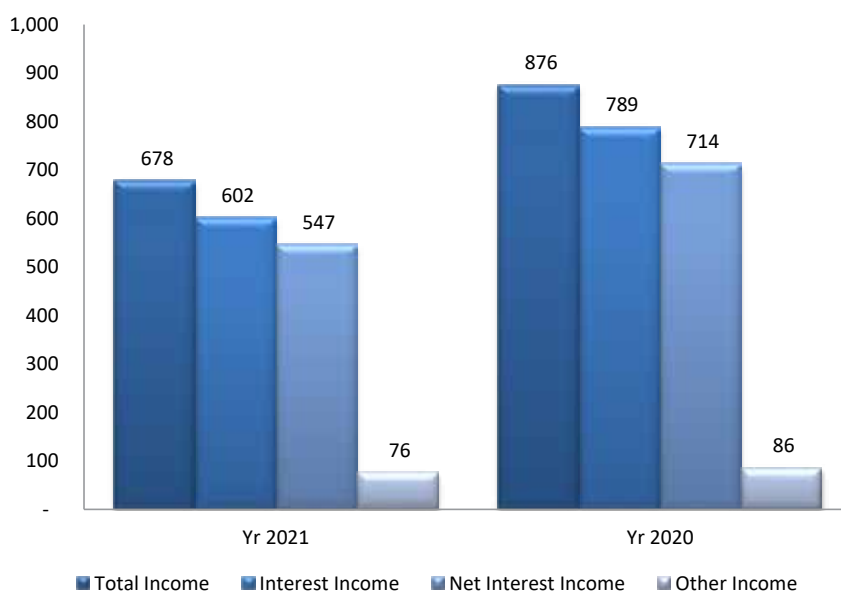
- Professionalism
- Integrity
- Efficiency
- Trust
- Openness and
- Social Responsibility

FINANCIAL HIGHLIGHTS

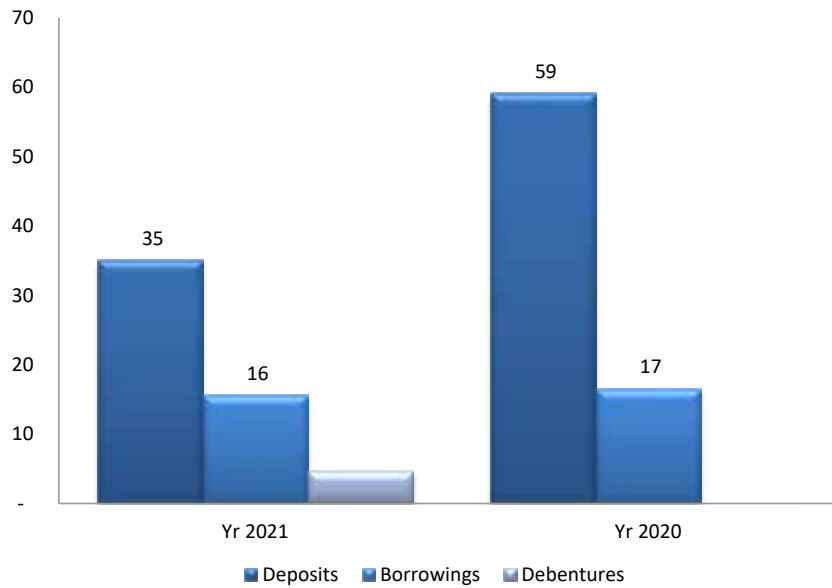
**Total Equity and Assets 2021 Vs 2020
(Rs.Mn)**



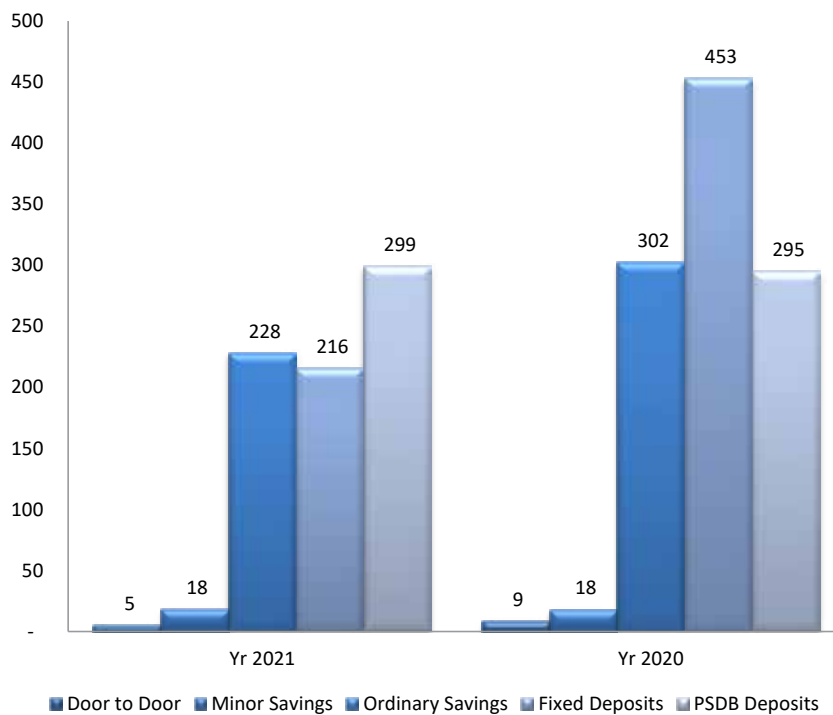
**Comparison of Income - 2021 Vs 2020
(Rs.Mn)**



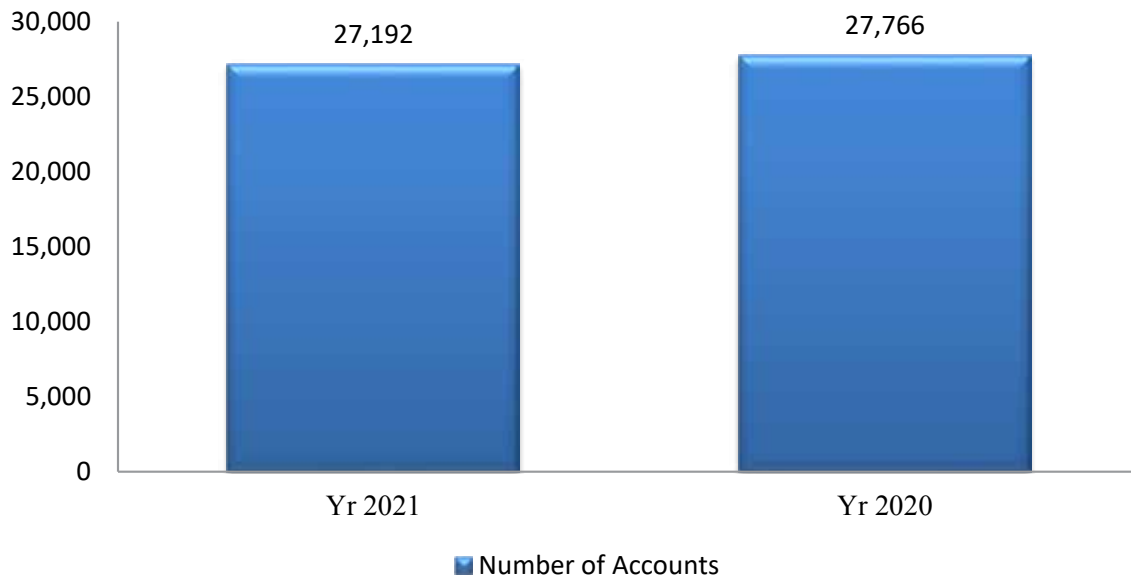
Interest Expenses - 2021 Vs 2020 (Rs.Mn)



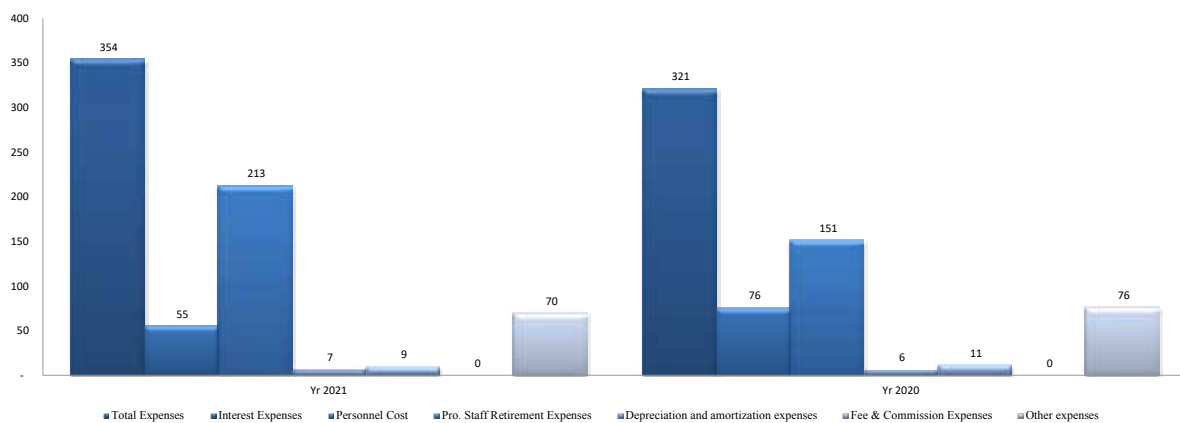
Deposit Comparison of 2021 Vs 2020 (Rs.Mn)



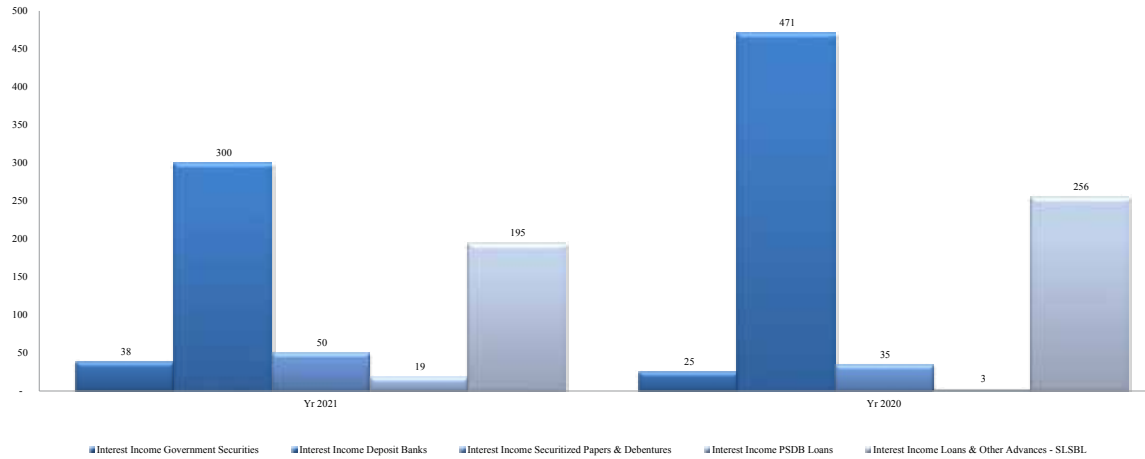
Number of Accounts Comparison 2021 Vs 2020



Comparison of Expenses 2021 Vs 2020 (Rs. Mn)



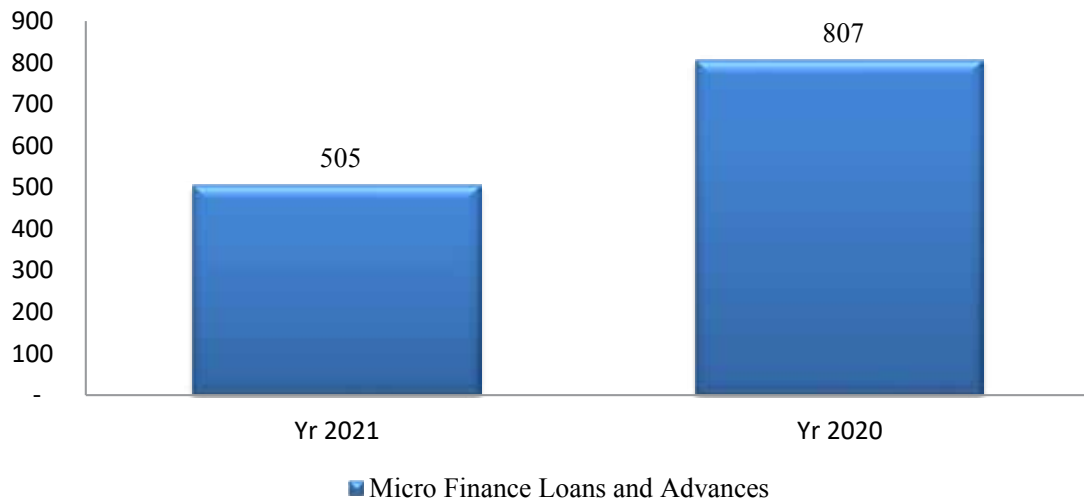
Interest Income 2021 Vs 2020 (Rs.Mn)



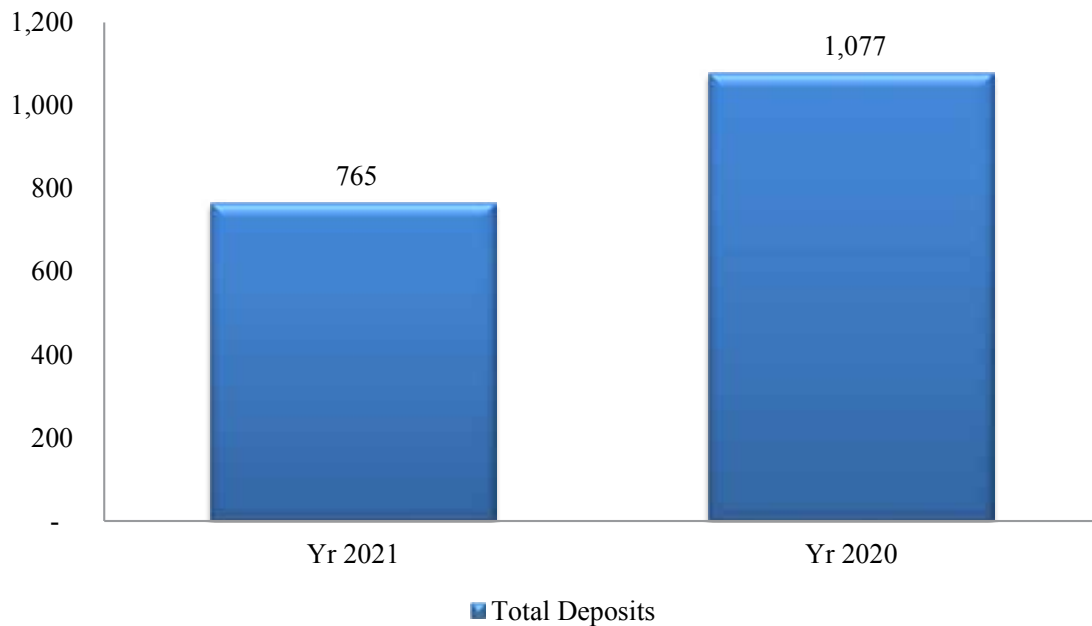
Micro Finance Interest Income Comparison - 2021 Vs 2020 (Rs.Mn)



Micro Finance Loans and Advances 2021 Vs 2020 (Rs.Mn)



Total Deposits 2021 Vs 2020 (Rs.Mn)



CHAIRPERSON'S MESSAGE



It's a pleasure and privilege to present my message for the Annual Report and Audited Financial Statements for the 2021 of Sri Lanka Savings Bank Ltd on behalf of the Board of Directors.

The year began with a decision taken by the Monetary Board of Central Bank of Sri Lanka for limitation of its business activities 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 as a secondary step whilst functioning the Bank as a fully owned subsidiary of National Savings Bank from October 2019.

Mean while the prolonged economic crisis in the country caused by the global pandemic situation was also badly resulted to drawback in the financial sector.

At this point on discontinuation of usual business operation, the Bank was fully focused on recovering of its debts during the year 2021 and the dedicated staff

steered by the Corporate Management Team was able to reduce the NPL amount in a remarkable manner.

Financial Performance

Despite the bank has planned to spreading its business activities with opening new branch network in the year 2021, bank has to stopped all business activates from the first week of January 2021 as per CBSL restrictions. Subsequent to the said decision Bank has continued only the functions of recoveries and investment. Even in this situation SLSB recorded a total income of LKR 677.9Mn, and it contains other income as LKR 75.8 Mn which is 11.18% of the total income. However, compared to the total income of previous year, there is a decrease of LKR 197.5 Mn. Total operating cost without taxes of the year was LKR 298.8 Mn. Operating profit before tax was LKR 330.2 Mn while profit after Tax was LKR 255.1 Mn at the end of the Year.

Total Assets recorded as LKR 8.7 Bn by the year ended 2021. When it compared to the previous year, there s a decrease of LKR 560.8 Mn. The major reason for that was the reduction of total gross loan portfolio by LKR 813.7 Mn within the year as a result of restriction imposed by CBSL and fall in market interest rates.

On the other hand, by the end of reviewing year, total liability of the bank has been reduced by LKR 838Mn that is up to LKR 1.8 Bn. Specifically the payment of ADB loan installment and reduction in deposits by LKR 312.4 Mn.

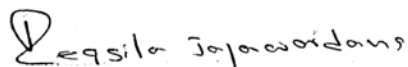
As a result of Effect of increased profit and other reserves, the total equity of the bank has recorded as LKR 6.8 Bn and when it compared to the previous year, it has increased by the LKR 277.1 Mn.

Expressing Gratitude

First of all I wish to extend my gratitude to my colleagues representing the Board for their strong and consistent support and insightful guidance. My sincere appreciation is also extended to my team of dedicated employees and whom they led by the General Manager/ CEO and Corporate Management Team. Their enormous

commitment and relentless focus on driving success, engaging with our customers, developing innovative solutions and strengthening our brand has made a difference for our success.

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



Keasila Jayawardena

Chairperson

GENERAL MANAGER/ CEO'S REVIEW



The year 2021 has been a challenging year like none other in recent times to the people and countries throughout the world as we have been maneuvering the 2nd year of pandemic. The spreading of COVID 19 pandemic continued to impact millions of people necessitating further lockdowns, border closures, business closures resulting job losses and supply chain disruptions throughout the world. We also observed increased stress in the operating environment.

The prolonged pandemic has wreaked carnage on the local economy. Stress built up with disruptions to economic activity, while the impact on tourism sector, sovereign downgrades and policy uncertainty placed Sri Lanka at a critical juncture.

Economic Environment

The economic recovery in the year 2021 was fragile as the country and the world moved out of a recession brought by the COVID-19 pandemic. By the end of the year, it was apparent that global recovery was divergent as developing countries with high levels of debt were impacted by lack of access to vaccines, dwindling foreign exchange reserves and limited policy options to support

recovery. The capital flight from developing countries to safe heavens also aggravated the recovery. Despite these challenges Sri Lankan economy grew by 3.7% in 2021 as per Central Bank of Sri Lanka. Sri Lanka also rolled out a strong vaccination programme.

The interest rates declined sharply in the year 2021, as Central Banks adopted accommodative monetary policy to support businesses and people to recover from the pandemic. However, we witnessed a tightening of monetary policy in the 4th quarter of 2021 by many Central Banks including the Central Bank of Sri Lanka. While policy rates were allowed to move upwards 0.5% during 2021, a further 50 bps increase was witnessed in January 2022 indicating that there is room for interest rates to move up further.

The Sri Lankan rupee depreciated by 7.5% in 2021 through intervention as foreign currency reserves declined sharply with debt repayments coupled with low foreign currency inflows. This had a significant impact on foreign currency and the ability of the banking sector to support foreign trade.

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 difficult 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. Moratoria, some of which have been extended from 2019, are scheduled to end in June 2022. A significant portion of the moratoria outstanding is in the tourism industry might have to be extended or rescheduled.

Despite all these efforts the global trade declined, disrupting global supply chains and fuel prices recorded the lowest in recent times as demand dropped due to lockdowns and travel restrictions. Sri Lanka had been fortunate to emerge quiet successful containing the

first waive of the pandemic and was able to commence economic activities in the second quarter. However, the second waive in the fourth quarter of the year brought disruptions to the economy. Tourism become 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 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 of 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 it's operations strictly adhering to health guidelines. 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 schemes recommended by the Central Bank of Sri Lanka since 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 moratoria to all the clients who have requested it. The Bank also granted debt relief packages to significant number of customers which goes beyond the CBSL directives and eligibility criteria within the Bank's credit policy framework. The bank also granted relief to our Partner Organizations who engage in micro financing.

Monetary Board Decision

On 05th January 2021, as per a decision taken by the Monetary Board, the Central Bank of Sri Lanka informed Sri Lanka Savings Bank (SLSB) to proceed with the merger of SLSB with it's Parent, National Savings Bank and to conclude the same on or before 30th September 2021. Further, it was also informed to suspend granting new loans, accepting or renewing deposits, freezing of recruitments and stop capital spending. It was undoubtedly the most challenging year in the history of the Bank and the results achieved reflect our commitment to stakeholders and the effectiveness of our team who stepped up to deliver an outstanding performance despite the Monetary Board decision.

Performance

The Bank's performance, growth and profitability for the year 2021 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.255.14 Mn. The top line of the bank, the interest income stood at Rs.602.15 Mn, which has shown a decrease of Rs.187.15 Mn compared to the year 2020. 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, 68% 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.55.21 Mn and recorded an decrease of 27% over the previous year. The Fee- and Commission income remained flat in the year 2021.

With the full focus of Bank on recoveries the Bank

witnessed a reversal of Rs. 76.07 Mn. in impairment in year 2021 as against an impairment charge of Rs. 59.18 Mn in the year 2020. The reversal in in bank's impairment charge reflects effectiveness of recoveries and also management of credit risk in a prudent manner in a highly challenging environment. Total Operating expenses increased by Rs. 53.88 Mn. or 22%. Although Bank was able to curtailed operational expenses the personnel expenses increased by 62.38 Mn due to the increase of salaries of staff as per the collective agreement entered between Ceylon Bank Employees Union and Bank. The expenses other than personnel expenses declined by Rs. 8.4 Mn during the year The cost to income ratio of the Bank stood at 48%. Corporate Tax and VAT on Financial Services declined to Rs, 144.84 Mn. Mn from Rs. 220.48 Mn in the previous year mainly due to the lower profits and lower Tax rates compared to year 2020. The bank's total asset declined by Rs 560.87 Mn. mainly due to the depletion of portfolio and adhering to the Monetary Board decisions.

Lending and fostering micro finance sector is one of the main objectives of the bank.. The Bank's lending to micro finance also declined due to the restrictions placed by the Central Bank The bank's micro portfolio stood at Rs. 504.83 Mn. as of the closure of the year as against Rs. 806.62 Mn in the year 2020.

The Bank's Capital adequacy ratios were the highest among the Banks in Sri Lanka. The Tier I ratio stood at 101% and Total Capital ratio was 101% as at 31st December 2021. During the year 2021 Bank revised all of it's procedure manuals and stringed the risk management and control structures were implemented.

Way Forward – Merger with NSB

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 together with the Parent, National Savings Bank made a request to Central Bank to allow commencing the business operations of SLSB. However, Central Bank has informed both banks to expedite the merger. As per this decision Bank is looking forward to complete the merger as early as possible

Appreciation

The challenging journey in the year 2021 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 thanks 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

Non-Independent Non-Executive Director

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.Saliya Dharmawardena

Director - Treasury Representative

Independent Non-Executive Director

Mr. Dharmawardane, an Additional Director General of Department of Public Enterprises, Ministry of Finance, is an Independent Non-Executive Director appointed to the Board on 11th November 2020.

He holds a Master's Degree on Public Administration from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenapura and Bachelor's Degree in Business Management, University of Sri Jayawardenepura .

He has served for Auditor General's Department and possessing over 20 years experience in the field of Accounting & Auditing.

Mr.Dharmawardane obtained Certified Public Accountant (CPA) from CPA, Sri Lanka and CPA, Ireland.

Mr.Dharmawardane has served as a Director in Department of Management Audit and Department of Public Enterprises. He serves as an Additional Director General, Department of Public Enterprises from 01st December 2020.

He brings to the Board, 30 years' experience serving in the Sri Lanka Administrative Service.



Mr. Hemantha Gamage

Senior Director

Independent Non-Executive 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 33 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

Independent Non-Executive 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 28 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

Independent Non-Executive 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 08 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

Non-Independent Non-Executive 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

SENIOR MANAGEMNET



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. Business Administration
(Special) (University of
Sri Jayawardenepura)
AIB, Licentiate (ICASL)
ADCM (IBSL)



Mr. K.M.W.C. Perera
Chief Manager - HRD,
Admin & Establishment
MBA (University of Wales)
B.Sc. Human Resource
Management (Special)
(University of Sri
Jayawardenepura)
PGDBA - LSC London



Mr. E.W. Priyantha
Chief Manager – Micro Finance,
MBS (University of Colombo)
B.B.Mgt. Human Resource
Management (Special)
(University of Kelaniya)
CGAP accredited trainer (DQIR)



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



Ms. A.R.R. Piyasekara
Chief Manager - Legal Cum
Company Secretary
MSc. (University of Moratuwa),
L.L.B (University of Colombo),
PgDLS (University of Colombo),
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
(University of Ruhuna)
Professional - I (ICASL)



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



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



Ms. T.P. Pushpakanthi
Senior Manager - Credit,
BSc. Marketing Mgt (Special)
(University of Sri
Jayawardenepura)
MSLIM, DCB(IBSL),
DCM (IBSL)



Ms. S.P.P.L. Wanniarachchi
Senior Manager - Procurement
B.Sc. Physical Science
(University of Kelaniya)
MISMM, Life Member - (ASCI)
CBA (ICASL)



Mr. A.D.B.C. Athapaththu
Manager -Treasury Management
B.Sc. Finance (Special)
(University of Sri
Jayawardenepura)
DTRM (IBSL), CBA (ICASL)



Ms. D.M.N.T. Dissanayake

Manager - Compliance
BBA (University of 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
(University of Sri
Jayawardenepura)
ADCM (IBSL)

CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES 2021.

Sri Lanka Savings Bank Limited (SLS Bank) has enlarged community support initiatives over the 13 years period and maintained a reputation as being a socially responsible bank that engages in many social responsible programs across the country. Such projects are organized by our Branch staff that has close interactions with the local communities.

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

Every year, SLS Bank launches these CSR programs targeting different sections of the community. In 2021, SLS Bank launched a CSR campaign to coincide with international Women's Day, focusing women.

International Women's Day program 2021

To coincide with International Women's Day, SLS Bank conducted a series of awareness and encouragement programs for women entrepreneurs across all branches. The main program of this series was held on 08th of March 2021 at the Head Office Branch Premises. The event was attended by SLS Bank's Chairperson Mrs. Keasila Jayawardena, Board Members, General Manager/CEO, Senior Management and Staff Members. The keynote address was delivered by Mrs. S.B. Dissanayake, Chairperson of National Committee on Women under the State Ministry of Women and Child Development, Pre-Schools & Primary Education, School Infrastructure & Education Services. The lecture was aimed at encouraging women entrepreneurs. A prize giving ceremony was also held in appreciation of the services of women entrepreneurs.



The Chairperson of the Bank and the Chief guest addressing the audience.

Simultaneously, awareness and encouragement programs for women entrepreneurs were conducted at Anuradhapura, Matara and Mannar branches with the participation of General Manager/CEO and Senior Management.



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 2021

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 Sri Lanka Savings Bank Limited; for the financial year ended 31.12.2021. In addition to this a full account of operations can be found in the Audit Report presented by Government Auditors

Legal Status of the Bank

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

Board of Directors

The Board of Directors of Sri Lanka Savings Bank Limited comprised of 06 Directors during the year under review. Board Composition has been maintained until October 2020 and after removal of one director in October 2020 new appointment to the vacant position was not made Bank has requested to fill the vacant position from the Government Treasury. The Board meets at least once a month and met 17 times during the Year 2021. The Directors of the bank during the year 2021 were as follows:

- Ms. Keasila Jayawardena
- Mr. Saliya Dharmawardena
- Mr. Hemantha Gamage
- Mr. Prasad Imbulagoda

- Mr. Janaka Arunashantha
- Mr. Jayantha Perera

Name of the Director	No Of Meetings held during 2021	No Of Meetings eligible to attend	No Of Meetings Attended
Ms. Keasila Jayawardena	17	17	17
Mr. Saliya Dharmawardena	17	16	16
Mr. Hemantha Gamage	17	17	17
Mr. Prasad Imbulagoda	17	17	17
Mr. Janaka Arunashantha	17	17	17
Mr. Jayantha .Perera	17	17	17

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 33-62 of this Report.

Audit Committee

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

- Mr. Saliya Dharmawardena
- Mr. Hemantha Gamage
- Mr. Jayantha Perera

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

Vision, Mission and Corporate Conduct

The Bank's Vision Mission is given in page No 02 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 2021 there were 106 staff members employed by the Bank. The composition of this number is as follows:-

Designation	Number of Employees
General Manager	1
Chief Manager	5
Senior Manager	6
Manager	3
Manager - Branches	1
Deputy Manager	6
Asst. Manager	16
Officer / CO / RO / Mgt. Tr.	26
Senior Bank Assistant	17
Bank Assistant	7
Business Development Officer	0
Secretaries	0
Stenographer III	0
Receptionist Cum Tel. Op.	1
Care Taker	2
Senior Driver	5
Driver	1
Senior Office Assistant	4
Office Assistant	3
Senior Labourer	1
Labourer	1
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 in the foreseeable future. Accordingly, the financial Statements are prepared based on the going concern concept.

Financial Statement

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

Revenue

The total gross income of the Bank for the financial year ended 31st December 2021 was Rs 678 Million. The analysis of income is given in page No 03

Capital Expenditure

The total expenditure on the acquisition of Property, Plant & Equipment during the year amounted to Rs 26.2 Million. Details of Which are shown in Note 19.1 to the accounts.

Statutory Payments

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

Post Balance Sheet Events

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

By order of the Board,



A.R.R. Piyasekara

Secretary to the Board

Sri Lanka Savings Bank Limited

Date: - 28.02.2022

Colombo

Year ended	31.12.2021 (Rs)	31.12.2020 (Rs)
Profit before taxation	330,230,848	415,340,975
Taxation	(75,086,361)	(140,284,743)
Profit after taxation	255,144,487	275,056,231
Retained Profit / (loss) brought Forward	3,690,115,449	2,545,272,567
Profit available for Appropriation	255,144,487	275,056,231
Directors have made the Following appropriations : to reserve	(6,437,499)	869,786,650
Retained Profit carried Forward	3,938,822,438	3,690,115,449

GENERAL MANAGER/CEO'S AND SENIOR MANAGER'S (FINANCE AND PLANNING) STATEMENT OF RESPONSIBILITY

Compliance

The Financial Statements of Sri Lanka Savings Bank (the Bank), as at 31 December 2021 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 2020. 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 81 and 82 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

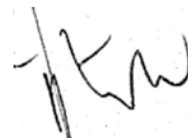
The Financial Statements of the Bank was audited by the Auditor General. The Auditor General's Report on the Bank's Financial Statements is given on pages 85 to 89 of this Annual Report. The Board Audit Committee, reviewed all Internal Audit and Inspection Programmes, the efficiency of internal control 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 78 and 80 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 2021 have been paid, or where relevant, provided for.



Sujith Fernando
General Manager/CEO



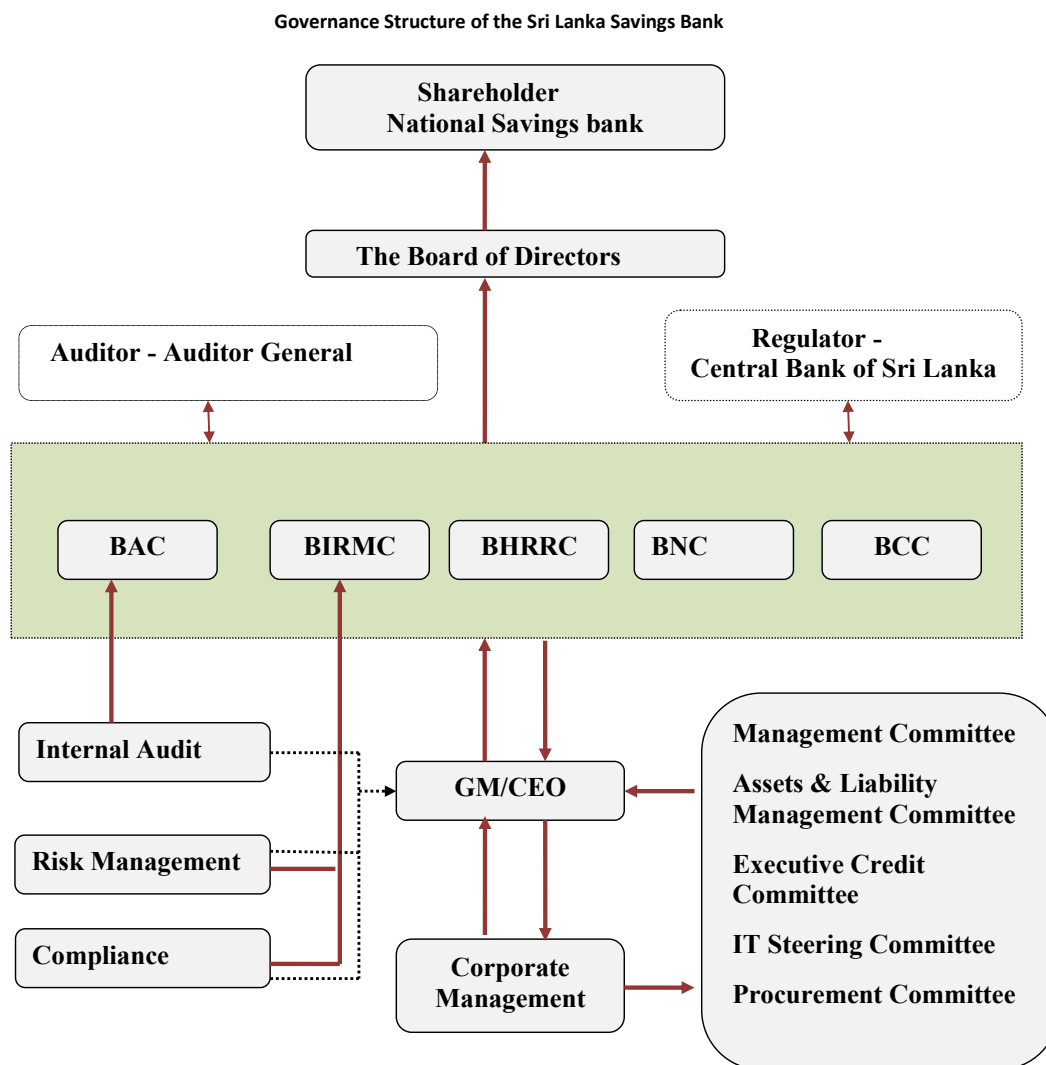
Eranjith Padma Kumara
Senior Manager (Finance and Planning)

31st March 2022
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 83 to 84 respectively. He also certifies the level of compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Specilized 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 13 to 15

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 behavior 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.

Board Composition

The present Board comprises of six Directors who are eminent professionals in their chosen fields of expertise and possess skills to carry out deliberations on matters set before the Board. The Chairman has overall responsibility for the leadership of the Board and for ensuring its effectiveness. The Board ensures that the Bank manages risk effectively, monitors financial performance and reporting and ensures that appropriate and effective internal controls and procedures are in place.

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 has appointed 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.)

Board skills and expertise

Board skills and expertise as a financial intermediary, the Bank needs a broad range of skills to ensure the value creation in the interest of all stakeholders. The Board determines the

required composition of skills in response to the rapidly changing environment and shifts in the Bank's long-term strategy.

Board Process

The Board meets at least once a month based on an agreed meeting schedule. Additional meetings are convened based on the requirements to do so. Directors regularly attend the meetings and actively participate in the deliberations. Details of attendance at Board meetings are given on page 29. The Chairman is responsible for determining the agenda of meetings with assistance of the Secretary to the Board in consultation with the General Manager/CEO. The agenda is circulated to the Board members along with the relevant Board papers one week prior to the date of the Board meetings by the Secretary to the Board. This process allows the members of the Board for timely preparation for making deliberations and informed decisions. On exceptional situations, urgent Board papers are submitted at short notice or tabled during the meetings. Adequately detailed minutes of the meetings and the decisions made therein are maintained to access by Directors.

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 cognizance 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 thereby 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.
- Providing leadership for self-assessment to generate meaningful feedback to further improve the effectiveness of the Board.

Conflicts of Interest

The members of the Board are committed to act in the best interest of the Bank, in good faith and avoid undue conflicts of interest whether financially or otherwise. Directors are required to inform the Board promptly of conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions of decisions on any matters in which they have a conflict of interest. Directors annually declare their interest and necessary procedures are in place to ensure that there is no conflict of interest.

Holding of regular Board meetings

The Board meets at least once a month and additional meetings are convened based on necessity. The Board met seventeen (17) times during the year 2021.

Directors are required to attend all Board meetings and Committee meetings of which they are members .

In addition non -Board members of the Senior Management and the advisory members may ,by invitation ,attend the meetings to address specific items in the agenda. Members of the Corporate Management and/or external experts are allowed to make presentation to the Board and subcommittees on a regular basis on matters pertaining to the Bank strategy.

Board Subcommittees

The Board is empowered through its Charter to delegate its powers, discretions and authorities to any committee or committees as it thinks fit to ensure that delegation promotes independent judgement and assists with the balance of power and effective discharge of duties. The Board Committees are responsible for overseeing matters relating to their respective authorities within the remit of terms of reference. The Board however continues to retain the responsibility for committee decisions. Four mandatory committees; Board Audit Committee (BAC), Board Human Resource Remuneration Committee (BHRRRC), Board Integrated Risk Management Committee (BIRMC) and Board Credit Committee were formed as required by the Banking Act Direction No. 12 of 2007.

The attendance of each Director at Board meetings and respective committee meetings in 2021 are detailed below.

Name of the Director	Director Status	Attendance			
		Board	BAC	BIRMC	BHRRRC
Ms. Keasila Jayawardena Chairperson	NED NID	17/17	NA	NA	02/02
Mr. Saliya Dharmawardena Treasury Representative	NED ID	16/17 (Eligible only 16 meetings)	05/05	04/04	02/02
Mr. Hemantha Gamage Senior Director	NED ID	17/17	05/05	NA	02/02
Mr. Prasad Imbulagoda Director	NED ID	17/17	NA	03/04	NA
Mr. Janaka Arunashantha Director	NED ID	17/17	NA	04/04	NA
Mr. Jayantha Perera Director	NED NID	17/17	05/05	NA	NA

NED	-	Non Executive Director
NID	-	Non Independent Director
ID	-	Independent Director
NA	-	Not Applicable

Appointment, re-election and Resignation of Directors

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.

The maximum period a Director can serve is restricted to nine years as per the provisions of the Banking Act Direction No. 12 of 2007 on Corporate Governance. Director can resign by writing a letter to Secretary to the Treasury. The Secretary to the Treasury can also remove a Director.

Access to Information

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.

Directors have unrestricted access to all information, as well as the Board acknowledges the need to obtain independent judgment 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.

Management Committees

In addition to the Board Committees, the Bank has constituted Management Committees. These have been established under a Board approved terms of reference. The General Manager/CEO acts as the Chairman of all Management Committees according to the terms of reference of those committees.

Board's Role in Risk Management

The Board is cognisant of its responsibility for formulating and implementing appropriate and adequate processes for risk management and sound internal control systems to safeguard shareholder interests and assets of the Bank. BAC assists the Board in relation to risk managements while BIRMC assists the Board in discharge of its duties with regard to risk management. BIRMC is supported by the Risk Management Department of the Bank. A comprehensive report on Bank's risk management process is included on pages 63 to 72.

Roles of Chairman and CEO

Whilst the Chairman and Chief Executive Officer (CEO)/General Manager (GM) are collectively responsible for the leadership of 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,

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

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

Role of Board 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 practice.
- Acting as the communication liaison between Non -Executive Directors and Management.
- Ensuring appropriate disclosures on related parties and related party transactions in line with regulatory requirements

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 73 The aggregate remuneration paid to the Directors is given on page 130

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 formulated under 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.

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.

Financial acumen

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

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 five 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. 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.

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.

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 and 15
- Number of Board and Committee meetings held in year 2021 and attendance on page 29
- Names of committees in which the Director serves as the Chairman or a member on page 29

Relations with shareholders

Implementing government policy to strengthen financial system, NSB acquired SLSB as its fully own subsidiary in 2019. SLSB is directly comes under preview of NSB as NSB being the sole shareholder of SLSB.

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.

Code of 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.

COMPLIANCE WITH BANKING ACT DIRECTION

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

3(1)	The responsibilities of the board		Complied	Not complied	N/A	Reference
3(1)(i)	Procedures to be carried out to ensure the board have strengthened the safety and soundness of the bank					
	a)	Check the board approval of the bank's strategic Objectives and corporate values Check whether the bank has communicated the bank's strategic objectives and corporate values throughout the Bank	Complied With			Board approved Strategic Plan 2021 - 2025 is in place and strategic objectives have been communicated to the Business Unit Heads and to the operational level staff. Budget 2021 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 With			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.
	c)	Check that the appropriate systems to manage the risks identified by the board are prudent and are properly implemented.	Complied with			BIRMC takes the initiative in assessing all risks of the Bank.

	d)	Check that the board has approved and implemented policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied with			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 with			The BAC is assisting the Board which reviews the adequacy and integrity of the Bank's internal control system and management information system. The Internal Audit Division and the Government Audit reviews on the same and those are reviewed by BAC and also the management responses on the same, during the year. The findings have been reported to the Board.
	f)	Check that the board has identified and designated keymanagement 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 with			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, 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 with			There is clear segregation of authority and responsibilities between the Directors and the KMPs 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.
	h)	Check that the board has exercised appropriate oversight of the affairs of the bank by key management personnel, that is consistent with board policy	Complied with			Board has exercised appropriate oversight of the affairs of the Bank by key management personnel. KMPs are called by the Board to explain the matters under their purview as and when necessary.
	i)	Check that the board has periodically assessed the effectiveness of the board directors' own governance practices, including: (i) the selection, nomination and election of directors and key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary	Complied with			A self-evaluation of the performance of the Board is carried out annually assessing its own governance practices. Related Party Transaction Policy is in place to manage the conflict of interest. Annual declarations of the Board of Directors in respect of related parties and their interests are obtained from Directors to monitor conflict, if any. A self-evaluation of the performance of the Board was carried out annually assessing its own governance practices where the same was done for the year 2021.
	j)	Check that the board has a succession plan for key management personnel	Complied with			Board approved Succession Plan for KMPs is in place.

	k)	Check that the board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Complied with			Key Management Personnel are 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 with			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 has been submitted to the Board for their information and to take actions where necessary. Attendance of the CEO at CBSL meetings further evidence the relationship maintained with the regulator.
	m)	Check that the board has a process in place for hiring and oversight of external auditors	Complied with			As per the 20 th Amendments to the Constitution Auditor General is the Auditor of the Bank. As per the Code of Best Practice on Corporate Governance , Terms of Reference, the Board Audit Committee (BAC), recommends the appointment and oversee the work of the external auditors.
3(1)(ii)		Check that the board has appointed the chairman and the Chief Executive Officer (CEO). Check that the functions and responsibilities of the chairman and the CEO are in line with Direction 3(5) of these Directions	Complied with Complied with			Board shall appoint a fit and proper person to be the General Manager of the Bank who shall be the Chief Executive Officer of the Bank. Chairman and CEO's functions and responsibilities have been defined and approved by the Board. The responsibilities of Chairman and the CEO are defined and approved in line with the Section 3 (5) of this Direction

3(1)(iii)		Check that the board has met regularly and held board meetings at least twelve times a year at approximately monthly intervals	Complied with			Board Meeting are held monthly while special meetings are scheduled on a needs basis. The Board has met 17 occasions during 2021.
3(1)(iv)		Check that the board has a procedure in place to enable all directors to include matters and proposals in the agenda for regular board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank	Complied with			As a practice, directors include matters and proposals in the agenda for regular 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 with			Notice of meetings is given one week prior to the meeting via email. The agenda & Board Papers of the Board Meetings are circulated to the Directors 05 days prior to the meeting giving directors time to attend & submit any urgent proposals.
3(1)(vi)		Check that the board has taken required action on directors who have not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held. Participation at the directors' meetings through an alternate director, however, to be acceptable as attendance.	Complied with			No Director has been absent from two-thirds of the meetings in the immediately preceding 12 months or three consecutive meetings
3(1)(vii)		Check that the board has appointed a company secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and carry out other functions specified in the statutes and other regulations.	Complied with			The Secretary to the Board of Sri Lanka Savings Bank is an Attorney-at-Law that complies with the provisions of Section 43 of the Banking Act No. 30 of 1988. The Board Secretary is primarily responsible for handling secretariat work to the Board and the other functions specified in the statutes and other regulations

3(1)(viii)		Check the process to enable all directors to have access to advice and services of the company secretary.	Complied with			All Directors have access to advice & service of the Board Secretary who is responsible to the Board for follow up on Board procedures, compliance with rules & regulations & maintaining minutes & relevant records of the Bank.
3(1)(ix)		Check that the company secretary maintains the minutes of board meetings and there is a process for the directors to inspect such minutes.	Complied with			The Secretary to the Board prepares the minutes of the Board meetings and circulates same to all Board members. The minutes are reviewed and approved by the Board members at the next Board meeting after incorporating any amendments/inclusions proposed by the Directors
3(1)(x)		Check that the minutes of a board meeting contain or refer to the following a summary of data and information used by the board in its deliberations - the matters considered by the board - 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 - the matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations - the understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and - the decisions and board resolutions	Complied with			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 with			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 with			The Directors make declarations of their interest at appointment and when there is a change. Related Party Disclosure Policy is in place that details on the conflict of interest and the matters and actions to be taken on such situations
3(1)(xiii)		Check that the board has a formal schedule of matters specifically reserved to it for decision to identify the direction and control of the bank is firmly under its authority	Complied with			The Board has formal schedule of matters reserved for their attention and a delegation of Authority ensures that the direction and control of the Bank is firmly under Board's control and authority.
3(1)(xiv)		Check that the board has forthwith informed the Director of Bank Supervision of the situation of the bank prior to taking any decision or action, if it considers that the procedures to identify when the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.	Complied with			The Bank is solvent, and no such situation has arisen during the year to challenge its solvency.

3(1)(xv)		Check that the board has the bank capitalised at levels as required by the Monetary board.	Complied with			The Board monitors capital adequacy and other prudential measures to ensure compliance with regulatory requirements, and the Bank's defined risk appetite. The Bank complies with the minimum capital adequacy requirements.
3(1)(xvi)		Check that the board publishes, in the bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.	Complied with			
3(1)(xvii)		Check that the board adopts a scheme of self-assessment to be undertaken by each director annually, and maintains records of such assessments.	Complied with			The Bank has adopted a scheme of self-assessment to be undertaken by every Director, annually which is maintained by the Secretary to the Board. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual and the effectiveness of the Board as a whole.
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.				Board comprises 06 directors including the Chairman. Details of the Board are given on pages 13 to 15 in this report.
3(2)(ii)	(A)	Check that the total period of service of a director other than a director who holds the position of CEO, does not exceed nine years	Complied with			None of the Directors has exceeded the service of nine years during the year 2021. All the Directors have been appointed by the Secretary to the treasury.

		(B)	In the event of any director serving more than 9 years, check that the transitional provisions have been applied with.				Not Applicable
3(2)(iii)			Check that the number of executive directors, including the CEO does not exceed one-third of the number of directors of the board	Complied with			All Directors are Non-Executive Directors and appointed by the Secretary to the Treasury.
3(2)(iv)			Check that the board has at least three independent non-executive directors or one third of the total number of directors, whichever is higher Check if non-executive directors can be considered independent if he/she:	Complied with			“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			N/A	No alternative Directors was appointed during the year 2021
3(2)(vi)			Check that the bank has a process for appointing independent directors	Complied with			All Directors are Non-Executive Directors and independent Directors are appointed by the Secretary to the Treasury.
3(2)(vii)			Check that the stipulated quorum of the bank includes more than 50% of the directors and out of this quorum more than 50% should include non-executive directors	Complied With			According to the AOA ,a quorum for meeting of the Board is four (04),if the total number of Directors is 7 and more than half the number of Directors should be present to constitute a quorum. 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 with			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 with			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			N/A	This does not arise since the Secretary to the treasury 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.			N/A	Director can resign by writing a letter to Secretary to the Treasury .The Secretary to the Treasury can also remove a Director. Directors' resignation and the reason for such resignation are duly informed to CBSL.
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.				Neither Directors nor employees of the Sri Lanka Savings Bank are appointed as Directors of another Bank,
3(3)		Criteria to assess the fitness and propriety of directors				

3(3)(i)		Check that the age of a person who serves as director does not exceed 70 years		Complied with			Non of the Directors of the Bank are over 70 years of the age as at 31st December 2021
		(A)	Check that the transitional provisions have been complied with.			N/A	
3(3)(ii)		Check if there is a process to identify whether a director holds office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank		Complied with			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 with			Delegation of authority is in place. The Board reviews and approves the delegation arrangements and ensures that the extent of delegation addresses the needs of the Bank while enabling the Board to discharge its functions effectively without any hindrances
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.					
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.					
3(5)		The Chairman and Chief Executive Officer					
3(5)(i)		Check that the roles of chairman and CEO is separate and not performed by the same individual		Complied with			There is a clear separation of duties between the roles of the Chairman and the General Manager/CEO.

3(5)(ii)		Check that the chairman is a non-executive director and preferably an independent director as well. In the case where the chairman is not an independent director, check that the board designate an independent director as the senior director with suitably documented terms of reference. Check that the designation of the senior director be disclosed in the bank's Annual Report.	Complied with			Chairman of the Bank is a Non - Independent Non - Executive Director Mr.Hemantha gamage who is an independent non executive director was appointed as senior director to comply with the direction.
3(5)(iii)		Check that the board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the CEO and board members and the nature of any relationships including among members of the board	Complied with			Bank has a process in this regard. The Board is cognizant that there are no relationships of any kind of financial, business, family, any other material/relevant relationship between the Chairman and the General Manager/ CEO. Also, there are no relationships among the other Board Members.
3(5)(iv)		Check that the board has a self-evaluation process where the chairman: provides leadership to the board; ensures that the board works effectively and discharges its responsibilities; and ensures that all key and appropriate issues are discussed by the board in a timely manner.	Complied with			The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibilities. The Board in a timely manner discusses all key issues.
3(5)(v)		Check that a formal agenda is circulated by the company secretary approved by the chairman.	Complied with			The Secretary to the Board draws up the agenda for the meetings in consultation with the Chairman.

3(5)(vi)		Check that the chairman ensures, through timely submission that all directors are properly briefed on issues arising at board meetings	Complied with			The Chairman ensures, that all Directors are properly briefed on issues arising at Board meetings. Agenda and Board papers are circulated to the Directors giving adequate time for them to go through the papers. Minutes of previous month's Board meeting are distributed to the Board members and tabled at the subsequent Board meeting for ratification/ approval..
3(5)(vii)		Check that the board has a self-evaluation process that encourages all directors to make a full and active contribution to the board's affairs and the chairman taking the lead to act in the best interest of the bank.	Complied with			The bank has a process of self- assessment which is carried out during the year to evaluate individual Director's performance of preceding year.
3(5)(viii)		Check that the board has a self-evaluation process that assesses the contribution of non-executive directors.	Complied with			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.	Complied with			Chairperson is a Non-Executive Director and she is not involved directly in executive functions to supervise KMPs or any other executive duties whatsoever.
3(5)(x)		Check that there is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the board.	Complied with			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 with			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)		Board appointed committees				

3(6)(i)		Check that the bank has established at least four board committees as set out in Directions 3(6) (ii), 3(6) (iii), 3(6) (iv) and 3(6) (v) of these Directions. Check that each board committee report is addressed directly to the board. Check that the board presents in its annual report, a report on each committee on its duties, roles and performance.	Complied with			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. The Secretary to the Board serves as the Secretary to all Board subcommittees who arranges the meetings and maintain minutes, records etc.
3(6)(ii)		Audit Committee:				
	(a)	Check that the Chairman of the committee is an independent non-executive director and possesses qualifications and related experience	Complied with			The Chairman of the Audit Committee is an Independent Non-Executive Director. The Chairman of the Board Audit Committee holds required qualifications and experience. Profile of the Chairman of the Committee is given on page 13
	(b)	Check that all members of the committee are non-executive directors.	Complied with			All members of the Committee are Non-Executive Directors..

	(c)	Check that the committee has made recommendations on matters in connection with: the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; the implementation of the Central Bank guidelines issued to auditors from time to time; the application of the relevant accounting standards; 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 with			Auditor General is the External Auditor of the Bank as per the statutes. Hence, the Committee has no role to play in the engagement of the External Auditor. As per the Terms of Reference, the Board Audit Committee makes the following recommendations among others: • Implementation of Central Bank guidelines issued to Auditors from time to time • The application of relevant accounting standards
	(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 with			Since the Auditor General is the External Auditor the independence and objectivity are maintained and guaranteed by the Constitution of Sri Lanka. Effectiveness of the audit process is discussed with the Superintendent of the Government Audit at Board Audit Committee meetings.
	(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			N/A	The Auditor General is the External Auditor of the Bank.

	(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			N/A	The scope and the extent of audit have been determined by the Auditor General as the External Auditor.
	(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 major judgmental areas; any changes in accounting policies and practices; the going concern assumption; and the compliance with relevant accounting standards and other legal requirements, and; in respect of the annual financial statements the significant adjustments arising from the audit.	Complied with			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 with			The BAC discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at the Committee meetings throughout.
	(i)	Check that the committee has reviewed the external auditor's management letter and the management's response thereto.	Complied with			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: 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; 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; Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; 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.	Compl ied with Compl ied with Compl ied with		The Annual Audit Plan for the year 2021 prepared by the Internal Audit Division was submitted to the BAC was approved which includes the scope, functions and resource requirements relating to the plan. The Committee reviews the internal audit plan and the results of the internal audit procedures and ensures that appropriate actions are taken for improvements. Performance appraisal of Chief Internal Auditor and the work process and results of the internal audit function are generally evaluated by the Audit Committee. Performance evaluation of senior staff is carried out according to the Board approved evaluation process by the Chief Internal Auditor and is tabled before the Board Audit Committee. The year 2021 evaluations were carried out. No such situation has arisen during the year. No such situation has arisen during the year. 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.
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	(k)	Check the minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	Compl i e d with			The Board Audit Committee has reviewed major findings and Management's responses thereto. It also ensures that the recommendations of such investigations were implemented.
	(l)	Check whether the committee has had at least two meetings with the external auditors without the executive directors being present.	Compl i e d with			
	(m)	Check the terms of reference of the committee to ensure that there is; explicit authority to investigate into any matter within its terms of reference; the resources which it needs to do so; full access to information; and Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Compl i e d with			According to the Board Audit Charter, the Committee has been empowered with: Explicit authority to investigate into any matter within its Terms of Reference The resources which it needs to do so. Full access to information and Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.
	(n)	Check that the committee has met, at least four times and maintained minutes.	Compl i e d with			The BAC has scheduled regular meetings. Additional meetings are scheduled when required. The Committee met five times during the year. Members of the BAC are served with due notice of issues to be discussed and conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by the Secretary to the BAC/ Secretary to the Board of SLSB

	(o)	Check that the board has disclosed in the annual report, details of the activities of the audit committee; the number of audit committee meetings held in the year; and details of attendance of each individual director at such meetings	Compl ied with			Details of the activities of the Audit Committee has disclosed in the Annual Report 2021 on pages 78-80
	(p)	Check that the secretary of the committee is the company secretary or the head of the internal audit function.	Compl ied with			The Secretary to the Board of Sri Lanka Savings Bank acts as Secretary to the BAC and detailed minutes are maintained.
	(q)	Check that the “whistle blower” policy covers the process of dealing with; The improprieties in financial reporting, internal control or other matters. In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, andAppropriate follow-up action.	Compl ied with			Board approved whistle blowing policy has been reviewed in the year 2021 .
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	Compl ied with			Remuneration of the Directors are decided by the guidelines set up by the Ministry of Finance. Committee has implemented a compensation/remuneration policy to determine the remuneration (salaries, allowances, and other financial payments) relating to CEO and KMPs.

	b)	Check that the goals and targets for the directors, CEO and the key management personnel are documented	Complied with			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 with			Board Human Resource and Remuneration Committee (BHRRC) evaluate the performance of the CEO and KMPs .
	d)	Check that the “Terms of reference” provides that the CEO is not present at meetings of the committee, when matters relating to the CEO are being discussed by reviewing the minutes	Complied with			According to the Terms of Reference of the BHRC, CEO shall be present at all meetings of the committee, except when matters relating to the CEO being discussed.
3(6)(iv)		Does the following rules apply in relation to the Nomination Committee:				
	a)	Check that the committee has implemented a procedure to select/ appoint new directors, CEO and key management personnel	Complied with			Directors are appointed by the Secretary to the treasury .Main functions of the Board Nomination Committee are to implement 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 Secretary to the treasury.
	c)	Check that the committee has set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and the key management personnel, by review of job descriptions	Complied with			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 with			Signed affidavit and declarations of Directors and General Manager/ CEO are obtained by the Board Secretary and the same are obtained from the KMPs by the Human Resource Development Division and forwarded to the Central Bank for assessing the fitness and propriety at the time of appointment.
	e)	Check that the committee has considered a formal succession plan for the retiring directors and key management personnel	Complied with			Board of Directors are appointed by the Secretary to the treasury Board approved Succession Plan for CEO and Key Management Personnel is in place.
	f)	Check that the Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied with			Majority of nomination Committee constituted with independent Directors
3(6)(v)		Does the following rules apply in relation to the Integrated Risk Management Committee (IRMC):				
	a)	The committee shall consist of at least three non-executive directors, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee	Complied with			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 with			The Board has approved the Policies on Credit Risk Management, Market and Liquidity Risk Management, Operational Risk Management on the recommendation of the BIRMC that provides the framework for assessment and management of risks. The Risk Management Division submits monthly reports on risk indicators on the predefined risk appetite levels which are reviewed by the Committee.
	c)	Check that the committee has reviewed specific quantitative and qualitative risk limits for all management level committees such as the credit committee and the asset-liability committees, and report any risk indicators periodically	Complied with			The Committee reviews reports of management level committees such as the Credit Committee, the Asset and Liability Management Committee (ALCO) to assess the adequacy and effectiveness in addressing specific risks and to ensure those risks are managed within quantitative and qualitative risk limits as specified by the risk appetite level of the Bank which reviewed on a regular basis.
	d)	Check that the committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits	Complied with			The Committee takes prompt corrective actions to mitigate the effects of specific risks in situations where such risks are beyond prudent levels decided by the Board on recommendations of the Committee based on the regulatory and policy level requirements.
	e)	Check how many times the committee has met at least quarterly	Complied with			BIRMC has held four (04) meetings during the financial year 2021.

	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.				The Bank has established a disciplinary action procedure to address such issues. No necessities have arisen during the year.
	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 with			The detailed minutes of the meetings are submitted to the next immediate Board meeting along with the recommendations and the Risk Management Reports.
	h)	Check that the committee has establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations and that there is a dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically	Complied with			The Compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on areas of business operations. This function is headed by a Compliance Officer (CO). CO submits reports periodically to the BIRMC/BAC/Board.
3(7)(i)		Check that there is an established and documented process by the board to avoid any conflicts of interest that may arise from any transaction of the bank with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: Any of the bank's subsidiary companies; Any of the bank's associate companies; Any of the directors of the bank; Any of the bank's key management personnel; A close relation of any of the bank's directors or key management personnel; A shareholder owning a material interest in the bank; A concern in which any of the bank's directors or a close relation of any of the bank's directors or any of its material shareholders has a substantial interest.	Complied with			The Board approved Related Party Transactions Policy is in place covering related parties, their transactions and restrictions on offering more favourable treatment to related parties in order to avoid any conflict of interest by the Board of Directors. Directors are requested to declare their related party transactions individually

3(7)(ii)		Check that there is a process to identify and report the following types of transactions been identified as transactions with related parties that is covered by this Direction.	Complie d with			Board approved documented policy in place which identifies types of related party transactions and for the Bank to avoid any conflicts of interest that may arise from any transaction with the related parties.
	A)	The grant of any type of accommodation, as defined in the Monetary board's Directions on maximum amount of accommodation.	Complie d with			
	B)	The creation of any liabilities of the bank in the form of deposits, borrowings and investments.				
	C)	The provision of any services of a financial or non-financial nature provided to the bank or received from the bank				
	D)	The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties				
3(7)(iii)		Does the board have a process to ensure that the bank does not engage in transactions with related parties as defined in Direction 3(7) (i) above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the bank carrying on the same business.	Complie d with			As per the Board approved policy, which identifies types of related party transactions and to ensure that the Bank does not engage in such transactions in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same transaction with the Bank.

	a)	Granting of “total net accommodation” to related parties, exceeding a prudent percentage of the bank’s regulatory capital, as determined by the board. For purposes of this sub-direction: “Accommodation” shall mean accommodation as defined in the Banking Act Directions, No.7 of 2007 on Maximum Amount of Accommodation. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank’s share capital and debt instruments with a maturity of 5 years or more.				Annual declarations are obtained from the Directors where such transactions would be identified.
	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				No such situation has arisen during the year
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 with			The Secretary to the Board obtains declarations from all the Directors prior to the appointment as a Director and they are requested to declare any further transactions. Employees of the Bank are aware of the requirement to obtain the necessary security as defined by the Monetary Board, if a need arises. Board approved policy of the Bank Section 5.1 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 with			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 with			As per the Board approved policy Section 5.1 there is a process in place at the Bank in this regard.

3(8)		Disclosures				
3(8)(i)		Check that the board has disclosed: 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.	Compl i e d with Compl i e d with			
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	Compl i e d with			The statement to this effect is included in the Directors' Responsibility for Financial Reporting on pages 81-82 of the Annual Report 2021
	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	Compl i e d with			Report by the Board on the Bank's internal control mechanism has been disclosed in the "Directors' Statement on Internal Control over Financial Reporting" on pages 81 and 82 in the Annual Report 2021.
	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.	Compl i e d with			"Auditor General's Assurance Report" on Internal Controls disclosed on pages 83-84 in the Annual Report 2021.

	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	Complie d with			Profiles of the Directors are given on pages13 to 15. Refer Note 37 to the Financial Statements on page 130															
	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	Complie d with	Net accomodations granted to related parties <table><tr><td>As at 31 st December</td><td>2021 (Rs.000')</td><td>2020 (Rs.000')</td></tr><tr><td>Key Management Persons</td><td></td><td></td></tr><tr><td>Loans & Advances</td><td>40,045</td><td>28,729</td></tr><tr><td>Regulatory Capital</td><td>5,844,430</td><td>4,424,370</td></tr><tr><td>Net accomodation as a % of the Bank's regulatory Capital</td><td>0.69%</td><td>0.65%</td></tr></table>			As at 31 st December	2021 (Rs.000')	2020 (Rs.000')	Key Management Persons			Loans & Advances	40,045	28,729	Regulatory Capital	5,844,430	4,424,370	Net accomodation as a % of the Bank's regulatory Capital	0.69%	0.65%
As at 31 st December	2021 (Rs.000')	2020 (Rs.000')																			
Key Management Persons																					
Loans & Advances	40,045	28,729																			
Regulatory Capital	5,844,430	4,424,370																			
Net accomodation as a % of the Bank's regulatory Capital	0.69%	0.65%																			
	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.	Complie d with			Details are given in Note 37 to the Financial Statements on page 130- 131															
	g)	Check that the board has obtained the external auditor's report on the compliance with Corporate Governance Directions.	Complie d with			The Bank has obtained a certificate from the Auditor General on the level of compliance with the Corporate Governance Direction No. 12 of 2007. All findings of the Auditor 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	Complie d with			The Statement of Directors' Responsibility for Financial Reporting on pages 81 to 82 clearly sets out the details regarding compliance with prudential requirements, regulations, laws and internal controls.															

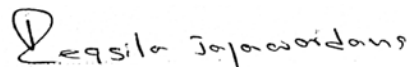
	i)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or noncompliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the bank to address such concerns			N/A	There were no 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 of CBSL and therefore, the Monetary Board has not directed any disclosures to be made public during the year.
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Compliance requirement of the Corporate Governance Direction No. 12 of 2007

The Auditor General has performed procedures in accordance with the principles set out in Sri Lanka Standards on Related Services 4,400 – Engagements to Perform Agreed – Upon Procedures Regarding Financial Information issued by The Institute of Chartered Accountants of Sri Lanka to meet the compliance requirement of the Direction No. 12 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka. His findings given on his report dated 29 June 2022 were not materially different to the matters disclosed above and did not identify any significant inconsistencies to those reported above by the Board.



Mrs. A.R.R. Piyasekara
Secretary to the Board



Mrs. Keasila Jayawardena
Chairperson

RISK MANAGEMENT

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 Board of Directors, Board Integrated Risk Management Committee and Corporate Management and Asset Liability Committee (ALCO). These policies approved from time to time by Board of Directors, Sub committees of 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 of 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. An independent risk management function ensures that risk is managed through 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 industry practices. The Board of Directors with its 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.

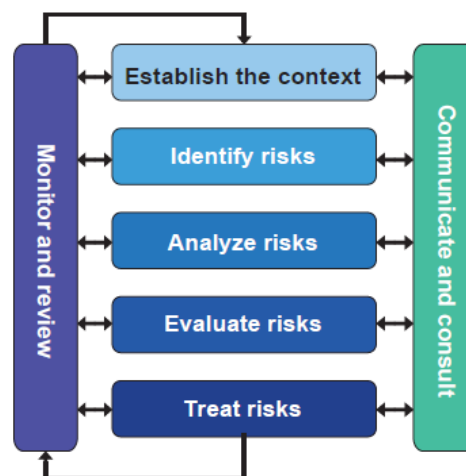


Figure: Risk management process

Risk Governance

- Board of Directors
- Board Integrated Risk Management Committee
- Assets & Liability Management Committee
- Credit & Operational Risk Management Committee

Risk Management Policies & Guidelines

- Integrated Risk Management Policy
- Stress Testing Policy
- Assets & Liability Management Policy
- Risk Appetite Statement

Risk Reporting

- Quarterly risk reports to BIRMC meeting
- Monthly Risk Assessment report to BIRMC
- Summary risk report to Board of Directors
- Weekly Mark to market report to ALCO
- Ad hoc reporting to management level committees

Risk Management

Risk Oversight

- Central bank of Sri Lanka
- External Audit

Risk Management Tools

- **Credit Risk**
 - Credit risk Grading
 - Risk Limits
 - Loan Review
- **Market Risk**
 - Counter Party risk limits
- **Liquidity Risk**
 - Maturity Gap analysis
 - Risk Limits
 - Regulatory ratios
- **Concentration Risk**
 - Concentration risk limits
- **Stress Testing**
 - Scenario analysis
 - Sensitivity analysis
- **Operational Risk**
 - Self risk assessment
 - Loss event report/register committees

Figure : Risk Management at Glance

Credit Risk

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any financial contract, principally, the failure to make required payments on loans. The Bank is exposed to Credit default risk arising from non payment of regular loan repayments and exposed to concentration risk arising from uneven distribution of credit facilities to individual borrowers either by name, product, geographical regions or industry sectors.

Credit Risk profile – 2021

Year 2021 was a very critical year to the SLSB due to CBSL restrictions on business operations and impact of Covid-19 pandemic.

Central bank of Sri Lanka restricted the certain business operations including new credit

disbursements of SLNB with effect from 4th January 2021. Therefore Bank's main credit related function was to recovery of loans.

Covid-19 pandemic severely impacted on Sri Lanka economy with resulting an economic slowdown. Several sectors such as Tourism, Manufacturing and construction sectors were highly impacted. Complying with CBSL directions and instructions, Bank granted credit moratoriums to the Covid-19 impacted customers to minimize their financial difficulties.

During the year 2021 Bank was able to reduce NPL amount by Rs. 146.25. Reduction in NPL excluding is PSDB loans during the year 2021 recorded as 22%.

Credit Risk Management

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

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

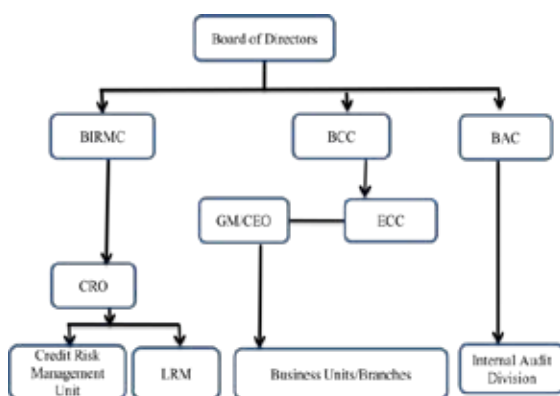
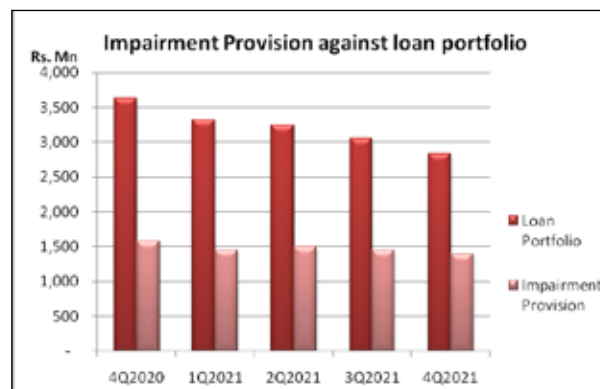


Figure : Credit Risk governance structure

Credit Default Risk

The risk of loss arising from a counterparty being unlikely to pay its loan obligations in full or the counterparty is more than 90 days past due on credit obligation.

Bank's gross NPL ratio at the end of 2021 stood at 22.81% (excluding PSDB loans). It is 1.95% increase compared to previous year 2020. However Bank's NPL ratio is very high compared to Industry norms. Even though NPL rate increased, volume of NPL has decreased by Rs. 146.5 Mn (22% deduction compared to last year) by the end of financial year 2021. At the end of the year 2021, Amount of impairment provision against loan portfolio decreased by Rs. 101.68 Mn (2021- Rs. 1,478.14 Mn, 2020- Rs. 1,579.82) while its ratio increased to 52.14% from 43.30% in 2020.

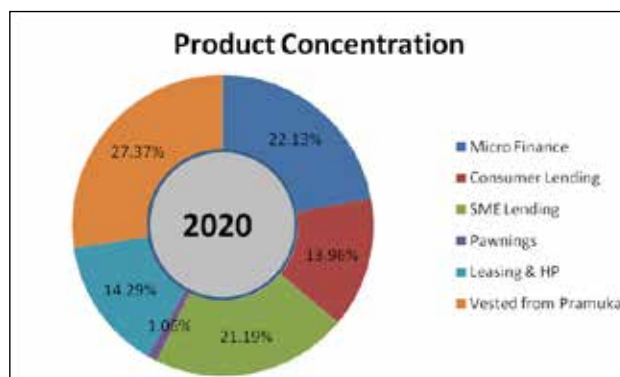
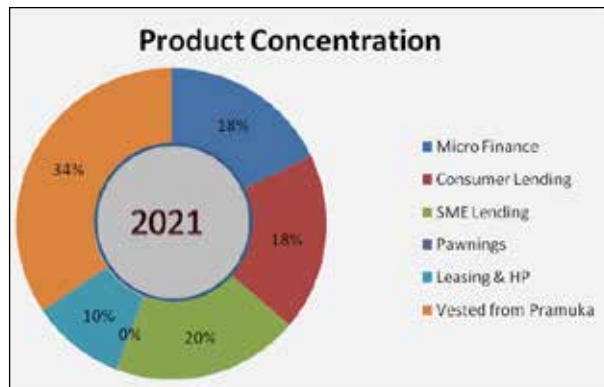


Concentration Risk

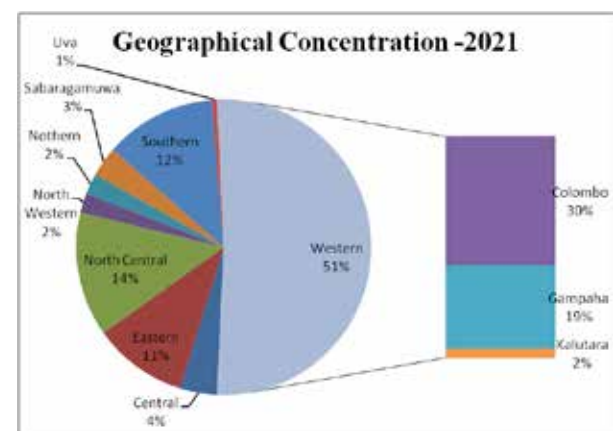
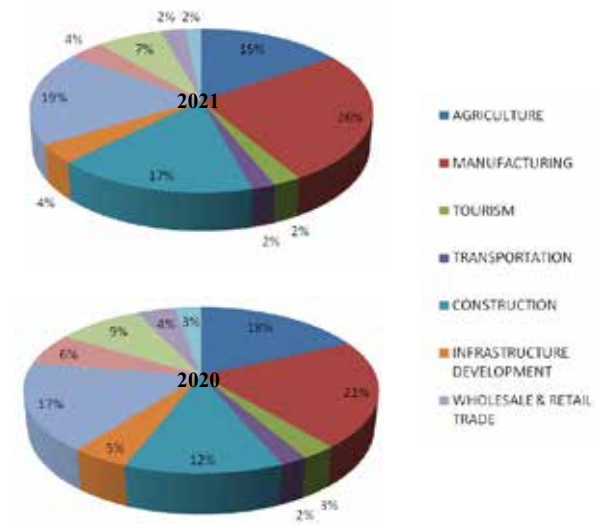
Concentration risk in credit portfolios comes through uneven distribution of loans to individual borrowers (Name Concentration), Loan products (Product Concentration), geographical distribution (Geographical concentration) or in Industry or services sectors (sector concentration). Concentration risk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

Product Concentration

Product Concentration arises as a result of a material share of a credit portfolio is allocated to a lending product or group of related products that exhibit correlated behaviour because of product features. Bank's loan portfolio distributed among 22 loan products with having HHI Index of 0.15. Bank's product diversification can be grouped based on purpose of the loan product as below.



Sector Concentration



Market Risk

Market risk is defined as the risk of losses arising from movements in market prices. Interest rate risk in banking Book 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.

Assets & Liability Management Committee (ALCO) holds the frontline responsibility for managing market risk of the Bank and they regularly attends on;

- Monitor the maturity profile of the interest rate sensitive assets and liabilities
- Assess short & medium term liquidity profile of the bank
- Take appropriate investment decisions considering movement in market prices

Board of Directors holds ultimate responsibility for managing market risk of the Bank and BIRMC regularly monitors the effectiveness of functioning of ALCO.

Interest Rate Risk

Interest rate risk can be defined as change in a bank's portfolio value due to interest rate fluctuations. It is the potential loss from unexpected changes in interest rates, which can significantly affect a bank's profitability and market value of equity.

Interest rate risk in banking is originated by a mismatching of assets and liabilities maturities and interest rate re-pricing on assets and liabilities.

Interest rate risk to the bank can either arise from rate sensitive financial assets and liabilities in trading book or rate sensitive financial liabilities in the Banking Book. Currently bank does not hold rate sensitive asset or liability in the Bank's trading book. See Note 43 (Page 140) to the financial statements for details over banks exposure on trading book and Banking Book.

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates. 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.

Impact of market interest rate movements by 50,100, and 200 basis points over net interest income have identified as below.

2021		
	Parallel Increase	Parallel Decrease
	Rs.	Rs.
Net Interest Income		
Change in 50 bps	19,543,455	(19,543,455)
Change in 100 bps	39,086,909	(39,086,909)
Change in 200 bps	78,173,819	(78,173,819)

2020		
	Parallel Increase	Parallel Decrease
	Rs.	Rs.
Net Interest Income		
Change in 50 bps	16,884,032	(16,884,032)
Change in 100 bps	33,768,065	(33,768,065)
Change in 200 bps	67,536,130	(67,536,130)

Equity Price Risk

Equity price risk is the risk of loss arising from the adverse movement in the value of equity investments held by the Bank due to various reasons such as deterioration in performance or net assets value of respective business ventures. Bank's Equity investment portfolio is managed taking a long term view and accounted in banking book of the Bank. changes in market values of quoted equity investment portfolio is recorded in other comprehensive income.

Total market value of quoted investment portfolio as of 31st December 2021 was Rs. 165.20 Mn and it is 20% increase in market value compared to portfolio as at end of 2020.

Risk Management division conducted sensitivity analysis for movement in equity market prices. Results analysis as below.

2021				2020		
	Impact to P & L Rs.	Impact OCI Rs.	Impact to Equity Rs.	Impact to P & L Rs.	Impact OCI Rs.	Impact to Equity Rs.
Shock on equity prices						
5% Upward	-	8,259,796	8,259,796	-	6,900,567	6,900,567
5% Downward	-	(8,259,796)	(8,259,796)	-	(6,900,567)	(6,900,567)
10% Upward	-	16,519,593	16,519,593	-	13,801,135	13,801,135
10% Downward	-	(16,519,593)	(16,519,593)	-	(13,801,135)	(13,801,135)
20% Upward	-	33,039,185	33,039,185	-	27,602,269	27,602,269
20% Downward	-	(33,039,185)	(33,039,185)	-	(27,602,269)	(27,602,269)

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 Bank's exposure to the Pawning portfolio is Rs.2.1 Mn and it is significant drop compared to previous year portfolio of Rs. 38.6 Mn. This significant drop occurred due to CBSL restrictions over Bank's operations. Hence Bank's exposure to commodity price risk is negligible.

Liquidity Risk

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

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

Liquidity risk is measured through stock approach, flow approach (Maturity Gap

analysis) and stress testing techniques. The stock approach evaluates liquidity in terms of key ratios which demonstrate the liquid assets stored at the balance sheet date.

	Regulatory Requirement	2021	2020
Statutory Liquid Asset Ratio	20%	742%	511%
Liquidity Coverage Ratio	100%	1482%	567%
Net Stable Funding Ratio	100%	172%	199%
Net Loans to Total Assets		16%	22%
Liquid Assets to Short Term Liabilities		349%	418%
Loan to Customer Deposits		372%	337%
Purchased Funds to Total Assets		5%	6%

Flow Approach (Maturity gap analysis report) is key tool for measuring liquidity risk of the Bank. Bank prepares the maturity gap report quarterly to identify maturity mismatches and observations are reported management and BIRMC accordingly. Maturity gap position of the Bank as of December 2021 is given in Note 43 to the financial statements in descriptive manner.

Bank has set the maturity gap limit to ensure that Bank is always safe in liquidity risk.

	Gap Limit	Position as of 31-12-2021
3 months cumulative maturity mismatch as % Cumulative Liabilities	-15%	572%
12 months cumulative maturity mismatch as % Cumulative Liabilities	-10%	523%

Operational Risk

Operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems, or from external events such as natural disasters, social or political events. It is inherent in all banking products and processes and Bank's objective is to control it in a cost-effective manner. Operational risk includes legal risk but excludes strategic and reputational risk.

Operational Risk Management

The Bank manages operational risk through policies, risk assessment, risk mitigation including insurance coverage, procedures relating to outsourcing of business activities, managing technology risk, creating a culture of risk awareness across the Bank, and monitoring and reporting.

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.

Key Operational Risk 2021

Operational risk emerged as a critical area of risk management during the year, as concerns on employee health and safety, disruptions to traditional operating models and dramatic shift towards digital platforms gave rise to an array of new risks. However Bank's IT infrastructure remains at low level compared to industry peers. During the year Bank did not make significant investment on IT infrastructure due to CBSL's restrictions over Bank's business operations.

Even with low IT infrastructure Bank made appropriate arrangements through facilitating work from- home arrangements and remote working arrangements.

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.

Covid-19 pandemic situation of the country disrupted the normal business operations of the Bank and Bank was able to quickly response to same by giving priority to employees' health and safety.

As an essential service provider, all the branches remained opened and we took comprehensive measures in ensuring the safety of our frontline employees by providing all hygiene and sanitary essentials, raising awareness and even facilitating transportation for certain employees. Other employees were given the opportunity to work from home and measures were taken to enhance employee engagement through digital platforms.

IT Risk

Technology risk arises from the use of computer systems in the day-to-day conduct of the Bank's operations, storage and retrieval of information and reports and use of internet and other digital platforms. The risk can occur due to the choice of faulty or unsuitable technology and adoption of untried or obsolete technology.

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

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

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

As the regulator, the Central bank of Sri Lanka having considered the potential challenges to SLSB, through its letter dated 4th January 2021, decided to impose restrictions over new loan disbursements and accepting new deposits.

NSB as parent Bank of SLSB is in the view that, existence of SLSB as a separate Bank is vital to NSB to achieve its strategic goals. If regulator doesn't withdraw the imposed restriction, the Board of Directors of NSB have decided to merge SLSB with NSB.

With the limited business operations, Bank's operational performance has reduced compared to previous years. Management level committees such as Management Committee, & ECC meets at least once a month and discusses the performance of the Bank. During the year 2021, Bank more concerned on recovery of NPL and payment for depositors. Bank was able reduce by Rs. 146.5 Mn during the year 2021 and paid the deposits as they fall due. Further Bank places its excess funds in more efficient manner while keeping adequate liquidity at all time.

Capital Management

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

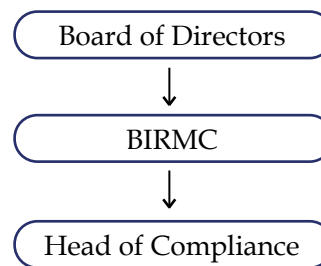
	2021	2020
	Rs. Mn	Rs. Mn
Capital		
Tier 1 Capital	5,306.80	5,357.99
Total capital	5,306.80	5,357.99
Risk Weighted Assets		
Credit Risk	4,436.60	5,407.66
Market Risk	-	-
Operational Risk	1,024.38	1,123.31
Total Risk Weighted Assets	5,460.98	6,530.97
Capital Adequacy Ratio		
Tier 1 CAR	97.18%	82.04%
Total CAR	97.18%	82.04%
Regulatory Minimum		
Tier 1 CAR	8.50%	8.50%
Total CAR	12.50%	12.50%

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.

Sri Lanka Savings Bank's Compliance Department is responsible for ensuring Bank-wide compliance with all legal and regulatory requirements and industry best practices.

Compliance risk governance



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 and review 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 and review 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 minimize 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. 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.

Regulatory Interaction and Coordination for 2021

Faced with frequent and often ad-hoc regulatory changes due to the government-led debt moratorium programme granted to COVID-19 affected business and individuals, the Compliance Department was called upon to proactively interpret and dynamically support the application of these changes in practice. The Compliance Department was tasked with communicating regulatory instructions issued during the COVID-19 period in a timely manner to keep business units apprised of necessary changes.

Future Focus

Continue to focus on inculcating the compliance culture at all levels across the bank and branches.

REPORT OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

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. Saliya Dharmawardena – Member

Mr. Hemantha Gamage – Member

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 four successful meetings during the year 2021 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	04	04
Mr. Saliya Dharmawardena	04	04
Mr. Hemantha Gamage	04	04

2. Main functions

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

its concerns and recommendations to the Board;

- Review or make recommendations to the Board in respect of the human resources policies, practices and organizational structures, all of which should provide consistency with the strategic plan, support operational effectiveness and efficiency, and maximize human resources potential.
- Make recommendations / decisions / directions pertaining to the statutory payments made by the Bank on behalf of its employees (EPF, ETF, Terminal Benefits, etc.), ensuring the effective fulfillment of all commitments arising as a result of the employer-employee relationship.
- Review general issues, such as training and employee development programmes, turnover, employee engagement and diversity.
- Providing guidance and policy direction for relevant matters connected to general areas of Human Resources Management of the Bank.
- Promoting a culture of regular performance reviews to enable staff to obtain feedback from their superiors in further of achieving their objectives and development goals.

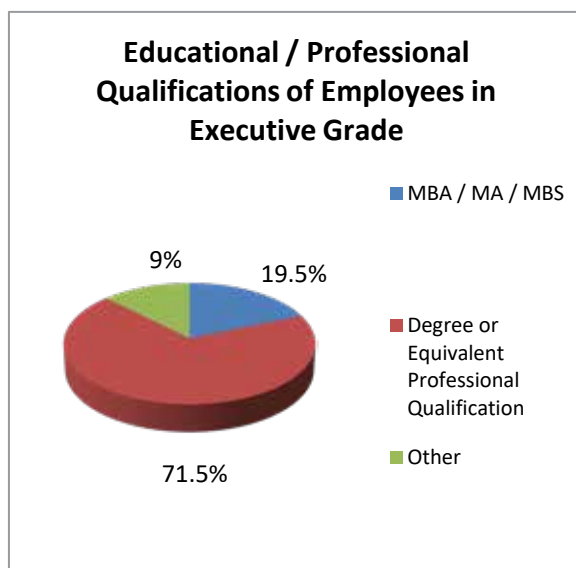
3. Summary of Activity

a) During the year, Human Resources and Remuneration committee comprehensively reviewed the 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 2020 against the set goals and targets and

granted the increments, bonuses and promotions for the staff members including the KMPs.

b) The total number of staff as at 01st January 2021 was 107 and by the end of the year it was 106.

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

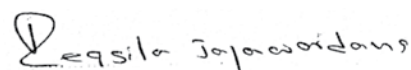


d) External training and development of staff to take on new challenges was the other key area. Bank has nominated employees to attend trainings in the vital areas and Majority of them were conducted via online. It was discouraged to attend physical trainings and foreign trainings for the employees in order to adhere the Health guidelines issued by the Ministry of Health to mitigate 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

e) 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.



Mrs. Keasila Jayawardena

Chairperson

Board Human Resource and Remuneration Committee

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.

Composition of BIRMC 2021

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.

The Board of Directors' representatives to the BIRMC are as below.

Mr. Saliya Dharmawardane
Independent, Non executive Director

Mr. Prasad Imbulagoda
Independent, Non executive Director

Mr. Janaka Arunashantha
Independent, Non executive Director

Management Level representatives

Mr. M.A.S. Fernando
GM/CEO

Mrs. A.R.R Piyasekara
Chief Manager – Legal, Company Secretary and Secretary to BIRMC

Mrs. D.M.N.T. Dissanayake
Manager Compliance/Risk

Brief profiles of the Board members and the General Managers/CEO of the Board Integrated Risk Management Committee during year 2021 are given on pages 13 to 15. of the Annual Report.

Attendance of the Committee members during the year 2021 is as below

Name of Director	No. of meetings	
	Held	Attended
Mr. Saliya Dharmawardhane	04	04
Mr. Janaka Arunashantha	04	04
Mr. Prasad Imbulagoda	04	03

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

BIRMC Activities in 2021

- 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 credit quality of the Bank's lending portfolio and given necessary recommendation to Board of Directors/ required guidelines were given to Management.



Mr. Prasad Imbulagoda
Chairman
Board Integrated Risk Management Committee
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 2021 are as follows:

Name	Designation	Period served
Mr. H.M.S. Dharmawaradena	Chairman	From 09/04/2021 to 31/12/2021
Mr. Hemantha Gamage	Member	From 01/01/2021 to 31/12/2021
Mr. Jayantha Perera	Member	From 01/01/2021 to 31/12/2021

Meetings

During the year 2021, six (06) 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 2021.

The Senior Management including General Manager / CEO, Head of Finance and Planning, Head of Internal Audit, Head of Compliance and Head of Risk attend the Meetings by invitation.

Attendance of the BAC members during the financial year ended Dec 31, 2021 is as follows.

Name	Eligible to attend	Attended
Mr. H.M.S. Dharmawaradena	06	06
Mr. Hemantha Gamage	06	06
Mr. Jayantha Perera	06	06

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.

- Determination of the responsibilities of the Internal Audit division and review of the annual audit plan.
- Review and evaluate internal control systems for all activities of the entity.
- Review performance at regular intervals for cost effectiveness and to eliminate unnecessary/wasteful expenditure etc.
- 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 Risk Based Annual 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 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 2020 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 2020.
- (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.

Extend Gratitude to the External Auditors

Finally, I take this opportunity to extend my gratitude to Mrs. R.L.T Priyangani for her continuous support and guidance towards to strengthen the internal controls of the Bank throughout the year 2021 by attending all BAC Meetings representing the Auditor General.



Mr. H.M.S. Dharmawardena
Chairman of the Board Audit Committee
Colombo, Sri Lanka
February 15, 2022

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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:

- Board sub 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 78 to 80 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.

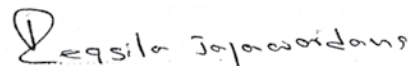
Confirmation

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 over Financial Reporting of the Bank for the year ended December 31, 2021 and will report to the Board.

By order of the Board



Mrs. Keasila Jayawardena
Chairperson of the Board



Mr. H.M.S. Dharmawardena
Chairman of the Board Audit Committee
Director



Mr. Hemantha Gamage
Member of the Board Audit Committee
Director



Mr. Jayantha Perera
Member of the Board Audit Committee
Director

February 15, 2022
Colombo

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



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எனது இல.
My No.

} P.A/NSB/SLSBL/IC/2021/04

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

} 16 June 2022

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 2021.

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 an audit or review of the financial information.

☎ 306/72, පොල්ලි පාර, පොල්ලි, කොළඹ 03

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☎ 306/72, Poldewee Road, Poldewee, Sri Lanka

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Summary of Work Performed

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

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

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

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

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

My Conclusion

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



W.P.C Wickramaratne

Auditor General

AUDITOR GENERAL'S REPORT ON FINANCIAL STATEMENTS



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எனது இல.
My No.

BAN/A/NSB/SLSBL/2021/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

31 March 2022

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 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Savings Bank Limited (the "Bank") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and statement of Income, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Page 1 of 5

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இல. 200-72, காலுල්லா வீதி, மஹர஑ம், இலங்கை.

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1.2 Basis for Opinion

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

1.3 Other information included in the Bank's 2021 Annual report.

The other information comprises the information included in the Banks 2021 Annual Report but does not include the finance 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 2021 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 intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

2.1.2 The financial statements of the Bank comply with the requirement of 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 which 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 cause 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

STATEMENT OF INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2021

	NOTE	2021 LKR	2020 LKR
Interest income	5	602,159,843	789,309,230
Interest expenses	5	(55,207,320)	(75,574,224)
Net interest income		546,952,522	713,735,006
Fee and commission income	6	2,133,450	4,137,381
Fee and commission expenses	6	(48,691)	(270,735)
Net fee and commission income/(expenses)		2,084,759	3,866,646
Other operating income (net)	7	73,698,809	82,055,198
Total operating income		622,736,090	799,656,850
Impairment (charges)/reversal	8	76,072,641	(59,184,038)
Net operating income		698,808,732	740,472,812
Personnel expenses	9	(219,766,053)	(157,380,307)
Depreciation and amortization expenses	10	(9,300,005)	(11,170,353)
Other expenses	11	(69,748,857)	(76,377,422)
Operating profit before VAT on financial services		399,993,816	495,544,730
Value Added Tax (VAT) on financial services		(69,762,968)	(80,203,755)
Operating profit after VAT on financial services		330,230,848	415,340,975
Income Tax expenses	12	(75,086,362)	(140,284,743)
Profit for the year		255,144,487	275,056,231

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

Basic Earning per share	13	31	34
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SRI LANKA SAVINGS BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021

	NOTE	2021 LKR	2020 LKR
Profit for the period ended		255,144,487	275,056,231
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		27,184,228	1,371,922
Actuarial Gain/(loss) on defined benefit plan		(5,174,029)	1,469,462
Changes in Revaluation Surplus		-	439,106,000
Other comprehensive income for the period ended, net of taxes		22,010,199	441,947,384
Total comprehensive income for the period ended		277,154,686	717,003,615

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

SRI LANKA SAVINGS BANK

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST DECEMBER 2021

	NOTE	31.12.2021 LKR	31.12.2020 LKR
Assets			
Cash and cash equivalents	14	64,000,524	105,547,621
Placements with Banks	15	4,710,262,911	4,734,648,477
Financial assets at amortised cost			
- Loans and Advances	16.1	1,356,677,167	2,068,720,182
- Debt and Other Instruments	16.2	1,282,460,917	779,707,836
Financial assets measured at fair value through Profit & Loss	17	-	303,805,894
Financial assets measured at fair value through other comprehensive income	18	165,195,927	138,011,347
Property, plant and equipment	19	896,784,530	875,771,439
Right of use assets	20	2,492,640	5,979,669
Investment property	21	210,577,000	237,077,000
Intangible assets	22	668,750	215,625
Other assets	23	15,715,889	16,230,799
Total assets		8,704,836,255	9,265,715,889
Liabilities			
Due to Banks	24	100,266	391,326
Financial liabilities at amortised cost	25		
Due to depositors	25.1	764,663,665	1,077,085,449
Due to other borrowers	25.2	319,244,436	575,874,022
Lease Liability	26	3,187,515	6,733,838
Debt securities issued	27	89,558,089	134,525,875
Retirement benefit obligations	28	41,651,614	29,529,593
Current tax liability	29	318,726,941	363,666,842
Deferred tax liability	30	1,939,236	995,009
Other liabilities	31	358,760,388	547,064,518
Total liabilities		1,897,832,150	2,735,866,470
Equity			
Stated capital/assigned capital	32	3,805,290,302	3,805,290,302
Statutory reserve fund	33	266,507,388	253,750,164
OCI Reserve	34	66,940,650	39,756,422
Retained earnings	35	3,938,822,438	3,690,115,449
Other reserves	36	(1,270,556,673)	(1,259,062,918)
Total equity		6,807,004,105	6,529,849,419
Total equity and liabilities		8,704,836,255	9,265,715,889
Contingent liabilities and commitments	38	4,541,543	34,020,006

*The accounting policies, notes No. 1 to 43 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.


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.


Keasila Jayawardena
Chairperson


Director


Director

SRI LANKA SAVINGS BANK

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Ordinary Share Capital LKR	Capital Pending Allotment LKR	PSDB Revenue Deficit LKR	Statutory Reserves fund LKR	OCI Reserve LKR	Reval- uation Reserve LKR	Revenue Reserve LKR	Total Equity LKR
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	4,930,775,803
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	5,812,845,803
Profit for the year	-	-	-	-	-	-	275,056,231	275,056,231
Actuarial Gain on defined benefit plan	-	-	-	-	-	-	1,469,462	1,469,462
Fair value changes	-	-	-	-	1,371,922	-	-	1,371,922
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)	253,750,165	39,756,422	907,127,489	3,690,115,449	6,529,849,418
Balance as at 01.01.2021	820,446,600	2,984,843,702	(2,166,190,408)	253,750,165	39,756,422	907,127,489	3,690,115,449	6,529,849,418
Profit for the year	-	-	-	-	-	-	255,144,487	255,144,487
Actuarial loss on defined benefit plan	-	-	-	-	-	-	(5,174,029)	(5,174,029)
Fair value changes	-	-	-	-	27,184,228	-	-	27,184,228
Revaluation Gain transfer to retained earnings						(11,493,755)	11,493,755	-
Transferred to statutory reserve fund	-	-	-	12,757,224	-	-	(12,757,224)	-
Balance as at 31.12.2021	820,446,600	2,984,843,702	(2,166,190,408)	266,507,388	66,940,650	895,633,734	3,938,822,438	6,807,004,104

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

SRI LANKA SAVINGS BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2021

	NOTE	2021 LKR	2020 LKR
Cash flows from operating activities			
Profit before tax		330,230,848	415,340,975
Adjustment for:			
Prior year adjustment		-	882,070,000
Non-cash items included in profits before tax	40	(80,133,637)	23,814,544
Change in operating assets	41	614,068,594	(36,923,230)
Change in operating liabilities	42	(806,389,769)	(1,054,230,045)
Contribution paid to defined benefit plans		-	-
Tax paid		(119,082,036)	(142,483,824)
Net cash generated from operating activities		(61,305,998)	87,588,420
Cash flows from investing activities			
Purchase of property, plant and equipment	19.1	(26,209,192)	(1,162,080)
Purchase of Intangible assets	22.1	(1,070,000)	-
Proceeds from the sale of property, plant and equipment		47,329,155	-
Purchase of Financial investments		-	-
Proceeds from the sale of maturity of financial investments		-	-
Net cash (used in)/from investing activities		20,049,963	(1,162,080)
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		(41,256,036)	86,426,340
Cash and cash equivalents at the beginning of the year		105,156,295	18,729,956
Cash and cash equivalents at the end of the year	42 a	63,900,259	105,156,295

SRI LANKA SAVINGS BANK LIMITED

ACCOUNTING POLICIES

1. Corporate information

1.1 General

Sri Lanka Savings Bank Limited (SLSBL) is a limited liability Company, incorporated in July 2006, in Colombo, under the Companies Act No 17 of 1982 and re-registered in September 2008 under the Companies Act No.7 of 2007. The Bank is a licensed specialized bank registered under the Banking Act No.30 of 1988. The registered office of the Bank is at 265, Ward Place, Colombo 07. Branches are located in 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 2021 were authorized for issue on 09th February 2022.

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 Though 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.

3.2.4.1.1 Reclassification of Financial Instruments at "Amortized Cost

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

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

3.2.5 De-recognition of financial assets financial liabilities

3.2.5.1 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 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.

3.2.5.2 Financial Liability

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

3.2.6 Impairment of financial assets

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

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

The mechanics of the ECL method are summarized below:

- **Stage 1:**

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

- **Stage 2:**

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

- **Stage 3:**

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

3.2.7 Collateral valuation

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

Bank of Sri Lanka.

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

3.3. Non-financial assets

3.3.1. Property, Plants and equipments

Recognition and measurement

Property, Plants and equipments are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 - property, plant & equipment.

Minimum Requirements for Capitalization

Expenditures at Acquisition:

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

1) It is probable that future economic Benefits associated with the item will flow to the entity.

2) Value of such expenditure is exceeding Rs. 2,500/-.

Expenditures Subsequent to Acquisition:

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

fulfill at least one of the following criteria:

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

Cost model

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

Revaluation Model

After recognition as an asset, Lands & Buildings whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every 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 Equipments	05 Years
• Buildings including Investment Buildings	20 Years

De-recognition

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

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

3.3.2. Impairment of non-financial assets.

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

3.3.3. Investment property

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

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

Cost model

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

Fair Value

After recognition as Investment buildings, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every 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.

3.3.7.1 De-recognition of financial liabilities

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

3.4. Retirement Benefit Obligations

3.4.1. Defined Benefit Plan

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted.

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

annually by using the projected unit credit method.

3.4.2. Contribution Plans

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

Employees' Provident Fund

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

Employees' Trust Fund

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

3.5. Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.6. Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognized in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization

recognized in the statement of income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the statement of income in 'Interest expense'. The premium received is recognized in the statement of income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

3.7. Taxation

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

The bank was exempt from income tax on profit and income other than profit and income from dividends and interest as per the section 7(b) of the Inland Revenue Act No 10 of 2006 as amended by the Act no 18 of 2013.

3.7.1. Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the statement of financial position date.

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

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

3.8. Recognition of income and expenses

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

3.8.1. Interest income and interest expense

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

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

Interest income and expense presented in the Income Statement include interest on financial assets and liabilities measured at amortized cost calculated on an effective interest basis. Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income.

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

of measuring the impairment loss. However, the bank has recognized the interest income related said assets on cash basis for prudence purpose owing to the nature of the impaired loan portfolio.

3.8.2. Fee and commission income

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

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

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

3.8.3. Dividend income

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

3.9. Cash flow statement

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

3.10. Standards issued but not yet effective

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

reporting period.

3.11. Debentures

In terms of advertisement published in newspapers on 3rd December 2007 by the Central Bank of Sri Lanka, liabilities to corporate and institutional investors/depositors of Pramuka Saving and Development Bank Limited (PSDBL) whose balances are more than Rs 100,000/- is to be converted to Unsecured and Subordinate Debentures with a maturity period of 10 years, and the interest should be accrued annually at five percent (5%) per annum or the one year Treasury bill rate whichever is lower. All such Debentures are mature on 03/12/2017. Further up to now 85% of the debentures has been settled.

4. Financial instruments - Risk Management

4.1 Risk management structure

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

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

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

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

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

It also has established a compliance function to assess 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. 974,715,371 as at 31 December 2021 where such loans vested with 100% provisions.

SRI LANKA SAVINGS BANK
FOR THE YEAR ENDED 31ST DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

5. Net Interest income	31.12.2021 LKR	31.12.2020 LKR
Interest income		
Interest income-Treasury bonds	10,446	-
Interest income-Treasury bills	7,776,930	-
Interest income- REPO investments	30,660,499	24,905,829
Interest income- Debenture	27,875,566	6,536,201
Interest income- Fixed Deposits	298,314,117	468,162,622
Earning from Unit Trust	682,285	5,371,058
Interest income- Commercial paper	21,402,740	23,054,795
Interest income- Call Deposit	1,838,060	2,445,907
Interest income- Savings Account	64,984	20,183
Interest income- PSDB loans	18,748,904	2,943,026
Interest income- leasing	43,300,917	44,771,591
Interest income- Loans against deposit balances	1,092,585	1,200,006
Interest income- Hire purchases	12,780,978	22,755,588
Interest income- Loans to partner organizations	44,409,012	96,767,820
Interest income- Door to Door Loans	693,617	1,003,834
Interest income- Staff loans	4,606,491	2,030,732
Interest income- Personal loans	26,169,469	30,337,691
Interest income- Individual & corporate loans	10,772,317	9,411,693
Interest income- MFD Loans	113,015	3,273,605
Interest income- Pawning advances	2,572,371	5,611,023
Interest income- Praja Diriya Loans	1,320,643	743,433
Interest income- Vehicle loans	3,990	20,283
Interest income- Staff Housing Loans	4,212,921	3,758,220
Interest income- Professional Loans	853,369	2,380,142
Interest income-SIs Diriya	33,084,465	13,967,149
Interest income-Swashakthi Loan	174,825	174,148
Interest income-Jaya Isura Loan	6,317,986	9,496,101
Interest income-Athwela Loan	-	6,687
Interest income- Rivi Bala Savi Loan	67,287	85,206
Interest income- Ran Aswenna Loan	466,544	655,643
Interest income- Green Loan	283,995	539,125
Interest income- Govi Nawoda Loan	39,171	59,000
Interest Income- Covid 19 Rf Loan	776,780	20,746
Interest Income- Saubagya Loan	592,377	19,078
Interest Income - Covid 19 impact	80,187	6,781,063
Total interest income	602,159,843	789,309,230

Interest expenses	31.12.2021 LKR	31.12.2020 LKR
Due to other customers	28,580,835	52,389,873
Due to PSDB depositors	6,432,994	6,666,985
Debenture - for PSDB	4,629,243	-
Other borrowing	15,564,247	16,517,366
Total interest expenses	55,207,320	75,574,224
Net interest income	546,952,522	713,735,006

5.1 Net Interest Income from Sri Lanka Government Securities

Interest income	38,447,876	24,905,829
Net interest income	38,447,876	24,905,829

6. Net Fee and Commission Income

Fee and commission income	2,133,450	4,137,381
Fee and commission expenses	(48,691)	(270,735)
Net Fee and commission income	2,084,759	3,866,646

Comprising

Commission on Service Charges	94,803	119,296
Documentation charges	34,000	119,000
Commission on guarantees	-	122,000
Processing fees loans	186,400	2,062,650
Inspection charges	31,453	317,880
Commission insurance general	858,362	941,554
Commission for Debenture Investments	797,432	-
Non-refundable deposit income	131,000	455,000
Total Fee and commission income	2,133,450	4,137,381

Fee and Commission Expenses

CRIB charges	33,691	135
Introducer Commission Expense - Leasing & HP	15,000	270,600
Total Fee and commission expenses	48,691	270,735

7. Other Operating Income (net)

Gain on sale of Property, Plant and Equipment	3,517,655	-
Gain on sale of Investment Properties	17,311,500	-
Dividend income	643,267	1,312,193
Sundry income	542,321	61,480

Income- Nuwara Eliya bungalow	47,500	15,000
Income- Anuradhapura bungalow	17,000	11,500
Cultivation income	504,000	252,000
Provision recovered other receivable	-	4,629,929
Trust Recovery	-	4,000
Loan Provision recovered (Over Provision)	23,890,510	14,831,055
Penalty interest	271	375,873
Termination income	1,712,662	5,751,661
Legal charges recovered	975,986	316,448
Tax Penalty Waive off	24,536,137	-
DRL - Reversal of Provision	-	732,060
Revaluation Surplus - Investment Properties	-	53,762,000
Other Operating Income (net)	73,698,809	82,055,198

8. Impairment Charges /(Reversal)

Placement with banks

Stage 1	933,811	1,683,718
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Financial assets at amortised cost - loans & advances

Stage 1	(29,240,004)	5,132,594
Stage 2	(58,006,585)	32,843,399
Stage 3	10,256,908	19,423,191

Financial assets at amortised cost - Debt instruments

Stage 1	(16,771)	101,136
CBSL		
Total	(76,072,641)	59,184,038

9. Personnel Expenses

Salary and bonus	169,449,692	110,299,756
Contributions to defined contribution/benefit plans	19,289,429	14,670,243
Other allowance and staff related expenses	24,078,941	26,443,130
Gratuity	6,947,992	5,967,179
Total	219,766,053	157,380,307

10. Depreciation and amortization expenses

Depreciation of property, plant and equipment	5,196,101	2,451,479
Amortization for Intangible assets	616,875	333,333
Amortization for ROU assets	3,487,029	8,385,540
Total	9,300,005	11,170,353

11. Other Expenses

Directors' emoluments	2,480,323	2,768,034
Audit related fees	698,000	1,000,000
Office administration and establishment expenses	21,764,853	15,789,293
Consultancy fee	-	142,200
Professional fee	3,313,802	1,692,659
Legal fee	5,759,093	6,610,086
License Fee	3,504,000	3,504,000
Repairs and maintenance	9,620,245	13,356,195
Advertisements	1,828,096	6,369,393
CSR Activities	-	1,000,000
Entertainment	5,400	14,325
Labour outsourcing expenses	1,000	28,750
Security charges	6,879,275	7,804,927
Insurance	710,399	1,013,239
Printing and stationery	1,622,987	2,549,294
Rates and taxes	1,028,952	106,565
Donation	-	41,000
National Insurance Trust Fund Levy	2,563,377	3,806,039
Transport and fuel expenses	5,565,283	4,063,614
Subsistence and lodging expenses	51,201	828,051
Miscellaneous	1,796,101	2,572,159
Leasehold property - Interest	520,162	1,254,974
Bank charges	36,307	62,625
Total	69,748,857	76,377,422

12. Tax Expenses**Current Year expense**

Current Year	94,096,805	139,682,693
Prior Year's Provision	(19,954,670)	371,031

Deferred Tax expense

Temporary Difference	1,086,371	231,019
Prior Year's Provision	(142,144)	-

Total	75,086,362	140,284,743
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Effective tax rate (%)	22.74	33.78
Effective tax rate (excluding deferred tax) (%)	22.45	33.72

12.1 Reconciliation of the Accounting Profit to Income Tax Expenses

	Yr 2021	Yr 2020
Profit before tax	330,230,848	415,340,975
Income Tax for the period (Accounting Profit @ 24%)	79,255,404	116,295,473
Add: Tax effect of expenses that are not deductible for tax purposes	34,125,157	30,892,311
(Less): Tax effect of expenses that are deductible for tax purposes	(19,283,755)	(7,505,091)
Tax expense for the period	94,096,805	139,682,693

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

Deferred tax assets	-	-
Deferred tax liabilities	944,227	231,019
Deferred tax (credit)/charge to Income Statement	944,227	231,019

13. Earning per share

Net profit attributable to ordinary equity holders	255,144,487	275,056,231
Weighted average number of ordinary shares for basic earning per share	8,204,466	8,204,466
Basic earnings per ordinary share	31	34

Sri Lanka Savings Bank Ltd
For The Year Ended December 2021
Notes to the Financial Statements

	31.12.2021	31.12.2020
	LKR	LKR
14.0 Cash and Cash Equivalents		
Cash in hand	4,548,586	4,648,774
Balances with banks (Note 14.1)	59,451,938	100,898,847
Total	64,000,524	105,547,621
14.1 Balances with banks		
NSB Savings Account	46,906	105,720
People's Bank - Borella No. 1 (078-1-001-5-8517396)	1,127,637	2,245,509
People's Bank - Borella No. 2 (078-1-001-7-0000683)	10,580	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
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)	35,764	293,346
Bank of Ceylon - Borella - 0007521176	803,303	35,313
Bank of Ceylon - Mannar - 0074291980	22,976	39,500
People's Bank - Mannar - 044-1-001-2-0060585	1,086,105	472,731
People's Bank - Matara - 032-1-001-2-0000683	32,479	1,321,362
People's Bank - Anuradhapura - 008-1-001-2-0000683	608,392	-
People's Bank- NDTF 309-1001-72536876	677,795	2,054,564
People's Bank-Call deposit	55,000,000	91,000,000
Total	59,451,938	100,898,847
15.0 Placements with Banks		
Fixed deposits- People's Bank	905,075,707	78,105,132
Fixed deposits- National Saving Bank	2,507,297,835	531,487,184
Fixed deposits- Regional Development Bank	-	1,881,562,535
Fixed deposits- HDFC	776,523,625	806,277,055
Fixed deposits- SMIB	-	1,322,652,359
Fixed deposits- SDB	525,890,411	118,155,068
(-) Impairment on Financial Assets		
Stage 01	(4,524,668)	(3,590,857)
Total	4,710,262,911	4,734,648,477

16.1	Financial assets at amortised cost - Loans and Advances		
	Gross loans and receivables		
	Stage 01	1,277,040,061	1,801,724,154
	Stage 02	107,228,301	298,404,183
	Stage 03	475,835,310	549,808,662
	PSDB Loans	974,715,371	998,605,882
	(Less): Impairment on Loan & Advances		
	Stage 01	(81,707,482)	(110,947,486)
	Stage 02	(17,867,260)	(75,873,845)
	Stage 03	(403,851,764)	(394,395,486)
	PSDB Loans	(974,715,371)	(998,605,882)
	CBSL Provision	-	
	Net loans and receivables	1,356,677,167	2,068,720,182
16.1.1	Analysis		
	<u>By product</u>		
	Loans and advances		
	Micro Finance - PO Loans	505,157,456	807,568,720
	Micro Finance Development Loans	7,474,225	9,419,836
	REPPIA	43,029,655	47,442,189
	Staff loans	116,495,799	49,617,793
	Special loans-staff	287,184	1,219,432
	Loans against deposit balances	2,875,968	2,805,804
	Loans - Door to door	4,241,395	7,946,215
	Loans against PSDB balances	1,920,000	1,920,000
	Loans -Public and private employment	168,348,210	281,350,163
	Loans - Individual & corporate Loans	117,584,599	153,504,708
	Pawning advances	2,128,564	38,606,534
	Loans - Vehicle loan	1,549,602	1,562,832
	Praja Diriya Loans	14,630,686	20,427,859
	Staff Housing Loans	177,106,031	98,309,935
	Professional Loans	4,164,866	11,991,590
	Loans & Advances - vested from Pramuka Savings & Development Bank (PSDB)	974,715,371	998,605,882
	Sls Diriya	309,804,356	419,864,036
	Swashakthi Loan	2,254,876	4,358,441
	Jaya Isura Loan	59,273,149	97,121,515
	Athwela Loan	-	(1)

Rivi Bala Savi Loan		400,574	631,099
Cash Back Loan		6,424,511	13,071,290
Ran Aswenna Loan		4,764,607	5,961,544
Green Loan		5,171,556	5,437,608
Govi Nawoda Loan		272,629	581,691
Covid 19 Refinance Loan		19,037,106	30,926,243
Saubagya Loan		9,017,503	10,215,416
Lease rental receivable	16.1.2	232,380,195	412,328,583
Hire purchases receivable	16.1.3	44,226,064	108,964,860
Interest Receivable - Covid 19 impact		82,306	6,781,063
Loan Control		4,541,544	22,570,007
Undisbursed loans		(4,541,543)	(22,570,006)
Net Total		2,834,819,044	3,648,542,881
By industry			
Agriculture and fishing		444,579,000	660,870,000
Manufacturing		754,033,000	767,442,000
Tourism		67,622,000	99,002,000
Transport		56,944,000	76,983,000
Construction		488,792,000	448,160,000
Traders		540,111,000	623,817,000
New economy		36,459,000	40,889,000
Others		446,279,044	931,379,881
Gross total		2,834,819,044	3,648,542,881
16.1.2 Lease rental receivable			
Lease rental receivable		232,432,005	412,380,393
Unearned Interest Asset		58,938,921	122,500,772
(Less) Unearned Interest Liability		(58,990,731)	(122,552,582)
Net Lease rental receivable		232,380,195	412,328,583
16.1.3 Hire purchase receivable			
Hire purchase receivable		44,445,406	109,184,202
Unearned Interest Asset		8,730,131	26,054,702
(Less) Unearned Interest Liability		(8,949,473)	(26,274,044)
Net Hire purchase receivable		44,226,064	108,964,860

16.1.4	Movements in impairment during the Year		
	Stage 1		
	Opening Balance	110,947,486	105,814,891
	Charge/(Write back) to income statement	(29,240,004)	5,132,594
	Balance at the end of the year	81,707,482	110,947,486
	Stage 2		
	Opening Balance	75,873,845	43,030,447
	Charge/(Write back) to income statement	(58,006,585)	32,843,399
	Balance at the end of the year	17,867,260	75,873,845
	Stage 3		
	Opening Balance	394,395,486	374,972,295
	Charge/(Write back) to income statement	9,456,278	19,423,191
	Balance at the end of the year	403,851,764	394,395,486
	PSDB		
	Opening Balance	998,605,882	1,013,436,937
	Capital Recoveries	(23,890,510)	(14,831,055)
	Balance at the end of the year	974,715,371	998,605,882
16.2	Financial assets at amortised cost - Debt and Other Instruments		
	Sri Lanka Government Securities	729,299,324	344,727,717
	Debenture investments	553,161,593	124,764,141
	Other investments	-	310,215,978
	Total	1,282,460,917	779,707,836
16.2.1	Sri Lanka Government Securities		
	Treasury Bonds	12,262,012	-
	Reverse Repo investment	717,037,312	344,727,717
	Total	729,299,324	344,727,717
16.2.2	Debenture investments		
	Debentures	532,190,000	118,320,000
	Int Receivable - Debentures	21,055,958	6,491,392
	(-) Impairment on Financial Assets	(84,365)	(47,251)
	Net Debenture investments	553,161,593	124,764,141

16.2.3 Other investments		
Commercial papers	6,000,000	316,269,863
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		
By Collateralization		
Pledged as collateral	729,299,324	344,727,717
Unencumbered	-	-
Total	729,299,324	344,727,717
17 Financial assets measured at fair value through Profit & Loss		
Unit Trust Investment	-	303,805,894
Total	-	303,805,894

Sri Lanka Savings Bank Ltd
For The Year Ended December 2021
Notes to the Financial Statements

18.0 Financial assets measured at fair value through other comprehensive income

	31.12.2021	31.12.2020
	LKR	LKR
Equity securities	207,672,111	180,487,531
(Less) Impairment chargers	(42,476,184)	(42,476,184)
Net Investments	165,195,927	138,011,347

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

18.1 Quoted equity security

Investment company	No of shares	As at 31.12.2021 Cost of shares LKR	Market Value LKR	No of shares	As at 31.12.2020 Cost of shares LKR	Market Value LKR
National Development Bank	16,397	1,282,741	1,129,753	16,397	1,282,741	1,280,606
Commercial Bank Limited	220	10,294	17,446	216	9,943	17,474
Lanka Orix Leasing Company	200	855	232,400	200	855	27,000
Sampath Bank Limited	10,827	311,103	564,087	3,609	311,103	489,380
Watawala Plantation	4,046	21,305	525,980	4,046	21,305	229,004
Trans Asia Hotel	4,000	34,983	220,000	4,000	34,983	263,600
Lanka Ceramic PLC	917	23,536	137,550	917	23,536	125,546
Lanka Walltile PLC	585	2,073	72,686	117	2,073	17,070
Kelani Valley Plantation	11,000	198,121	966,900	5,500	198,121	435,050
Hapugastenna Plantation	100	2,666	4,490	100	2,666	1,830
Aitken Spence	18,000	160,364	1,483,200	18,000	160,364	1,040,400
Pan Asia Bank Limited	10,298,499	96,012,455	159,626,735	10,298,499	96,012,455	133,880,487
Hatton Plantations PLC	4,000	30,480	50,400	4,000	30,480	39,600
		98,090,976	165,031,627		98,090,625	137,847,047

18.2 Unquoted Equity Securities

	No of shares	As at 31.12.2021 Cost of shares LKR	Managment Valuation LKR	No of shares	As at 31.12.2020 Cost of shares LKR	Managment Valuation LKR
Pramuka Merchant Corporation	500,000	5,000,000	-	500,000	5,000,000	-
Prime Development & Construc- tions	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

	31.12.2021 LKR	31.12.2020 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

Sri Lanka Savings Bank Ltd

For The Year Ended December 2021

Notes to the Financial Statements

19. Property, Plant and Equipment

	31.12.2021 LKR	31.12.2020 LKR
Cost	1,029,576,753	1,010,362,561
Accumulated depreciation	(132,792,223)	(134,591,122)
	896,784,530	875,771,439

19.1 Property, Plant and Equipment								
	Land	Building	Motor Vehicles	Computer Equipments	Office Equipments	Telephone Equipments	Furniture & Fittings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost/fair value								
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 during the year	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
Balance at the beginning of the year 2021	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
Additions			11,900,000	13,080,794	884,563	296,630	47,205	26,209,192
Disposals			(6,995,000)					(6,995,000)
Depreciation adjustment for revalued assets								-
Revaluation gain/(Loss)								-
Transfers from investment Properties								-
Balance at the end of the year 2021	866,200,000	6,564,000	49,146,186	53,559,083	31,178,879	2,168,481	20,760,124	1,029,576,753
	-	-	-	-	-	-	-	-
Accumulated depreciation								
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
Balance at the beginning of the year 2021	-	-	44,241,186	40,095,290	28,974,662	1,090,192	20,189,792	134,591,122
Charge for the year		375,450	2,379,981	1,341,212	573,464	291,785	234,209	5,196,101
Over / Under Depreciation adjustments								-
Depreciation adjustment for revalued assets								-
Disposals			(6,995,000)					(6,995,000)
Balance at the end of the year 2021	-	375,450	39,626,167	41,436,502	29,548,126	1,381,977	20,424,001	132,792,223
		-	-	-	-	-	-	-
Net book value at 31.12.2021	866,200,000	6,188,550	9,520,019	12,122,580	1,630,753	786,504	336,124	896,784,530
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

There are 18 motor vehicle amounting Rs.37,246,186.00 fully depreciated as of 31/12/2021 but still in use.

There are 210 Computer Equipment items amounting Rs.40,294,638.76 fully depreciated as of 31/12/2021 but still in use.

There are 54 Telephone Equipment items amounting Rs.702,643.97 fully depreciated as of 31/12/2021 but still in use.

There are 220 Furniture & Fittings items amounting Rs.13,263,311.82 fully depreciated as of 31/12/2021 but still in use.

There are 105 Re-Furbishments items amounting Rs. 6,601,930.80 fully depreciated as of 31/12/2021 but still in use.

There are 130 Office Equipments items amounting Rs.11,677,053.02 fully depreciated as of 31/12/2021 but still in use.

There are 172 Other Assets items amounting Rs.16,526,843.26 fully depreciated as of 31/12/2021 but still in use.

Sri Lanka Savings Bank Ltd
For The Year Ended December 2021
Notes to the Financial Statements

	31.12.2021 LKR	31.12.2020 LKR
20. Right-of -Use Assets (ROU assets)		
Right-of -Use Assets (ROU assets)	22,647,050	22,647,050
(Less) Provision for Amortization on ROU assets	(20,154,410)	(16,667,380)
Closing balance	2,492,640	5,979,669
Leasehold Properties have been recognized as per SLFRS -16.		
21. Investment Properties		
<u>Land</u>		
Cost		
Balance at the beginning of the year	227,885,000	316,095,204
Addition	-	-
Disposal	(26,500,000)	
Revaluation Gain	-	56,713,796
Transfers to Land	-	(144,924,000)
Balance at the end of the year	201,385,000	227,885,000
<u>Building</u>		
Cost		
Balance at the beginning of the year	9,192,000	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	9,192,000
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 2021	9,192,000	9,192,000
	-	-
Total balance as at 31st December 2021	210,577,000	237,077,000

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 Yr 2021, Disposed the Periyamulla Property & Thalawathugoda Property.

22	Intangible assets		
	Computer Software and Licenses	668,750	215,625
	Sub total	668,750	215,625

22.1	Computer Software and Licenses.		
	Cost		
	Opening balance	10,955,000	10,955,000
	Addition	1,070,000	-
	Closing balance	12,025,000	10,955,000
	Accumulated Depreciation		
	Opening balance	10,739,375	10,406,042
	Charge for the year	616,875	333,333
	Closing balance	11,356,250	10,739,375
	Net book value as at the year	668,750	215,625

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

23.0	Other Assets		
	Assets vested from PSDB	20,474,894	20,474,894
	Receivables D1	6,116,619	7,420,418
	Advances D12	428,013	253,973
	Refundable deposits	163,551	223,551
	Other advance	3,902,401	2,525,899
	Sundry debtors	21,161	21,261
	Inventory	1,342,694	1,349,941
	Deposits & prepayments	3,741,449	4,435,755
	Total	36,190,782	36,705,693
	Less: Impairment charges	(20,474,894)	(20,474,894)
	Total	15,715,889	16,230,799

	Other Assets vested from PSDB		
	Discount paid in advance	13,376,694	13,376,694
	Deposit fund on behalf of PSDB L/T Case	7,098,200	7,098,200
	Total	20,474,894	20,474,894

24	Due to other Banks		
	People's Bank - collection account leasing (078-1-003-3-8517396)	100,266	-
	People's Bank - Anuradhapura- 008-1-001-2-0000683	-	391,326
	Total	100,266	391,326

25	Financial liabilities at amortised cost			
	Due to depositors	25.1	764,663,665	1,077,085,449
	Due to other borrowers	25.2	319,244,436	575,874,022
	Total		1,083,908,101	1,652,959,470
25.1	Due to depositors			
	Total amount due to depositors	25.1.1	764,663,665	1,077,085,449
	Total		764,663,665	1,077,085,449
25.1.1	Analysis			
	By product			
	Normal savings		160,734,258	241,247,944
	Normal savings Co-Operative		40,035,084	27,507,493
	Minor savings		13,303,566	13,263,049
	Ladies savings		5,225,782	11,571,407
	Senior citizen's savings		8,118,842	7,947,062
	Normal savings - staff		13,115,052	13,915,237
	Door to door savings		4,735,926	8,720,878
	Fixed deposits		215,773,777	453,204,487
	Sl's Thilina		3,854,406	3,809,174
	Pramuka Savings and Development bank - deposits		298,978,529	295,139,203
	Janasewana Swashakthi minor savings		787,683	758,781
	Janasewana Swashakthi ordinary savings		760	734
	Sub Total		764,663,665	1,077,085,449
25.2	Due to other borrowers			
	PSDB - Borrowing		32,249,689	32,249,689
	Micro finance loans to ADB		257,920,727	512,403,499
	Payable-Refinance Loan Swashakthi (CBSL)		250,000	1,862,500
	Payable- Refinance Loan saubagya (CBSL)		8,987,500	1,233,333
	Payable- Refinance Loan Covid 19 Re (CBSL)		19,836,520	28,125,000
	Sub Total		319,244,436	575,874,022
26	Lease Liability			
	Lease Liability on ROU assets		3,187,515	6,733,838
	Total		3,187,515	6,733,838
26.1	Lease Liability on ROU assets			
	Balance at the beginning of the year		6,733,838	14,115,619
	Addition during the year		-	-
	Lease Interest for the year		520,162	1,254,974

Less: Paid during the year	(4,066,485)	(8,636,755)
Closing balance	3,187,515	6,733,838

26.2 Maturity analysis - Lease Liabilities

Amount Payable within one year	2,344,315	3,591,457
Amount Payable within one to three years	843,200	3,009,429
Amount Payable within three to five years	-	132,951
Total	3,187,515	6,733,838

27. Debt securities issued

Unsecured Subordinate Debentures	63,931,410	96,071,110
Interest payable	25,626,679	38,454,765
Sub Total	89,558,089	134,525,875

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

Balance at the beginning of the year	29,529,593	25,031,876
Add: Gratuity charge for the period	6,947,992	5,967,179
(Gain)/loss arising from changes in actuarial assumptions	5,174,029	(1,469,462)
Less: Payments made/Payable during the year	-	-
Balance at the end of the year	41,651,614	29,529,593

The actuarial valuation of the gratuity liability of the bank was carried out as at 31.12.2021 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.

Retirement Age	62	60
Rate of Interest	0.11	0.09
Salary Increment	0.07	0.07
Mortality Table	A67/70	A67/70

29 Current Tax Liability

Opening Balance at the beginning of the period	363,666,842	404,435,975
Charges for the period	94,096,805	140,053,724

	Payments made during the period	(119,082,036)	(142,483,824)	
	(less) adjustments	(19,954,670)	(38,339,033)	
	Balance at the end of the year	318,726,941	363,666,842	
30	Deferred tax assets/liabilities			
(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	995,009	763,990	
	Income Statement	944,227	231,019	
	Net Deferred Tax Liabilities	1,939,236	995,009	
31	Other Liabilities			
	Interest Payable	31.1	63,776,694	62,164,209
	Payable -expense creditors	31.2	267,572,106	461,592,964
	PSDB Liabilities	31.3	26,061,777	21,943,235
	Inter Branch Accounts	31.4	-	-
	Sundry Creditors	31.5	1,349,811	1,364,110
	Total		358,760,388	547,064,518
31.1	Interest Payable			
	Interest Payable - PSDB Borrowing		63,776,694	62,164,209
	Sub Total		63,776,694	62,164,209
31.2	Payable -Expense Creditors			
	Accrued expenses		188,061,995	374,809,485
	Other payables		79,510,111	86,783,479
	Sub Total		267,572,106	461,592,964
31.3	PSDB liabilities			
	Margin account loans		26,061,777	21,943,235
	Sub Total		26,061,777	21,943,235
31.4	Interbranch accounts			
	Borella branch		(99,374,180)	(99,374,180)

PSDB current account	284,450,995	258,011,934
SLSB current account	(1,322,576,336)	(601,664,355)
Matara current account	(114,052,007)	(194,790,776)
National Development Trust Fund current account	1,170,937,254	653,211,960
Branch Account - Anuradhapura	(12,595,027)	(89,486,212)
Branch Account - Mannar	93,209,301	74,091,630
Inter branch - Loan	-	-
Sub Total	-	-

31.5 Sundry creditors

WW/OP Contribution collected from employees	35,109	35,109
Staff security deposit	208,500	208,500
Staff critical illness fund	963,773	864,398
Payable - CRIB charges	-	47,060
Payable VAT leasing	2,741	1
Payable-Deposit Insurance	139,688	209,041
Sub Total	1,349,811	1,364,110

32 Stated Capital/Assigned Capital

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

Balance at the beginning of the year	253,750,164	239,997,353
Transfer during the period	12,757,224	13,752,812
Balance at the end of the year	266,507,388	253,750,164

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 2021, the bank has transferred sum equal to 5% of the Net Profits for the year ended 31st December 2021 to Reserve Fund.

34	OCI Reserve			
		Balance at the beginning of the period as at 01.01.2021	Movement/ transfers	Balance at the end of the period 31.12.2021
		LKR	LKR	LKR
	OCI Reserve	39,756,422	27,184,228	66,940,650
	Total	39,756,422	27,184,228	66,940,650

“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			
	Balance at the beginning of the year as previously stated	3,690,115,449	2,545,272,567	
	Prior Year adjustments	-	882,070,000	
	Profit for the year- restated	255,144,487	275,056,231	
	Acturial gain/(loss) on defined benefit plan	(5,174,029)	1,469,462	
	Transferred to statutory reserve fund	(12,757,224)	(13,752,812)	
	Transfer from revaluation reserve account	11,493,755	-	
	Balance at the end of the year	3,938,822,438	3,690,115,449	
	Breakup of the Prior Year Adjustments			
	Provision for Contingent Liabilities - Reversal	-	882,070,000	
		-	882,070,000	

36	Other Reserves			
		Balance at the beginning of the year as at 01.01.2021	Movement/ transfers	Balance at the end of the year 31.12.2021
		LKR	LKR	LKR
	Revenue deficit before vesting	(2,166,190,408)	-	(2,166,190,408)
	Revaluation reserve	907,127,489	(11,493,755)	895,633,734
	Total	(1,259,062,919)	(11,493,755)	(1,270,556,673)

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.

Sri Lanka Savings Bank Ltd

For The Year Ended December 2021

Notes to the Financial Statements

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 KPM

	2021.12.31	2020.12.31
Short Term Employment benefits	48,109,905	25,126,118
Post employment benefits		-
	48,109,905	25,126,118
Directors Emoluments -Sitting Allowances	1,652,500	2,039,000
Directors Emoluments -Fixed Allowances	827,823	729,034
Remuneration of Corporate Management	45,629,582	22,358,084
	48,109,905	25,126,118

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	2021.12.31	2020.12.31
Assets		
Loan and receivables	42,531,275	32,439,009
Total	42,531,275	32,439,009
Liabilities		
Deposit (FD's/Savings)	2,486,252	3,714,893
Total	2,486,252	3,714,893

(iv) Terms and conditions of the Accommodation granted to KMP's and their CFMs			
Type Of Loan	Balance As At 31 Dec.2020 (Rs)	<u>Security Details as at 31 Dec. 2020</u>	
		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
Type Of Loan	Balance As At 31 Dec.2021 (Rs)	<u>Security Details as at 31 Dec. 2021</u>	
		Security Details	Value (Rs .Mn)
Staff Housing Loans /Staff Loan	35,206,491	Land	45.35
Staff Vehicle Loans /Leasing /HP	6,445,832	Personal Guarantor	13.70
Other Loans	878,952	Personal Guarantor	
Total	42,531,275		59.05
38 Contingent liabilities and commitments			
		2021	2020
Commitment for unutilised credit facilities		4,541,543	22,570,006
Other commitments indirect credit facilities		-	-
Capital commitments (Note 38.1)		-	-
		4,541,543	22,570,006
Contingent liabilities			
Guarantees		-	11,450,000
		-	11,450,000
Total commitment and contingencies		4,541,543	34,020,006
<u>Existing legal cases against SLSB</u>			
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	-	-
	-	-

39 Events after the reporting period

There is no any circumstances have arisen since the reporting period which would require adjustments to, or disclosures in the financial statements.

Special Note:

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 was also informed to the Bank.

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 it's business operations as usual until the merger takes place. Accordingly, the Central Bank has requested the SLSB to forward a five year Strategic Business Plan. A Five year Strategic Business Plan approved by the Board of Directors of SLSB and NSB has been forwarded to the Central Bank. Presently, Central Bank is reviewing this strategic business plan and SLSB's request to commence business.

40	Non-Cash Items Included in Profit Before Tax	31.12.2021	31.12.2020
		LKR	LKR
	Depreciation of property, plant and equipment	5,196,101	2,451,479
	Gain on sale of property, plant and equipment	(3,517,655)	-
	Gain on sale of Investment Properties	(17,311,500)	
	Depreciation of Intangible assets	616,875	333,333
	Charge for defined benefit plans	6,947,992	5,967,179
	Impairment of loans and receivables	(76,072,641)	59,184,038
	Amortization for ROU assets	3,487,029	8,385,540
	Lease Liability interest	520,162	1,254,974
	Revaluation Surplus - Investment Properties	-	(53,762,000)
	Total	(80,133,637)	23,814,544

41 Change in Operating Assets

	31.12.2021	31.12.2020
	LKR	LKR
Placements with Banks	23,468,526	659,324,876
Loans and Advances	789,032,696	95,571,613
Debt and Other Instruments	(502,753,432)	(514,388,207)

	Unit Trust Investment	303,805,894	(303,805,894)
	Other assets	514,910	26,374,383
	Total	614,068,594	(36,923,230)
42	Change in Operating Liabilities		
		31.12.2021	31.12.2020
		LKR	LKR
	Due to depositors	(312,421,783)	907,120
	Due to other borrowers	(256,629,586)	23,742,251
	Lease Liability	(4,066,485)	(8,636,755)
	Debt securities issued and other borrowings	(44,967,785)	(129,460,230)
	Current tax liability	-	(38,339,033)
	Other liabilities	(188,304,129)	(902,443,399)
	Total	(806,389,769)	(1,054,230,045)
42 (a)	Cash and Cash Equivalent		
		31.12.2021	31.12.2020
		LKR	LKR
	Cash in hand and cash at bank	64,000,524	105,547,621
	Due to bank	(100,266)	(391,326)
	Total	63,900,258	105,156,295

Sri Lanka Savings Bank Ltd

For The Year Ended December 2021

Notes to the Financial Statements

43. 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 risk faced by the Bank. Existing business model has inherently mitigated the market risk towards the Bank up to immaterial level as SLSB is not performing activities which create market risk to the Bank.

Other than above key risks, SLSB consider the various other risks such as Compliance Risk, Legal Risk, and Reputational Risk. These emerging risks highlight the importance and vulnerability of sound risk management in practice throughout the bank. SLSB is gradually adapting to 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.

43.1. 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.

43.1.1. Credit Quality Analysis

43.1.1.1. 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	2021		2020	
	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	64,000,524	59,451,938	105,547,621	100,898,847
Placements with Banks	4,710,262,911	4,710,262,911	4,734,648,477	4,734,648,477
Financial Assets Recognized through profit & Loss				
Measured at fair Value			303,805,894	303,805,894
Designated at fair Value				
Financial as sets at amortised cost				
Loans and Advences	1,356,677,167	1,294,201,828	2,068,720,182	2,016,392,929
Debt and Other Instruments	1,282,460,917	553,161,593	779,707,836	434,980,119
Financial as sets measured at fair value through other comprehensive income	165,195,927	165,195,927	138,011,347	138,011,347
Total	7,578,597,446	6,782,274,196	8,130,441,357	7,728,737,613

43.1.1.2. Concentration of credit risk by product and Sector

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

Concentration by Product

As at 31st December	2021 (Rs.)	2020 (Rs.)
Loan & Advances		
Cash Back	11,220,480	17,797,094
Refinance	28,054,609	41,141,660
Lease/HP	278,155,861	521,293,443
Staff	293,889,014	149,147,160
Personal	172,513,076	293,341,754
SMS/Business	568,984,614	781,040,635
Loans		
Vested from PSDB	974,715,371	998,605,882
Micro Finance	505,157,456	807,568,720
Pawning	2,128,564	38,606,534
Total	2,834,819,044	3,648,542,881

Concentration by Sector

As at 31st December	2021 (Rs.)	2020 (Rs.)
Agriculture and fishing	444,579,000	660,870,000
Manufacturing	754,033,000	767,442,000
Tourism	67,622,000	99,002,000
Transport	56,944,000	76,983,000
Construction	488,792,000	448,160,000
Traders	540,111,000	623,817,000
New economy	36,459,000	40,889,000
Others	446,279,044	931,379,881
Total	2,834,819,044	3,648,542,881

Credit Quality (Past Due) by class of financial assets

As at 31st December 2021	Niether Past due Not Impaired (Rs.)	Past due Not Impaired (Rs.)	Individually Impaired (Rs.)	Total (Rs.)
Cash and cash equivalents	64,000,524			64,000,524
Placements with Banks	4,714,787,578			4,714,787,578
Financial Assets Recognized through profit & Loss				
Measured at fair Value				
Designated at fair Value				
Financial as sets at amortised cost				
Loans and Advences				
Loan and Advences Without PSDB	288,300,076	1,347,207,356	224,596,240	1,860,103,673
Portfoilo vested from PSDB			974,715,371	974,715,371
Debt and Other Instruments	1,282,545,283			1,282,545,283
Financial as sets measured at fair value through other comprehensive income	165,195,927		42,476,184	207,672,111
Total	6,514,829,388	1,347,207,356	1,241,787,795	9,103,824,540

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 2021	1 to 30 Day Rs.	31 to 60 Day Rs.	61-90 day Rs.	More than 90 Day Rs.	Total Rs.
Financial Assets at amortised cost - Loans & Advanes	988,739,985	107,228,301		251,239,070	1,347,207,356

As at 31st December 2020	Niether 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
Placemenst 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				
- Loans and Advances				
Loan & 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

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

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

As at 31st December 2021	Amortised Cost					Impairment Provision				As per Financial Position Rs
	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	64,000,524	-	-	-	64,000,524	-	-	-	-	64,000,524
Placemenst with Banks	-	4,714,787,578	-	-	4,714,787,578	4,524,668	-	-	4,524,667.67	4,710,262,910
Financial Assets Recognized through profit & Loss										
- Measured at fair Value					-					
- Designated at fair Value					-					
Financial assets at amortised cost					-					
- Loans and Advances	288,300,076	988,739,985	107,228,301	1,450,550,682	2,834,819,044	81,707,482	17,867,260	1,378,567,135	1,478,141,877	1,356,677,167
- Debt and Other Instruments	729,299,324	553,245,958			1,282,545,283	84,365			84,365	1,282,460,917
Financial assets measured at fair value through other comprehensive income	165,195,927		-	42,476,184	207,672,111			42,476,184	42,476,184	165,195,927
Total	1,246,795,852	6,256,773,521	107,228,301	1,493,026,866	9,103,824,540	86,316,515	17,867,260	1,421,043,319	1,525,227,094	7,578,597,445

As at 31st December 2020	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.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cash and cash equivalents	105,547,621	-	-	-	105,547,621				-	105,547,621
Placemenst with Banks	--	4,738,239,333	--	--	4,738,239,333	3,590,857	--	--	3,590,857	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

43.2. 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 time.

43.2.1. 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 SLSB has maintained SLAR at satisfactory level.

As at 31st December	2021	2020
	Rs. "000"	Rs. "000"
Cash	4,596	6,267
Balances with licensed commercial banks	3,972,700	4,358,546
Money at call in Sri Lanka		
Treasury Bills and Securities issued or guaranteed by the Government of Sri Lanka	814,132	342,372
Commercial Papers/ Promissory Notes (50% of the investment)	1,186	150,000
Treasury Bonds		
Sri Lanka Development Bonds		
Total Liquid Assets (Daily average statutory liquid assets during the month of December)	4,792,613	4,857,185
Total Liability base subject to maintain liquid assets requirement	646,180	949,930
Liquid Assets ratio	742%	511%

43.2.2. Maturity of assets and liabilities

SLSB has maintained positive maturity gap position over long period.

Maturity Gap analysis- 31st December 2021- Sri Lanka Savings Bank

	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 Decem- ber 2021	Total as at 31st December 2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash & Cash equivalents	64,000,524							64,000,524	105,547,621
Placements with banks	384,822,541	2,251,364,967	1,653,365,662	420,709,741	-	-	-	4,710,262,910	4,734,648,477
Financial Assets Recognized through profit & Loss									
- Measured at fair Value	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost									
- Loans and Advances	80,132,609	72,487,245	101,767,679	182,273,722	369,213,617	231,387,230	319,415,063	1,356,677,167	2,068,720,182
- Debt and Other Instruments	380,096,642	336,940,670	10,446	21,055,958	275,320,000	256,785,635	12,251,566	1,282,460,917	779,707,836
Financial assets measured at fair value through other comprehensive income	-	165,195,927			-	-	-	165,195,927	138,011,347
Other Assets									
Fixed Assets							1,107,361,530	1,107,361,530	1,119,043,733
Other Assets	1,837,430	6,109,766	1,241,590	6,532,480	1,701,557		1,454,455	18,877,279	16,230,799
Total Assets	910,889,746	2,832,098,576	1,756,385,377	630,571,902	646,235,174	488,172,865	1,440,482,615	8,704,836,255	9,265,715,889
Due to banks	100,266							100,266	391,326
Financial Liabilities at Amortised cost									
- Due to Depositors	358,712,258	24,767,253	25,169,878	343,662,356	1,912,143	10,439,776		764,663,665	1,077,085,449
-Due to Other Borrowers	10,000,000	22,249,689	11,554,167	5,929,167	267,398,913	2,112,500		319,244,436	575,874,021
Debt securities issued		89,558,089						89,558,089	134,525,875
Other Liabilities	22,237,635	28,780,681	40,199,896	1,185,544	20,764,867	472,905,918	138,191,153	724,265,694	947,989,799
Capital & Reserves									
Total Liabilities & Equity	391,050,160	165,355,712	76,923,941	350,777,066	290,075,924	485,458,194	6,807,004,105	8,704,836,255	9,265,715,889
Gap	519,839,586	2,666,742,864	1,679,461,436	279,794,836	356,159,250	2,714,671	-5,504,712,642		
Cumulative Gap									
	519,839,586	3,186,582,451	4,866,043,886	5,145,838,722	5,501,997,971	5,504,712,642	0.00		
Cumulative Liabilities	391,050,160	556,405,872	633,329,813	984,106,879	1,274,182,803	1,759,640,997	8,704,836,255		
Cumulative Gap as a % of Cumulative Liabilities	133%	573%	768%	523%	432%	313%	0%		

43.3. 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 SLSB is minimal. Bank is not exposed to Foreign currency risk.

43.3.1. Trading and Non trading exposure

Below tables present the assets and liabilities subject to market Risk

	2021			Carrying Amount	2020	
	Carrying Amount	Amount exposure to trading	Non Trading Exposure		Amount exposure to trading	Non Trading Exposure
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets subject to Market Risk						
Cash and cash equivalents	64,000,524	-	64,000,524	105,547,621	-	105,547,621
Placemenst with Banks	4,710,262,910	-	4,710,262,910	4,734,648,476	-	4,734,648,476
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	1,356,677,167	-	1,356,677,167	2,068,720,182	-	2,068,720,182
- Debt and Other Instruments	1,282,460,917	-	1,282,460,917	779,707,836	-	779,707,836
Financial assets measured at fair value through other comprehensive income	165,195,927	-	165,195,927	138,011,347	-	138,011,347
Total	7,578,597,445	-	7,578,597,445	8,130,441,356	-	8,130,441,356
	2021			Carrying Amount	2020	
	Carrying Amount	Amount exposure to trading	Non Trading Exposure		Amount exposure to trading	Non Trading Exposure
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities subject to market Risk						
Due to banks	100,266	-	100,266	391,326	-	391,326
Financial liabilities recognized through profit & Loss	-	-	-	-	-	-
Financial Liabilities at Amor-tised cost						-
- Due to Depositors	764,663,665	-	764,663,665	1,077,085,449	-	1,077,085,449
-Due to Other Borrowers	319,244,436	-	319,244,436	575,874,022	-	575,874,022
Lease Liability	3,187,515	-	3,187,515	6,733,838	-	6,733,838
Debt securities issued	89,558,089	-	89,558,089	134,525,875	-	134,525,875
			-			
Total	1,176,753,972	-	1,176,753,972	1,794,610,509	-	1,794,610,509

43.3.2. 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. 165 Mn and its 1.9% 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.

	2021			2020		
	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	-	165,195,927	165,195,927	-	138,011,347	138,011,347

	2021			2020		
	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)	-	8,259,796	8,259,796	-	6,900,567	6,900,567
Shock of 5% on equity prices (downward)	-	(8,259,796)	(8,259,796)	-	(6,900,567)	(6,900,567)
Shock of 10% on equity prices (Upward)	-	16,519,593	16,519,593	-	13,801,135	13,801,135
Shock of 10% on equity prices (downward)	-	(16,519,593)	(16,519,593)	-	(13,801,135)	(13,801,135)
Shock of 20% on equity prices (Upward)	-	33,039,185	33,039,185	-	27,602,269	27,602,269
Shock of 20% on equity prices (downward)	-	(33,039,185)	(33,039,185)	-	(27,602,269)	(27,602,269)

43.3.3. Interest Rate Risk

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

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.

	2021		2020	
	Parrelal In-crease	Parrelal Deaccrease	Parrelal In-crease	Parrelal Deaccrease
	Rs.	Rs.	Rs.	Rs.
Net Interest Income				
Change in 50 bps	19,543,455	(19,543,455)	16,884,032.49	(16,884,032.49)
Change in 100 bps	39,086,909	(39,086,909)	33,768,064.99	(33,768,064.99)
Change in 200 bps	78,173,819	(78,173,819)	67,536,129.97	(67,536,129.97)

As at 31st December 2021	0 to 1 Month	0 to 3 Months	0 to 6 Months	0 to 12 Months
	Rs.	Rs.	Rs.	Rs.
Interest Bearing Assets	892,210,516	3,535,090,314	5,217,117,923	5,776,718,618
Bank Balances & Placements	437,718,344	2,671,245,650	4,251,505,580	4,635,131,830
Financial liabilities recognized through profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Loans and Advances	80,132,609.39	152,619,854.77	254,387,533.92	430,361,979.16
- Debt and Other Instruments	374,359,563.31	711,224,809.31	711,224,809.31	711,224,809.31
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Interest Bearing Liabilities	169,985,093	270,298,351	391,863,605	461,609,063
Due to banks	-	-	-	-
Financial liabilities recognized through profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Due to Depositors	143,444,240.28	173,559,252.17	283,570,339.49	347,386,631.35
-Due to Other Borrowers	10,558,000.00	48,790,541.26	108,293,265.42	114,222,432.08
Debt securities issued	15,982,852.50	47,948,557.50		
Net rates sensistive Assets/(Liabilities)	722,225,424	3,264,791,964	4,825,254,318	5,315,109,555

As at 31st December 2020	0 to 1 Month	0 to 3 Months	0 to 6 Months	0 to 12 Months
	Rs.	Rs.	Rs.	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	96,851,221	251,525,979	456,949,931	809,753,011
- Debt and Other Instruments	380,028,299	643,156,477	643,156,477	943,156,477
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

SRI LANKA SAVINGS BANK LIMITED

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT AS AT 31ST DECEMBER 2021

	Current Period	Previous Period
In Rupee Thousands	As at 31/12/2021	As at 31/12/2020
Product-wise Gross loans and advances		
By product - Domestic Currency		
Overdrafts	-	-
Term loans	1,259,200	1,896,408
Lease rental receivable	276,606	521,293
Credit Cards		-
Pawning	2,129	38,607
Pramuka Savings & Development Bank's Loans (PSDB)	974,715	998,606
Housing loans	28,280	44,482
Staff loans	293,889	149,147
Total	2,834,819	3,648,543
Stage-wise impairment on loans & advances		
Less: Accumulated impairment under stage 1	(81,707)	(110,947)
Accumulated impairment under stage 2	(17,867)	(75,874)
Accumulated impairment under stage 3	(1,378,567)	(1,393,001)
Net value of loans & advances	1,356,678	2,068,720
Movements of impairment during the period		
Under Stage 1		
Opening balance	110,947	105,815
Charge/(write back) to income statement	(29,240)	5,133
Closing balance	81,707	110,947
Under Stage 2		
Opening balance	75,874	43,030
Charge/(write back) to income statement	(58,007)	32,843
Closing balance	17,867	75,874
Under Stage 3		
Opening balance	1,393,001	1,388,409
Charge/(write back) to income statement	9,456	19,423
Other Movements	(23,891)	(14,831)
Closing balance	1,378,567	1,393,001
Total Impairment	1,478,142	1,579,823

SRI LANKA SAVINGS BANK LIMITED
ANALYSIS OF DEPOSITS
AS AT 31ST DECEMBER 2021

	Current Period	Previous Period
In Rupees Thousands	As at 31/12/2021	As at 31/12/2020
By Product		
Demand deposits	-	-
Savings deposits	249,911	328,742
Fixed deposits	215,774	453,204
Pramuka Savings & Development Bank's Loans (PSDB) deposits	298,979	295,139
Total	764,664	1,077,085

SRI LANKA SAVINGS BANK LIMITED
ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS
AS AT 31ST DECEMBER 2021

a. Bank - 31/12/2021				
In Rupees Thousands	AC	FVPL	FVOCI	Total
ASSETS				-
Cash and cash equivalents	64,001			64,001
Balances with central banks				-
Placements with banks	4,710,263			4,710,263
Derivative financial instruments	-			-
Loans and advances	1,356,677			1,356,677
Debt Instruments	1,282,461			1,282,461
Equity Instruments			165,196	165,196
Unit Trust Investments		-		-
Total financial assets	7,413,402	-	165,196	7,578,597
In Rupees Thousands	AC	FVPL		Total
LIABILITIES				
Due to banks	100			100
Derivative financial instruments				-
Financial liabilities at amortised cost				-
- Due to depositors	764,664			764,664
- Due to other borrowers	319,244			319,244
Debt securities issued	89,558			89,558
Total financial liabilities	1,173,566		-	1,173,566

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

SRI LANKA SAVINGS BANK LIMITED
SELECTED PERFORMANCE INDICATORS (BASED ON REGULATORY REPORTING)
AS AT 31ST DECEMBER 2021

Item	31/12/2021	31/12/2020
Regulatory Capital Adequacy (LKR in Thousands)		
Common Equity Tier 1	5,742,060	5,357,996
Core (Tier 1) Capital	5,742,060	5,357,996
Total Capital Base	5,742,060	5,357,996
Regulatory Capital ratios (%)		
Common Equity Tier 1 capital (%) (Minimum Requirement - 7%)	101%	82%
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.50%)	101%	82%
Total Capital Ratio (%) (Minimum Requirement - 12.50 %)	101%	82%
Leverage Ratio (Minimum Requirement - 3%)	62%	48%
Regulatory Liquidity		
Statutory Liquid Assets (LKR in Thousands)	4,792,614	4,857,185
Statutory Liquid Assets Ratio (%) (Minimum Requirement - 20%)	742%	511%
Total Stock of High-Quality Liquid Assets (LKR in Thousands)	389,139	296,371
Liquidity Coverage Ratio - Rupee (%) (Minimum Requirement - 100%)	1548%	567%
Net Stable Funding Ratio (%) - Minimum Requirement - 100%)	172%	192%
Assets Quality (Quality of Loan Portfolio)		
Gross Non Performing Advances Ratio (%) (net of Interest in suspense)	23%	21%
Net Non Performing Advances Ratio (%) (net of Interest in suspense and Provision)	-4%	-1%
Impaired Loans (Stage 3) Ratio (%)	4%	6%
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	85%	72%
Profitability		
Interest Margin (%)	7%	9%
Return on Assets (before Tax) (%)	4%	5%
Return of Equity (%)	4%	5%

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

TEMPLATE 01: KEY REGULATORY RATIO – CAPITAL AND LIQUIDITY

Item	Amount (LKR '000)	
	31-Dec-21	31-Dec-20
Regulatory Capital (LKR '000)		
Common Equity Tier 1	5,742,060	5,357,996
Tier 1 Capital	5,742,060	5,357,996
Total Capital	5,742,060	5,357,996
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement-2020-7.00%,2019-7.00%)	101%	82%
Tier 1 Capital Ratio (Minimum Requirement-2020-8.50%,2019-8.50%)	101%	82%
Total Capital Ratio (Minimum Requirement-2020-12.50%,2019-12.50%)	101%	82%
Leverage Ratio (Minimum Requirement-2020 - 3.00% , 2019-3.00%)	62%	48%
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	4,792,614	4,857,185
Statutory Liquid Assets Ratio (Minimum Requirement -20%)		
Domestic Banking Unit (%)	742%	511%
Off-Shore Banking Unit (%)	N/A	N/A
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2020-90% ; 2019-100%))	1,482%	567%
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)	
	31-Dec-21	31-Dec-20
Common Equity Tier 1 (CET1) Capital after Adjustments	5,742,060	5,357,996
Common Equity Tier 1 (CET1) Capital	5,848,484	5,581,496
Equity Capital (Stated Capital)/ Assigned Capital	3,805,290	3,805,290
Reserve Fund	266,710	239,997
Published Retained Earnings/(Accumulated Retained Losses)	1,776,483	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	106,424	223,500
Goodwill (net)		
Intangible Assets (net)	669	216
Shortfall of the cumulative impairment to specific provisions	-	66,548

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	71,950	73,122
Regulatory adjustments applied to CET1 Capital due to insufficient AT1 and Tier 2 Capital to cover adjustments	33,805	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	-	-
Tier 2 Capital	58,189	9,877
Qualifying Tier 2 Capital Instruments		
Revaluation Gains		
General provisions	58,189	9,877
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to Tier 2	58,189	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	58,189	9,877
CET1 Capital	5,742,060	5,357,996
Total Tier 1 Capital	5,742,060	5,357,996
Total Capital	5,742,060	5,357,996
Total Risk Weighted Assets (RWA)	5,681,977	6,530,970
RWAs for Credit Risk	4,655,086	5,407,661
RWAs for Market Risk	-	-
RWAs for Operational Risk	1,026,890	1,123,309
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	101%	82%
of which: Capital Conservation Buffer (%)	-	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	101%	82%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	101%	82%
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)	
	31-Dec-21	31-Dec-20
Tier 1 Capital	5,742,060	5,236,394
Total Exposures	8,606,950	9,657,242
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	7,994,066	9,289,944
Derivative Exposures	-	-
Securities Financing Transaction Exposures	717,037	344,728
Other Off-Balance Sheet Exposures	2,271	22,570
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	67%	54%

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)		387,779		296,371
Total Adjusted Level 1A Assets		348,408		286,876
Level 1 Assets	386,049	386,049	295,295	295,295
Total Adjusted Level 2A Assets		-		-
Level 2A Assets		-		-
Total Adjusted Level 2B Assets	3,461	1,731	2,153	1,077
Level 2B Assets	3,461	1,731	2,153	1,077
Total Cash Outflows		104,661		209,021
Deposits	459,275	45,927	771,784	77,178
Unsecured Wholesale Funding	100,935	40,374	113,763	45,505
Secured Funding Transactions		-		-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	-	-	11,450	1,125
Additional Requirements	18,360	18,360	85,212	85,212
Total Cash Inflows		407,741		982,381
Maturing Secured Lending Transactions Backed by Collateral	374,360	-	80,028	-
Committed Facilities		-		-
Other Inflows by Counterparty which are Maturing within 30 Days	424,923	401,843	974,727	937,110
Operational Deposits		-		-
Other Cash Inflows	11,797	5,899	90,541	45,271
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days) *100		1482%		567%

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	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 71

**TEMPLATE 07: CREDIT RISK UNDER STANDARDISED APPROACH –
CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS**

Asset Class	Amount (LKR'000) as at 31.12.2021							
	Exposures before Credit Con- version Factor (CCF) and CRM			Exposures after CCF and CRM			RWA and RWA Density (%)	
	On-Bal- ance Sheet Amount	Off-Bal- ance Sheet Amount	Total	On-Bal- ance Sheet Amount	Off-Bal- ance Sheet Amount	Total	RWA	RWA Density
Claims on Central Govern- ment and CBSL	729,381	-	729,381	82	-	82	-	-
Claims on Foreign Sov- ereigns and their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	164	-	164	164	-	164	164	100
Claims on Official Entities and Multilateral Develop- ment Banks	-	-	-	-	-	-	-	-
Claims on Banks Expo- sures	4,832,724	-	4,832,724	4,832,724	-	4,832,724	2,026,021	40
Claims on Financial Insti- tutions	428,436	-	428,436	428,436	-	428,436	214,219	50
Claims on Corporates	474	-	474	474	-	474	474	100
Retail Claims	1,076,190	800	1,076,990	1,064,988	400	1,065,388	839,679	82
Claims Secured by Resi- dential Property	363,911	3,742	367,653	363,911	1,871	365,782	365,782	100
Claims Secured by Com- mercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	81,731	-	81,731	81,731	-	81,731	82,592	101
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,130,706	-	1,130,706	1,130,706	-	1,130,706	1,126,158	100
Total	8,643,717	4,542	8,648,259	7,903,216	2,271	7,905,487	4,655,087	60

TEMPLATE 08: CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Description	Amount (LKR'000) as at 31.12.2021 (Post CCF & CRM)							Total Credit Exposures Amount
	Risk Weight	0%	20%	50%	75%	100%	150%	>150%
Asset Classes								
Claims on Central Government and CBSL	82	-	-	-	-	-	-	82
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	-	3,471,831	58,478	-	1,302,414	-	-	4,832,724
Claims on Financial Institutions	-	-	428,435	-	-	-	-	428,435
Claims on Corporates	-	-	-	-	474	-	-	474
Retail Claims	211	417	-	900,657	164,103	-	-	1,065,388
Claims Secured by Residential Property	-	-	-	-	365,782	-	-	365,782
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	2,796	-	74,413	4,520	-	81,730
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	4,549	-	-	-	1,126,157	-	-	1,130,705
Total	4,842	3,472,248	489,710	900,657	3,033,507	4,520	-	7,905,484

TEMPLATE 10: OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31.12.2021		
			1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		1,062,174	799,928	705,124
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach					128,361
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					1,026,890

TEMPLATE 11: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

Item	Amount (LKR '000) as at 31.12.2021				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	8,704,836	8,746,166	8,582,222	-	163,944
Cash and Cash Equivalents	64,001	64,001	64,001	-	-
Balances with Central Banks	-	-	-	-	-
Placements with Banks	4,710,263	4,714,788	4,714,788	-	-
Derivative Financial Instruments	-	-	-	-	-
Financial assets at amortised cost					
-Loans and Advances	1,356,677	1,460,350	1,460,350	-	-
-Debt and Other Instruments	1,282,461	1,282,533	1,190,540	-	91,994
Financial assets measured at fair value through Profit & Loss	-	-	-		
Financial assets measured at fair value through other comprehensive income	165,196	98,255	26,305	-	71,950
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	896,785	896,785	896,785	-	-
Right of use assets	2,493	2,493	2,493	-	-
Investment properties	210,577	210,577	210,577	-	-
Goodwill and Intangible Assets	669	669	669	-	-
Deferred Tax Assets	-	-	-	-	-
Other Assets	15,716	15,716	15,716	-	-
Liabilities	1,897,832	1,897,832	-	-	-
Due to Banks	100	100	-	-	-
Financial liabilities at amortised cost					
-Due to depositors	764,664	764,664	-	-	-
-Due to other borrowers	319,244	319,244	-	-	-
Lease Liability	3,188	3,188	-	-	-
Debt Securities Issued	89,558	89,558	-	-	-
Retirement benefit obligations	41,652	41,652	-	-	-

Current Tax Liabilities	318,727	318,727	-	-	-
Deferred Tax Liabilities	1,939	1,939	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	358,760	358,760	-	-	-
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Shareholders' Equity	6,807,004	6,848,333	-	-	-
Stated capital/ Assigned capital	3,805,290	3,805,290	-	-	-
Statutory reserve fund	266,507	266,507	-	-	-
OCI reserve	66,941	-	-	-	-
Retained earnings	3,938,822	4,047,092	-	-	-
Other reserves	-1,270,557	-1,270,557	-	-	-
Total Equity and Liabilities	8,704,836	8,746,166	-	-	-
Off-Balance Sheet Liabilities	4,542	4,542	4,542	-	-
Guarantees			-	-	-
Performance Bonds	-	-	-	-	-
Letters of Credit	-	-	-	-	-
Other Contingent Items	-	-	-	-	-
Undrawn Loan Commitments	4,542	4,542	4,542	-	-
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 3.2.6 of accounting policies. (page 101)

(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 63 to 72 disclose the Bank's approach to risk management including governance structures, policies, processes, limits and the current risk profile of the Bank.

SRI LANKA SAVINGS BANK LIMITED

Notice of
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FIFTEENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE SRI LANKA SAVINGS BANK LIMITED WILL BE HELD ON 2022 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 2021 and the Report of the Auditors thereon.
2. To re-appoint National Audit Office as Auditors for the year ended 31st December 2022

By Order of the Board,

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. Saliya Dharmawardena of Colombo or failing him

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 the and at any adjournment thereof.

Signed this day of 2022

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

.....

Signature

In witness my/or* hands thisday ofTwo Thousand and Twenty Two

Notes 01. Please delete the inappropriate words

02. Instructions as to completion are given overleaf

INSTRUCTIONS AS TO COMPLETION

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

SRI LANKA SAVINGS BANK
Statistical Indicators 2012-2021

	Audited 2012		Audited 2013		Audited 2014		Audited 2015		Audited 2016		Audited 2017		Audited 2018		Audited 2019		Audited 2020		Audited 2021	
	Rs.000'		Rs.000'		Rs.000'		Rs.000'		Rs.000'		Rs.000'		Rs.000'		Rs.000'		Rs.000'		Rs.000'	
Operating results																				
Gross Income	759,905		1,017,512		796,399		746,195		980,754		1,093,386		1,041,065		1,157,242		875,502		677,992	
Interest Income	742,457		996,420		710,502		676,169		924,924		1,039,799		1,019,059		1,019,646		789,309		602,160	
Interest Expenses	138,840		141,289		183,376		147,622		140,792		143,526		94,080		95,068		75,574		55,207	
Net Interest Income	603,617		855,131		527,125		528,546		784,132		896,273		924,980		924,578		713,735		546,953	
Other Income	15,586		19,810		84,050		66,766		50,868		49,298		19,444		135,932		82,055		73,699	
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		292,505	
Profit before tax	594,579		551,140		267,686		432,283		599,700		604,369		488,106		633,964		415,341		330,231	
Income tax	71,042		(12,088)		32,831		-		-		-		136,840		186,147		140,285		75,086	
Profit after tax	523,538		563,229		234,855		432,283		599,700		604,369		351,266		447,817		275,056		255,144	
Assets																				
Cash and Short-term Funds	14,212		109,981		17,059		40,462		58,816		30,990		31,235		18,802		105,548		64,001	
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		7,514,597	
Property,Plant and equipment/ intangible assets /Investment	201,177		203,407		206,322		670,366		654,400		643,759		629,271		621,819		1,113,064		1,108,030	
Properties																				
Other assets	470,643		161,186		222,473		192,617		234,617		13,242		44,968		56,970		22,210		18,209	
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		8,704,836	
Liabilities and shareholder's 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		764,664	
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		408,803	
Other liabilities	634,210		345,172		363,094		799,819		838,937		914,315		1,053,802		1,893,927		948,381		724,366	
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		6,807,004	
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		8,704,836	
Performance ratio's																				
Return on Average Assets	8%		7%		3%		5%		6%		6%		5%		7%		5%		4%	
Return on Average Equity	17%		16%		6%		10%		13%		12%		7%		9%		5%		4%	
Net Interest Margin	9%		12%		7%		7%		9%		10%		11%		11%		9%		7%	
Loans to Deposits	518%		429%		248%		384%		422%		392%		363%		349%		339%		371%	
Cost to Income	17%		17%		26%		32%		24%		23%		35%		23%		31%		48%	
NPL (gross)	56%		47%		55%		43%		37%		33%		37%		41%		42%		49%	
NPL (net)	7%		5%		12%		8%		7%		6%		-2%		1%		-1%		-4%	
Income growth	32%		34%		-22%		-6%		31%		11%		-5%		11%		-24%		-23%	
Deposit growth	-11%		53%		59%		-24%		1%		18%		1%		-1%		0%		-29%	
Shareholder Ratio's (Rs.)																				
Earnings per share	114		123		51		94		131		132		43		55		34		31	
Net Assets per share	736		836		875		948		1,040		1,176		657		601		796		830	
Other information																				
Number of employees	72		73		96		106		123		116		109		103		107		106	
Number of branches	1		4		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		3.12	
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		8,204,467	



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இலங்கை சேமிப்பு வங்கி
Sri Lanka Savings Bank

A FULLY OWNED SUBSIDIARY OF **NSB** 

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