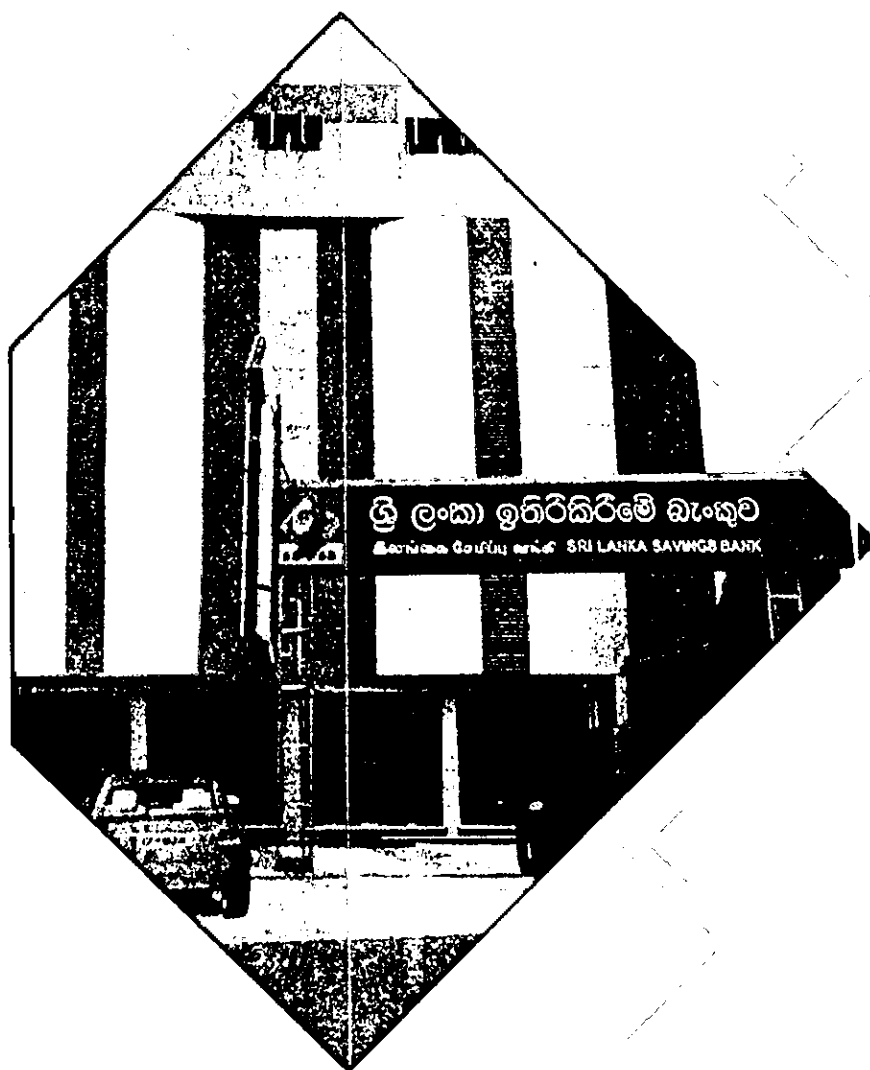


Sri Lanka Savings Bank Ltd.

Financial Statements *as at 31.12.2019*



SLS Bank 
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இலங்கை சேமிப்பு வங்கி
Sri Lanka Savings Bank

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	NOTE	2019 LKR	2018 LKR
Interest income	5	1,019,645,665	1,019,059,257
Interest expenses	5	(95,067,883)	(94,079,725)
Net interest income		924,577,782	924,979,532
Fee and commission income	6	1,664,118	2,561,434
Fee and commission expenses	6	(301,000)	(565,750)
Net fee and commission income/(expenses)		1,363,118	1,995,684
Other operating income (net)	7	135,932,214	18,900,464
Total operating income		1,061,873,114	945,875,680
Impairment (charges)/reversal	8	5,024,907	10,196,371
Net operating income		1,066,898,021	956,072,051
Personnel expenses	9	(155,841,907)	(167,712,542)
Depreciation and amortization expenses	10	(17,398,134)	(16,248,637)
Other expenses	11	(76,085,274)	(141,027,317)
Operating profit before VAT , NBT & DRL on financial services		817,572,707	631,083,555
Value Added Tax (VAT) on financial services		(112,974,317)	(113,773,218)
Nation Building Tax (NBT) on financial services		(11,581,497)	(15,855,664)
Debt Repayment Levy (DRL) on financial services		(59,053,298)	(13,348,913)
Operating profit after VAT , NBT & DRL on financial services		633,963,595	488,105,760
Income Tax expenses	12	(186,146,888)	(136,839,624)
Profit for the year		447,816,707	351,266,136

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

Basic Earning per share	13	55	43
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SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

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

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

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2019

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

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

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

Mr. Eranjith Padmakumara
 Manager- Finance and Planning

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

Mrs. Keasila Jayawardena
 Chairperson

Director

Director



SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Ordinary Share Capital	Capital Pending Allotment	PSDB Revenue Deficit	Statutory Reserves fund	Available for Sales	Revaluation Reserve	Revenue Reserve	Total Equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01.01.2018	820,446,600	2,984,843,702	(2,166,190,408)	200,043,210	69,289,249	468,021,489	3,013,894,242	5,390,348,085
Prior Year Adjustments							(259,513,899)	(259,513,899)
Profit for the year	-	-	-	-	-	-	351,266,136	351,266,136
Actuarial Gain on defined benefit plan	-	-	-	-	-	-	869,967	869,967
Fair value changes	-	-	-	-	(9,974,805)	-	-	(9,974,805)
Dividend paid to the shareholders	-	-	-	-	-	-	(86,000,000)	(86,000,000)
Transferred to statutory reserve fund	-	-	-	17,563,307	-	-	(17,563,307)	-
Balance as at 31.12.2018	820,446,600	2,984,843,702	(2,166,190,408)	217,606,517	59,314,444	468,021,489	3,002,953,139	5,386,995,484
Balance as at 01.01.2019	820,446,600	2,984,843,702	(2,166,190,408)	217,606,517	59,314,444	468,021,489	3,002,953,139	5,386,995,484
Prior Year Adjustments							(882,213,968)	(882,213,968)
Balance as at 01.01.2019 after adjustments	820,446,600	2,984,843,702	(2,166,190,408)	217,606,517	59,314,444	468,021,489	2,120,739,172	4,504,781,517
Profit for the year	-	-	-	-	-	-	447,816,707	447,816,707
Actuarial loss on defined benefit plan	-	-	-	-	-	-	(892,476)	(892,476)
Fair value changes	-	-	-	-	(20,929,944)	-	-	(20,929,944)
Transferred to statutory reserve fund	-	-	-	22,390,835	-	-	(22,390,835)	-
Balance as at 31.12.2019	820,446,600	2,984,843,702	(2,166,190,408)	239,997,353	38,384,500	468,021,489	2,545,272,567	4,930,775,804

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

Prior Year Adjustment in Yr2019 Refer Note No.34.



SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

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

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



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 2019 were authorized for issue on 11th February 2020.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank (Statement of financial position, Statement of Income, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Banking Act No. 30 of 1988.

2.2 Basis of measurement

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

- Financial assets measured at Fair Value Through Other Comprehensive Income,
- Land and buildings, which are measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation.
- Liability for employee defined benefits obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.



2.3 Functional and presentation currency

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

2.4 Presentation of financial statements

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

2.5 Materiality & aggregation

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

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

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

2.6 Comparative information

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

2.7 Use of significant accounting judgments, estimates and assumptions

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

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

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

i. Useful life-time of the property and equipment

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

ii. Going concern

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

iii. Impairment losses on loans and advances

The measurement of impairment losses under both SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement. The Bank assesses at each reporting date or more frequently, to determine whether there is any objective evidence whether an impairment loss should be recorded in the statement of comprehensive income. Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. Management judgment is required for classification of assets and the estimation of impairment losses. Estimation methodologies are based on assumptions concerning a number of factors though actual results may differ, resulting in future changes to the impairment losses so made.

iv. Impairment of available - for - sale investments

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

v. Defined benefit plans

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

2.8 Changes in Accounting Policies

2.8.1 Sri Lanka Accounting Standard (SLFRS 16) – Leases

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

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

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

2.8.1.1. Identifying a Lease

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



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

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

2.8.1.2 Right-of-use assets

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

2.8.1.3 Lease liabilities

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

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

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. The Bank considers the leases of low value assets, if the value of the underlying asset is less than or equal to Rs 1 Mn.

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

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

2.8.1.6 Measurement

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

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

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

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



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

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

Discount Rate

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

- **Separating Components of a Contract**

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

- **Initial Direct Costs**

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

3. Significant accounting policies

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

3.1 Cash and cash equivalents

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

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

3.2 Financial assets – Recognition and measurement

3.2.1 Date of recognition

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

3.2.2 Initial measurement of financial instruments

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

3.2.3 Non-derivative financial assets

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

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.

3.2.3 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.

3.2.4 De-recognition of financial assets financial liabilities

3.2.4.1 Financial assets

The Bank derecognizes a financial asset (or where applicable a part thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the



rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

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

3.2.4.2 Financial assets

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

3.2.5 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%.

3.2.6 Collateral valuation

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

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

3.3. Non-financial assets

3.3.1. Property, Plants and equipments

Recognition and measurement

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

Minimum Requirements for Capitalization

Expenditures at Acquisition:

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

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



Expenditures Subsequent to Acquisition:

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

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

Cost model

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

Revaluation Model

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

Subsequent cost

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

Depreciation

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

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

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

De-recognition

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

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

3.3.2. Impairment of non-financial assets.

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

3.3.3. Investment property

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

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

Cost model

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

Fair Value

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

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

3.3.4. Inventories

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

3.3.5. Borrowing costs

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

3.3.6. Intangible Assets

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

3.3.6.1 Basis of Recognition

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



3.3.6.1 (a) Computer Software

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

3.3.6.2 Subsequent Expenditure

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

3.3.6.3 Amortization of Intangible Assets

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

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

3.3.6. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of 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 though Profit & Loss)

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

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

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

ii. Other Financial liabilities

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

3.3.7. De-recognition of financial liabilities

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

3.4. Retirement Benefit Obligations

3.4.1. Defined Benefit Plan

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

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

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

3.4.2. Contribution Plans

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

Employees' Provident Fund

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

Employees' Trust Fund

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

3.5. Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the



amount of the obligation. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.6. Financial guarantees

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

3.7. Taxation

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

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

3.7.1. Current tax

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

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

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

3.8. Recognition of income and expenses

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

3.8.1. Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the

Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. However, the bank has recognized the interest income related said assets on cash basis for prudence purpose owing to the nature of the impaired loan portfolio.

3.8.2. Fee and commission income

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

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

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

3.8.3. Dividend income

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

3.9. Cash flow statement

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

3.10. Standards issued but not yet effective

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

3.11. Debentures

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



4. Financial instruments - Risk Management

4.1 Risk management structure

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

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

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

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

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

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

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

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

The bank has maintained fully provision for PSDB loans amounting Rs. 1,013,436,936.89 as at 31 December 2019 where such loans vested with 100% provisions.

Sri Lanka Savings Bank Ltd
For The Year Ended December 2019
Notes to the Financial Statements

5. **Net Interest Income**

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



5.1 Net Interest Income from Sri Lanka Government Securities

Interest income	33,528,444	32,452,781
Net interest income	33,528,444	32,452,781

6. Net Fee and Commission Income

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

Fee and Commission Expenses

Introducer Commission Expense - Leasing & HP	301,000	565,750
Total Fee and commission expenses	301,000	565,750

7. Other Operating Income (net)

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

8. Impairment Charges /(Reversal)

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

9. **Personnel Expenses**

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

10. **Depreciation and amortization expenses**

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

11. **Other Expenses**

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



12. Tax Expenses

Current Year expense		
Current Year	181,102,131	136,839,624
Prior Year's Provision	4,280,768	-
Deferred Tax expense		
Temporary Difference (refere note - 12.2)	763,990	-
Prior Year's Provision	-	-
Total	186,146,888	136,839,624
Effective tax rate (%)	29.36	28.03
Effective tax rate (excluding deferred tax) (%)	29.24	28.03
	0	(0)

12.1 Reconciliation of the Accounting Profit to Income Tax Expenses

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

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

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

13. Earning per share

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

Sri Lanka Savings Bank Ltd
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Notes to the Financial Statements

	31.12.2019 LKR	31.12.2018 LKR
14.0 Cash and Cash Equivalents		
Cash in hand	6,129,235	4,620,538
Balances with banks (Note 14.1)	12,672,341	26,503,642
Total	18,801,576	31,124,180
14.1 Balances with banks		
People's Bank - Borella No. 1 (078-1-001-5-8517396)	125,482	504,579
People's Bank - Borella No. 2 (078-1-001-7-0000683)	-	856,515
People's Bank - collection account leasing (078-1-003-3-8517396)	-	851,739
People's Bank - Liberty plaza old 046-1-001-3-0387266	75,373	75,373
People's Bank - Liberty Plaza - PSDB (309-1-002-5-8517396)	11,038	306,244
Bank of Ceylon - Borella - 0007521176	341,833	88,133
Bank of Ceylon - Mannar - 0074291980	144,247	484,524
People's Bank - Mannar - 044-1-001-2-0060585	405,148	897,492
People's Bank - Matara - 032-1-001-2-0000683	396,654	2,458,654
People's Bank - Anuradhapura - 008-1-001-2-0000683	1,887,514	1,016,170
Cash at Bank - NDTF 309-1001-72536876	1,401,053	5,964,218
People's Bank-Call deposit	7,884,000	13,000,000
Total	12,672,341	26,503,642
15.0 Placements with Banks		
Fixed deposits- People's Bank	757,673,440	1,397,949,333
Fixed deposits- Bank of Ceylon	598,149,509	1,225,746,532
Fixed deposits- National Saving Bank	2,015,043,572	815,060,236
Fixed deposits- Regional Development Bank	802,594,925	1,028,180,656
Fixed deposits- HDFC	626,639,051	828,420,189
Fixed deposits- SMIB	597,564,848	262,213,562
(-) Impairment on Financial Assets Stage 01	(1,907,139)	(1,590,722)
Total	5,395,758,206	5,555,979,786



16.0 Financial assets at amortised cost - Loans and Advances

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

16.1 Analysis**By product****Loans and advances**

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

By industry		
Agriculture and fishing	689,614,000	732,814,000
Manufacturing	960,704,000	970,410,000
Tourism	90,717,000	69,134,000
Transport	67,941,000	73,653,000
Construction	232,381,000	-
Traders	708,986,000	731,625,000
New economy	13,462,000	12,340,000
Others	995,140,549	1,366,873,480
Gross total	3,758,945,549	3,956,849,480
16.2 Lease rental receivable		
Lease rental receivable	248,435,025	244,089,296
Unearned Interest Asset	70,386,952	59,770,415
(Less) Unearned Interest Liability	(70,438,762)	(59,822,225)
Net Lease rental receivable	248,383,215	244,037,486
16.3 Hire purchase receivable		
Hire purchase receivable	224,376,766	266,059,432
Unearned Interest Asset	62,653,052	83,066,202
(Less) Unearned Interest Liability	(62,872,394)	(83,285,544)
Net Hire purchase receivable	224,364,030	265,840,090
16.4 Movements in impairment during the Year		
Stage 1		
Opening Balance		
Charge/(Write back) to income statement	193,238,126	240,579,599
Balance at the end of the year	(87,423,235)	(47,341,473)
	105,814,891	193,238,126
Stage 2		
Opening Balance		
Charge/(Write back) to income statement	38,671,647	37,998,277
Balance at the end of the year	4,358,800	673,369
	43,030,447	38,671,647
Stage 3		
Opening Balance		
Charge/(Write back) to income statement	297,084,725	260,069,237
Balance at the end of the year	77,887,570	37,015,488
	374,972,295	297,084,725
PSDB		
Opening Balance		
Capital Recoveries	1,020,102,438	1,035,391,453
Balance at the end of the year	(6,665,501)	(15,289,016)
	1,013,436,937	1,020,102,438



17 Financial assets at amortised cost - - Debt and Other Instruments

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

17.1 Sri Lanka Government Securities

Reverse Repo investment	265,893,601	261,990,685
Total	265,893,601	261,990,685

17.2 Debenture investments

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

17.3 Other investments

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

17.4 Analysis

<u>By Collateralization</u>		
Pledged as collateral	265,893,601	261,990,685
Unencumbered	-	-
Total	265,893,601	261,990,685

Sri Lanka Savings Bank Ltd

For The Year Ended December 2019

Notes to the Financial Statements

18.0 Financial assets measured at fair value through other comprehensive income

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

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

18.1 Quoted equity security

Investment company	No of shares	As at 31.12.2019		No of shares	As at 31.12.2018	
		Cost of shares LKR	Market Value LKR		Cost of shares LKR	Market Value LKR
National Development Bank	15,634	970,956	1,563,400	14,825	970,956	1,583,310
Commercial Bank Limited	212	7,135	20,140	209	7,135	24,035
Lanka Orix Leasing Company	200	855	35,500	200	855	17,980
Sampath Bank Limited	3,609	83,221	586,102	3,379	83,221	794,065
Watawala Plantation	4,046	20,288	105,196	4,000	20,288	76,400
Trans Asia Hotel	4,000	34,983	278,800	4,000	34,983	351,200
Lanka Ceramic PLC	917	23,536	127,096	917	23,536	120,035
Lanka Walltile PLC	117	2,073	8,483	117	2,073	8,307
Kelani Valley Plantation	5,500	198,121	489,500	5,500	198,121	548,350
Hapugastenna Plantation	100	2,666	1,550	100	2,666	1,630
Aitken Spence	18,000	160,364	837,000	18,000	160,364	860,400
Pan Asia Bank Limited	10,298,499	96,012,455	131,820,787	10,298,499	96,012,455	152,417,785
Hatton Plantations PLC	4,000	-	27,600	4,000	-	27,600
		97,516,653	135,901,154	10,353,746	97,516,653	156,831,098



18.2 Unquoted Equity Securities

	No of shares	As at 31.12.2019	Management valuation	No of shares	As at 31.12.2018	Management valuation
		Cost of shares LKR			Cost of shares LKR	
Pramuka Merchant Corporation	500000	5,000,000	-	500000	5,000,000	-
Prime Development & Constructions	230000	2,300,000	-	230000	2,300,000	-
Janashkthi Life	2500000	25,000,000	-	2500000	25,000,000	-
Janashkthi Holding	1000000	10,000,000	-	1000000	10,000,000	-
CRIB	1643	164,300	164,300	1643	164,300	164,300
Vanik Incorporation	17,000	176,184	-	17,000	176,184	-
(Less) Impairment for shares		(42,476,184)			(42,476,184)	
Net investment in unquoted shares		164,300	164,300		164,300	164,300

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

18.3 Movements in impairment during the Year

	31.12.2019	31.12.2018
	LKR	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

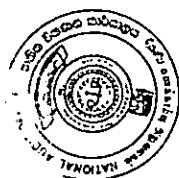
Sri Lanka Savings Bank Ltd
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Notes to the Financial Statements

19 Property, Plant and Equipment

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

19.1 Property, Plant and Equipment

	Land	Building	Motor Vehicles	Computer Equipments	Office Equipments	Telephone Equipments	Furniture & Fittings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
<u>Cost/fair value</u>								
Balance at the beginning of the year 2018	282,200,000	4,320,000	44,241,186	40,264,739	28,368,555	1,190,501	20,071,904	420,656,885
Additions				60,450	754,324		395,537	1,210,310
Disposals								
Revaluation gain								
Transfers during the year								
Balance at the end of the year 2018	282,200,000	4,320,000	44,241,186	40,325,189	29,122,879	1,190,501	20,467,441	421,867,195
Balance at the beginning of the year 2019	282,200,000	4,320,000	44,241,186	40,325,189	29,122,879	1,190,501	20,467,441	421,867,195
Additions					964,920	3,350	121,016	1,089,286
Disposals								
Revaluation gain								
Transfers								
Balance at the end of the year 2019	282,200,000	4,320,000	44,241,186	40,325,189	30,087,799	1,193,851	20,588,457	422,956,481



19.1 Property, Plant and Equipment

	Land	Building	Motor Vehicles	Computer Equipments	Office Equipments	Telephone Equipments	Furniture & Fittings	Total
	<u>LKR</u>	<u>LKR</u>	<u>LKR</u>	<u>LKR</u>	<u>LKR</u>	<u>LKR</u>	<u>LKR</u>	<u>LKR</u>
Accumulated depreciation								
Balance at the beginning of the year 2018	-	2,214,000	40,551,892	30,407,698	21,868,242	507,212	16,876,629	112,425,671
Charge for the year	-	216,000	3,232,837	5,506,002	3,804,903	184,080	1,890,647	14,834,470
Over / Under Depreciation adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at the end of the year 2018	-	2,430,000	43,784,729	35,913,699	25,673,145	691,292	18,767,276	127,260,141
Balance at the beginning of the year 2019	-	2,430,000	43,784,729	35,913,699	25,673,145	691,292	18,767,276	127,260,141
Charge for the year	-	216,000	456,457	3,281,301	2,593,936	183,975	1,009,832	7,741,501
Over / Under Depreciation adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at the end of the year 2019	-	2,646,000	44,241,186	39,195,000	28,267,081	875,267	19,777,108	135,001,642
Net book value at 31.12.2019	282,200,000	1,674,000	(1)	1,130,189	1,820,717	318,584	811,349	287,954,838
Net book value at 31.12.2018	282,200,000	1,890,000	456,457	4,411,490	3,449,734	499,209	1,700,165	294,607,054

There are 20 motor vehicle amounting Rs.44,241,185.5 fully depreciated as of 31/12/2019 but still in use.

There are 211 Computer Equipment items amounting Rs.39,195,000 fully depreciated as of 31/12/2019 but still in use.

There are 52 Telephone Equipment items amounting Rs.274,814 fully depreciated as of 31/12/2019 but still in use.

There are 189 Furniture & Fittings items amounting Rs.11,827,634 fully depreciated as of 31/12/2019 but still in use.

There are 104 Re-Furbishments items amounting Rs.649,5254 fully depreciated as of 31/12/2019 but still in use.

There are 115 Office Equipments items amounting Rs.10,183,829 fully depreciated as of 31/12/2019 but still in use.

There are 151 Other Assets items amounting Rs.11,990,986 fully depreciated as of 31/12/2019 but still in use.

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Notes to the Financial Statements

	31.12.2019 LKR	31.12.2018 LKR
20 Right-of -Use Assets (ROU assets)		
Right-of -Use Assets (ROU assets)	22,647,050	-
(Less) Provision for Amortization on ROU assets	(8,281,840)	-
Closing balance	14,365,209	-

Leasehold Property has been recognized as per SLFRS -16.

21 Investment Properties		
<u>Land</u>		
Cost		
Balance at the beginning of the year	316,095,204	316,095,204
Addition	-	-
Revaluation Gain	-	-
Balance at the end of the year	316,095,204	316,095,204
<u>Building</u>		
Cost		
Balance at the beginning of the year	17,219,796	17,219,796
Revaluation Gain	-	-
Balance at the end of the year	17,219,796	17,219,796
Accumulated depreciation		
Balance at the beginning of the year	-	-
Depreciation for the year	-	-
Balance at the end of the year	-	-
Net balance as at 31st December 2018	17,219,796	17,219,796
Total balance as at 31st December 2018	333,315,000	333,315,000

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

22 Intangible assets		
Computer Software and Licenses	548,958	1,348,750
Sub total	548,958	1,348,750
22.1 Computer Software and Licenses.		
<u>Cost</u>		
Opening balance	10,380,000	9,830,000
Addition	575,000	550,000
Closing balance	10,955,000	10,380,000
<u>Accumulated Depreciation</u>		
Opening balance	9,031,250	7,617,083
Charge for the year	1,374,792	1,414,167
Closing balance	10,406,042	9,031,250
Net book value as at the year	548,958	1,348,750

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



23.0 Other Assets

Assets vested from PSDB		20,633,079	20,738,986
Receivables	D1	41,305,040	30,334,848
Advances	D2	652,783	2,730,130
Refundable deposits		673,551	673,551
Other advance		1,299,971	1,314,348
Sundry debtors		21,261	11,739
Inventory		2,020,403	2,388,544
Deposits & prepayments		1,103,917	4,999,428
Total		67,710,005	63,191,574
Less: Impairment charges		(25,104,823)	(25,210,730)
Total		42,605,182	37,980,844

Other Assets vested from PSDB

Discount paid in advance	13,534,879	13,640,786
Deposit fund on behalf of PSDB L/T Case	7,098,200	7,098,200
Total	20,633,079	20,738,986

24 Due to other Banks

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

25 Financial liabilities at amortised cost

Due to depositors	25.1	1,076,178,328	1,088,554,732
Due to other borrowers	25.2	552,131,770	1,383,220,674
Total		552,131,770	1,383,220,674

25.1 Due to depositors

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

25.1.1 Analysis

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

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

26 Lease Liability		
Lease Liability on ROU assets	14,115,619	-
Total	14,115,619	-

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

26.2 Maturity analysis - Lease Liabilities		
Amount Payable within one year	7,336,646	-
Amount Payable within one to three years	5,935,773	-
Amount Payable within three to five years	843,200	-
Total	14,115,619	-

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

In terms of advertisement published in newspapers on 3rd December 2007 by the Central Bank of Sri Lanka, liabilities to corporate and institutional investors/depositors whose balances are more than Rs 100,000/- is to be converted to Unsecured and Subordinate Debentures with a maturity period of 10 years, and the interest should be accrued annually at five percent (5%) per annum or the one year Treasury bill rate whichever is lower. These Debentures are recognized at cost and interest accumulated on capital at the rate describe above. All such Debentures are matured on 03/12/2017. further upto now 90% of the debentures has been settled.

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

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

28.1 The principle assumptions used for this purpose are as follows.		
Retirement age	55	55
Rate of interest	0.11	0.11
Salary increment	0.20	0.30
Mortality Table	A67/70	A67/70



29 Current Tax Liability			
Opening Balance at the beginning of the period		324,955,124	230,063,940
Charges for the period		185,382,899	136,839,624
Payments made during the period		(79,459,939)	(41,948,440)
(less) adjustments		(26,442,109)	-
Balance at the end of the year		404,435,975	324,955,124
30 Deferred tax assets/liabilities			
(a) Deferred tax assets			
Opening balance		-	-
Charge for the year recognised in			
- Profit and loss		-	-
- Other comprehensive Income		-	-
Closing Balance		-	-
(b) Deferred tax liability			
Deferred tax liability		-	-
Income Statement		763,990	-
Net Deferred tax liabilities		763,990	-
31. Other liabilities			
Interest payable	31.1	60,298,112	58,590,245
Payable -expense creditors	31.2	1,363,422,114	612,361,541
PSDB liabilities	31.3	24,534,707	23,005,707
Inter branch accounts	31.4	0	(862,537)
Sundry creditors	31.5	1,252,983	1,177,642
Total		1,449,507,916	694,272,598
31.1 Interest Payable			
Interest payable - PSDB Borrowing		60,298,112	58,590,245
Sub Total		60,298,112	58,590,245
31.2 Payable -Expense Creditors			
Accrued expenses	D3	419,840,144	524,249,896
Other payables	D4	943,581,970	88,111,645
Sub Total		1,363,422,114	612,361,541
31.3 PSDB liabilities			
Margin account loans		24,534,707	23,005,707
Sub Total		24,534,707	23,005,707
31.4 Interbranch accounts			
Borella branch		(99,374,180)	(99,374,180)
PSDB current account		361,576,026	369,765,153
SLSB current account		(60,485,819)	207,995,367
Matara current account		(247,077,453)	(267,453,200)
National Development Trust Fund current account		103,629,460	(76,366,952)
Branch Account - Anuradhapura		(119,422,849)	(182,649,266)
Branch Account - Mannar		61,154,816	48,945,616
Inter branch - Loan		-	-
Sub Total		(0)	862,537
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		766,348	666,998
Payable - CRIB charges		32,840	31,965
Payable VAT leasing		1	18,070
Payable-Deposit Insurance		210,184	217,000
Sub Total		1,252,983	1,177,642

32 **Stated Capital/Assigned Capital**

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

The Reserve Fund was created to comply with the Directions No 33 of 1998 issued by the Central Bank under Banking Act, No. 30 of 1988. During the period 2019, the bank has transferred sum equal to 5% of the Net Profits for the year ended 31st December 2019 to Reserve Fund.

34 **OCI Reserve**

	Balance at the beginning of the period as at 01.01.2019 LKR	Movement/ transfers LKR	Balance at the end of the period 31.12.2019 LKR
OCI Reserve	59,314,444	(20,929,944)	38,384,500
Total	59,314,444.2	(20,929,944.0)	38,384,500.2

"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	3,002,953,139	3,013,894,242
Prior Year adjustments	(882,213,968)	(259,513,899)
Profit for the year- restated	447,816,707	351,266,136
Actuarial gain/(loss) on defined benefit plan	(892,476)	869,967
Transferred to statutory reserve fund	(22,390,835)	(17,563,307)
Dividend paid to the shareholders	-	(86,000,000)
Balance at the end of the year	2,545,272,567	3,002,953,139

Breakup of the Prior Year Adjustments

Impairment on loans & advances as per SLFRS 9	-	(219,109,281.71)
Impairment on Financial assets as per SLFRS 09	-	(2,298,936.91)
Interest in Suspense	-	(47,564,236.91)
Other Adjustments	-	9,458,556
Provision for Contingent Liabilities	(882,070,000)	-
Adjustments made on leasehold property as per SLFRS 16	(143,968)	-
	(882,213,968)	(259,513,899)

36 **Other Reserves**

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

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

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



Sri Lanka Savings Bank Ltd
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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.

(iii) Compensations to KPM

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

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

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

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

Items in the Statement of financial Positions	2019.12.31	2018.12.31
Assets		
Loan and receivables	20,524,555	20,178,297
Total	20,524,555	20,178,297
Liabilities		
Deposit (FD's/Savings)	2,112,540	794,525
Total	2,112,540	794,525



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

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

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

38 Contingent liabilities and commitments

	2019	2018
Commitment for unutilised credit facilities	11,789,999	10,520,000
Other commitments indirect credit facilities	-	-
Capital commitments (Note 378.1)	-	-
	<u>11,789,999</u>	<u>10,520,000</u>
Contingent liabilities		
Guarantees	9,050,000	7,500,000
	<u>9,050,000</u>	<u>7,500,000</u>
Total commitment and contingencies	<u><u>20,839,999</u></u>	<u><u>18,020,000</u></u>

38.1 Capital commitments

Approved and contracted for	-	-
Approved and not contracted for	-	-
	<u>-</u>	<u>-</u>

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

39 **Events after the reporting period**

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

40 **Non-Cash Items Included in Profit Before Tax**

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

41 **Change in Operating Assets**

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

42 **Change in Operating Liabilities**

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

43 **Cash and Cash Equivalent**

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



Sri Lanka Savings Bank Ltd
For The Year Ended December 2019- Final Accounts
Detailed Notes to the Financial Statements

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



D3 Accrued Expenses

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

D4 Other Payables

Unidentified deposits	308,150	308,150
Suspense customers	228,619	228,619
Other accrued expenses	520,400	1,829,351
Suspense account clearing	4,789,709	2,355,335
Cheque control -Savings	(2,270,869)	(1,597,627)
Suspense account creditors	29,300	66,550
Suspense account migration creditors	5,575	5,575
Creditors for Leasing & HP equipment	-	7,827,625
Delivery Order Control Account-Leasing & HP	-	-
Cash excess - pending settlement	61	61
Suspense loan creditors	0	0
Error Correction-Savings accounts	1,975,871	1,975,556
Payable-pension fund	1,765,404	1,765,404
Receivable - Staff	268,358	268,978
Receivable-CRIB charges personal loans	32,650	32,650
Provision for contingencies	919,102,798	37,032,798
Provision for Salaries as per collective agreement	6,360,588	26,818,005
Control Acc for Loan-Savings	1,428,707	1,438,493
FD Suspense	-	(202,815)
Pre-mature Suspense-FD	-	63,392
Maturity Capital Suspense Account-FD	267,853	91,373
Termination Overpayment - Mf	3,439,410	3,436,387
Suspense Ac unidentified Bank Deposit	5,165,612	4,213,011
Loan Control accounts	96,424	96,423
Loan Security Fund-Praja Diriya Loan	67,350	58,350
Sub Total	943,581,970	88,111,645

