

EFFECTIVE
 INTEGRATED
VOICE
 SUSTAINABLE
STRONGER
 INNOVATIVE
TOGETHER
 DEDICATED
CLARITY SCOPE
 CONNECTED
 EXPERIENCED
 HONEST
JOIN
 COLLECTIVE
PURPOSE
SECURE
VISION
 ENDURANCE
UNITED
TEAM
 PRIDE
ONE

together **we** can **help**
 more **people** feel better





Lighten up! people's goals: To live a relaxed, stress-free life and to fill their mind with positive thoughts instead of worries.

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CORPORATE INFORMATION

Registered Name

Sri Lanka Savings Bank Limited

Legal Status

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

Registered Office

No: 265, Ward Place, Colombo 07.
 Telephone: 0112691721-2, 0112674700/1/2/3,
 Facsimile : 0112674705/6
 E mail : slsbl@sltnet.lk

Date of Incorporation

7th July 2006.

Company Secretary

Mrs. Y.M.J. Fernando
 L.L.B. (Col), Attorney-at Law,
 Notary Public, Commissioner for Oaths

Auditors

SJMS Associates & Company
 Chartered Accountants
 No: 2, Castle Lane, Colombo 4.

Bankers

Bank of Ceylon
 Peoples Bank

Board of Directors

Mr. Ariyatilake Dahanayake (Chairman) -
 (since retired on completion of 70 years on 19.3.2014)

Mr. Priyanga Algama (Treasury Representative)

Mr. Kosala Ratnaweera

Mr. Thilak Wannigama

Mr. Uduwage Don Sumith Parakrama Perera

Mr. Indigahawela Gamage Palitha

Mr. Sanath Weeratunga (Working Director)
 Since appointed as Chairman on 20.03.2014

Mr. H.G.Sumanasinghe -Ministry of Finance & Planning
 (Appointed 24th, October 2013).



Sri Lanka-The Misty Mountain Island



Sri Lanka-The Rock Solid Heritage

OUR VISION

To be the leading banker in Microfinance

OUR MISSION

Whilst inculcating the savings habit, providing financial and nonfinancial resources to different sectors of economy with microenterprise sector in particular

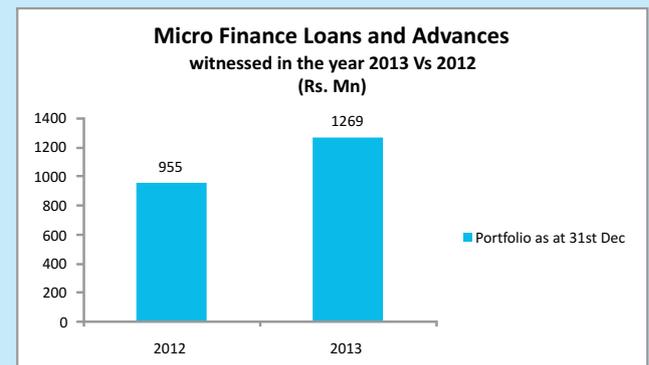
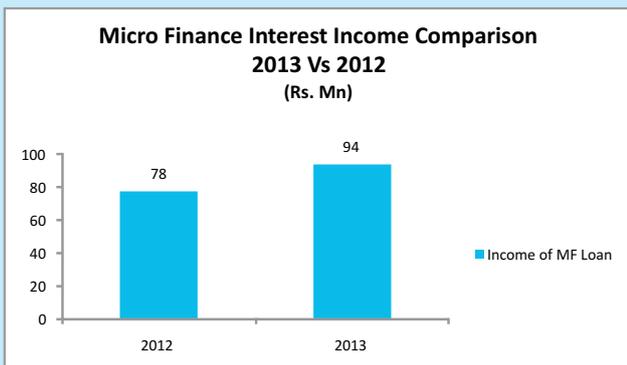
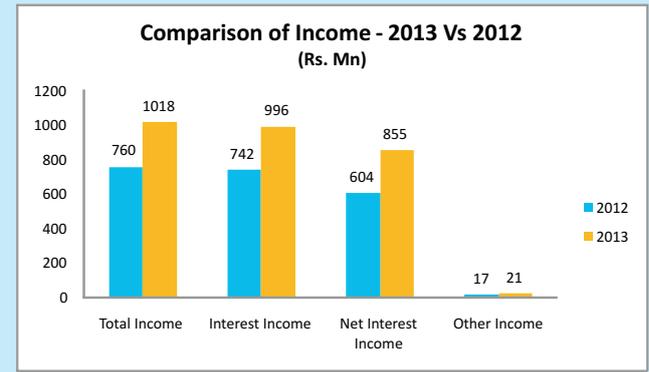
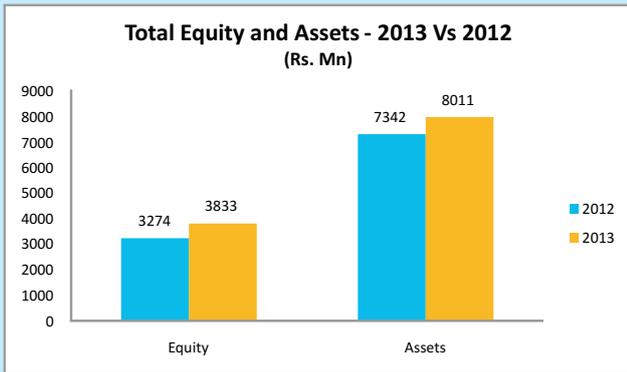
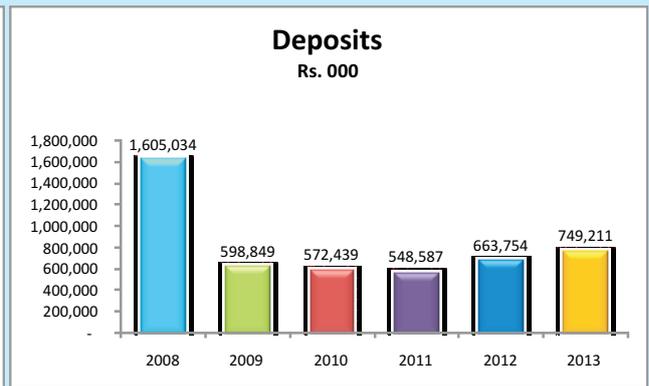
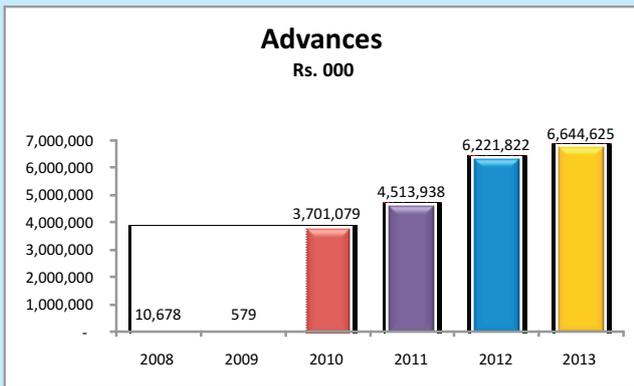
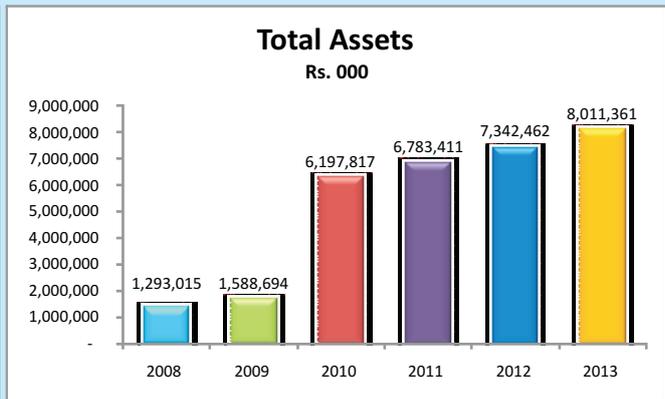
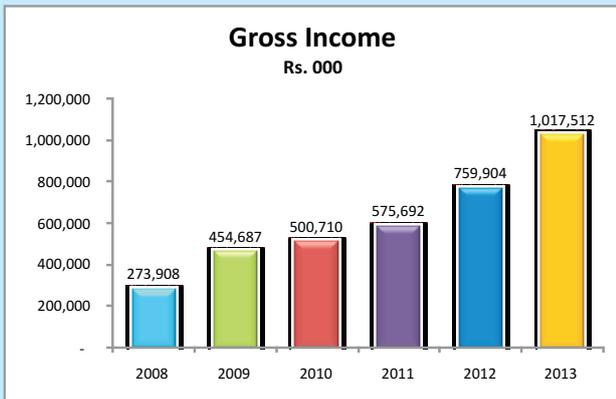


OUR VALUES

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

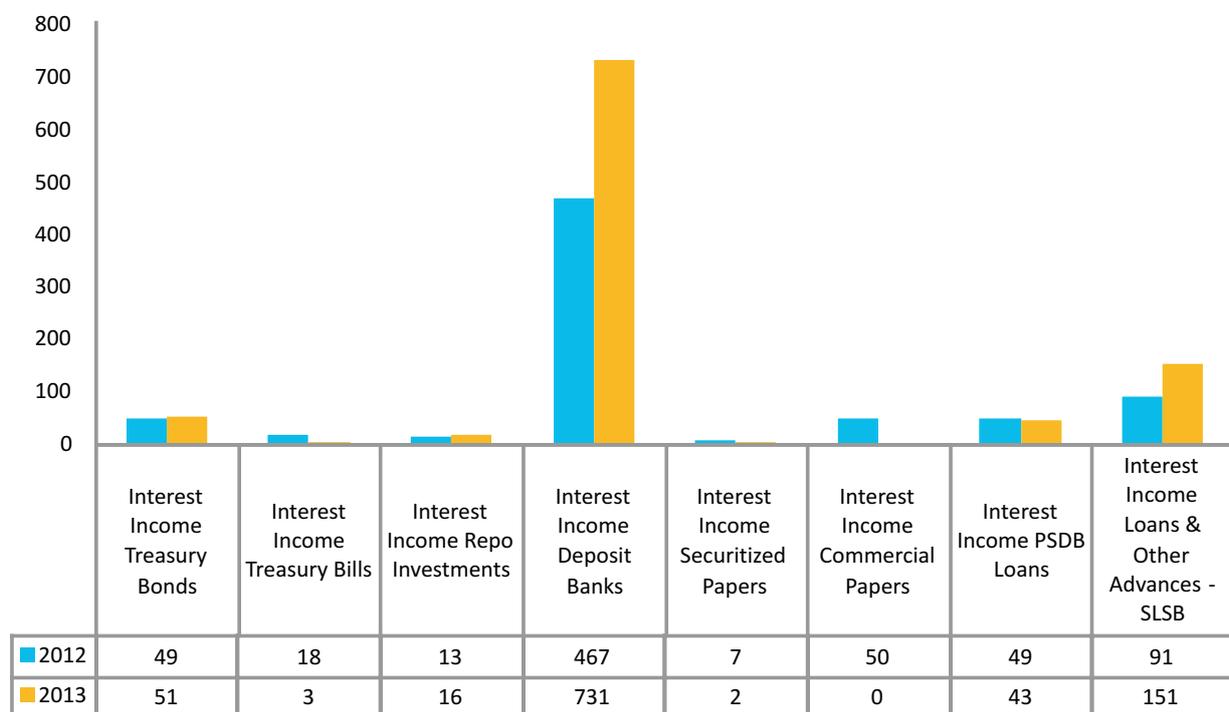
- Professionalism
- Integrity
- Efficiency
- Trust
- Openness
- Social responsibility

Financial Highlights

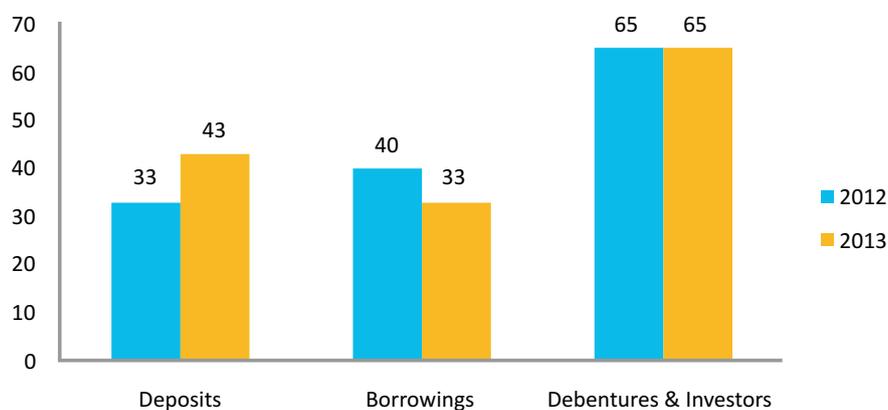


Financial Highlights

Interest Income - 2013 Vs 2012
(Rs. Mn)

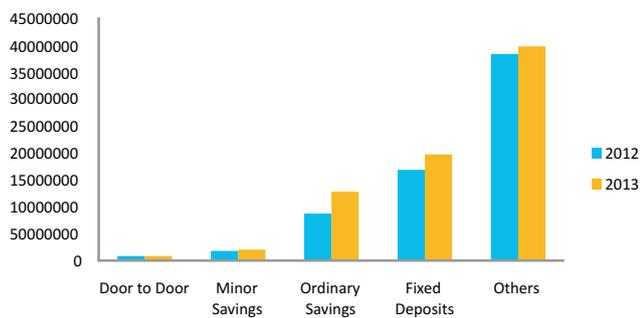


Interest Expenses - 2013 Vs 2012
(Rs. Mn)

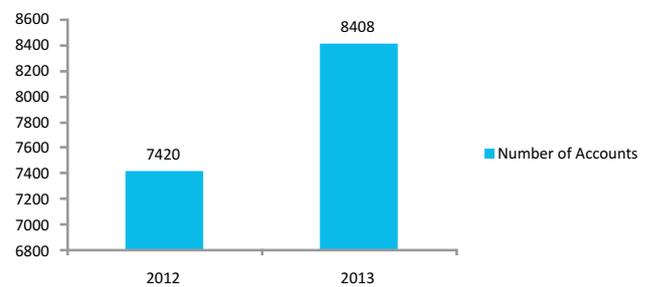


Financial Highlights

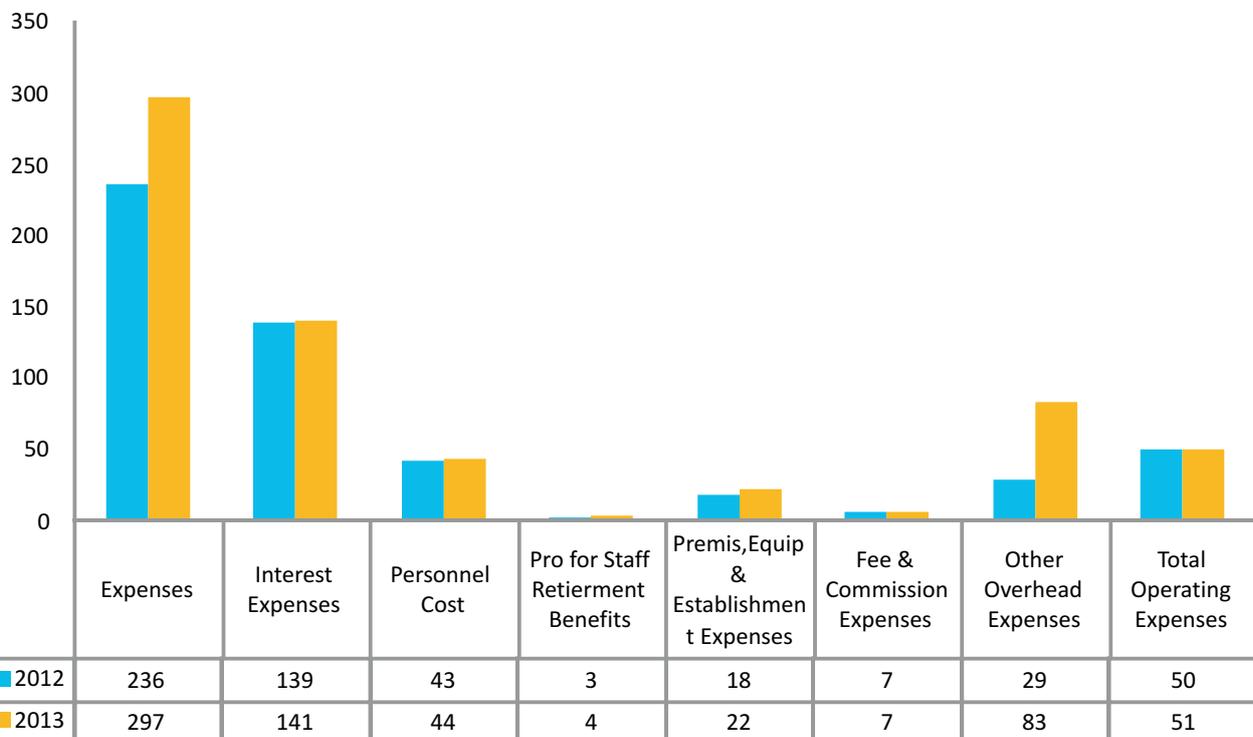
Deposit Comparison of 2013 Vs 2012



Number of Accounts Comparison 2013 Vs 2012

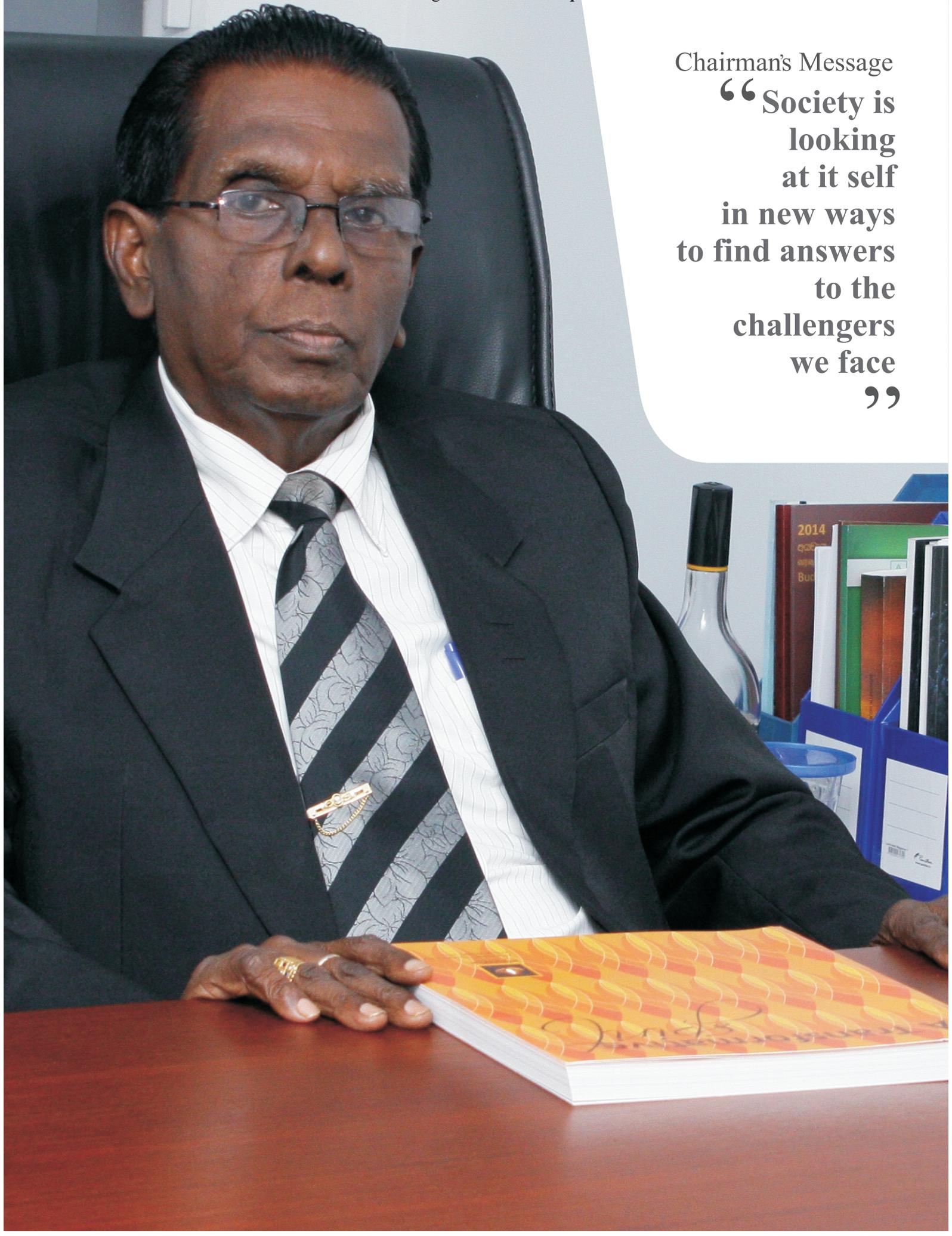


Comparison of Expenses 2013 Vs 2012 (Rs. Mn)





Sri Lanka-Beauty Beyond Imagination



Chairman's Message

“ Society is
looking
at it self
in new ways
to find answers
to the
challengers
we face
”

It is with great pleasure that I present the Annual Report and Accounts of Sri Lanka Savings Bank (SLS Bank), for the year ended 31st December 2013 on behalf of the Board of Directors.

The Bank has moved along with the Government Economic Development Framework “ Mahinda Chinthana - Vision for the future” increasing the accessibility to finance by rural micro entrepreneur in remote areas which were inaccessible to basic needs in past, which were facilitated throughout the last few years. Enrichment in low income lives was visible and deeply touched. The processes of converting their inborn abilities as commercial outputs are exponentially growing.

Notwithstanding this friendly environment, Sri Lanka Savings Bank in 2013 continued to improve lifestyles of agro based livelihood. Low income lives were catered in various loans schemes with accessible interest rates and guided to support national and economic development. In this background the island wide people were financially supported catering to their needs and objectives. In 2013 three Branches were declared open in Anuradhapuara, Mannar and Matara, as Bank consolidation process and for easy access for our loyal customers.

The SLS Bank was initiated with minimum facilities and small number of employees and now the staff has increased in numbers as a result of our growth in the business.

Landmarks we achieved in 2013 are listed below:

- * Gross income was Rs. 1,017 Million which is 33 % above the previous year.
- * Profit before VAT was Rs. 6001.4 Million
- * Share Holder's funds increased to Rs 3,383 Million which recorded 15% increase over the previous year.

- * Recovering the loans given by earlier Pramuka Savings and Development Bank amounted to Rs Million Rs 1,202 Million
- * New deposits Rs.736 Million recording increase of 18 %

My extended gratitude goes to His Excellency the President Mahinda Rajapakse, Honorable Deputy Minister of Finance and Planning and all the senior personnel in the Ministry of Finance and Planning for their unstinted cooperation to us. My thanks also go to the Governor of the Central Bank of Sri Lanka and the officials of the Banking Supervision Department of the Central bank of Sri Lanka for their co-operation and guidance as our Regulator.

My sincere thanks go to former Working Director Mr.Sanath Weeratunga for giving me tremendous support to achieve success for the Bank.

Further, I am grateful to the Board of Directors, General Manager, Senior Management and staff for their supportive roles and commitment towards achieving goals under a highly competitive industrial environment.

My appreciation and sincere gratitude to Sri Lanka Co- operative Rural Banks Federation Limited, Co- operative Societies, District Cooperative Rural Banks Unions and our loyal customers for their sustained support and patronage.



Ariyathilake Dahanayake
Chairman

General Manager/CEO Review

“ Capacity
building
through
microfinance.”



Sri Lanka Savings Bank Limited

“ **The target market of the Bank is micro, small and medium enterprises. After merging with NDTF, we endeavored to focus our lending to micro-finance enterprises as micro-credits enable the impoverished households to progress from day to day survival to a planned and buoyant future with better income, health and nutrition, education for children which sums up to improved standard of living.** ”

It is with great pleasure that I present the operational and financial review of Sri Lanka Savings Bank for the financial year ended 31st December 2013.

Sri Lanka Savings Bank (SLSB) commenced operations on 10th March 2008 with the main objective of providing relief to depositors and investors of defaulted Pramuka Savings and Development Bank Limited (PSDB), where assets and liabilities vested by the Monetary Board of Central Bank of Sri Lanka (CBSL). Subsequently to meet the minimum capital requirement, the National Development Trust Fund, a Government Owned cash rich micro-finance institution was amalgamated with the Bank on 30th September 2010.

Year 2013 turned out to be an outstanding year for the bank with the new branches opening in Mannar, Matara and Anuradhapura. The resolute strategies adopted were the cornerstone for this remarkable achievement.

Financial Results

The 2013 profit recorded as Rs. 563 Million which shows a 32% increase from 2012. This was mainly due to increase of Interest income.

Total gross income for the year amounted to Rs. 1,018 Million. Interest received from loans and advances increased from Rs. 140 Million to Rs. 194 Million, where Rs. 151 Million and Rs. 43 Million were the interest income from micro-finance activities and interest recovery of non-performing loans of Pramuka Savings and Development Bank (PSDB) respectively. As a positive consequence of effective asset and liability management, interest

from fixed income securities increased from Rs. 604 Million to Rs. 803 Million during the financial year. Non-interest income recorded a growth of 50% from Rs. 21 Million compared to Rs. 14 Million in 2012, where the gain of Sale of Property Plant & Equipments was the main contributor for the growth.

During the financial year the Bank could recover Rs. 1,202 Million non-performing advances of PSDB labeled under loss category for which full provision had been made. This is a great achievement of the Bank during the 2013.

The Bank's operational expenses without loan loss provisions and Financial service VAT on profit, increased by 45% mainly due to opening of new Branches and enhanced employment benefits. Interest payment to depositors and lenders amounted to Rs. 141 Million, which is increased by 1.44% compared to 2012. This can be correlated to the increased deposit base during 2013, with the opening of new three Branches. New recruitments and the restructure of staff salaries with effect from January 2012 based on the proposed Collective Agreement with the members of the Ceylon Bank Employees Union resulted in 19.35% increase of Personnel cost which amounted to Rs. 44 Million.

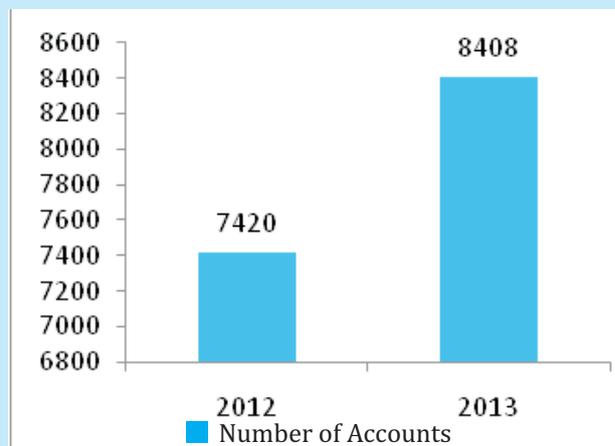
The Bank's cost/income ratio for 2013 was 46% contrast to 39% in 2012. The ROA recorded as 6.88% in 2013 compared 8.07% in 2012.

Deposits & Account Base

Deposits for the year represented 17.93% of the total liabilities. It was Rs. 749 Million in value and an increase of 12.87% compared with 2012. Time Deposits were a significant contributor for the growth in new deposits. During the year SLSB endeavored to give priority in catering to banking needs of micro-finance institutions and their members.

The number of accounts of the Bank has been increased to 8,408 from 7,420 in 2012.

Number of Accounts Comparison



Borrowings

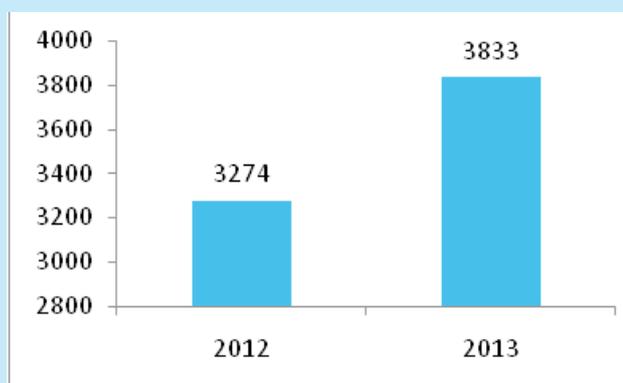
Borrowings at the end of 2013 amounted to Rs. 1,518.31 Million. National Development Trust Fund (NDTF) which merged with SLSB in 2010, had borrowings of Rs 1439.1 Million from various international funding agencies. These funds were utilized for on-lending to micro-finance institutions (Partner Organizations) for promoting income generating activities of their members. The balance represented PSDB borrowings from investors by way of financial instruments. Settlement of these borrowings is being made in terms of the Liability settlement Scheme formulated by the Monetary Board of CBSL.

Total Equity

The Bank had a negative net worth of Rs. 2,141 Million following the inclusion of PSDB to the portfolio. Nevertheless, the capitalization of PSDB deposits by Government institutions, capitalization of surplus as a result of amalgamation of NDTF and retained earnings since the incorporation, transformed negative net worth to a positive fulfilling capital requirement as stipulated by Central Bank of Sri Lanka. The Bank's asset base almost quadrupled in 2010, following the transfer of the assets of NDTF. Consequently, the Bank's loan assets and liquid assets increased significantly altering its asset mix.

The Bank's total equity increased from Rs. 3,274 Million in 2012 to Rs. 3,833 Million in 2013 and represents 47.85% of total assets.

Total Equity 2013 Vs 2012 (Rs. Mn)

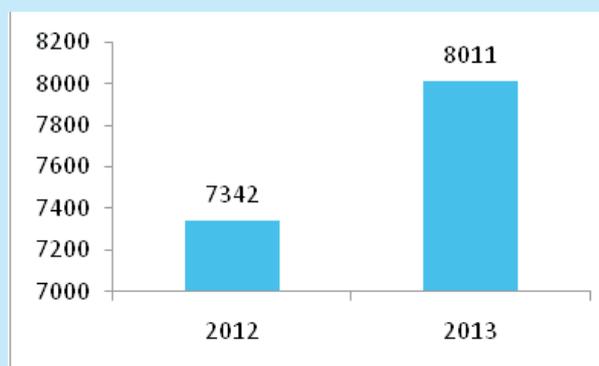


■ Equity

Assets

Total assets of the Bank at the end of 2012 was Rs. 7,342 Million and the asset base grew by 9.11% during the year. Liquid assets which were in the form of placement with banks, treasury bills and treasury bonds represent 69.02% of the total assets.

Total Assets 2013 Vs 2012 (Rs. Mn)



■ Assets

Loans and Advances

Loans and advances represented 40.64% of the total assets of the Bank. Gross loans and advances at the end of the year 2013 were Rs. 3,255 Million.

The target market of the Bank is micro, small and medium enterprises. After merging with NDTF, we endeavored to focus our lending to micro-finance enterprises as

micro-credits enable the impoverished households to progress from day to day survival to a planned and buoyant future with better income, health and nutrition, education for children which sums up to improved standard of living. Hence, we persistently continued the provision of credit through micro-finance institutions.

Settlement of liabilities of PSDB stakeholders

At the incorporation SLSB entrusted with a task of implementing the scheme formulated by the Monetary Board of Central Bank of Sri Lanka in settlement of liabilities to stakeholders of PSDB. The process of facilitating the claims of depositors and creditors is under way as a special task of the Bank and is expected to be completed by the end of the year 2017.

Human Resource Development

During the year number of employees of the Bank has increased to 89, compared to 72 in 2012. We strongly believe that the staff is the most valuable resource for the success of the company and recognize the importance of developing their skills. Hence, we continued to invest in human capital by training staff at in-house as well as outside training programs.

Conclusion

Providing the best services to customers and fulfilling the aspiration of all stakeholders would be the prime responsibility of the Bank.

The guidance and the unstinted co-operation extended by the Chairman & Working Director in all these endeavors deserve special mention and appreciation.

Their commitment for the development of the Bank was the cornerstone for the success we have achieved in the past years. I thank the Chairman, Working Director and the Board of Directors for their advice and co-operation extended to me and my staff.

I wish to express my deep and sincere gratitude to all our customers for their patronage and staff for their dedication and commitment for the success of the company. Finally I wish to express my deepest gratitude to the Secretary and the Senior officers of the Ministry of Finance and Planning, Department of Public Enterprises and the Governor and the Senior officers of Central Bank of Sri Lanka for guidance in conducting and managing the businesses of the Bank.



Adrian Weerasekara
General Manager/CEO



Sri Lanka-The Land Like No Other

BOARD OF DIRECTORS



SLS Bank

ශ්‍රී ලංකා ඉතිරිකිරීමේ බැංකුව
இலங்கை சேமிப்பு வங்கி
Sri Lanka Savings Bank





Mr. Ariyatilake Dahanayake

*B.A. (Sri Lanka), L.L.B. (Sri Lanka),
Attorney-at-Law
N.P., J.P, Commissioner-for Oaths*

Mr. Ariyatilake Dahanayake was nominated to the Board of Directors by the Secretary to the Treasury Ministry of Finance & Planning from the date of incorporation dated the 7th July 2006. He was appointed as the Chairman of the Board on the 4th July 2007. He submitted his resignation from the Board on a direction made by Secretary to the Treasury on 07th May 2010 and was reappointed as Chairman from 10th May 2010. He served as Chairman till the 31st of December 2013. Mr. Ariyatilake Dahanayake is also the Chairman of the Beliatta Multi Purpose Co-operative Society, and the Hambantota District Co-operative Rural Banks Union. He is also a Director of the Co - operative Insurance Company Limited, and the Sri Lanka Co-op Rural Banks Federation Ltd. Mr. Ariyatilake Dahanayake has been appointed as a non independent, non executive Director.



Mr. Kosala Ratnaweera

*Attorney-at-Law. N.P, J P, U M, Former Director,
Fisheries Corporation*

Mr. Kosala Ratnaweera was appointed to the Board of Directors by the Secretary to the Treasury on 24th May 2010 and has served on the Board from that date as a Director. He is also a Panel Lawyer for Bank of Ceylon, National Savings Bank, People's Bank and National Development Bank. Mr. Kosala Ratnaweera functions as a non independent, non executive Director.



Mr. Thilak Wannigama

*B.Sc. (Mgt) Special, M.Sc (T&CP), Attorney-at-Law,
N.P, J.P, Commissioner for Oaths*

Mr. Thilak Wannigama was appointed to the Board of Directors by the Secretary to the Treasury Ministry of Finance & Planning with effect from 4th July 2007. He tendered his resignation from the Board on a direction made by Secretary to the Treasury on 7th May 2010 and was reappointed as a Director on 16th July 2010. Mr. Thilak Wannigama is also a Fund Management Consultant for the Sri Lanka Rural Bank Co-operative Federation, and Legal Consultant of the Co-operative Leasing Company Limited. Mr. Thilak Wannigama functions as a non independent, non executive Director.



Mr. Priyanga Algama

Masters in Business Administration -Nanyang Technology University- Singapore MIT Boston USA

Associate Member (ASA) CPA Australia.

Mr. Priyanga Algama was appointed to the Board of Directors by the Secretary to the Treasury on 8th October 2012 as Treasury Representative Director. He is a Director General of the Department of Public Finance, Ministry of Finance & Planning, Mr. Priyanga Algama has been appointed as a non independent, non executive Director. He has served as a Deputy Director/Director Department of National Budget (2000-2007). Director of the Department of Public Enterprises (2012) and is a Senior Finance Officer of shared Services Queensland Government Australia (2008-2012).



Mr. Indigahawela Gamage Palitha

B Com (Special)

Mr. Palitha Gamage was appointed to the Board of Directors by the Secretary to the Treasury Ministry of Finance Planning with effect from 2nd April 2007. He submitted his resignation on a direction made by Secretary to the Treasury 7th May 2010 and was reappointed to the Board on 15th July 2010. He has served on the Board from that date. Mr. Palitha Gamage is the President of the Pramuka Depositors and Stakeholder's Association and he represents the interests of the depositors and creditors of Pramuka Savings & Development Bank Limited. Mr. Palitha Gamage has been appointed to serve as a non independent, non executive Director.



Mr. Sanath Weeratunga

Mr. Sanath Weeratunga was the General Manager/CEO of the Bank from the commencement of the Bank on 10th March 2008 upto 25th April 2011. He was appointed as a Working Director by the Secretary to the Treasury Ministry of Finance Planning thereafter. Mr. Sanath Weeratunga has valuable experience in Banking as he served at the Peoples Bank for a span of more than thirty years (30) from 1972 to 2006. Mr. Sanath Weeratunga serves as a non independent, Executive Director of Sri Lanka Savings Bank. Mr. Sanath Weeratunga has since been appointed as Chairman on the 20th of March 2014 on retirement of the Chairman.



Mr. Uduwage Don Sumith Parakrama Perera
Attorney-at-Law, N.P

Mr. Sumith Parakrama Perera was appointed to the Board of Directors of the Bank by the Secretary to the Treasury Ministry of Finance & Planning with effect from 30th June 2010 to date. He has been on the Board of the Coconut Cultivation Board (from 2000-2002), Lanka Electricity Company (from 2006-2010), Leco Project (Pvt) Ltd (from 2008-2010) and ANTI Leco (Pvt) Ltd (from 2008-2010). Mr. Sumith Parakrama functions as a non independent, non executive Director.



Mr. H.G.Sumanasinghe - (Appointed on 24.10.2013)
B Com (Special) Col, Masters in Public Policy (Australia)

Mr. H.G.Sumanasinghe was appointed to the Board of Directors by the Secretary to the Treasury on 24th October 2013. He is the Director General of the Department of Administration and Human Resource Development, Ministry of Finance & Planning, Mr. H.G.Sumanasinghe is a non independent, non Executive Director.



Mr. Hemapriya Joseph Adrian Weerasekera
MBA (Sri J), AIB
General Manager/CEO

Mr. Adrian Weerasekera assumed duties as General Manager / Chief Executive Officer of the Bank on 17. 01. 2012. He brings with him a wealth of knowledge in the banking industry for more than 20 years locally and internationally. He has gained exposure in banking operations, credit, finance, corporate banking and risk management.



Ms. K A T M Damayanthi
FCA, MBA (Southern Queensland)
Senior Manager
Finance & Planning



Mr. G M S N K M Gurusinghe
B.Sc Business Admin (Sri J)
DBF (IBSL)
Senior Manager
Operations

(Corporate Management)

Winning by living the Compass



**Discovering Potentials
Through Innovation,
Dedication,
Commitment &
Achievement.**





Mr. Rohan A A Wijesundera
Dip. B.M
Compliance Officer



Mr. K K K Keerawella
B.Com (Sri J), MAAT
Diploma in Credit Mgt (IBSL)
Diploma-Credit & Risk Mgt (IBSL)
Senior Manager
Credit



Ms. H Weerasekera
MBA (Sri J), ACIS (UK)
Senior Manager
HRD & Establishment



Mr. G I R Withanage
MBCS
Senior Manager
IT

Management Team (Promise of



the future)





CSR²⁰¹³ Corporate Social Responsibility

Delivering on dreams & Transforming future

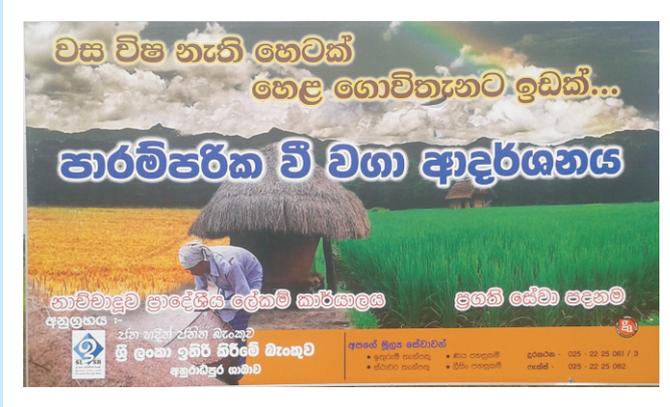


Corporate Social Responsibility

We are happy to say that we could become an example to other financial institutions with the broad scope of improving the standard of living while reducing the poverty among those who are less benefitted. We started our corporate social responsibility with a theme of “Jana Hadin Janitha” which was also embedded to the bank logo.

Under this broad scope, bank focuses on alleviation of poverty through micro finance activities rather than relying purely on donations. Pure donations would hinder the sole efforts of people for their future development as they will not have the motive to earn through their own efforts.





Delivering on dreams & Transforming future





Sri Lanka-The Home and Shelter for All

Events 2013

**Discovering Potentials
Through Innovation,
Dedication,
Commitment &
Achievement.**



Head office branch Borella "Pirith Ceremony"
held on 10. 02. 2013



Mannar branch opening Ceremony.
Hon. Minister Mr. Chandrasisi Gajadeera (Minister of
Rehabilitation and prison Reforms), Hon. Minister
Mr. Rishad Bathiyutheen (Minister of Industry and
Commerce) graced the occasion.



Matara branch opening
by H.E. The President



Mannar branch promotion by staff of
SLS Bank



Awarding prize for the minor savings deposit holder



Promotion conducted on Matara branch opening day 22nd March 2013



Anuradhapura branch opening
A guest Lighting the oil lamp presence of Chairman Mr. Ariyathilaka Dahanayeka



Art competition prize giving at Anuradhapura Branch



Sponsorship to an Anuradhappura school voleyball team



Commencing Pawning Service at Head Office



Entering to Co-Banking System agreement

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 2013.

Review of Business

The Chairman's Message and the Review of Operations by the General Manager/CEO gives a detailed Report on the operations of the Sri Lanka Savings Bank Limited., for the financial years ended 31.12.2013. In addition to this a full account of operations can be found in the Audit Report presented by Chartered Accountants Messrs. SJMS Associates.

Legal Status of the Bank

The Bank was established on July 7th 2006 under Companies the 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 10th March 2008.

Board of Directors

The Board of Directors of Sri Lanka Savings Bank Limited comprised of Seven Directors until 24th October 2013 and 8 Directors thereafter during the year under review. The entire Board of Directors in compliance with the Articles of Association of the Bank has been appointed by the Secretary to the Treasury, Ministry of Finance & Planning. The Board meets at least once a month and met 13 times during the year 2013. The Directors of the Bank during the year 2013 were as follows;

Mr. Ariyatilake Dahanayake (Chairman)
Mr. Priyanga Algama (Treasury Representative)
Mr. Kosala Ratnaweera
Mr. Thilak Wannigama

Mr. Uduwage Don Sumith Parakrama Perera
Mr. Indigahawela Gamage Palitha
Mr. Sanath Weeratunga (Working Director)
Mr. H.G.Sumanasinghe (Appointed on 24.10.2013)

Name	No of Meetings Held	No of Meetings attended
Mr. Ariyatilake Dahanayake	13	13
Mr. Priyanga Algama	13	12
Mr. Kosala Ratnaweera	13	13
Mr. Thilak Wannigama	13	13
Mr. Uduwage Don Sumith Parakrama Perera	13	10
Mr. Indigahawela Gamage Palitha	13	13
Mr. Sanath Weeratunga	13	10
Mr. H.G.Sumanasinghe (<i>appointed 24.10.2013</i>)	03 from date of appointment	03

Directors Interest in Contracts

The Directors have no direct or indirect interest in any contract or proposed contracts with the Bank except as disclosed in the Note No34 to the Financial Statements.

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 in page **No.40** of this Report.

Audit Committee

The following non-executive Directors of the Board served as members of the Board Audit Committee. The report of the Audit Committee is given on **page 74**.

Mr. Priyanga Algama	- Chairman
Mr. Thilak Wannigama	- Director
Mr. Kosala Ratnaweera	- Director

Mr. Thilak Wannigama served in the Audit Committee until 28th October 2013. Mr. H.G. Sumanasinghe was appointed to the Audit Committee on 25th November 2013.

Vision, Mission and Corporate Conduct

The Bank's Vision and Mission are given in page **No. 7** of this Report. The business activities of the Bank were conducted adhering to 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 Messrs. SJMS Chartered Accountants. A resolution pertaining to ratification of appointment of Auditors has been proposed at the Annual General Meeting.

Staff

As at 31st December 2013 there were Ninety (90) members employed by the Bank. The composition of this number is as follows:-

General Manager/CEO	1
Assistant General Manager	-
Senior Managers	6
Managers	4
Branch Managers	1
Deputy Managers	3
Assistant Managers	5
Credit Officers	5
Recovery Officers	1
Management Trainee	5
Senior Bank Assistants	5
Secretaries	3
Bank Assistants	31
Legal Assistants	1
Receptionist	1
Senior Driver	1
Drivers	5
Senior Office Assistants	1
Office Assistant	4
Labourer	1
Caretakers	3
Trainees	3
Total	90

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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 Statements

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.

Year ended	(in Mn)	
	31.12.2012 (Rs.)	31.12.2013 (Rs.)
Profit before taxation	592	551
Taxation	(167)	12
Profit after Taxation	425	563
Retained Profit/(loss) brought Forward	2,825	2,325
Profit available for Appropriation	425	563
Directors have made the Following appropriations: to Reserve	(25)	(132)
Retained Profit carried Forward	1,894	2,825

Revenue

The total gross income of the Bank for the financial year ended 31st December 2013 was Rs1,004 Million. The analysis of income is given in Note 05 to the Accounts.

Capital Expenditure

The total expenditure on the acquisition of Property, Plant & Equipment during the year amounted to Rs. 23 Million. Details of which are shown in **page 85** 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 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

Y M J Fernando
Secretary to the Board
Sri Lanka Savings Bank Ltd.

Date: 01.09.2014
Colombo.



C O R P O R A T E G O V E R N A N C E

The Board of Directors of the Sri Lanka Savings Bank Limited is committed to the objective of developing good corporate governance pertaining to all operational aspects of the Bank. The Sri Lanka Savings Bank has taken steps to adopt the Corporate Governance Practices recommended by regulatory bodies such as the Institute of Chartered Accountants of Sri Lanka, the Central Bank of Sri Lanka and the Directions and Guidelines of the Ministry of Finance & Planning.

Board of Directors

The Board of Directors of Sri Lanka Savings Bank comprised of 7 non Executive Directors and one executive Director during the period under review. The Board of Directors has the overall responsibility of supervising the Bank's operations. In this regard, systems and procedures have been developed to ensure that the operations of the Bank are directed and controlled effectively and efficiently by the management. Strategic goals have been set, necessary leadership has been provided, and a line of reporting is established to ensure that accountability is maintained with regard to the stakeholders' responsibilities.

Board Meetings

Board meetings are held on monthly basis and any special meetings are held as and when required. Thirteen (13) Board Meetings were held during the year 2013. The Board Meetings, Notices and Agenda are prepared by the Board Secretary in consultation with the Chairman and General Manager/CEO. Notice of Board meeting is given at least seven days in advance of the Meeting. Comprehensive information on financial performance is included in the Board Papers that are circulated to the Board Directors at least four to five days prior to the Board Meeting. This information is reviewed and discussed by the Board before reaching a final decision. All Board resolutions and decisions taken by the Board are recorded by the Secretary to the Board. The Board takes only policy decisions and authority has been vested with the General Manager/CEO to take management decisions no further According to the directions and guidelines of the board.

Corporate Plan and Budget

The Board of Directors believes that the development of a comprehensive Corporate Plan and a Budget is essential in discharging corporate governance. This enables the management to identify and review the strengths, weaknesses, opportunities and threats posed to the Bank. It also enables the Bank to identify its short and long term goals and identify an appropriate course of action and timeframe for realising them.

Accountability at all Levels

In order to achieve effective corporate governance, commitment should be made by the staff at each level to be made accountable. The staff at every level is made aware of their responsibilities to the various tasks entrusted.

Financial Statements

The Financial statements are prepared and presented under the generally accepted accounting principles and are in accordance with the Sri Lanka Accounting Standards and IFRS prescribed by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements for the year 2013 included in this Report from pages **xx to xx** are drawn from the books of accounts of the Bank and are based on the appropriate accounting policies as laid down in the Sri Lanka Accounting Standards and IFRS.

Audit Committee

The Audit Committee comprises three Directors and its main objective is to assist the Board to discharge its responsibilities in relation to safe guarding assets, regulatory compliance, financial reporting and auditing.

The Reports submitted by the manager Internal Audit manager and the Management Letter issued by Auditors are discussed in detail at the Audit Committee Meeting. Audit Committee conducted four quarterly meetings during the year 2013.



C O R P O R A T E G O V E R N A N C E

Integrated Risk Management Committee

The Integrated Risk Management Committee comprises three Non Executive Directors, General Manager/CEO and Key management personnel. The Committee took steps to meet quarterly to assess all aspects of risk management including updated business continuity plans. Integrated Risk Management Committee conducted four (4) meetings during the year under review.

Assets and Liability Committee (ALCO)

This Committee approved by the Board comprised the General Manager/CEO of the Bank and the relevant Senior Officer who meets as and when necessary basis.

This Committee reviews and approves the Corporate Plan, annual budget, monitor results of the Bank on a monthly basis against the budget. It also review and recommend investment of surplus funds, pricing of products, capital expenditure etc. The assets and liabilities Committee had six(6) meetings during the year 2013.

HR Remuneration Committee

This Committee consists 3 Directors of the Board. The remuneration of the staff including General Manager/CEO is reviewed by this Committee at its 45 meetings. The HR **Remuneration Committee** conducted 10 meetings during the year 2013.

Mr. Priyanga Algama	- Chairman
Mr. Sumith Parakrama Perera	- Director
Mr. Palitha Gamage	- Director

This Committee comprises of the same Directors as the Remuneration Committee. The appointment of staff including General Manager /CEO is reviewed by this Committee. This Committee meets as and when necessary.

Procurement Committee

This Committee comprised of Three Directors including the Chairman, Working Director, Treasury Representative Mr. Priyanga Algama who served upto 1st April 2013 and resigned. Mr. R.H.M Ajithchandra (was nominated on behalf of him by the Ministry of Finance & Planning.) The by membership also comprised the General Manager/CEO, Senior Manager Finance and Senior Manager Operations. All capital expenditure over Rs. 100,000/- are reviewed and recommended for approval by the Board. There were ten procurement meetings during the year 2013 and Mr. Priyanga Algama only attended the initial meeting, as Mr. R.H.M Ajithchandra was nominated from the Ministry of Finance & Planning thereafter.

Business Risks

The Board also evaluates the risks associated with the Bank operations on a regular basis and takes appropriate measures to mitigate such risks. Compliance with mandatory banking and other statutory requirements too are monitored at Board level.

By Order of the Board

Y M J Fernando
Board Secretary

Date:2013.
Colombo

The following rules of Corporate Governance shall be complied by all licensed specialized banks in Sri Lanka and such compliance shall be as provided for in Direction 3(9)(i) hereof.

Corporate Governance Section and Rule	Level of Compliance
3(1) The Responsibilities of the Board	
3(1)(I) The board shall strengthen the safety and soundness of the bank by ensuring the implementation of the following:	
a) Approve and oversee the bank's strategic objectives and corporate values and ensure that these are communicated throughout the bank;	Complied
b) Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;	Complied
c) Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;	Complied
d) Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	Complied
e) Review the adequacy and the integrity of the bank's internal control systems and management information systems;	Complied
f) Identify and designate key management personnel, as defined in the International 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
g) Define the areas of authority and key responsibilities for the board directors themselves and for the key management personnel;	Complied
h) Ensure that there is appropriate oversight of the affairs of the bank by key management personnel, that is consistent with board policy;	Complied
I) Periodically assess 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
j) Ensure that the bank has an appropriate succession plan for key management personnel;	Suitable personnel had been identified for most of key positions and the process of formulating a succession plan
k) Meet regularly, on a needs basis, with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied
l) Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators;	Complied
m) Exercise due diligence in the hiring and oversight of external auditors	
3(1)(ii) The board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with Direction 3(5) of these Directions.	The Board has appointed the Chairman and the CEO & approved their functions & responsibilities for the two roles.

Corporate Governance Section and Rule	Level of Compliance
<p>3(1)(iii) The board shall meet regularly and board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular board meetings shall normally involve active participation in person of a majority of directors entitled to be present. Obtaining the board's consent through the circulation of written resolutions/papers shall be avoided as far as possible.</p>	<p>Regular monthly Board Meetings are held & special meetings are scheduled as and when the need arises. The Board met on 13 occasions during 2013.</p>
<p>3(1)(iv) The board shall ensure that arrangements are 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.</p>	<p>Monthly meeting are scheduled & informed to the Board at beginning of each calendar year to enable submission of proposals in the Agenda for regular meetings</p>
<p>3(1)(v) The board procedures shall ensure that notice of at least 7 days is given of a regular board meeting to provide all directors an opportunity to attend. For all other board meetings, reasonable notice may be given.</p>	<p>Notice of meetings is given one week after the previous meeting, agenda & Board Papers for the Board Meeting are circulated to the Directors 05 days prior to the meeting giving directors time to attend & submit any urgent proposals.</p>
<p>3(1)(vi) The board procedures shall ensure that a director who has 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, shall cease to be a director. Participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.</p>	<p>The Directors are apprised of their attendance in accordance with the Corporate Governance Code. No Director has been absent for 03 consecutive meetings & all Directors have attended more than 2/3 of the meetings for the year.</p>
<p>3(1)(vii) The board shall appoint a company secretary who satisfies the provisions of Section 43 read with Section 76H of the Banking Act, No. 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.</p>	<p>The Board has appointed a Board Secretary who satisfies the provision of Section 43 of the Banking Act No.30 of 1988 & whose primary responsibilities are to handle the secretarial services to the Board.</p>
<p>3(1)(viii) All directors shall have access to advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed.</p>	<p>All Directors have access to advise & 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.</p>
<p>3(1)(ix) The company secretary shall maintain the minutes of board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.</p>	<p>The Board Secretary maintains the minutes of the Board Meetings & circulates to all</p>

Corporate Governance Section and Rule	Level of Compliance
	Board members. The Directors have access to the past Board Papers & the minutes through the Board Secretary.
<p>3(1)(x) Minutes of board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the board meetings. Therefore, the minutes of a board meeting shall clearly contain or refer to the following:</p> <p>(a) a summary of data and information used by the board in its deliberations;</p> <p>(b) the matters considered by the board;</p> <p>(c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the board was carrying out its duties with due care and prudence;</p> <p>(d) the testimonies and confirmations of relevant executives which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations;</p> <p>(e) the board's knowledge and understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and</p> <p>(f) the decisions and board resolutions.</p>	<p>The Minutes of the meetings include:</p> <p>a) A summary of data & information used by the Board in its deliberations.</p> <p>b) The matters considered by the Board.</p> <p>c) the decisions & the Board resolutions including reports of all Board's Sub committees.</p>
<p>3(1)(xi) There shall be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The board shall resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her/their duties to the bank.</p>	<p>Directors are able to obtain independent professional advice, as and when necessary in discharging their responsibilities.</p>
<p>3(1)(xii) Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organizations or related parties. If a director has a conflict of interest in a matter to be considered by the board, which the board has determined to be material, the matter should be dealt with at a board meeting, where independent non-executive directors [refer to Direction 3(2)(iv) of these Directions] who have no material interest in the transaction, are present. Further, a director shall abstain 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 and he/she shall not be counted in the quorum for the relevant agenda item at the board meeting.</p>	<p>The Directors are conscious of their obligations to declare where there is a conflict of interest in accordance with Corporate Governance Direction No.11 of 2007.</p>
<p>3(1)(xiii) The board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the bank is firmly under its authority.</p>	<p>The Board has a schedule of matters specially reserved for its decision to ensure that direction & control of the Bank is within its authority in line with regulatory codes, guidelines & international Best Practice.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>3(1)(xiv)The board shall, if it considers that 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, forthwith inform the Director of Bank Supervision of the situation of the bank prior to taking any decision or action.</p>	<p>The Board is aware of the need to inform the Director of Bank Supervision prior to taking any decision or action the Bank is become insolvent.</p>
<p>3(1)(xv) The board shall ensure that the bank is capitalised at levels as required by the Monetary Board in terms of the capital adequacy ratio and other prudential grounds.</p>	<p>The Board monitors capital adequacy & other prudential regulatory requirements on a monthly basis. The Bank is in compliance with the minimum capital requirement.</p>
<p>3(1)(xvi)The board shall publish in the bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.</p>	<p>The Board publishes the Corporate Governance Report in the Bank's Annual Report.</p>
<p>3(1)(xvii)The board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.</p>	<p>The Board has adopted a scheme of self assessment to be undertaken by each director annually & records are maintained with the Board Secretary.</p>
<p>3(2) The Board's Composition 3(2)(i) The number of directors on the board shall not be less than 7 and not more than 13.</p>	<p>As per CBSL direction the Board comprise of 07 Directors during the year 2013.</p>
<p>3(2)(ii) (A) The total period of service of a director other than a director who holds the position of chief executive officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such director up to 01 January 2008.</p>	<p>There are no directors whose tenure of service has exceeded 09 in the Board.</p>
<p>(B) In this context, the following transitional provisions shall apply:</p> <p>a) In the event that there is only one director on the board who has served more than nine years as at 01 January 2008, he/she shall be deemed to have vacated the office as a director as at 31 December 2008.</p> <p>b) In the event that there are two or more directors on the board who have served more than nine years as at 01 January 2008, the following provisions shall apply:</p> <p>I. Of those directors whose period of service has exceeded nine years, the longest serving director, shall be deemed to have vacated office as a Director on 31 December 2008.</p> <p>II. Thereafter, at the end of each succeeding year, the remaining directors shall be deemed to have vacated office in sequence, at least one director each year, (on the basis of the longest to the shortest length of service as a director), until all directors who have served a period in excess of nine years as at 01 January 2008, have been deemed to have vacated office. Provided also, that all directors of the bank who have served more than nine years as at 01 January 2008</p>	

Corporate Governance Section and Rule	Level of Compliance
<p>shall be deemed to have vacated their office by or before 31 December 2011.</p> <p>c) In the event there are any directors who are due to complete nine years of service between 01 January 2008 and 31 December 2010, such directors shall also be deemed to have vacated office, in sequence, at least one director each year, (on the basis of the longest to the shortest length of service as a director), after the directors as set out in Direction 3(2)(ii)(B)(b) have vacated their office as directors. Provided, however, that all such directors covered by this sub-direction (c) shall also be deemed to have vacated their office by or before 31 December 2011.</p>	
<p>3(2)(iii) An employee of a bank may be appointed, elected or nominated as a director of the bank (hereinafter referred to as an “executive director”) provided that the number of executive directors shall not exceed one-third of the number of directors of the board. In such an event, one of the executive directors shall be the chief executive officer of the bank</p>	<p>There is one Executive Director & 06 Non Executive directors which are well within the requirement.</p>
<p>3(2)(iv) The board shall have at least three independent non-executive directors or one third of the total number of directors, whichever is higher. This sub-direction shall be applicable from 01 January 2010 onwards.</p> <p>A non-executive director shall not be considered independent if he/she:</p> <p>a) has direct and indirect shareholdings of more than 1 per cent of the bank;</p> <p>b) currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction 3(7) hereof, exceeding 10 per cent of the regulatory</p>	<p>None of the Board is considered as independent directors as they are all appointed by the Secretary to the Treasury.</p>
<p>capital of the bank.</p> <p>c) has been employed by the bank during the two year period immediately preceding the appointment as director;</p> <p>d) has a close relation who is a director or chief executive officer or a member of key management personnel or a material shareholder of the bank or another bank. For this purpose, a “close relation” shall mean the spouse or a financially dependant child;</p> <p>e) represents a specific stakeholder of the bank;</p> <p>f) is an employee or a director or a material shareholder in a company or business organization:</p> <p>I. which currently has a transaction with the bank as defined in Direction 3(7) of these Directions, exceeding 10 per cent of the regulatory capital of the bank, or</p> <p>II. in which any of the other directors of the bank are employed or are directors or are material shareholders; or</p> <p>III. in which any of the other directors of the bank have a transaction as defined in Direction 3(7) of these Directions, exceeding 10 per cent of regulatory capital in the bank;</p> <p>3(2)(v) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that applies to the independent director.</p>	<p>No alternate Director was appointed during the year.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>3(2)(vi) Non-executive directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources.</p>	<p>Secretary to the Treasury appoints Directors as per the Articles of Association.</p>
<p>3(2)(vii) A meeting of the board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless more than one half of the number of directors present at such meeting are non-executive directors. This sub-direction shall be applicable from 01 January 2010 onwards.</p>	<p>the requirement strictly observed & it is noteworthy that the majority are Non-Executive Directors.</p>
<p>3(2)(viii) The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the bank. The bank shall disclose 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.</p>	<p>The composition of the Board, by category of Directors, including the name of the Chairman, Working Director, Non-executive Directors are given on the Corporate Governance Report.</p>
<p>3(2)(ix) There shall be a formal, considered and transparent procedure for the appointment of new directors to the board. There shall also be procedures in place for the orderly succession of appointments to the board.</p>	<p>The Board is to develop a succession plan together with the Secretary to the Treasury to ensure that members are from various skills and disciplines.</p>
<p>3(2)(x) All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.</p>	<p>None</p>
<p>3(2)(xi) If a director resigns or is removed from office, the board shall:</p> <p>(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</p> <p>(b) issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.</p>	<p>Regulations of Directors & the reasons are informed to the regulatory authority as per CSE requirement.</p>
<p>3(2)(xii) A director or an employee of a bank shall not be appointed, elected or nominated as a director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.</p>	<p>The MOF takes into account this requirement in their decisions in considering appointments of directors.</p>
<p>3 (3) Criteria to assess the fitness and propriety of directors</p> <p>In addition to provisions of Section 42 read with Section 76H of the Banking Act, No.30 of 1988, the criteria set out below shall apply to determine the fitness and propriety of a person who serves or wishes to serve as a director of a bank. Non-compliance with any one of the criteria as set out herein shall disqualify a person to be appointed, elected or nominated as a director or to continue as a director.</p>	
<p>3(3)(i) The age of a person who serves as director shall not exceed 70 years.</p> <p>(A) Where a director who is currently serving at a bank is over 70 years of age as at 01 January 2008, the following transitional provisions shall</p>	<p>There are no directors who are over 70 years of age as at 31st December 2013.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>apply, subject, however, to the provisions as set out in Direction 3(2)(ii) hereof.</p> <p>a) If a director is over 75 years of age as at 01 January 2008, such director may continue to serve as a director for a further period that shall not extend beyond 31 December 2008, and shall be deemed to have vacated office on 31 December 2008;</p> <p>b) If a director is between 70 and 75 years of age as at 01 January 2008, such director may continue to serve as a director for a further period that shall not extend beyond 31 December 2009, and shall be deemed to have vacated office on 31 December 2009.</p> <p>(B) Where a director who is currently serving at a bank reaches the age of 70 years, between 01 January 2008 and 31 December 2009, such director may, subject to the provisions as set out in Direction 3(2)(ii) hereof, continue to serve as a director for a further period that shall not extend beyond 31 December 2010 and shall be deemed to have vacated office on 31 December 2010.</p>	
<p>3(3)(ii) A person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank. Of such 20 companies/entities/ institutions, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.</p>	<p>None of the directors hold office as a director of more than 20 entities.</p>
<p>3(4) Management functions delegated by the Board</p>	
<p>3(4)(I) The directors shall carefully study and clearly understand the delegation arrangements in place.</p>	<p>The Board periodically reviews and approves the delegation arrangements & ensures that</p>
<p>3(4)(ii) The board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the board as a whole to discharge its functions.</p>	<p>the extent of delegation addresses the needs of the Bank.</p>
<p>3(4)(iii) The board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.</p>	
<p>3(5) The Chairman and Chief Executive Officer</p>	
<p>3(5)(I) The roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual.</p>	<p>The roles of the Chairman & the Chief Executive Officer are separate.</p>
<p>3(5)(ii) The chairman shall be a non-executive director and preferably an independent director as well. In the case where the chairman is not an independent director, the board shall designate an independent director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the bank's Annual Report.</p>	<p>The Chairman is a Non-Executive & independent Director.</p>
<p>3(5)(iii) The board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the identity of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the board.</p>	<p>The identity of the Chairman, Board members & CEO are disclosed in the Annual Report. there are no material, financial, business or family relationships between the Chairman & CEO & other members of the Board as per annual declarations.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>3(5)(iv) The chairman shall:</p> <p>(a) provide leadership to the board;</p> <p>(b) ensure that the board works effectively and discharges its responsibilities; and</p> <p>(c) ensure that all key and appropriate issues are discussed by the board in a timely manner.</p>	<p>The Board approves the key roles and the responsibilities of the Chairman.</p>
<p>3(5)(v) The chairman shall be primarily responsible for drawing up and approving the agenda for each board meeting, taking into account where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate the drawing up of the agenda to the company secretary.</p>	<p>The Board Secretary draws up the agenda for the meetings in consultation with the Chairman.</p>
<p>3(5)(vi) The chairman shall ensure that all directors are properly briefed on issues arising at board meetings and also ensure that directors receive adequate information in a timely manner.</p>	<p>Board Secretary ensures that the Board is adequately briefed & inform regarding the matters arising at the Board. Following procedures are in place to ensure this.</p> <ul style="list-style-type: none"> ● Board Papers are circulated 05 days prior to the Board meetings. ● Relevant members of the Management Team are on hand for explanations & clarification ● Management Information is provided in agreed formats to enable directors to access the performance & stability of the Bank.
<p>3(5)(vii) The chairman shall encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the bank.</p>	<p>All directors are actively participate at the Board meetings.</p>
<p>3(5)(viii) The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.</p>	<p>Six of the seven members of the Board are non-executive directors which creates a conducive environment for active participation by the non-executive directors. All non-executive directors participate Sub Committees of the Board providing further opportunity for active participation.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>3(5)(ix) The chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.</p>	<p>The Chairman does not get involved in the supervision of key management personnel or any other executive duties.</p>
<p>3(5)(x) The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the board.</p>	<p>The Annual General Meeting & the Shareholder relations meeting which is held immediately after the AGM.</p>
<p>3(5)(xi) The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the bank's operations and business.</p>	<p>The day to day operations of the Bank have been delegated to the Chief Executive Officer.</p>
<p>3(6) Board appointed Committees</p> <p>3(6)(I) Each bank shall have 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. Each committee shall report directly to the board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the chairman of the committee. The board shall present a report of the performance on each committee, on their duties and roles at the annual general meeting.</p>	<p>Eight Sub Committees have been established by the Board with written terms of reference for each. Bank employees serves as the secretaries of the Sub Committees & maintains minutes & records with oversight by the respective chairperson.</p> <ul style="list-style-type: none"> • Board Audit Committee • Board Human Resources & Remuneration Committee • Board Nomination Committee • Board Risk Management Committee • Board Legal & Recovery Committee • Board Credit Committee • Board Procurement Committee • Board Assets and Liability Committee
<p>3(6)(ii) The following rules shall apply in relation to the Audit Committee:</p> <p>a) The chairman of the committee shall be an independent non-executive director who possesses qualifications and experience in accountancy and/or audit.</p>	<p>The Chairman of Audit Committee is a Non-Independent, Non Executive Director as detailed in 3(2)(iv) and Director General Department of Public Finance who holds the MBA-Nanyang Technology University-Singapore, MIT Boston USA, Associate Member CPA Australia.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>b) All members of the committee shall be non-executive directors.</p>	<p>All members of the Board Audit Committee are Non-executive Directors.</p>
<p>c) The committee shall make recommendations on matters in connection with:</p> <p>(i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>(ii) the implementation of the Central Bank guidelines issued to auditors from time to time;</p> <p>(iii) the application of the relevant accounting standards; and</p> <p>(iv) the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p>	<p>In accordance with the terms of the reference the Board Audit Committee has made following recommendations;</p> <ul style="list-style-type: none"> ● The appointment of the external auditor for audit services to be provided in compliance with relevant status. ● The implementation of CBSL guidelines issued to auditors from time to time ● The application of the relevant accounting standards
<p>d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p>	<p>The Board Audit Committee obtains representations from the external auditor on its independence & that the audit carried out in accordance with the Sri Lanka Accounting Standards.</p>
<p>e) The committee shall develop and implement a policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:</p> <p>I. whether the skills and experience of the audit firm make it a suitable provider of the non-audit services;</p> <p>II. whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and</p> <p>III. Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the external auditor.</p>	<p>When such services are obtained from external auditors prior approval is obtained from the Board Audit Committee.</p>
<p>f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:</p> <p>(i) an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting;</p> <p>(ii) the preparation of financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and</p> <p>(iii) the co-ordination between firms where more than one audit firm is involved.</p>	<p>The Committee discussed & finalized with the External Auditors the nature and scope of the Audit to ensure that it includes;</p> <ul style="list-style-type: none"> ● An assessment of the Bank compliance with the relevant directions in relation to good governance & management internal controls over financial reporting.

Corporate Governance Section and Rule	Level of Compliance
	<ul style="list-style-type: none"> ● the preparation of financial statement for external purposes in accordance with the relevant accounting principles & reporting obligations.
<p>g) The committee shall 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 the significant financial reporting judgments contained therein. In reviewing the bank's annual report and accounts and quarterly reports before submission to the board, the committee shall focus particularly on:</p> <p>(i) major judgmental areas;</p> <p>(ii) any changes in accounting policies and practices;</p> <p>(iii) significant adjustments arising from the audit;</p> <p>(iv) the going concern assumption; and</p> <p>(v) the compliance with relevant accounting standards and other legal requirements.</p>	<p>The Audit Committee reviewed focuses on the following;</p> <ul style="list-style-type: none"> ● major judgmental areas ● any changes in accounting policies & practices ● significant adjustment arising from the audit. ● the compliance with the relevant accounting standards and other legal requirements
<p>h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.</p>	<p>The Committee met external auditors in the absence of executive staff members of the Bank</p>
<p>I) The committee shall review the external auditor's management letter and the management's response there to.</p>	<p>The Board of Audit Committee has reviewed the External Auditors Management Letter & the Management response there to</p>
<p>j) The committee shall take the following steps with regard to the internal audit function of the bank:</p> <p>I. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;</p> <p>II. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;</p> <p>III. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;</p> <p>IV. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;</p> <p>V. Ensure that the committee is apprised 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;</p> <p>VI. Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;</p>	<p>Management response there to</p> <p>The Board Audit Committee has oversight of the internal audit function and carries out the following duties with regard to the same;</p> <p>i) reviews adequacy of the scope, functions & resources of the internal audit department & ensures that the department has the necessary authority to carry out its work.</p> <p>ii) reviews the internal audit programme & results of the audit & ensures that appropriate actions are taken on the recommendations of the internal audit dept.</p>

Corporate Governance Section and Rule	Level of Compliance
	<p>iii) reviews appraisal of the performance of the head & staff members of the internal audit department</p> <p>iv) ensures that internal audit functions independent of its activities it audits & that it is performed with impartially, proficiency & due professional care</p>
<p>k) The committee shall consider the major findings of internal investigations and management's responses thereto;</p>	<p>The Audit Committee has reviewed the major findings of internal investigation and management's responses there to. It has also ensured that recommendation of such investigations are implemented.</p>
<p>l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least twice a year, the committee shall meet with the external auditors without the executive directors being present.</p>	<p>The Manager Internal Auditor & members of the Audit Committee generally attend the meeting. Members of the corporate management may also attend meetings upon invitations of the Committee.</p>
<p>m) The committee shall have:</p> <ul style="list-style-type: none"> (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	<p>The Board Audit Committee has;</p> <ul style="list-style-type: none"> a) explicit authority to investigate into any matter within its terms of reference. b) the resources which it needs to do so c) Full access to information d) authority to obtain external professional advise
<p>n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p>	<p>The Board Audit Committee has scheduled regular quarterly meetings & additional meetings are scheduled as & when required. Accordingly the Committee met 04 times during the year. The Board Audit Committee served with due notice of issues to be discussed & the conclusion in discharging its duties & responsibilities are recorded in the minutes of the meeting maintained by the Secretary.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>o) The board shall disclose in an informative way, <i>(i)</i> details of the activities of the audit committee; <i>(ii)</i> the number of audit committee meetings held in the year; and <i>(iii)</i> details of attendance of each individual director at such meetings.</p>	<p>The report of the Board Audit Committee includes following; 1) details of the activities of the Board Audit Committee 2) the Number of Board Audit Committee meetings held in the year 3) details of attendance of each individual director at such meeting</p>
<p>p) The secretary of the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.</p>	<p>The Manager Internal Auditor serves as the Secretary to the Board Audit Committee and maintains minutes of the Committee.</p>
<p>q) The committee shall review arrangements by which employees of the bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the bank's relations with the external auditor</p>	<p>The employees of the Bank may, in confidence raise concerns about possible improprieties in financial reporting, internal control or other matters. The Secretary forward all communication received in this regard including anonymous communication to the Chairman of the Audit Committee who addresses the issue in an appropriate manner.</p>
<p>3(6)(iii) The following rules shall apply in relation to the Human Resources and Remuneration Committee:</p>	
<p>a) The committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to directors, Chief Executive Officer (CEO) and key management personnel of the bank.</p>	<p>The Committee will develop a policy to determined a remuneration for CEO and KMPs.</p>
<p>b) The committee shall set goals and targets for the directors, CEO and the key management personnel.</p>	<p>Goals & targets for the CEO and KMPs are documented under the strategic plan/action plan for the year.</p>
<p>c) The committee shall 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 incentives.</p>	<p>performance evaluation process of the CEO and the KMPs has been initiated by the Committee.</p>
<p>d) The CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed.</p>	<p>Terms of the reference of the Committee approved by the Board provide for this.</p>
<p>3(6)(iv) The following rules shall apply in relation to the Nomination Committee:</p>	

Corporate Governance Section and Rule	Level of Compliance
a) The committee shall implement a procedure to select/appoint new directors, CEO and key management personnel.	The Bank has obtained a CBSL approval as this criteria is not applied to Bank as Secretary to the Treasury has the authority to appoint new directors.
b) The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the performance and contribution made by the director concerned towards the overall discharge of the board's responsibilities.	As explained above 3(6)(iv) a
c) The committee shall 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 positions.	The Committee sets the eligibility criteria to be considered, including qualifications, experience & key attributes, for appointment or promotion to key managerial position including the position of CEO. The Committee considers the applicable status & guidelines in settling the criteria.
d) The committee shall ensure that directors, CEO and key management personnel 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.	The Committee obtains the annual declaration from, CEO & KPMs to ensure that they are fit & proper persons to hold office as specified in criteria given in 3(3).
e) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and key management personnel.	The need for new expertise may be identified by the management or its committees & brought to the attention of The Board Nomination Committee which will take appropriate action.
f) 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.	The Committee is chaired by independent director, the other members are non-independent.
<p>3(6)(v) The following rules shall apply in relation to the Integrated Risk Management Committee:</p> <p>a) The committee shall consist of at least three non-executive directors, chief executive officer and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel very closely and make decisions on behalf of the board within the framework of the authority and responsibility assigned to the committee</p>	The Committee comprises 03 Non-Executive directors, CEO, Asst. Manager Risk, Compliance Officer & other Key Management Personnel supervising Credit, Operations & Finance. The Committee works closely with Key management personnel within the framework of authority & responsibility assigned to the Committee.

Corporate Governance Section and Rule	Level of Compliance
<p>b) The committee shall 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.</p>	<p>The Committee has approved the policy on Risk Management which provides management & assessment of risk. The Committee has a process to assess & evaluate all risks of the Bank & findings and issues are submitted to the Board for their review & actions if any.</p>
<p>c) The committee shall review 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.</p>	<p>The Committee reviews the reports of the Management Level Committees effectiveness in addressing specific risk & managing the same within the quantitative & qualitative risk limit said by the respective committees.</p>
<p>d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the bank's policies and regulatory and supervisory requirements.</p>	<p>The Committee takes prompt corrective action to mitigate the risk of specific risk.</p>
<p>e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.</p>	<p>The Committee has regular quarterly meetings & schedules additional meetings as & when requires.</p>
<p>f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of Bank Supervision.</p>	<p>All the specific risks & the limits are identified by relevant Committees such as ALCO, Credit Committee & as such decisions are taken collectively.</p>
<p>g) The committee shall submit a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.</p>	<p>The detailed report of the meeting is submitted to the Board after each Committee meeting by the Secretary for their information, views, concurrence or specific directions.</p>
<p>h) The committee shall 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. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.</p>	<p>A compliance function has been established to assess the bank compliance laws, regulations, regulatory guide lines, internal control & approved policies on all areas on business operations. This function is headed by dedicated Compliance Officer who reports to the Committee.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>3(7) Related party transactions</p> <p>3(7)(i) The board shall take the necessary steps 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:</p> <ul style="list-style-type: none"> a) Any of the bank's subsidiary companies; b) Any of the bank's associate companies; c) Any of the directors of the bank; d) Any of the bank's key management personnel; e) A close relation of any of the bank's directors or key management personnel; f) A shareholder owning a material interest in the bank; g) A concern in which any of the bank's directors or a close relation of any of the bank's directors or any of its material shareholders has substantial interest. 	<p>The Board has approved documented process in identifying related parties, type of related party transactions & favourable treatments granted to said parties in order for Board members to avoid any conflict of interest in this regard. Directors who have related party transactions are individually requested to declare their transactions to the Bank on a quarterly & annually basis.</p>
<p>3(7)(ii) The type of transactions with related parties that shall be covered by this Direction shall include the following:</p> <ul style="list-style-type: none"> a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation, b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments, c) The provision of any services of a financial or non-financial nature provided to the bank or received from the bank, d) The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties. 	<p>Definitions of related party transactions covered by the above Board process & declaration by directors & Key Management Personnel include;</p> <ul style="list-style-type: none"> i) the grant of any type of accommodation, as defined in the Monetary Board Directions on maximum amount of accommodation ii) the creation of any liabilities of the Bank in the form of deposits, borrowings & investments. iii) the provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank. iv) the creation or maintains of reporting lines & information flows between the Bank & 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.

Corporate Governance Section and Rule	Level of Compliance
<p>3(7)(iii) The board shall 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 favourable treatment” than that accorded to other constituents of the bank carrying on the same business. In this context, “more favourable treatment” shall mean and include treatment, including the:</p> <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> I. “Accommodation” shall mean accommodation as defined in the Banking Act, Directions, No.8 of 2007 on Maximum Amount of Accommodation. II. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank's share capital and debt instruments with a maturity of 5 years or more. b) Charging of a lower rate of interest than the bank's best lending rate or paying more than the bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; c) Providing of preferential treatment, such as favourable 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. 	<p>The Bank has implemented a Board approved process to monitor such related party transactions & to ensure that the Bank does not engage in such transactions in a manner that would grant such related parties “more favourable treatment” as mentioned than that accorded to the other constitutions of the Bank carrying on the same transaction with the Bank. Additionally, the staff concerned are informed through operational circulars to refrain from granting accommodation as defined in the Banking Act Direction No.11 of 2007. the Bank will further strengthen monitoring process to avoid granting of favourable treatment to such related parties as required by the Direction.</p>
<p>3(7)(iv) A bank shall not grant any accommodation to any of its directors or to a close relation of such director unless 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 favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.</p>	<p>A procedure is in place for granting accommodation to directors or close relations of directors. Such accommodation requires approval at a meeting of the Board of Directors, by not less than 2/3 of the No. of directors other than the director concern, voting in favour of such accommodation. The terms & conditions of the facility include a proviso that it will be secured by such security as may from time to time we determined by the Monetary Board as well.</p>

Corporate Governance Section and Rule	Level of Compliance
<p>3(7)(v) a) 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, steps shall be 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.</p>	<p>The Board Secretary obtains declarations/affidavits from all directors prior to their appointment & they are requested to declare any further transactions.</p> <p>This situation has not arisen in the Bank to date.</p>
<p>b) Where such security is not provided by the period as provided in Direction 3(7)(v)(a) above, the bank shall take 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.</p>	<p>This situation has not arisen in the Bank to date.</p>
<p>c) Any director who fails to comply with the above sub-directions shall be deemed to have vacated the office of director and the bank shall disclose such fact to the public.</p>	<p>This situation has not arisen in the Bank to date.</p>
<p>d) This sub-direction, however, shall not apply to a 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.</p>	<p>This situation has not arisen in the Bank to date.</p>
<p>3(7)(vi) A bank shall not grant any accommodation or “more favourable 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.</p>	<p>In this concerns no favourable treatment/ accommodation is provided to the Bank employees other than staff benefits. Employees of the Bank are informed through various means to refrain from granting favourable treatment to other employees or their close relations or to any concerned in which an employee or close relation has a substantial interest.</p>
<p>3(7)(vii) No 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 shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.</p>	<p>In this concern such a situation</p>
<p>3(8) Disclosures 3(8)(I) The board shall ensure that: (a) annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Annual audited financial statements & quarterly financial statement are prepared & published in accordance with the formats prescribed by the supervisory</p>

Risk Management Committee Report

The Integrated Risk Management Committee (BIRMC) of Sri Lanka Savings Bank Ltd has been established by the Board of Directors of the Bank in terms of the Banking Act Direction No 12 of 2007 on Corporate Governance for Licensed Specialized Banks in Sri Lanka. The BIRMC operates as a functional committee of the Board which was delegated all risk management responsibilities including the task of managing and supervising the risk functions of the Bank and ensuring compliance with regulations, as required by the mandatory code of Corporate Governance issued by the CBSL.

Members of the Committee

The following directors are members of the committee appointed by the Board of Directors.

Mr H G Sumanasinghe (Chairman of the committee)

Mr Kosala Rathnaweera (Attorney at Law)

Mr Palitha Gamage

Chairman of the Bank and the Working Director attend meetings by invitation. General Manager, Senior Manager Finance & Planning, Senior Manager Operation, Compliance Officer, Senior Manager Credit, Senior Manager HRD & E, Senior Manager IT, Manager Legal and Company Secretary are the other permanent members.

The Bank's overall responsibility for Risk Management falls on the Board of Directors, hence policies and instructions are implemented from time to time.

Board Integrated Risk Management Committee (IRMC) looks into the overall RISK Management aspects of the Bank. IRMC implement Risk strategies, framework and policies and responsible for implementation of these strategies and policies

Objectives of the Risk Management

The objective of the risk management is to proactively support business units in the development of innovative products for optimal service to the customers whilst mitigating risk. The vigor and imagination of the business unit is to function ahead of competition needed superior information and knowledge acquisition on risk management capabilities.

The Committee meets on a quarterly basis and discusses the predetermined Risk goals implemented as per the policies adopted by the Board and reviews performance of the Management Committee (Assets and Liabilities Committee and Credit Committee).

MIS and indicators are aggregated and recorded as per reporting criteria of the Risk Committees. These reports are indicated aggregate credit exposure, Deposits progress, liquidity ratios etc. Further elaborations will be done on industry, concentration risk etc.

Each Department (Finance, Operational, Credit) monitors the specific impact on various risks. These respective departments functions independent of each other and submits its information to the Risk Management Unit. Reports are generated monthly and quarterly basis.

During the year under review and in January 2014 the committee met four (4) times and reviewed risk components such as Loan portfolio, key risk indicators, liquidity position and Market risk, Legal risk of the Bank. The Committee also approved Risk Manual, Outsourcing policy, Communication policy, Compliance Policy, Customer Charter, Retention Plan and the Stress Testing policy during the said period.

The Bank's exposure to Risk could be broadly categorized into Credit Risk, Operational Risk, Market Risk. In addition the impact of Liquidity Risk, Legal Risk, Compliance Risk and Reputational Risk are perceived to avoid any additional impact on the Bank.

Credit Risk Management

The Credit risk defines as loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises due to failure of client/counter parties to meet their obligations towards the Bank.

The Bank has implemented credit policy approved by the Board of Directors. It spells out the credit culture of the Bank. The policy is implemented through the credit process, which is set out with clear guidelines and procedures.

General Area of Credit Risk

The Bank was entrusted the task of providing relief to depositors and investors of Defaulted Pramuka Savings and Development Bank Ltd. (PSDB) by vesting the business with Sri Lanka Savings Bank Ltd (SLSB) on 01 August, 2007. The activities of National Development Trust Fund (NDTF) was vested with effect from 30th September, 2010.

Responsibility of activities in respect of the conduct that exposes the Bank to Credit risk rests with the Executive Credit Committee & Board Credit Committee.

The Credit risk of the Bank is part & parcel of the vision and objective of the Bank. During the year Microfinance sector in particular is emphasized when lending whilst minimizing the risk for the Bank adhering to guidelines issued by regulatory authorities. As the vision of the Bank "to be lending bank in providing micro-finance" the credit facilities are granted for micro-enterprise development to the micro-finance institutions (MFI) for on lending to end borrower for alleviation of poverty and to reduced unemployment.

Main Objectives of the Executive Credit Committee.

- Establish steady earning growth
- Ensuring credit discipline and documentation with sound risk management
- Ability to increase deposit base by matching deposit scheme with loan schemes.
- Promote business as well as image of the Bank
- Contribution to the national development.

Main Strategy of the Credit Committee is to mitigate risks by

- Limiting appetite of the Bank's willingness to sanction loans based on high returns.
- Identifications of target markets.
- Monitoring preferred level of diversification and concentration.
- Analyzing the cost of capital in lending to minimize non performing advances
- Concentrate on the cyclical aspects and the resulting shifts in the composition and quality of the loan portfolio.
- Introduction of sector caps
- Thresholds to curtail exposures to vulnerable customer groups
- Enforcing security deposit/margin to many limit over borrowing

Reporting Responsibilities of the Credit Committee.

The Committee Chairman shall report formally to the Credit Committee on its proceedings after each Committee meeting.

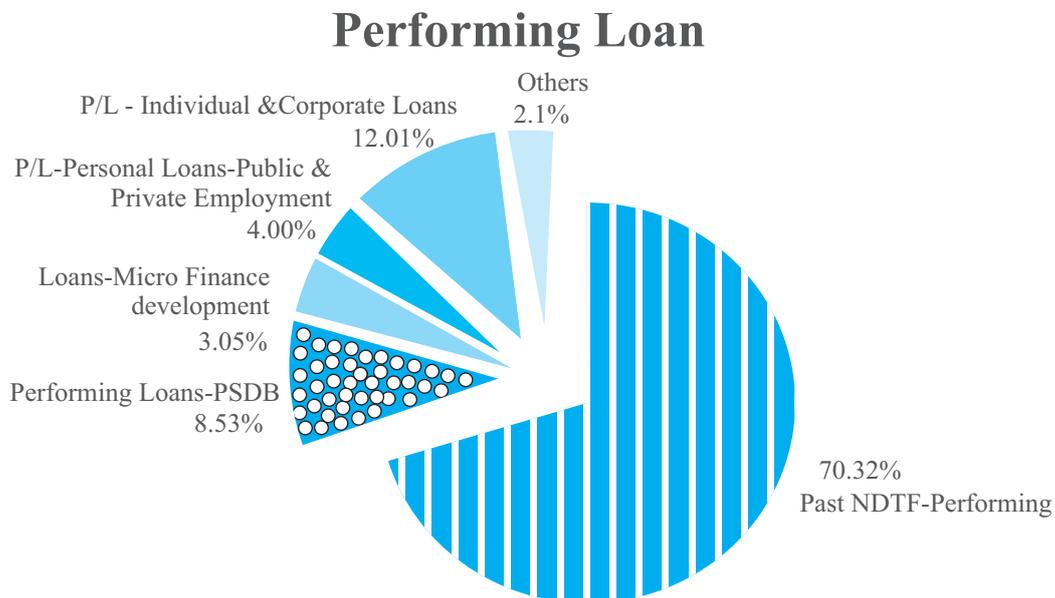
In the light of its other duties, the Committee shall make whatever recommendations to the Board Credit Committee it deems appropriate.

The Committee shall ,on an annual basis ,review its own performance constitution and terms of reference to ensure that it is operating at maximum effectiveness, and make appropriate recommendations to the Board.

Loan concentration

Loan portfolio of the bank is concentrated as follows.

Performing loan amount (% as at 31.12.2013)



Bank's loan portfolio depends on both external and internal factors. Bank endeavors to maintain a well balanced growth in its loan book across different sectors and business lines. An appropriate product mix is used to serve this diversified customer base.

Bank commenced granting loans since 2011 and new Net loans and advances granted by the Head office branch, Mannar branch, Matara branch and Anuradhapura branch amounted to Rs 1,821.6 million as at 31.12.2013 including PSDB and diversified across different products as shown in the above chart.

Market Risk Management

Market Risk relates to the impact of fluctuations in market rates on Bank's assets and liabilities. Special emphasis is placed on its effect on investments in fixed income securities.

The ALCO comprising Senior- Management coordinates and perform daily risk management activities. ALCO reviews the following, among others, on a monthly basis.

Interest rates

Liquidity Ratio

Bank's view on interest rates via competitor rates.

The Board Integrated Risk Management Committee reviews the risk goals set for market risk management on a quarterly basis.

The Senior Manager Finance monitors interest rates frequently and reports the movement for decision making on need basis and are reviewed at regular ALCO meetings

Investment Portfolio as at 31.12.2013

Type of Investment	Less than one Year In Rs Million	More than one year In Rs Million	Total Capital Invested In Rs Million	Weight
Treasury Bills	90.4		90.5	1.7%
Repo	628.8		628.8	12.1%
Fixed Deposits	4,486.5		4,486.5	86.0%
Trust Certificates		10.0	10.0	0.2%
Total	5,205.7	10.0	5,205.7	100%

Market is always vulnerable to internal & external shocks and bank may have gained profits or incur losses. Therefore Bank seeks to facilitate efficient and effective risk/return decisions. With the decreasing interest rates and fall in the market value of Treasury Bill and Bonds. Therefore it is necessary to monitor Volatility of fixed income securities with the daily basis. The Bank has invested only 1.7% in Treasury Bills out of total investment portfolio.

Bank has invested Rs 4.4 billion in Fixed Deposits in major Government Banks. Total investments in FD represent 86 % of the total investments of the bank. Bank has to ensure that the returns on investment is maximum to ensure the depositors the return for repayment of PSDB with interest. The main income of the bank is from the investments and loans. But declining market it is adversely affecting the bank interest spread.

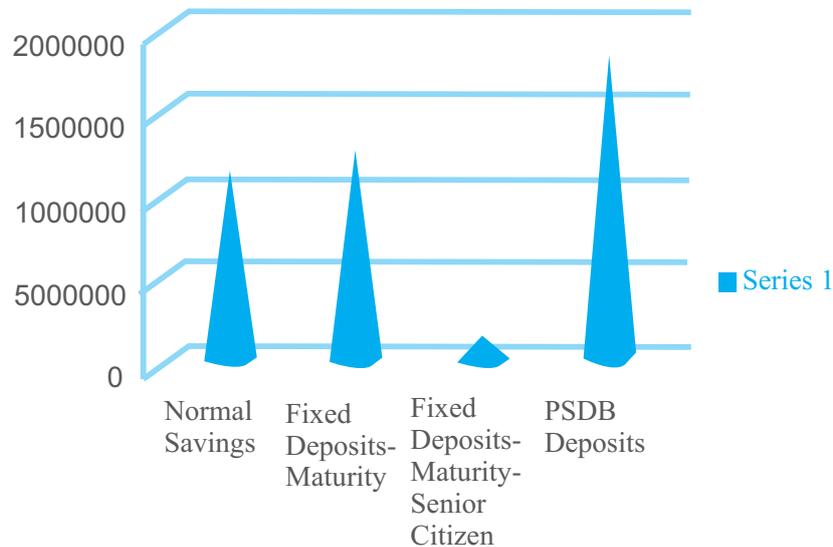
Provisions made for Non Performing Investments.

<u>Institute</u>	<u>Investment (In Rs Mn) rates</u>
Vanik Incorporation Ltd	Rs 57.2
Forbes	Rs 30.0
Disputed Deposit with Habib Bank	<u>Rs 78.4</u>
	Rs 165.6
Less -Provision	<u>(Rs 165.6)</u>
	0.0

The Bank has made 100% provision for the above investment of PSDB.

Bank product exposure

Deposits base of the Bank as at 31/12/2013 in Rs 000 "



Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal process, people and system or from external events.

Operational Risk is inherent in all products, activities process and systems` and the effective management of operational risk has always been a fundamental element of bank risk management programme. As a result sound operational management is a reflection of the effectiveness of the Board and Senior Management in administering people, its portfolio of products, activities process as and systems.

Bank practices the first line of defense which is business line management. This mean that sound operational risk governance will recognize that business line management is responsible for identifying and managing the risks inherent in the products activities and system for which is accountable.

Operational risk management is evolving and the bank environment is constantly changing ,Senior Manager Operations ensure that framework on policies ,processes and systems remain sufficiently robust.

Objectives of the Operational Risk Management

- Ensure better control of operations
- Reduce losses arising from operational risk management in the Bank is to reduce losses from operational failures and in particular avoid potentially losses.
- Raise awareness of operational risk in the Bank from top to bottom through implementation of an self risk assessments for operational risks.

In order to meet its operational risk management objectives ,each business functions within the bank is required to identify ,assess ,measure and control its operational risk in line with the policy set by the bank.

Sri Lanka Savings Bank has introduced business resiliency and continuity plan in place to ensure an ability to operate on an ongoing basis and limit losses in the event of business disruption.

Management Oversight

Director Board of the Bank has recognized that operational risk is distinct and controllable, and has put in place appropriate Risk Management policies, procedures and practices and independent audit and review mechanism.

Operational risk measurement

Bank's Operational Risks are measured according to the breaches that have been placed, expected /predicted losses and unexpected cases which may arise in future. Internal and external losses are once in three months monitored for prevention and risk mitigations. These events are mainly discussed at the Integrated Risk Management meeting through the Self Risk assessment report.

- Consider internal factors (such as complexity of structure, nature of activities, quality of personnel, organizational changes and employee turnover) and external factors that could adversely affect the bank's stated objectives.
- Make clear distinction between controllable and uncontrollable operational risk events.
- Assess operational activities, against a menu of operational risk events by Self Assessments. (I.e. Internal and external frauds, employment practices and work place safety, clients products and business practices, damage to physical assets, business distribution and system failures, etc)

Operational Risk reporting

Significant risk exposures are reported to senior management through the self risk assessment report. These include Operational and fraudulent loss incidents, significant control breakdown rectified during the period. Also other issues with operational risk implications are reported on a regular basis.

Legal Risk Management

Legal risk arises from uncertainty due to legal action or uncertainty in the applicability or interpretation of contracts laws or regulations.

In the normal courses of business the Bank is involved in various types of litigation including litigation with borrower who are in default under the terms of their agreement. In certain circumstances the Borrowers have asserted counter claims. There could be ex-employees of the Bank who submit LT applications, citing the Bank as a respondent claiming compensation.

The Manager Legal, Senior Management & Recovery Committee are actively involved in managing risk.

Compliance and Regulatory Risk Management

The compliance risk is defined as “the risk of legal or regulatory sanctions, material financial loss to reputation on a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self regulatory organization standards and codes of conduct applicable to its banking activities.

The Laws, rules and standards applicable to banking generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, setting Gov. Taxes treating customers fairly and ensuring the suitability of customer service.

- Compliance failures if any during the preceding year and consequent losses and regulatory action as also steps taken to avoid recurrence of the same.
- Independence of compliance function.
- List of all major regulatory guidelines issued during the preceding year and steps taken for implementation.
- Progress in rectification of significant deficiencies pointed out in the internal audit, statutory audit and CBSL examination reports and position of implementation of recommendations made there in.

Liquidity Risk Management

Liquidity is the ability of a Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The fundamental role of banks in the maturity transformation of short-term deposits in to long-term loans makes bank inherently vulnerable to liquidity risk, both of a business nature and that which affects markets as a whole.

Managing liquidity is no longer purely the responsibility of the treasury function. Effectively oversight by the BOD and the Senior Management is a critical element of the liquidity risk management process.

The ALCO is mandated to execute Board approval liquidity policy provide direction to ALCO and review liquidity management policies, procedures and practices approved by the BOD.

Role of the Liquidity Risk Management

- Bank has to establish a robust liquidity risk management framework that ensure it maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, including the loss or impairment of both unsecured and secured funding sources.
- Bank needs to clearly articulate a liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system.
- Board and Senior Management of the Bank has to develop a strategy ,policies and practices t manage liquidity risk in accordance with the risk tolerance and to ensure that the bank maintains sufficient liquidity.
- Bank has to identify incorporate liquidity costs, benefits and risks in the internal pricing and performance.
- Bank is to establish a funding strategy that provides effective diversification in the sources of long tenor funding.

Bank's ability to identify, measure, monitor and control it's liquidity risk positions for

- a) Future cash flows of assets and liabilities.
- b) Sources of contingent liquidity demand and related triggers associated with off balance sheet positions.
- c) Correspondent, custody and settlement activities.

Bank need to identify alternative sources of funding that strengthen its capacity to withstand a variety and severe yet plausible Business specific and market –wide liquidity shocks. Depending on the nature and duration of the liquidity shock, potential sources of funding include the following.

- Deposit growth
- The lengthening of maturities of liabilities.
- New issues of short and long term debt instruments.
- Asset securitization
- The sale or repo of unencumbered, highly liquid assets
- Borrowing from the other government bank's marginal lending facilities.

The liquidity position is monitored by relevant officers and committees as follows.

- The Senior Manager Finance monitors the liquidity position of the Bank.
- ALCO monitors the liquidity ratio, reviewing the liquidity gaps.
- Developed and accept deposit products with varying maturity periods.
- Loans have been granted varying repayment periods.

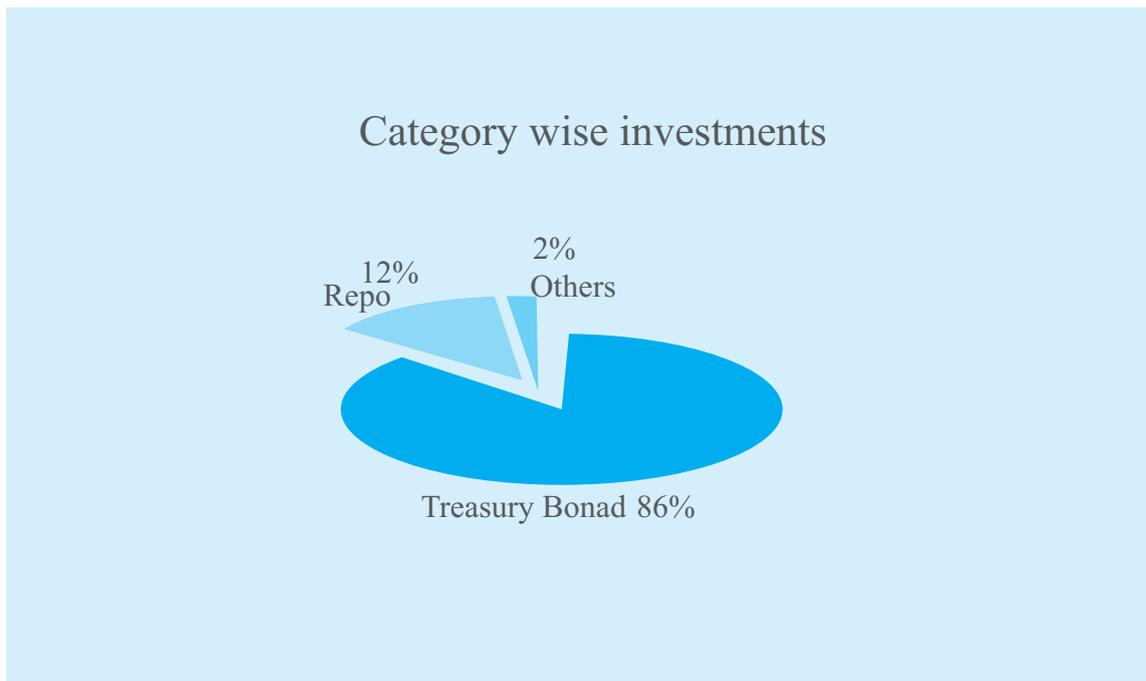
The range of supervisory responses to a Bank with liquidity risk management weaknesses or excessive liquidity risk included the following.

Actions taken by the Bank to strengthen its management of liquidity risk through centralized data base, improvements in internal policies, controls or reporting to senior management and the Board of Directors.

Action taken by the Bank to lower its liquidity risk, for example by reducing funding gap in one or more time bands or holding a larger cushion of unencumbered, high quality liquid assets.

Senior Manager Finance monitors frequently the liquidity position of the Bank. The management of the Bank has recognized that Bank does not face liquidity in the short run as the Bank has sufficient liquidity.

Bank's Investment portfolio as at 31. 12.2013 reported as follows.



Information Technology Risk Management

This risk arises from Breakdown of Computer System due to disaster, viruses using of pirated software, substandard application software etc. It is the responsibility of the Senior Manager IT and technical committee to attend promptly to these matters and periodic review of IT policies to overcome the implications. The bank purchased a new web base IT system to offer customer friendly service efficiently & effectively.

Strategic Risk Management

Strategic Risk Management is a process for identifying assessing and managing risks and uncertainties, affected by internal and external events or scenarios, that could inhibit bank's ability to achieve its strategy and strategic objectives with the protecting Depositors and stakeholder value.

Accordingly Bank's operational risk strategy aims to minimize the impact of operational risk on its customers value.

ALCO, Senior Management and Board of Directors are responsible for strategic decisions.

Reputation Risk Management

Reputation has also become a measure of extra financial value and business successes.

While the impact of traditional risk events are substantial, the impact from a reputation risk event can be even more damaging and it can take companies years to rebuild deteriorated reputations. Bank should focus on reputations has been increasing in recent years due to many factors:

- The communications revolution makes information immediately and widely available,
- More complex supply chains that use outsourcing increase the risk of damage to reputation by third party actions,
- There are changing public expectations of companies, and
- More active and sophisticated advocacy organizations have greater influence on business decision making.

Bank having strong reputations can reap many benefits such as increased market value, stronger Deposits, an increased ability to attract talented employees, less community resistance and fewer regulations, a more favorable legal environment, and the benefit of the doubt when negative events occur. This provides sufficient incentive to manage their reputation risks successfully.

Actively involved Boards of Directors that see the connection between strategy and its impact on both reputation and value and also demonstrate to the customers and management teams in business units the impact of their actions on reputation.

Conclusion

Bank is exposed to various risks due to specialized Business Operations. Under the Basel II framework, the major categories of risks are credit, market and operational risks. However, the bank is also facing other risks such as liquidity, legal, Compliance, information Technology and Reputational risk etc. All these risks are highly interdependent.

The Corporate management, Compliance Officer, Senior Management are responsible for enhancing Bank's image and promoting public confidence. The overall risk management has been effectively implemented by the Risk Management Committee and timely reported to the Board of Directors.

COMPLIANCE REPORT 2013



Compliance is defined as the monitoring of the risk of non compliance with legal and regulatory sanctions material financial losses or loss to reputation that Bank may suffer as a result of its failures to comply with laws, regulations, Bank's own standards and Good Governance applicable to the Bank's functions.

Good compliance will be most effective when the Bank's Board of Directors and Senior Management set a good example in Business and Compliance also required is the constant emphasis by Senior Management for a culture based on high standards of honesty and integrity which needs to prevail in the Bank. It should be observed that compliance is not only confined to the Compliance Department employees but it is the responsibility of every individual employee in the Bank.

Also compliance has emphasized standards on Integrity and honesty in the Policy approved by the Board of Directors. The Bank organized its Compliance function under Risk Management strategy and structure. Compliance Department is an independent Department and Bank has set up its independency.

The responsibilities of Compliance Department are clearly specified and its objectives are subject to periodic audit and independent review by Internal Audit Department.

The responsibility of Compliance role rest on the Bank's staff. Responsibilities of Compliance are the most important necessities for the success of the organization to the extent that compliance cannot be left to a specific category of specialist and all staff should shoulder its responsibilities.

Head of Compliance is the officer shouldering overall responsibility for coordinating, identification and management of the Bank's Compliance Risks and for the supervision of the activities of other Compliance Staff. Also his duties include updated with new developments, new Compliance Laws and regulations and standards to staff.

Conformity to New Regulation imposed in 2013

Date	Regulatory/Directions/Determinations	Standard
11.02.2013	preparation and publication of annual audited accounts of the Bank	complied
04.04.2013	Banking Act Direction No. 01 of 2013 on exposure to Stock Market by licensed Commercial Banks and licensed Specialized Banks	complied
05.04.2011	Definition of Legal Assets under Section 86 of the Banking Act No 30 of 1988 as amended.	complied
07.06.2013	Interest Rates on Credit Cards and other Loans and Advances	complied
26.06.2013	Reserve requirement	complied
26.07.2013	Cap on penal interest charge by licensed Banks on loans and advances	complied
31.07.2013	Banking Act Direction No.05 of 2013 on supervisory review process (pillar 2 of Basel ii) for licensed Commercial Banks and licensed Specialized Banks	complied
17.09.2013	Publication of Financial Statements and other disclosures on the websites	complied
08.11.2013	Misleading and unethical advertisements	complied
05.12.2013	Definition of legal assets under Section 86 of Banking Act No 30 of 1988	complied

HRD & Establishment

1. HR and Remuneration Committee (HRRC)

1.1 Scope of the Committee

The Board appointed empowered Committee is to review all significant HR & Remuneration policies of the Bank. The Committee also 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 set KPIs also lies with the Committee.

1.2 Members

The Board appointed HR & Remuneration Committee consists of the following Directors:

Mr. Priyanga Algama, Director
Mr. Palitha I Gamage, Director
Mr. S Parakrama Perera, Director

Mr. Priyanga Algama headed the Committee as its Chairman and Senior Manager – HRD & Establishment functioned as Secretary.

1.3 Meetings

After twelve successful meetings during the year 2013 almost all recommendations to the Board of Directors were adopted and such decisions were implemented during the year.

Name of Director

	No. of meetings	
	Held	Attended
Mr. Priyanga Algama	12	11
Mr. Palitha I Gamage	12	11
Mr. S Parakrama Perera	12	11

2. Main functions

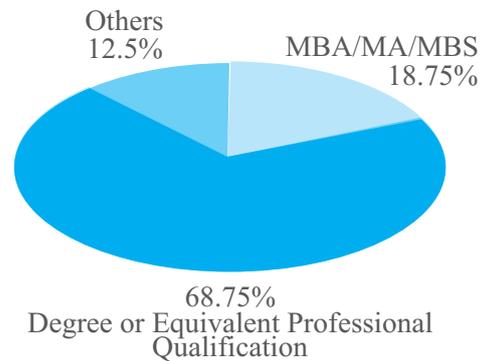
a) Main emphasis for year 2013 was to recruit the best fit to cater to the increasing demand for banking facilities and to support the expansion in the branch network.

Compliance Officer joined the Bank during the year.

The total number of staff as at 01st January 2013 was 75 and by the end of the year increased to 89.

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

Educational / Professional Qualifications of Employees in Executive Grade



b) External training and development of staff to take up new challenges was the other key area. Breakdown of the training given is indicated below:

	<u>Hours</u>	<u>No. of Participants</u>
Credit	80	17
Financial Management and auditing	166	104
Banking operations	62	67
HR & General Management	281	132
IT	19	48
Legal	33	09
Risk Management	84	09

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

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

To encourage higher education especially in Banking and communication skills, the Bank also pays an honorarium to those employees who complete examinations conducted by the Institute of Bankers of Sri Lanka and the University of Colombo.

Providing training opportunities to interns pursuing higher studies as part of social responsibility

c) Establishment of the Compliance function, fulfilling a long felt vacuum

d) Following Policies were adopted in 2013:

Retention Plan

Bonus Policy

Outsourcing Policy

e) The organization structure remains relatively flat in order to ease communication and prompt implementation of decisions which are essential during the growth stage of the Bank.

f) Collective agreement was signed with the Ceylon Bank Employees Union with regard to the remuneration and other perks of the employees.

g) The Bank also introduced various benefits like medical insurance, critical illness cover, personal accident cover, staff loans, enhanced maternity facilities, bonus, encashment of unutilized leave, library facilities to staff as a motivational & retention strategy.

Audit Committee Report

The Audit Committee comprises of three Non-Executive Directors. The General Manager / Chief Executive Officer and Heads of the Departments are present at meetings by invitation. A representative of the Auditor General, representatives of External Auditors, employees and even external advisers also attend meetings on invitation of the Committee. The quorum for decisions of the Committee is two (02) committee members. The Committee meets at least once in a quarter of the year and at times, as the Committee Chairman deems required.

The Head of Internal Audit Division of the Bank acts as the Secretary of the Audit Committee and he records and maintains minutes of the Audit Committee Meetings. During the financial year ended December 31, 2013 four (04) Audit Committee Meetings were held. The proceedings of the Audit Committee Meetings are regularly reported to the Board of Directors in accordance with the Terms of Reference of the Audit Committee approved by the Board. Following are the Audit Committee Members participated for the financial year ended December 31, 2013.

- 1) Mr. Priyanga Algama - (Chairman of the Audit Committee)
- 2) Mr. Thilak Wannigama - (Member of the Audit Committee)
Mr. Thilak Wannigama ceased to be a Member of the Audit Committee with effect from October 28, 2013.

3) Mr. Kosala Ratnaweera - (Member of the Audit Committee)

4) Mr. H.G. Sumanasinghe – (Member of the Audit Committee)

Mr. H.G. Sumanasinghe was appointed to the Audit Committee with effect from November 25, 2013.

The Audit Committee is empowered to review the risk management process, examine the adequacy and effectiveness of internal control systems, assess compliance with regulatory requirements, review the financial statements and consider the observations and recommendations contained in independent reports submitted by the Internal and External Auditors.

The Audit Committee reviewed the financial and non-financial information contained in the internal and external audit reports, attention focused on facts highlighted in the Management Letter of External Auditors and followed up on the responses made thereto by the Bank management. Heads of Departments are called in when their reports are discussed. Therefore, the Audit Committee provides a forum for the review of internal and external auditors' reports and record findings and review recommendations and corrective action taken by management to overcome the noted deficiencies with a view to managing significant business risks and improving controls.

The Audit Committee is responsible for:

Review of the financial information of the Bank in order to monitor the integrity of the financial statements, annual report, monthly accounts and quarterly reports prepared for disclosure.

Reporting to the Board on the quality and acceptability of the Bank's accounting policies and practices.

Reviewing accounting and financial reporting, risk management process and regulatory compliance.

Review of the financial statements prior to publication to ensure compliance with statutory provisions, accounting standards and accounting policies, which are consistently applied.

Review internal audit reports and liaise with corporate management in taking precautionary measures to minimize weaknesses, procedure deviation and violations, frauds and errors.

Assessing the independence of Internal Audit and monitoring the functions and performance of Internal Audit including overseeing the appointment of the Head of Internal Audit.

Overseeing the appointment, compensation, resignation, dismissal of the External Auditor including review of the external audit, its cost and effectiveness and monitoring of the External Auditor's independence.

Reviewing effectiveness of the Bank's systems of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with applicable accounting standards and regulatory requirements.

In order to achieve the above objectives, the Committee focused particularly on

- a) major judgmental areas
- b) significant changes in accounting policies and practices
- c) significant adjustments arising from the final audit
- d) the validity of the going concern assumption
- e) the compliance with local and international accounting and auditing standards and other regulatory requirements
- f) whether risks are being properly addressed and managed
- g) effectiveness of internal control systems

The Committee is of the view that adequate internal controls and procedures are in place and improvements are being followed up to provide reasonable assurance to the Directors that the Bank's assets are safeguarded and financial position and the results disclosed in the financial statements are free from any material misrepresentations.

On behalf of the Audit Committee

.....
 Priyanga Algama
 Chairman of the Audit Committee
 Colombo, Sri Lanka
 March 27, 2014

Assurance Report on Internal Control

Responsibility

In line with the Banking Act Directions No. 11 of 2007, Section 3 (8) (ii) (b), the Board of Directors presents this Report on Internal Control over Financial Reporting of Sri Lanka Savings Bank Ltd.

The Board of Directors (“Board”) is responsible for the adequacy and effectiveness of the internal control mechanism 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 highlight any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal controls over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying in reviewing the design and effectiveness of the internal control system over financial reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

Various Committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

The Internal Audit Division of the Bank check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all divisions 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 of the Bank Reviews internal control issues identified by the respective Internal Audit Department, 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 Audit Committee Meetings are forwarded to the Board on a periodic basis. Further, the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on pages 74 to 75.

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 new Sri Lanka Accounting Standards comprising LKAS and SLFRS.

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 have reviewed the above Directors' Statement on Internal Control over

Financial Reporting included in the Annual Report of the Bank for the year ended December 31, 2013 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank.

By order of the Board



Ariyatilake Dahanayake
Chairman



Sanath Weeratunga
Working Director

Priyanga Algama
Chairman – Board Audit Committee



Adrian Weeraseekera
General Manager / CEO

**INDEPENDENT
AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SRI LANKA SAVINGS BANK LIMITED**

SJMS
ASSOCIATES
Independent Correspondent Firm to
Deloitte Touche Tohmatsu
SJMS Associates
Chartered Accountants
No. 02, Castle Lane,
Colombo 04, Sri Lanka.
Tel: +94(11)2580409, 2503262
Fax: +94(11)2582452

Report on the Financial Statements

We have audited the accompanying financial statements of Sri Lanka Savings Bank Limited, which comprise the statement of financial position as at 31st December 2013, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the company as of 31st December 2012 have been audited by another auditor, whose report dated 28th June 2013 expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error: selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on

these financial statements based on our audit. We conducted our audit in accordance with the Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Except for the matters referred to in the opinion paragraph 1 to 4, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for a qualified opinion.

Opinion

- Adjustments amounting to Rs. 62,129,296 and Rs. 29,695,404 for the years 2012 and 2011 respectively, have been incorporated into the statement of changes in equity, resulting in a reduction of revenue reserves by Rs. 91,824,700. We have not received any valid explanations for the said adjustments.

2. Sufficient details were not available to verify the un posted debit and credit appearing the following bank reconciliations. In effect, assets and liabilities are overstated . Further journal entries were passed after preparing bank reconciliations as at the reporting date, for which we did not received the corrected bank reconciliations.

Bank Account	Un-posted Debits Rs.	Un-posted Credits Rs.	Subsequent Journal entries. Rs. Dr/ (Cr)
Peoples bank 309100172536876			114,850,000
Peoples bank 309100158517396		22,070,300	3,280,938
Peoples bank 078100170000683	28,100,000	32,644,256	(43,200,000)

The management has informed that adjustment entries rectifying those have been passed in the subsequent period

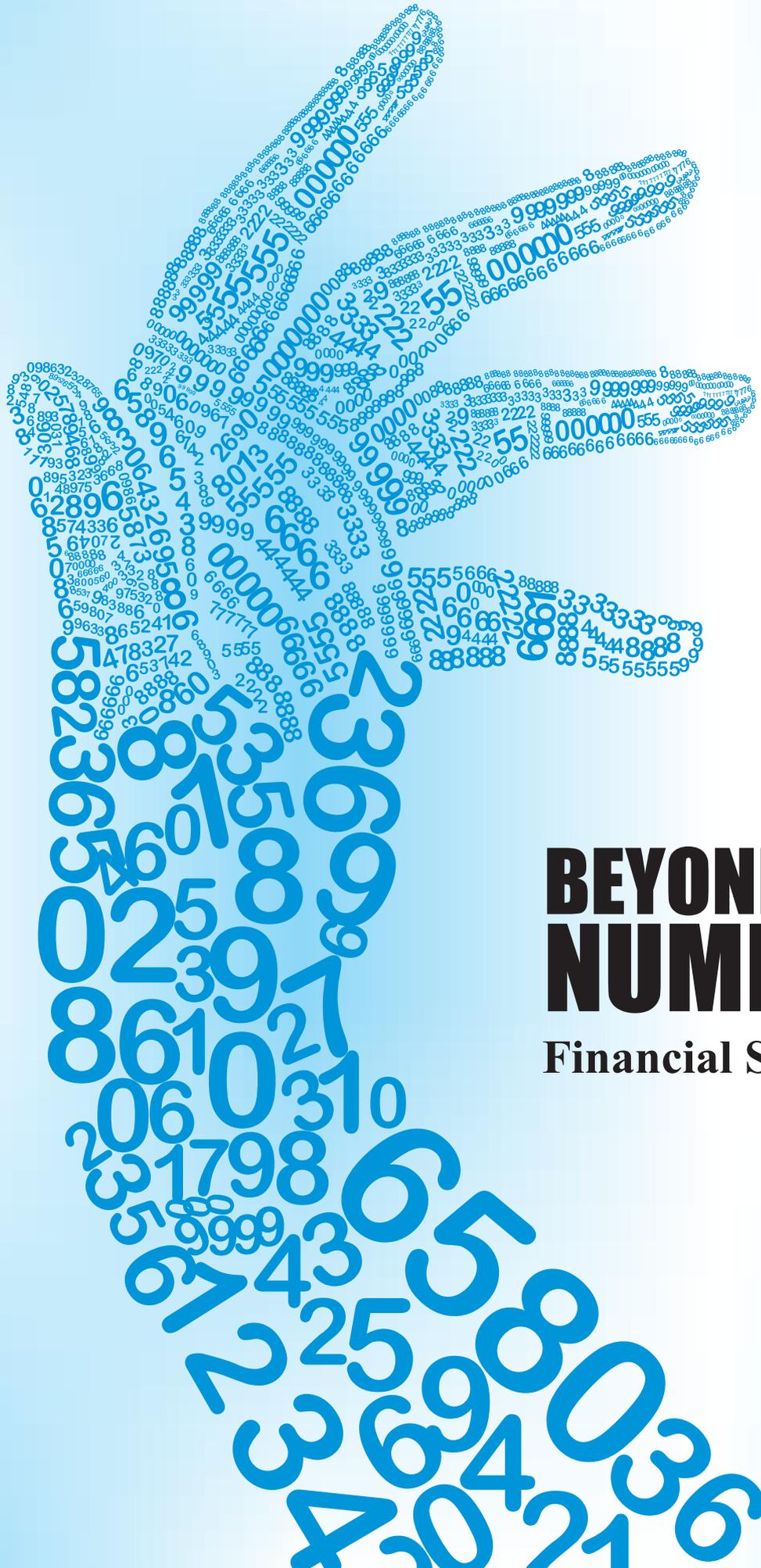
3. There are unreconciled differences between the inter-branch current accounts and head office current accounts amounting to a net difference of Rs. 75,367,777. The said difference has been adjusted subsequent to the reporting period. However we have not seen sufficient audit evidence for inter-branch debit and credit transactions amounting to the value of Rs. 258,744,215 and Rs. 168,654,483 respectively.
4. We have not received a confirmation nor any other supporting evidence to verify the difference noted between total confirmed balance and balance as per financial statement for the repo investments. Details are as follows:
- | | |
|-------------------------------------|------------------------|
| Balance as per financial statements | Rs. 665,059,735 |
| Total balance as per confirmations | Rs. <u>639,859,735</u> |
| Balance not confirmed | Rs. <u>25,200,000</u> |
5. The values of land and building are not shown separately in the financial statements. This leads to a non-compliance with the Sri Lanka Accounting Standards 16- Property Plant & Equipment. Further, no depreciation has been provided on buildings and the profit for the year is overstated to that extent.
6. Treasury bond income is overstated by Rs. 11,020,164 when compared with the amortization schedule.
- In our opinion, so far as appears from our examination, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves on the matters stated in paragraphs (1) to (6), the financial statements give a true and fair view of the bank's state of affairs as at 31st December 2013 and of its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.

Report on Other Legal Requirements

In our opinion, these financial statements comply with the requirements of the Banking Act No. 30 of 1988, and also with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

SJMS ASSOCIATES
Chartered Accountants
Colombo

18th July 2014



BEYOND JUST NUMBERS

Financial Statements



SRI LANKA SAVINGS BANK LIMITED
INCOME STATEMENT
 FOR THE YEAR ENDED 31ST DECEMBER 2013

	NOTE	2013 LKR	2012 LKR
Interest income		996,419,833	742,457,238
Interest expenses		(141,289,063)	(138,840,399)
Net interest income	5	855,130,769	603,616,839
Fee and commission income		1,281,863	1,861,168
Fee and commission expenses		(6,854,458)	(6,671,840)
Net fee and commission income	6	(5,572,595)	(4,810,672)
Net (loss)/income from financial investments		-	3,925,137
Other operating income (net)	7	19,810,424	11,661,150
Total operating income		869,368,598	614,392,454
Impairment (charges)/reversal for loans and other losses	8	(104,708,881)	132,121,170
Net operating income		764,659,717	746,513,624
Personnel expenses	9	(44,043,195)	(43,267,025)
Amortization and impairment of intangible assets		-	(12,916,832)
Other expenses	10	(104,501,911)	(47,417,725)
Operating profit before value added tax (VAT)		616,114,612	642,912,042
Value added tax (VAT) on financial services		(64,974,293)	(50,522,187)
Operating profit after Value Added Tax (VAT)		551,140,319	592,389,855
Income Tax expenses	11	12,088,392	(167,342,068)
Profit for the year		563,228,710	425,047,787
Basic Earning per share	12	122.86	92.71

The accounting policies and notes from 1 to 42 form an integral part of these financial statements.



SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2013

		2013 LKR	2012 LKR (Restated)
Profit for the year		563,228,710	425,047,787
Other comprehensive income/(expense) net of tax			
Reversal of provision for Investment securities	13	-	75,000,000
Gain/(loss) arising on re-measuring available for sales financial assets		62,355,250	(41,218,299)
Actuarial gain on defined benefit plan		(4,243,336)	3,154,652
Other comprehensive income for the year		58,111,913	36,936,353
Total comprehensive income for the year		621,340,624	461,984,140

The accounting policies and notes from 1 to 42 form an integral part of these financial statements.



SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2013

	NOTE	31.12.2013 LKR	31.12.2012 LKR (Restated)	31.12.2011 LKR (Restated)
Assets				
Cash and cash equivalents	15	109,981,171	149,282,062	22,952,777
Sri Lanka government securities	16	780,267,712	610,743,079	1,095,964,916
Loans and receivables from bank	17	4,748,996,983	4,936,317,559	3,179,043,891
Loans and receivables to other customers	18	1,895,627,772	1,285,504,432	2,043,865,890
Financial investments – Available-for-sale	19	111,893,728	135,661,047	176,879,346
Property, plant and equipment	20	120,132,164	115,438,075	119,174,596
Investment property	21	83,274,936	83,274,936	6,274,936
Current tax assets	26	23,170,556	3,506,190	-
Deferred tax assets	22	-	-	108,274,803
Other assets	23	138,015,528	22,734,174	30,980,821
Total assets		8,011,360,549	7,342,461,554	6,783,411,975
Liabilities				
Due to banks	24	65,148,691	155,463,588	29,102,927
Due to other customers	25	749,211,486	663,753,822	711,474,154
Debt securities issued and other borrowings	27	3,083,640,505	3,098,294,568	3,054,056,690
Current tax liability		-	-	13,885,657
Other liabilities	28	280,022,954	150,823,991	130,818,209
Total liabilities		4,178,023,636	4,068,335,969	3,939,337,637
Equity				
Stated capital/assigned capital	29	3,440,679,279	3,440,679,279	3,440,679,279
Statutory reserve fund	30	106,514,347	78,352,911	52,176,013
Investment fund account	31	106,226,336	68,784,990	21,618,978
Retained earnings	32	2,324,970,408	1,893,717,112	1,495,790,476
Other reserves	33	(2,145,053,457)	(2,207,408,707)	(2,166,190,408)
Total equity		3,833,336,913	3,274,125,585	2,844,074,338
Total equity and liabilities		8,011,360,549	7,342,461,554	6,783,411,975
Commitments and contingencies		5,500,000	600,000	-

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

Ms. K.A.T.M. Damayanthi
 Senior 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.

The accounting policies and notes from 1 to 42 form an integral part of these financial statements.

Mr. Ariyathilake Dahanayake
 Chairman
 18th July 2014

Mr. Sanath Weerathunga
 Director
 18th July 2014

Mr. H.J.A. Weerasekara
 General Manager/CEO
 18th July 2014

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2013 (RESTATED)



	Stated capital/Assigned capital		Reserves		Revenue reserve	Total
	Ordinary shares	Capital Pending Allotment	Revenue Deficit Before vesting	Statutory Reserve Fund		
	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01.01.2012	458,446,600	2,982,232,679	(2,166,190,408)	52,176,013	21,618,978	2,845,857,857
Adjustment due to error corrections						(4,021,008)
Restated balance as at 01.01.2012	458,446,600	2,982,232,679	(2,166,190,408)	52,176,013	21,618,978	2,841,836,849
Prior year adjustment	-	-	-	-	-	(29,695,404)
Profit for the year -restated	-	-	-	-	-	425,047,787
Other comprehensive income	-	-	-	-	-	75,000,000
Fair value changes	-	-	-	-	(41,218,299)	(41,218,299)
Actual gain on defined benefit plan	-	-	-	-	-	3,154,652
Transferred to investment fund account	-	-	-	-	47,166,012	(47,166,012)
Transferred to statutory reserve fund	-	-	-	26,176,898	-	(26,176,898)
Balance as at 31.12.2012	458,446,600	2,982,232,679	(2,166,190,408)	78,352,911	68,784,990	3,274,125,585
Balance as at 01.01.2013	458,446,600	2,982,232,679	(2,166,190,408)	78,352,911	68,784,990	3,274,125,585
Prior year adjustment	-	-	-	-	-	(62,129,296)
Profit for the year	-	-	-	-	-	563,228,710
Other comprehensive income	-	-	-	-	-	-
Transferred to investment fund account	-	-	-	-	37,441,346	(37,441,346)
Fair value changes	-	-	-	-	-	62,355,250
Actual gain on defined benefit plan	-	-	-	-	-	(4,243,336)
Transferred to statutory reserve fund	-	-	-	28,161,436	-	(28,161,436)
Balance as at 31.12.2013	458,446,600	2,982,232,679	(2,166,190,408)	106,514,347	106,226,336	3,833,336,913

The accounting policies and notes from 1 to 42 form an integral part of these financial statements.



SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2013

	31.12.2013	31.12.2012
	LKR	LKR
NOTE		
Cash flows from operating activities		
Profit before tax	551,140,319	592,389,855
Adjustment for:		
Prior year adjustment	(62,129,296)	(29,695,404)
Changes in the accounting policies.	-	(4,021,008)
Non-cash items included in profits before tax 38	101,852,333	(52,122,583)
Change in operating assets 39	(726,032,478)	(373,322,557)
Change in operating liabilities 40	194,474,611	19,303,556
Contribution paid to defined benefit plans	(368,330)	-
Tax paid	(7,575,975)	(76,459,114)
Net cash generated from operating activities	51,361,183	76,072,746
Cash flows from investing activities		
Purchase of investment properties	-	(77,000,000)
Purchase of property, plant and equipment	(23,112,178)	(7,592,987)
Proceeds from the sale of property, plant and equipment	22,765,000	6,705,346
Net cash (used in)/from investing activities	(347,178)	(77,887,641)
Cash flows from finance activities		
Repayment of subordinate debts	-	-
Net cash (used in)/from investing activities	-	-
Net increase/(decrease) in cash & cash equivalents	51,014,005	(1,814,895)
Cash and cash equivalents at the beginning of the year	(6,181,526)	(6,150,150)
Cash and cash equivalents at the end of the 41 year	44,832,479	(7,965,045)
	44,832,479	(6,181,526)

The accounting policies and notes from 1 to 42 form an integral part of these financial statements.



SRI LANKA SAVINGS BANK LIMITED
Summary of significant accounting policies
FOR THE YEAR ENDED 31ST DECEMBER 2013

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 Company is at 265, Ward Place, Colombo 07. Branches are located in Mannar, Matara, Anuradapura and Borella.

1.2 Principal activities and nature of operations

During the year the principal activities of the Bank were mobilizing savings and time deposits, providing loans, lease, hire purchase, **pawning** and other credit facilities, and settling of the deposit liabilities of defaulted Pramuka Saving and Development Bank Limited (PSDBL) **with** reconstruction of loan accounts of PSDBL.

1.3 Date of authorization for issue

The Financial Statements of the bank for the year ended 31st December 2013 were authorized for issue on 18th July 2014.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Banking Act No. 30 of 1988 except for matters referred in non compliance with note 3.6 of Property, Plant and Equipmet.

2.2 Basis of measurement

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

Available for sale financial assets are measured at fair value

The liability of defined benefit obligation is recognized as the present value of the defined benefit obligation

2.3 Functional and presentation currency

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

2.4 Presentation of financial statements

The items in statement of financial position of the Bank are presented broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 41 to these financial statements.

2.5 Materiality & aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 01 on presentation of financial statements, each material class of similar items is presented 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 requires 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 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 project unit credit method. This method involves making assumptions about discount rates and future salary increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

3. Significant accounting policies

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

3.2 Cash and cash equivalents

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

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

3.3 Financial assets – recognition and measurement

3.3.1 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.

3.5.2 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.

3.5.3 Non-derivative financial assets

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

i. Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. Subsequent to initial recognition, held to maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'interest income' in the statement of income. The losses arising from impairment of such investments, if any, are recognised in the statement of comprehensive income.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years

i. Loans and receivables from customers

Loans & receivables from customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss

Those that the Bank, upon initial recognition, designates as available for sale

Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'loans and receivables from customers' are subsequently measured at amortised cost using the EIR method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statement of income. The losses arising from impairment are recognised in the statement of income of in 'impairment gain/ (loss) on loans and receivables'. The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss.

ii. Available-for-sale financial investments

Available-for-sale investments include equity securities. Equity investments and investments in treasury bills classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. The Bank has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognised in the statement of income in "other operating income".

3.5.5 Reclassification of financial assets

The Bank may reclassify non-derivative financial assets other than those designated at FVTPL upon initial recognition, in certain circumstances:

out of the held-for-trading category and into the available for sale, loans and receivables, or held-to-maturity categories.

out of the 'available-for-sale' category and into the 'loans and receivables', 'held for trading category' or 'held-to-maturity'. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the statement of income.

out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management, and is determined on an instrument by instrument basis.

3.5.6 De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:

The Bank has transferred substantially all the risks and rewards of the asset.

Or

The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

3.5.7 Impairment of financial assets

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost (such as deposits with banks, loans and advances to customers, lease and hire purchase rental receivable as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Impairment charges for loans and other losses'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

For the purpose of a collective evaluation of impairment, financial assets are grouped considering credit risk characteristics such as asset type, geographical location, past-due status and other relevant factors. Statistical methods are used to determine impairment losses on a collective basis for loans with similar credit risks.

Loans are grouped into ranges according to number of months in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency after taking into account:

Historical loss experience in portfolios of similar credit risk; and

Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the date of the Statement of Financial Position is likely to be greater or less than that suggested by historical experience.

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each statement of financial position date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

3.5.8 Collateral valuation

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

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

3.6 Non-financial assets**3.6.1 Property and equipment****Recognition and measurement**

Property & equipment are recognised 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. Initially property and equipment are measured at cost.

Cost model

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent cost

These are costs that are recognised 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.

Depreciation

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

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

Computer Hardware and Software	04 years
Furniture & Fittings	05 years
Motor Vehicles	05 years
Office Equipment and Other Fixed Assets	05 years

De-recognition

Property and equipment is de-recognised 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 recognised in 'Other operating income' in the statement of income in the year the asset is de-recognised.

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

3.6.2 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.

3.6.3 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 are measured (initially and subsequently) at cost, including transaction costs. Fair value of Investment Properties is measured by the management on annual basis and is disclosed separately in notes to the financial statement. 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.

3.6.4 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.

3.6.5 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.

3.7 Financial liabilities

3.7.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as due to banks, deposits from customers and refinance borrowings as appropriate. The Bank determines the classification of its financial liabilities at initial recognition.

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

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

i. Financial liability at FVTPL

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 amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

3.7.2 De-recognition of financial liabilities

A financial liability is de-recognised 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 recognised in profit or loss.

3.8 Retirement Benefit Obligations**3.8.1 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.

3.8.2 Defined 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 approved private Provident Fund at 12% and 8% respectively.

Employees' Trust Fund

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

3.9 Provisions

Provisions are recognised 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.

3.10 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognised 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 recognised less cumulative amortization recognised 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.

3.11 Taxation

Income Tax expense comprises of current and deferred tax. Income tax expense is recognised in the statement of comprehensive Income.

3.12.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the statement of financial position date. The income and profit, other than dividend income and interest is exempted from the current year under section 7 (B) of Inland Revenue Act No 13 of 2013.

3.12.2 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Since the bank is exempted from the income tax deferred tax adjustment has not been provided.

3.12.3 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.

3.13 Recognition of income and expenses

Revenue is recognised 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.

3.13.1 Interest income and interest expense

Interest income and expense are recognised 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 amortised 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.13.2 Fee and commission income

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

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

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

3.13.3 Dividend income

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

3.14 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 recognised.

3.15 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Bank will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimated as at the date of publication of these financial statements.

SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 13 -Fair Value Measurement

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.

5. **Net Interest Income**

	2013 LKR	2012 LKR
Interest income		
Interest income-treasury bonds	50,514,493	48,642,525
Interest income-treasury bills	3,268,098	17,674,789
Interest income- REPO investments	15,516,145	12,958,373
Interest income- debenture HDFC	780,938	-
Interest income- deposit banks	731,279,349	467,207,454
Interest income- securitized papers	1,626,930	7,090,656
Interest income-commercial papers	-	49,550,038
Interest income- PSDB loans	43,311,670	48,710,496
Interest income- leasing	11,279,749	3,892,738
Interest income- Loans against deposit balances	48,737	51,143
Interest income- Hire purchases	3,839,452	884,228
Interest income- Loans to partner organizations	94,260,648	78,278,991
Interest income- Door to Door Loans	1,105,987	792,982
Interest income- Staff loans	1,290,140	551,482
Interest income- Personal loans	7,528,405	1,574,063
Interest income- Individual & corporate loans	19,024,888	1,118,258
Interest income- MFD Loans	11,365,712	3,479,021
Interest income- Pawning advances	2,799	-
Interest income- Vehicle loans	375,694	-
Total interest income	996,419,833	742,457,238
Due to other customers	33,634,175	22,808,504
Due to PSDB depositors	9,368,373	10,347,375
Debenture issued	65,022,619	65,200,719
Other borrowing	33,263,897	40,483,801
Total interest expenses	141,289,063	138,840,399
Net interest income	855,130,769	603,616,839

5.1 **Net Interest Income from Sri Lanka Government Securities**

	2013 LKR	2012 LKR
Interest income	69,298,736	79,275,687
Net interest income	69,298,736	79,275,687

6. **Net Fee and Commission Income**

	2013	2012
	LKR	LKR
Fee and commission income	1,281,863	1,861,168
Fee and commission expenses	(6,854,458)	(6,671,840)
Net Fee and commission income	(5,572,595)	(4,810,672)
Comprising		
Commission on savings accounts	5,338	3,938
Documentation charges	72,679	18,800
Documentation charges-MFD	70,200	72,177
Documentation charges-leasing	208,500	359,250
Commission on bills purchased	23,096	66,862
Commission on guarantees	77,083	50,667
Commission post-dated cheques	3,230	4,268
Documentation charges-Personal loans	135,175	70,550
Documentation charges-Individual and corporate loans	162,550	27,650
Processing charges-Hire purchase	6,000	16,500
Recovery of written off loans	-	941,780
Processing fees loans	10,000	47,700
Inspection charges	226,855	180,762
Commission insurance general	174,157	264
Non-refundable deposit income	107,000	-
Total Fee and commission income	1,281,863	1,861,168
Fee and Commission Expenses		
Consultancy fee	1,004,579	1,314,688
Professional fee	1,081,285	119,245
Legal fee	2,165,846	2,527,263
Title fee	2,250,000	2,000,000
Title search charges	16,160	70,640
Bank charges	180,154	148,233
CRIB charges	156,434	177,851
Secretarial charges	-	3,920
Registration fees-Leasing	-	250,000
Settlement fees-Legal	-	60,000
Total Fee and commission expenses	6,854,458	6,671,840

7. Other Operating Income (net)

	2013	2012
	LKR	LKR
Gain on sale of property, plant and equipment	11,890,000	2,886,484
Dividend income	7,233,063	7,112,444
Sundry income	252,769	9,000
Income- Nuwara Eliya bungalow	129,700	216,000
Income- Anuradhapura bungalow	13,000	-
Income- bus hire	114,530	296,215
Cultivation income	40,000	180,000
Provision recovered for other receivable	-	961,007
Penalty interest	136,862	-
Legal charges recovered	500	-
Other Operating Income (net)	19,810,424	11,661,150

8. Impairment for Financial assets

	2013	2012
	LKR	LKR
Loans and receivables-To other customers (Note 18.5)	104,546,297	(132,121,170)
Available for sale financial assets	162,584	-
Total	104,708,881	(132,121,170)

9. Personnel Expenses

	2013	2012
	LKR	LKR
Salary and bonus	37,078,886	30,752,800
Contributions to defined contribution/benefit plans	4,111,821	3,453,754
Other allowance and staff related expenses	1,199,540	8,686,047
Gratuity	1,652,948	374,424
Total	44,043,195	43,267,025

10. Other Expenses

	2013	2012
	LKR	LKR
Directors' emoluments	3,012,453	2,909,316
Audit related fees	286,875	105,600
Professional fee	285,714	10,714
Depreciation of property, plant and equipment	7,542,971	7,510,647
Office administration and establishment expenses	14,405,936	10,611,876
Compensation for legal cases	32,158,940	-
Repairs and maintenance	3,992,569	4,439,344
Advertisements	13,115,407	7,026,345
CSR Activities	52,325	60,378
Entertainment	685,728	165,650
Labour outsourcing expenses	1,101,569	293,736
Security charges	5,146,437	4,230,066
Insurance	807,375	502,738
Printing and stationery	5,693,832	3,348,989
Rates and taxes	119,933	72,003
Donation	195,500	1,500
National Insurance Trust Fund Levy	4,617,690	-
Transport and fuel expenses	8,644,236	5,768,203
Subsistence and lodging expenses	830,020	-
Share investment written off	22,954	-
Miscellaneous	1,783,447	360,622
Total	104,501,911	47,417,725

11. Tax Expenses

	2013	2012
	LKR	LKR
Current tax expense		
Current year	-	71,041,527
Reversal over provision in respect of previous year	(12,088,392)	(11,974,262)
Deferred tax expense		
Effect of change in tax rates	-	-
Reversal of provision of deferred taxation		108,274,803
Total	(12,088,392)	167,342,068

11.1 Reconciliation of Tax Expenses

	2013	2012
	LKR	LKR
Profit before tax	551,140,319	592,389,855
Add: Tax effect of expenses that are not deductible for tax purposes	153,726,714	163,270,633
(Less): Tax effect of expenses that are deductible for tax purposes	(84,403,535)	(386,270,983)
(Less) Loss claimed during the year	-	(130,052,693)
Income for income tax provision	620,463,498	239,336,812
Tax provision @ 28%	-	67,014,307

The profit and income of the company is exempted from income tax as per section 07 B of Inland Revenue (Amendment) Act 13 of 2013.

24**12. Earning per share**

	2013	2012
	LKR	LKR
Net profit attributable to ordinary equity holders	563,228,710	425,047,787
Weighted average number of ordinary shares for basic earning per share	4,584,466	4,584,466
Basic earnings per ordinary share	122.86	92.71

Capital Pending Allotment account amounting to Rs 2,982,232,678.97 represents the amounts of shares to be issued to the Treasury of the Sri Lankan Government. Unallotted shares have not been considered in the above computation.

13 Reversal of provision for Investment securities due to reclassification

	2013	2012
	LKR	LKR
Share investment Provision	-	75,000,000
Total	-	75,000,000

14 Analysis of Financial Instruments by Measurement Basis

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following table analyses the carrying amounts of the financial instruments by category as defined in LKAS 39 and as presented in the Statement of Financial Position.

14.1 Analysis of Financial Instruments by Measurement Basis - as at 31.12.2013

	Held for trading	Held to maturity	Amortized cost	Available for sale	Total
Financial Assets					
Cash and cash equivalents	-	-	109,981,171	-	109,981,171
Sri Lanka government securities	-	-	780,267,712	-	780,267,712
Loans and receivables to banks	-	-	4,748,996,983	-	4,748,996,983
Loans and receivables to other customers	-	-	1,895,627,772	-	1,895,627,772
Loans and receivables - investments	-	-	28,490,000	-	28,490,000
Financial investments-Available for sales	-	-	-	111,893,728	111,893,728
Total financial assets	-	-	7,563,363,637	111,893,728	7,675,257,365
Financial Liabilities					
Due to banks	-	-	65,148,691	-	65,148,691
Due to other customers	-	-	749,211,486	-	749,211,486
Debt securities issued and other borrowings	-	-	3,083,640,505	-	3,083,640,505
Total financial liabilities	-	-	3,898,000,682	-	3,898,000,682

14.2 Analysis of Financial Instruments by Measurement Basis - as at 31.12.2012

	Held for trading	Held to maturity	Amortized cost	Available for sale	Total
Financial Assets					
Cash and cash equivalents	-	-	149,282,062	-	149,282,062
Sri Lanka government securities	-	-	610,743,079	-	610,743,079
Loans and receivables to banks	-	-	4,936,317,559	-	4,936,317,559
Loans and receivables to other customers	-	-	1,285,504,432	-	1,285,504,432
Financial investments-Available for sales	-	-	-	135,661,047	135,661,047
Total financial assets	-	-	6,981,847,131	135,661,047	7,117,508,178
Financial Liabilities					
Due to banks	-	-	155,463,588	-	155,463,588
Due to other customers	-	-	663,753,822	-	663,753,822
Debt securities issued and other borrowings	-	-	3,098,294,568	-	3,098,294,568
Total financial liabilities	-	-	3,917,511,978	-	3,917,511,978

15 Cash and Cash Equivalents

	31.12.2013 LKR	31.12.2012 LKR	31.12.2011 LKR
Cash in hand	2,588,732	2,083,895	4,187,439
Balances with banks (Note 15.1)	107,392,438	147,198,167	18,765,338
Total	109,981,171	149,282,062	22,952,777

15.1 Balances with banks

People's Bank - Borella No. 1	-	120,967,003	2,521,851
People's Bank - Borella No. 2	-	-	1,761,606
People's Bank - collection account leasing	5,020,809	-	-
People's Bank - Liberty plaza old	75,373	75,373	75,373
People's Bank - Liberty plaza -new	-	3,404,776	3,833,612
Bank of Ceylon - Borella	2,572,364	1,389,560	211,421
People's Bank- 1001-52536877	32,165	32,165	32,165
People's Bank-1001-32536876	30,375	30,375	30,375
People's Bank-1001-72536881	30,669	30,669	30,669
People's Bank-1001-52536882	29,867	29,867	29,867
People's Bank-1001-32536883	71,076	71,076	71,076
People's Bank-1001-6002189	34,963	34,963	34,963
People's Bank-1001-6002212	101,688	101,688	101,688
People's Bank-1001-6002235	30,652	30,652	30,652
Stamp imprest	-	-	20
People's Bank - Mannar	2,415,685	-	-
People's Bank - Matara	70,165	-	-
People's Bank - Anuradhapura	209,274	-	-
Cash at bank NDTF	665,025	-	-
Cash at Bank - NDTF	89,002,288	-	-
People's Bank-Call deposit	7,000,000	21,000,000	10,000,000
Total	107,392,438	147,198,167	18,765,338

16. Sri Lanka Government Securities

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Treasury bills	93,699,831	7,078,294.54	-
Treasury bonds	5,649,556	469,690,143	712,864,908
Repo investment	680,918,325	133,974,641	383,100,008
Total	780,267,712	610,743,079	1,095,964,916

17 Loans and Receivables from Bank

Fixed deposits- People's Bank	1,129,558,541	2,570,613,696	1,253,768,581
Fixed deposits- Bank of Ceylon	1,289,471,310	973,491,638	827,309,714
Fixed deposits- National Saving Bank	1,379,885,468	965,662,866	852,652,549
Fixed deposits- Regional Development Bank	354,011,258	172,899,653	232,579,084
Fixed deposits- HDFC	333,601,000	-	-
Interest receivable	262,469,406	253,649,706	12,733,963
Total	4,748,996,983	4,936,317,559	3,179,043,891

18 Loans and Receivables to Other Customers

Gross loans and receivables	3,255,984,810	2,541,315,173	3,432,151,661
(Less): Individual impairment	(1,290,843,625)	(1,251,353,658)	(1,382,027,003)
Collective impairment	(69,513,413)	(4,457,083)	(6,258,768)
Net loans and receivables	1,895,627,772	1,285,504,432	2,043,865,890

18.1 Analysis

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
By product			
Loans and advances			
Performing loans-NDTF	1,203,110,115	929,322,670	1,205,811,977
Performing loans - PSDB	139,864,040	181,754,133	-
Staff loans	319,344	330,833	283,001
Special loans-staff	926,809	587,456	764,858
Other loans - NDTF	-	-	-
Loans against deposit balances	4,630,497	9,532,200	928,121
Loans - Door to door	4,849,602	9,386,014	2,851,485
Loans against PSDB balances	4,171,000	-	-
Loans -Public and private employment	65,654,555	25,405,738	-
Loans against PSDB deposit balances	-	1,474,000	-
Loans - Individual & corporate Loans	196,894,153	17,014,069	-
Loans - Staff multipurpose loan	13,807,904	12,371,710	1,250,000
Pawning advances	98,000	-	-
Loans - Vehicle loan	5,593,939	-	-
Overdue loans	83,066,596	5,827,993	55,143,665
Substandard loans	100,217,416	1,283,142	115,295,172
Doubtful loans	54,885,634	17,230,204	-
Loss category	40,706,689	27,241,088	-
PSDB loans	1,147,495,836	1,207,379,263	1,353,586,636
Loan receivable- Staff ledger PSDB	3,898,079	-	-
Rescheduled loans - PSDB	29,597,791	-	-
Lease receivable	88,930,611	67,636,880	-
Hire purchases receivable	25,677,426	13,390,145	-
Debenture investment	28,490,000	-	-
Other investments	10,000,000	10,000,000	588,656,399
Interest receivable	3,098,774	4,147,635	107,580,347
Gross Total	3,255,984,810	2,541,315,173	3,432,151,661
By industry			
Agriculture and fishing	847,140,000	617,670,000	1,117,548,383
Manufacturing	593,389,000	563,879,000	526,022,000
Tourism	238,607,000	115,681,000	10,003,000
Transport	87,954,000	54,264,000	89,146,411
Construction	238,802,000	222,865,000	211,799,000
Traders	747,287,000	675,611,000	909,590,087
New economy	5,259,000	5,490,000	5,952,000
Others	497,546,810	285,855,173	562,090,779
Gross total	3,255,984,810	2,541,315,173	3,432,151,661

18.2 Lease rental receivable	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Lease rental receivable	116,839,580	93,017,552	-
(Less) Unearned interest	(27,908,969)	(25,380,671)	-
Sub total	88,930,611	67,636,880	-
18.3 Hire Purchase receivable	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Hire purchase receivable	34,974,203	20,120,373	-
(Less) Unearned interest	(9,296,777)	(6,730,228)	-
Sub total	25,677,426	13,390,145	-
18.4 Other investments	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Commercial papers	16,000,000	16,000,000	594,656,399
Other investments	165,594,500	165,594,500	165,594,500
(Less) Impairment chargers	(171,594,500)	(171,594,500)	(171,594,500)
Net Other Investments	10,000,000	10,000,000	588,656,399
18.5 Movements in Individual and Collective Impairment during the Year	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Individual impairment			
Balance at the beginning of the year	1,251,353,658	1,382,027,003	1,420,126,186
Charge/ (write back) to income statement	39,489,967	(130,673,345)	(40,560,396)
Other movement	-	-	2,461,212
Balance at the end of the year	1,290,843,625	1,251,353,658	1,382,027,002
Collective impairment			
Balance at the beginning of the year	4,457,083	6,258,768	11,143,091
Charge/(write back) to income statement	65,056,330	(1,801,685)	(4,884,323)
Balance at the end of the year	69,513,413	4,457,083	6,258,768
Total	1,360,357,038	1,255,810,741	1,388,285,770
19. Financial Investments-Available-for-Sale	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Equity securities	154,532,496	178,137,231	219,355,530
(Less) Impairment chargers	(42,638,768)	(42,476,184)	(42,476,184)
Net Available-for-sale Investments	111,893,728	135,661,047	176,879,346

19.1 Quoted equity security

	31.12.2013			31.12.2012		
	No of shares	Cost of shares	Market Value	No of shares	Cost of shares	Market Value
Investment company						
National Development Bank	13,800	970,956.00	2,214,900	13,800	970,956.00	1,903,020.00
Commercial Bank Limited	198	7,135.00	23,839	195	7,135.00	20,085.00
Lanka Orix Leasing Company	200	855.00	14,520	200	855.00	10,760.00
Sampath Bank Limited	2,878	83,221.00	504,513	2,794	83,221.00	560,197.00
Vanik Incorporation	10,000	176,184.00	103,600	17,000	176,184.00	13,600.00
Watawala Plantation			-	4,000	20,288.00	47,600.00
Lanka Ceramic PLC	2,500	128,334.00	263,750	5,000	128,334.00	310,000.00
Cinnamon Lakeside	4,000	34,983.00	319,600	4,000	34,983.00	296,000.00
Kelani Valley Plantation	3,500	198,121.00	274,050	5,500	198,121.00	440,000.00
Hapugastenna Plantation			-	100	2,666.00	3,880.00
Aitken Spence	18,000	160,364.00	1,911,600	18,000	160,364.00	1,315,800.00
Pan Asia Bank Limited	6,865,666	47,952,793.00	106,417,823	6,865,666	47,952,793.00	130,447,654.00
		49,712,946	112,048,196		49,735,900	135,368,596

19.2 Unquoted Equity Securities

	31.12.2013			31.12.2012		
	No of shares	Cost of shares	Management valuation	No of shares	Cost of shares	Management valuation
Unquoted Equity Securities						
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	-	1643	164,300	-
(Less) Impairment for shares		(42,464,300)			(42,464,300)	
Net investment in unquoted shares		-			-	

19.3 Movements in impairment during the Year

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Balance at the beginning of the year	42,476,184	42,476,184	42,476,184
Charge/ (write back) to income statement	162,584	-	-
Balance at the end of the year	42,638,768	42,476,184	42,476,184

20. Property, Plant and Equipment

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Cost	170,650,391	158,413,213	157,194,922
Accumulated depreciation	(50,518,227)	(42,975,138)	(38,020,326)
	120,132,164	115,438,075	119,174,596

20.1 Property, Plant and Equipment	Land and Buildings		Motor Vehicles	Computer Equipment	Office Equipment	Telephone Equipments	Furniture and Fittings		Total
Cost/fair value									
Balance at the beginning of the year	99,892,000	35,641,267	7,880,029	7,219,035	252,099	6,310,492	157,194,922		
Additions	2,093,479	-	4,171,068	925,305	18,000	385,135	7,592,987		
Disposals	(2,000,000)	(5,225,000)	-	835,055	-	15,249	(6,374,696)		
Balance at the end of the year	99,985,479	30,416,267	12,051,097	8,979,395	270,099	6,710,876	158,413,213		
Balance at the beginning of the year	99,985,479	30,416,267	12,051,097	8,979,395	270,099	6,710,876	158,413,213		
Additions	-	8,083,700	6,004,285	2,002,521	-	7,021,673	23,112,178		
Disposals	(10,875,000)	-	-	-	-	-	(10,875,000)		
Balance at the end of the year	89,110,479	38,499,967	18,055,382	10,981,916	270,099	13,732,549	170,650,391		
Balance at the beginning of the year	89,110,479	38,499,967	22,335,382	11,846,290	270,099	8,137,885	170,200,101		
Accumulated depreciation									
Balance at the beginning of the year	-	23,530,147	5,415,314	5,141,866	187,568	3,745,431	38,020,326		
Charge for the year	-	3,586,036	1,729,493	989,456	51,720	1,153,943	7,510,648		
Disposals	-	(2,659,334)	71,780	31,720	-	-	(2,555,834)		
Balance at the end of the year	-	24,456,849	7,216,587	6,163,042	239,288	4,899,374	42,975,138		
Balance at the beginning of the year	-	24,456,848	7,216,587	6,163,042	239,288	4,899,373	42,975,138		
Charge for the year	-	3,156,329	2,411,874	844,267	14,932	1,115,686	7,543,089		
Disposals	-	-	-	-	-	-	-		
Balance at the end of the year	-	27,613,177	9,628,461	7,007,309	254,220	6,015,059	50,518,227		
Net book value at 31.12.2013	89,110,479	10,886,789	8,426,921	3,974,606	15,879	7,717,490	120,132,164		
Net book value at 31.12.2012	99,985,479	5,959,418	4,834,510	2,816,353	30,811	1,811,502	115,438,073		

The cost of fully depreciated assets of the Bank is Rs. 13,522,692 (2012- Rs. 4,043,499)

21. Investment Properties

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Cost			
Balance at the beginning of the year	83,559,936	6,559,936	6,559,936
Additions	-	77,000,000	-
Balance at the end of the year	83,559,936	83,559,936	6,559,936
Accumulated depreciation			
Balance at the beginning of the year	(285,000)	(285,000)	(190,000)
Additions	-	-	(95,000)
Balance at the end of the year	(285,000)	(285,000)	(285,000)
Net balance as at 31st December 2013	83,274,936	83,274,936	6,274,936

The fair value of investment properties are Rs.152,457,500

22. Deferred Tax Assets/Liabilities

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
		(Restated)	
Balance at the beginning of the year	-	108,274,803	108,274,803
Reverse to income statement	-	(108,274,803)	-
Balance at the end of the year	-	-	108,274,803

22.1 Restatement of financial statements - Error correction

With effect from 1st April 2013 the Bank would not be liable for income taxation according to the provisions in 2013 Budget proposal. However deferred tax relating to said balance was not reversed in the previous period.

The financial statements of 2012 have been restated to correct this error. The effect of the restatement on those financial statements is summarised as follows,

	Effect on 2012
Decrease in the deferred assets	- (108,274,803)
Decrease in assets	(108,274,803)
Decrease in income tax expenses	(108,274,803)
Decrease in retained earnings	(108,274,803)

23. Other Assets

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Assets vested from PSDB	23,045,579	25,174,201	26,135,208
Receivables	101,972,952	1,496,851	-
Advances	14,740,682	7,310,515	-
Refundable deposits	728,051	429,500	-
Bank opening expenses	4,728,704	2,464,000	-
Other assets	2,601,382	-	-
Sundry debtors	4,479,659	87,662	88,361.85
Inventory	1,312,936	1,312,936	-
Deposits & prepayments	7,025,393	2,534,510	23,794,259
Total	160,635,338	40,810,175	50,017,829
Less: Impairment charges	(22,619,809)	(18,076,001)	(19,037,008)
Total	138,015,528	22,734,174	30,980,821

24. Due to bank	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
People's Bank - Borella No. 1	19,977,683	-	-
People's Bank - Borella No. 2	17,447,669	135,070,372	29,102,927
Bank of Ceylon - Borella	-	20,393,216	-
People's Bank - Liberty Plaza - new	27,723,340	-	-
Total	65,148,691	155,463,588	29,102,927

25 Due to Other Customers	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Total amount due to other customers	749,211,486	663,753,822	711,474,154
Total	749,211,486	663,753,822	711,474,154

25.1 Analysis	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
By product			
Normal savings	106,359,231	77,585,583	68,922,992
Normal savings - Co-Op	9,957,411	-	-
Minor savings	14,987,268	17,483,312	4,455
Ladies savings	3,103,455	2,911,809	-
Senior Citizen's Savings	4,470,067	3,767,123	-
Normal savings - staff	4,652,933	3,461,528	-
Door to Door savings	6,195,698	6,866,537	-
Divisevana- regular deposit	94,000	-	-
Savings-deceased	1,627	1,556	-
Fixed deposits - monthly	1,820,000	-	-
Fixed deposits - maturity	127,569,788	167,500,214	141,502,592
Fixed deposits - monthly - senior citizen	6,091,455	-	-
Fixed deposits - maturity - senior citizen	13,504,957	-	-
Fixed deposits - maturity - Co-Op	47,911,653	-	-
Shakthi- deposit certificate	19,800	-	-
Divisevana - deposit certificate	64,500	-	-
Deposit certificate-shakthi dual	8,000	-	-
Treasury bond backed deposit certificate	14,263,310	17,178,031	38,850,226
Ascharyaye Arunalu saving certificate	10,910,852	-	-
Dormant savings	42,033	33,972	8,315
Matured minor savings	2,653,540	-	-
Pramuka Savings and Development bank - deposits	360,824,808	359,004,663	457,177,676
Unclaimed balances-minors	4,455	-	-
Unclaimed balances-others	104,254	-	-
Janasewana Swashakthi minor savings	538,578	-	-
Janasewana Swashakthi ordinary savings	35,582	-	-
Interest payable	13,022,232	7,959,494	5,007,898
Sub Total	749,211,486	663,753,822	711,474,154

26 Current Tax Liabilities	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Balance at the beginning of the year	(3,506,190)	13,885,657	(2,000,655)
Reversal of over provision	(12,088,391)	-	-
Income tax provision during the year	-	67,627,401	56,777,309
Payments made during the year			
Income Tax	(5,000,000)	(10,175,111)	(7,076,555)
Withholding Tax	-	(64,483,539)	(13,591,471)
Notional Tax Credit	(2,575,975)	-	(15,144,382)
ESC	-	(10,360,598)	(5,075,589)
Balance at the end of the year	(23,170,556)	(3,506,190)	13,885,657

27 Debentures and other borrowings	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Debentures	1,565,335,108	1,500,311,190	1,435,310,471
Other borrowings	1,518,305,397	1,545,983,378	1,618,746,219
Repo borrowings	-	52,000,000	-
Total	3,083,640,505	3,098,294,568	3,054,056,690

27.1 Debentures	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Unsecured Subordinate Debentures	915,162,400	890,174,300	750,059,100
Unsecured Subordinate Debentures pending allotment	385,290,400	410,277,200	550,592,400
Interest payable	264,882,308	199,859,690	134,658,971
Sub Total	1,565,335,108	1,500,311,190	1,435,310,471

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.

27.2 Other borrowings	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
PSDB - Borrowing	119,163,849	128,838,649	187,828,853
NDTF Loan GOSL-IDA credit	12,848,766	16,060,957	25,697,532
NDTF Loan GOSL-KFW loan	48,038,201	62,829,190	67,253,482
Micro finance loans to ADB	1,338,254,581	1,338,254,581	1,337,966,352
Sub Total	1,518,305,397	1,545,983,378	1,618,746,219

28	Other liabilities	31.12.2013	31.12.2012	31.12.2011
		LKR	LKR	LKR
	Interest payable (Note 28.1)	43,805,587	38,448,764	30,182,188
	Payable -expense creditors (Note 28.2)	128,441,630	82,910,531	76,389,527
	PSDB liabilities (Note 28.3)	23,267,036	24,291,666	17,291,771
	Inter branch accounts (Note 28.4)	75,367,777	(626,817)	-
	Sundry creditors (Note 28.5)	2,477,378	4,664,255	3,038,903
	Retirement benefit obligation (Note 28.6)	6,663,547	1,135,593	3,915,821
	Total	280,022,954	150,823,992	130,818,210
28.1	Interest Payable	31.12.2013	31.12.2012	31.12.2011
		LKR	LKR	LKR
	Treasury bond backed deposit certificate	780,105	768,809	124,358
	Interest payable - Investors	42,539,851	36,348,932	29,572,199
	Bonus interest payable	485,631	485,631	485,631
	Interest payable repo	-	845,392	-
	Sub Total	43,805,587	38,448,764	30,182,188
28.2	Payable -Expense Creditors	31.12.2013	31.12.2012	31.12.2011
		LKR	LKR	LKR
			(Restated)	
	Provision for salaries as per collective agreement	-	7,896,450	-
	Accrued expenses	61,879,168	58,299,408	61,432,260
	Other payables	66,562,461	16,714,673	14,957,267
	Sub Total	128,441,630	82,910,531	76,389,527
28.3	PSDB liabilities	31.12.2013	31.12.2012	31.12.2011
		LKR	LKR	LKR
	Suspense account clearing	-	122,000	-
	Margin account loans	16,168,836	17,071,466	10,193,571
	Provision for PSDB LT case	7,098,200	7,098,200	7,098,200
	Sub Total	23,267,036	24,291,666	17,291,771
28.4	Interbranch accounts	31.12.2013	31.12.2012	31.12.2011
		LKR	LKR	LKR
	Borella branch	95,845,091	(2,086,766)	-
	PSDB current account	(6,894,223)	(2,397,404)	-
	SLSB current account	(107,402,035)	2,012,546	-
	Matara current account	2,958,006	-	-
	National Development Trust Fund current account	61,022,014	1,644,807	-
	Branch Account - Anuradhapura	(325,235)	-	-
	Branch Account - Mannar	30,164,158	200,000	-
	Sub Total	75,367,777	(626,817)	-

28.5 Sundry creditors

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
WW/OP Contribution collected from employees	35,109	939,692	597,335
Staff security fund-NDTF	-	10,000	47,000
Refundable deposit- others	45,749	99,649	1,500
Staff security deposit	85,000	157,500	-
Staff critical illness fund	174,325	113,600	97,575
Margin account - undisbursed loans	100,000	1,485,407	175,000
Payable - CRIB charges	114,491	94,600	14,677
Financial payable cost-Divisevana deposit certificate	-	27,502	14,405
Financial payable cost-shakthi dual	-	563	563
Loan protection policy payable account	-	267,005	-
Payable VAT leasing	1,107,531	340,468	-
Insurance premium - collection account	6,006	16,277	16,277
Introducer commission	-	2,825	309,167
Provision for incentives	809,167	1,109,167	1,765,404
Sub Total	2,477,378	4,664,255	3,038,903

28.6 Retirement benefit obligation

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
		(Restated)	(Restated)
Balance at the beginning of the year	1,135,593	3,915,821	2,968,425
Add: Gratuity charge for the period	1,652,948	374,424	947,396
(Gain)/loss arising from changes in actuarial assumptions	4,243,336	(3,154,652)	295,477
Less: Payments made during the year	(368,330)	-	(295,478)
Balance at the end of the year	6,663,547	1,135,593	3,915,821

The provision has been computed in accordance with the project unit credit method permitted by the Sri Lanka Accounting Standard No: 19. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

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

	2013	2012	2011
Retirement age	55	55	55
Rate of interest	10.64%	12.00%	10.75%
Salary increment	16.00%	1.00%	16.00%

28.6.2 The bank has changed the method of calculating the gratuity liability to the Project Unit Credit Method as per LKAS 19-Employee Benefit, from the basic formula of half month salary every year of completed service. The financial statement of 31.12.2012 and 31.12.2011 have been restated for the better presentation. The effect of the restatement on those financial statements is summarised below.

	Effect on 31.12.2012	Effect on 31.12.2011
Increase/ (Decrease) in Retirement benefit obligation	(965,033)	1,783,519
Increase/ (Decrease) in retained earnings	965,033	(1,783,519)

29. Stated Capital/Assigned Capital	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Ordinary shares	458,445,900	458,445,900	458,445,900
Ordinary shares application	700	700	700
Capital pending allotment	2,982,232,679	2,982,232,679	2,982,232,679
Total	3,440,679,279	3,440,679,279	3,440,679,279

30. Statutory Reserve Fund	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Balance at the beginning of the year	78,352,911	52,176,013	29,789,293
Transfer during the period	28,161,436	26,176,898	22,386,720
Balance at the end of the year	106,514,347	78,352,911	52,176,013

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 year 2013, the Company transferred Rs. 28,161,436 a sum equal to 5% of the Net Profits for the year ended 31st December 2013 to Reserve Fund.

31. Investment Fund Account	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Balance at the beginning of the year	68,784,990	21,618,978	-
Transfer during the period	37,441,346	47,166,012	21,618,978
Balance at the end of the year	106,226,336	68,784,990	21,618,978

32. Retained Earnings	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR (Restated)	LKR (Restated)
Balance at the beginning of the year as previously stated	1,893,717,112	1,497,573,995	1,025,021,579
Restatement of the balance	-	-	-
Change of Accounting Policy (Note 28.6.2)		-	(1,783,519)
Error correction (Note 32.1)		(4,021,008)	-
Restated balance	1,893,717,112	1,493,552,987	1,023,238,060
Prior year adjustment	(62,129,296)	(29,695,404)	6,984,185
Profit for the year- restated	563,228,710	425,047,787	451,475,429
Other comprehensive income	-	75,000,000	58,098,500
Actual gain on defined benefit plan	(4,243,336)	3,154,652	-
Transfers to other reserves	(65,602,782)	(73,342,910)	(44,005,698)
Balance at the end of the year	2,324,970,408	1,893,717,112	1,495,790,476

32.1 Restatement of the financial statements- error correction

Errors were noted in the following balances which were corrected in the final statements as at 31.12.2012 by restating the respective balances for better presentation.

	Effect on 31.12.2012
Other liabilities - Borrowings	(3,700,533)
Notional tax credit	2,575,975
Provision for Collective agreement	(2,896,450)
	<u>(4,021,008)</u>

33 Other Reserves

	Balance at the beginning of the year as at 01.01.2013 LKR	Movement/ transfers LKR	Balance at the end of the year 31.12.2013 LKR
Available-for-sale reserve	(41,218,299)	62,355,250	21,136,951
Revenue Deficit Before Vesting	(2,166,190,408)	-	(2,166,190,408)
Total	(2,207,408,707)	62,355,250	(2,145,053,457)

34 Related party transactions

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Accounting Standard No. 24

Following related party transactions have been noted during the period.

Related party	Nature of the relationship	Nature of the transaction	Transaction value (Rs)	Outstanding balance as at the reporting date (Rs)
Co-operative Insurance Company Limited	Director/Chairman Mr. A. Dahanayake	Loans given on property mortgaged	180,000,000	162,500,000
Beliatta Multipurpose Cooperative Society	Director/Chairman Mr. A. Dahanayake		20,000,000	11,177,033

34.1 Transactions with directors and other key managerial persons

Related parties include key managerial defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company and its related companies. Such key managerial persons include the Board of Directors of the company, key employees who are holding directorship in other related companies of the company and other key executives who meet the criteria described above.

- (i) Mr. A. Dahanayake, Mr. K. Rathnaweera, Mr. U.D.S. Parakrama Perera, Mr. T. Wannigama, Mr. P. Algama, Mr. I. G. Palitha, Mr.S.Weerathunga and Mr.H.G.Sumanathissa were the directors of the company during the period.

- (ii) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows.

	2013 LKR	2012 LKR
Short term benefits	1,260,000	1,260,000

35 Capital commitments

The bank has a capital commitment outstanding balance amounting to Rs 5,500,000 as at the reporting date.

36 Contingent liabilities

There were no contingencies as at the reporting date.

37. Events after the reporting period

No circumstances have arisen since the reporting period which would require adjustments to, or disclosures in the financial statements.

38.	Non-Cash Items Included in Profit Before Tax	2013	2012
		LKR	LKR
	Depreciation of property, plant and equipment	7,543,089	7,510,648
	Reversal of provision for investment securities	-	75,000,000
	(Gain)/loss of disposal of property, plant and equipment	(11,890,000)	(2,886,484)
	Impairment of loans and receivables	104,546,297	(132,121,170)
	Charge for defined benefit plans	1,652,948	374,424
	Total	101,852,333	(52,122,582.58)
39	Change in Operating Assets	2013	2012
		LKR	LKR
	Sri Lanka Government securities	(169,524,633)	485,221,837
	Loans and receivables from bank	187,320,576	(1,757,273,668)
	Loans and receivables to other customers	(714,669,637)	890,482,628
	Financial investments – Available-for-sale	86,122,569	-
	Other assets	(115,281,354)	8,246,646
	Total	(726,032,478)	(373,322,557)
40	Change in Operating Liabilities	2013	2012
		LKR	LKR
	Due to other customers	85,457,664	(47,720,332)
	Debt securities issued and other borrowings	(14,654,062)	44,237,878
	Other liabilities	123,671,009	22,786,010
	Total	194,474,611	19,303,556
41.	Cash and cash equivalent	2013	2012
		LKR	LKR
	Cash in hand and cash at bank	109,981,171	149,282,062
	Due to bank	(65,148,691)	(155,463,588)
	Total	44,832,479	(6,181,526)

42. Maturity GAP Analysis

In Rupees	Less than 7 days	7-30 Days	1-3 Months	4-6 Months	7-12 Months	1-3 Years	3-5 Years	Over 5 Years	Un Classified	Total
Cash and cash equivalents	109,981,171	-	-	-	-	-	-	-	-	109,981,171
Sri Lanka Government securities	-	-	-	686,567,881	93,699,831	-	-	-	-	780,267,712
Loans and Receivables from bank	-	1,089,985,222	2,860,744,869	798,266,892	-	-	-	-	-	4,748,996,983
Loans and receivables to other customers	-	-	3,723,151	7,282,468	7,473,066	1,441,174,022	354,094,509	15,865,424	66,015,132	1,895,627,772
Loans and receivables - Investments	-	-	-	-	-	-	-	-	-	-
Financial investments – Held to Maturity	-	-	-	-	-	-	-	-	-	-
Financial investments – Available-for-sale	-	-	-	-	-	-	-	111,893,728	-	111,893,728
Property, plant and equipment	-	-	-	-	-	-	-	120,132,164	-	120,132,164
Investment property	-	-	-	-	-	-	-	83,274,936	-	83,274,936
Current tax assets	-	-	-	-	-	23,170,556	-	-	-	23,170,556
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	-	6,280,000	1,312,936	4,577,075	15,028,712	72,093,173	-	38,723,632	-	138,015,528
Total	109,981,171	1,096,265,222	2,865,780,956	1,496,694,316	116,201,609	1,536,437,751	354,094,509	369,889,884	66,015,132	8,011,360,549
Total Capital Fund	-	-	-	-	-	-	-	3,833,336,913	-	3,833,336,913
Due to bank	65,148,691	-	-	-	-	-	-	-	-	65,148,691
Financial liabilities at FVTPL	-	-	-	-	-	-	-	-	-	-
Due to other customers	150,343,881	8,097,755	-	-	229,945,042	360,824,808	-	-	-	749,211,486
Debt securities issued and other borrowed funds	-	-	-	-	-	-	1,518,305,397	1,565,335,108	-	3,083,640,505
Current tax liabilities	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	64,356,546	110,368,048	-	-	-	16,168,836	13,761,747	75,367,777	280,022,954
Total	215,492,572	72,454,301	110,368,048	-	229,945,042	360,824,808	1,534,474,233	5,435,034,270	75,367,777	8,011,360,549
Maturity GAP	(105,511,401)	1,023,810,921	2,755,412,908	1,496,694,316	(113,743,433)	1,198,213,445	(1,180,379,724)	(5,065,144,387)	(9,352,645)	0



SRI LANKA SAVINGS BANK LIMITED
DETAILED NOTES
FOR THE YEAR ENDED 31st DECEMBER 2013

1. Receivables

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Cash shortages - pending settlement	4,500	-	-
Payable-Paye	8,478	-	-
Receivable-CRIB charges	50,567	-	-
Suspense account debtors	7,261,600	-	-
Financial payable cost-shakthi dual	1,593	-	-
Loan protection policy payable account	221,312	-	-
Receivable - Withholding tax	54,149,707	-	-
Receivable tax PSDB	37,585,927	-	-
Lease VAT receivables	2,689,268	1,496,851	-
Total	101,972,952	1,496,851	-

2. Advances

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Advance head office & PSDB pending settlement	235,766	110,015	-
Festival advance	219,500	140,500	-
Advance on rent	9,908,000	7,060,000	-
Advance & Receivable-NDTF	97,416	-	-
Advance payment for fixed assets	4,280,000	-	-
Total	14,740,682	7,310,515	-

3. Accrued Expenses

	31.12.2013	31.12.2012	31.12.2011
	LKR	LKR	LKR
Payable-EPF	565,180	418,003	317,341
Payable-ETF	84,777	62,175	45,051
Payable-Paye	-	34,318	2,008
Payable-Water	45,584	35,892	22,812
Payable-security expenses	427,207	262,948	171,907
Payable-electricity expenses	368,198	263,785	209,717
Payable-building up keep	48,000	-	36,557
Payable-telephone general	78,220	47,884	90,961
Payable-email & internet	123,061	2,331	3,184
Payable-telephone mobile	91,000	80,000	-
Payable-stamp duty	70,982	359,866	2,450
Payable-W H T	68,137	21,119	29,556
Sundry creditors	600,000	301,000	401,320
Payable-bonus	-	-	-
Payable-audit fee	219,063	82,188	132,188
Payable-suppliers	4,551,967	4,065,158	3,320,505
Payable-financial services VAT	51,967,546	51,967,546	56,606,703
Payable-news papers & periodicals	-	108,144	-
Payable-insurance	15,830	-	-
Payable - CRIB charges	114,414	-	-
Receivable - staff	-	107,051	-
Payable tax consultant	440,000	80,000	40,000
Payable - NDTF levy	2,000,000	-	-
Sub Total	61,879,168	58,299,408	61,432,260



SRI LANKA SAVINGS BANK LIMITED
DETAILED NOTES
FOR THE YEAR ENDED 31st DECEMBER 2013

4. Other Payables

	31.12.2013 LKR	31.12.2012 LKR	31.12.2011 LKR
Unidentified deposits	308,150	308,150	308,150
Margin accounts	2,788,000	2,788,000	2,788,000
Suspense customers	6,977,169	6,055,000	6,055,366
Accrued expenses	3,239,406	3,312,015	3,648,210
Suspense account clearing	2,417,402	2,180,371	1,964,964
Suspense account creditors	4,814	305,733	192,577
Suspense account migration creditors	4,520,707	-	-
Cash excess - pending settlement	12,390	-	-
Suspense loan creditors	12,078,182	-	-
Payable-pension fund	1,765,404	1,765,404	-
Financial payable cost-shakthi dual	563	-	-
Unidentified foreign currency	62,522	-	-
Receivable - Staff	122,636	-	-
Receivable-CRIB charges MFD	54,675	-	-
Receivable-CRIB charges personal loans	38,250	-	-
Receivable-CRIB charges individual & corporate	13,250	-	-
Provision for compensation of legal cases	32,158,940	-	-
Sub Total	66,562,461	16,714,673	14,957,267

Five Year Summary

In Rupees '000	2009	2010	2011	2012	2013
Total Income	454,687	500,710	575,692	614,392	869,369
Interest Income	287,668	329,248	570,640	742,457	996,420
Interest Expenses	-16,354	-119,093	-138,840	-138,840	141,289
Net Interest Income	271,314	210,155	431,800	603,617	855,131
Operating Profit before Value Added					
Tax	302,008	316,733	528,459	642,912	616,115
Profit Before Tax	238,926	294,574	494,171	592,390	551,140
Income Tax Expenses	-51,661	-17,072	-56,777	-167,342	12,088
Profit After Tax	187,265	277,502	437,394	425,048	563,229
Assets					
Loans and receivable from banks	-	2,463,489	3,166,309	4,936,318	4,748,997
Loans and receivable from other customers	579	1,237,590	1,347,629	1,285,504	1,895,628
Total Assets	1,588,694	6,197,817	6,783,411	7,342,462	8,011,361
Liabilities					
Deposits from customers	598,849	572,439	548,587	663,754	749,211
Borrowings	379,459	1,712,450	1,613,523	3,098,295	3,083,641
Debentures	1,308,511	1,296,119	1,300,651	1,300,451	28,490
Total Liabilities	2,832,222	4,181,611	3,937,554	4,068,336	4,178,024
Total Shareholders' Funds	-1,243,528	2,016,207	2,845,857	3,274,126	3,833,337
Total Liabilities & Shareholders' Funds	1,588,694	6,197,817	6,783,411	7,342,462	8,011,361

SRI LANKA SAVINGS BANK LIMITED**NOTICE OF ANNUAL GENERAL MEETING**

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NOTICE IS HEREBY GIVEN THAT THE SEVENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE SRI LANKA SAVINGS BANK LIMITED WILL BE HELD ON 15th, September 2014 (Monday) AT 3.00.P.M. AT NO: 265, WARD PLACE, COLOMBO 7.

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 2013 and the Report of the Auditors thereon.
2. To ratify the appointment of Messrs. SJMS Associates & Company as Auditors for the year ended 31st December 2014 on the terms of remuneration previously determined.

By Order of the Board

Y.M.J. Fernando
Company Secretary

Colombo

.....2014.

- Notes:*
1. *A Member who is unable to attend the Meeting is entitled to appoint a proxy to attend and vote in his or her place*
 2. *A proxy need not be a member of the Company*
 3. *A proxy may not speak at the meeting unless expressly authorized by the instrument appointing him*
 4. *A Form of Proxy accompanies this Notice*
 5. *The completed Form of Proxy and the Power of Attorney if any, by which it is signed should be deposited at the Registered Office of the Company No: 265, Ward Place, Colombo 7 not later than 24 hours before the time appointed for the commencement of the Meeting.*

Form of Proxy**SRI LANKA SAVINGS BANK LIMITED**

I/We.....

(NIC No.).....

of.....

being a Member/s* of the Company hereby appoint :

Mr. Ariyatilake Dahanayake	of Colombo or failing him
Mr. Palitha Gamage	of Colombo or failing him
Mr. Thilak Wannigama	of Colombo or failing him
Mr. U.D.Sumith ParakramaPerera	of Colombo or failing him
Mr. K. Ratnaweera	of Colombo or failing him
Mr. Sanath Weeratunga	of Colombo or failing him
Mr. Priyanga Algama	of Colombo or failing him
Mr. H.G. Sumanasinghe	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 day of 2014.

and at any adjournment thereof. Signed this ...th day of 2014.

	For	Against
(1) The Ordinary Resolution numbered 1 set out in the Notice convening the aforesaid meeting	<input type="checkbox"/>	<input type="checkbox"/>
(2) The Ordinary Resolution numbered 2 set out in the Notice convening the aforesaid meeting	<input type="checkbox"/>	<input type="checkbox"/>

.....
Signature

In witness my/or* hands thisday ofTwo Thousand and Fourteen.

- Notes**
1. Please delete the inappropriate words
 2. Instructions as to completion are given overleaf

INSTRUCTIONS AS TO COMPLETION

- I) A shareholder may exercise the right to vote either by being present in person or by proxy.
- ii) A proxy for a shareholder is entitled to attend and be heard at a meeting of shareholders as if the proxy were the shareholder.
- iii) 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.
- iv) 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.
- v) 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.
- vi) The proxy shall be deemed to include the right to demand or join in demanding a poll.
- vii) 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.
- viii) If you wish your proxy to speak at the meeting you should interpolate the words” and to speak” immediately after the words “to vote”