

2023

ANNUAL REPORT

2023

ANNUAL

REPORT

Corporate Information

Registered Name

Sri Lanka Savings Bank Limited

Legal Status

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

Registered Office

No: 265, Ward Place, Colombo 07.
Telephone: 0112691721-2, 0112674700/1/2/3,
Fax: 0112674705 /6 /7
E-mail : info@slsbl.lk

Date of Incorporation

7th July 2006.

Company Secretary (Actg)

Mrs. D.R.N.U. Peramuna,
Attorney-at- Law, Registered Company Secretary
Notary Public, Commissioner for Oaths.

Auditors

Auditor General
National Audit Office,
306/72, Polduwa Road,
Battaramulla, Sri Lanka.

Bankers

Bank of Ceylon
People's Bank

Board of Directors

Mr. B.M.D.B. Basnayake	Chairman
Mr. Saliya Dharmawardane	Treasury Representative
Mr. Hemantha Gamage, AAL	Senior Director
Mr. Prasad Imbulagoda, AAL	Director
Mr. Janaka Arunashantha, AAL	Director
Mr. H.K.D. Lakshman Gamini	Director
Mr. M.P. Ajith Wasantha Peiris	Director



OUR VISION

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

OUR MISSION

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

OUR VALUES

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

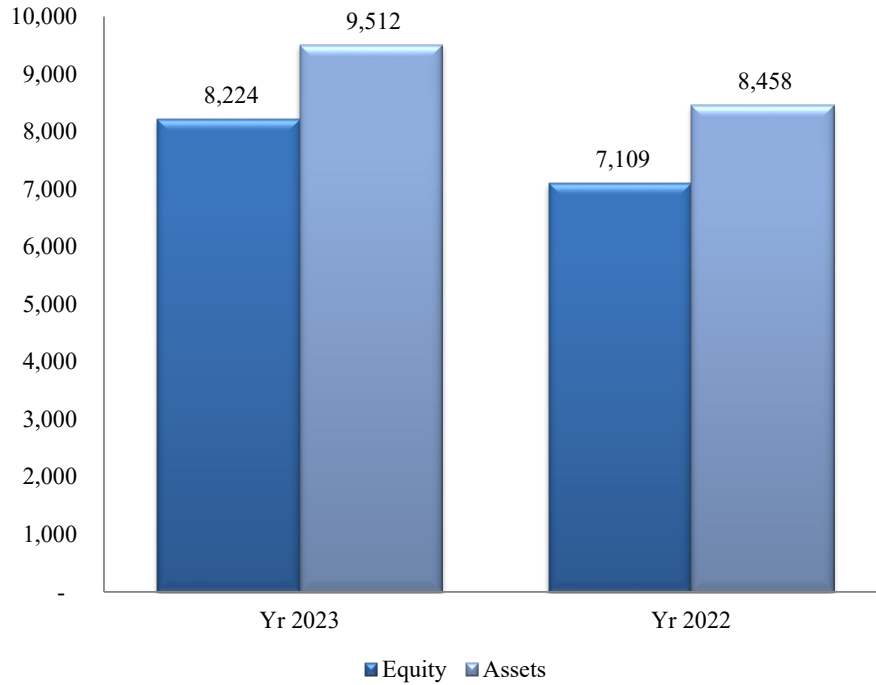
- Professionalism
- Integrity
- Efficiency
- Trust
- Openness and
- Social Responsibility

FINANCIAL HIGHLIGHTS

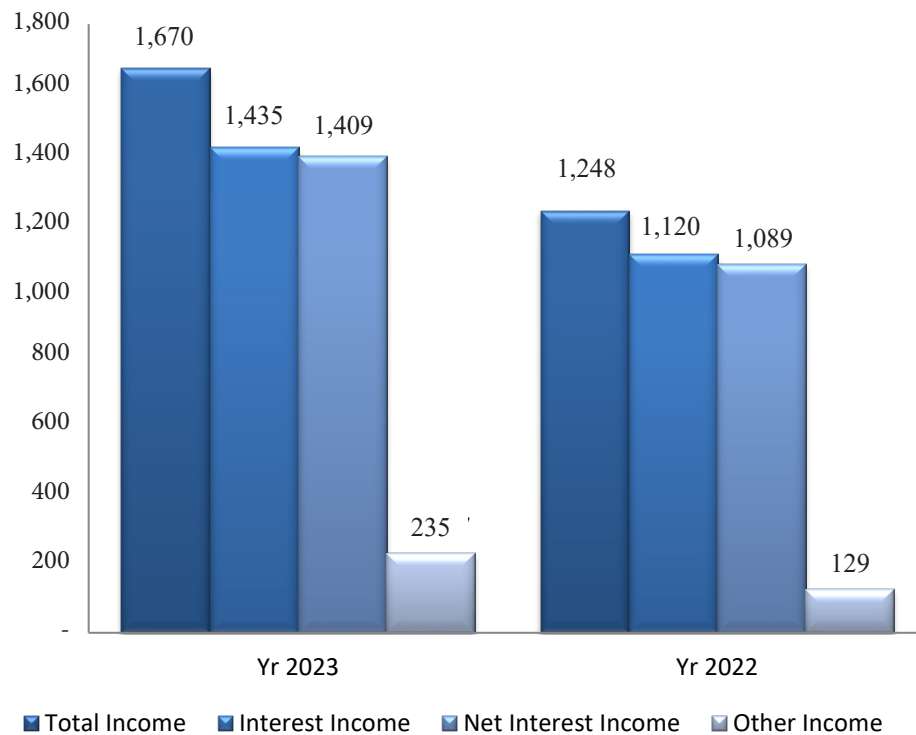


Financial Highlights

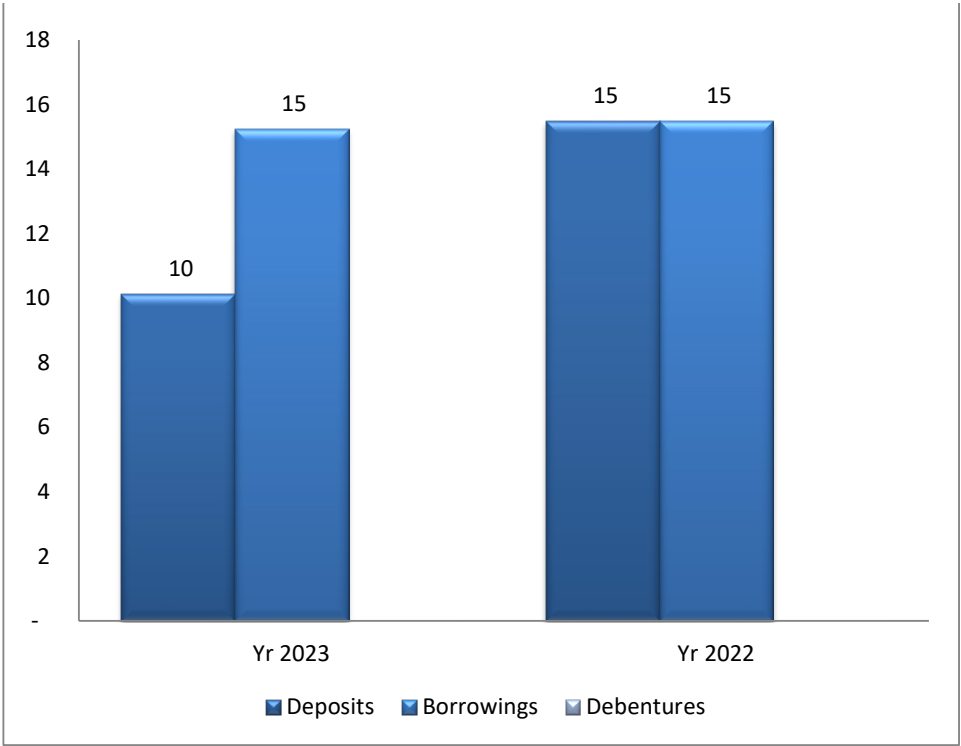
Total Equity and Assets 2023 Vs 2022
(Rs.Mn)



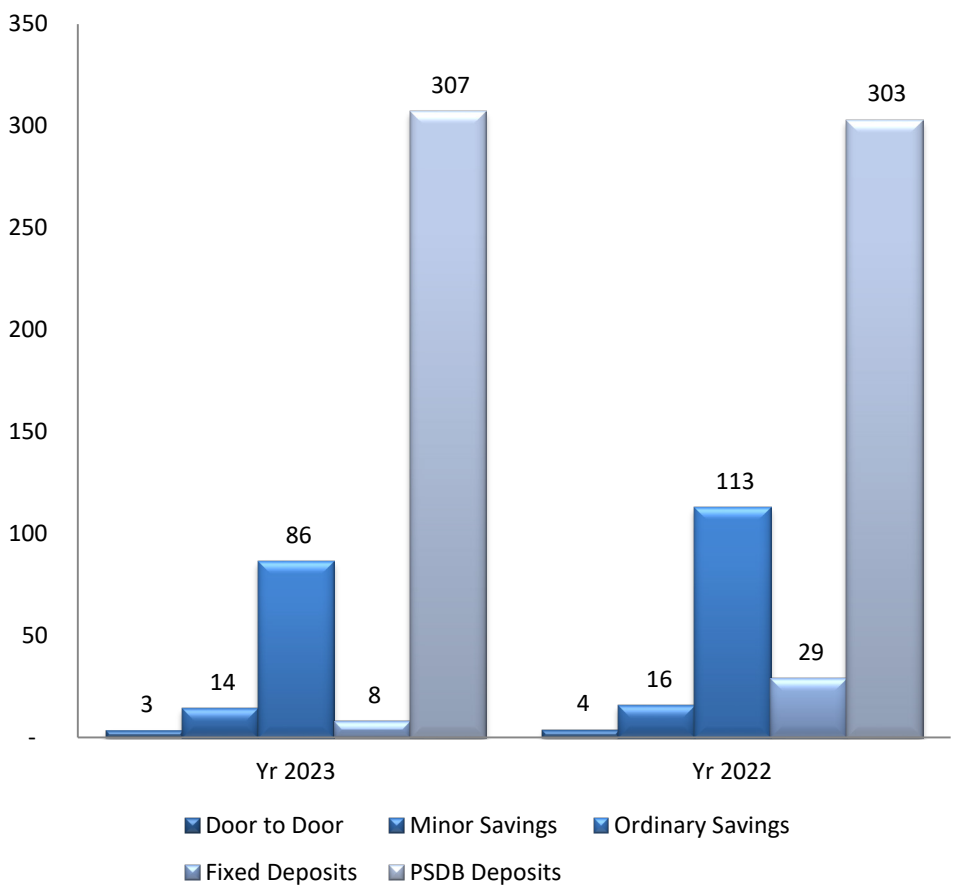
Comparison of Income - 2023 Vs 2022
(Rs. Mn)



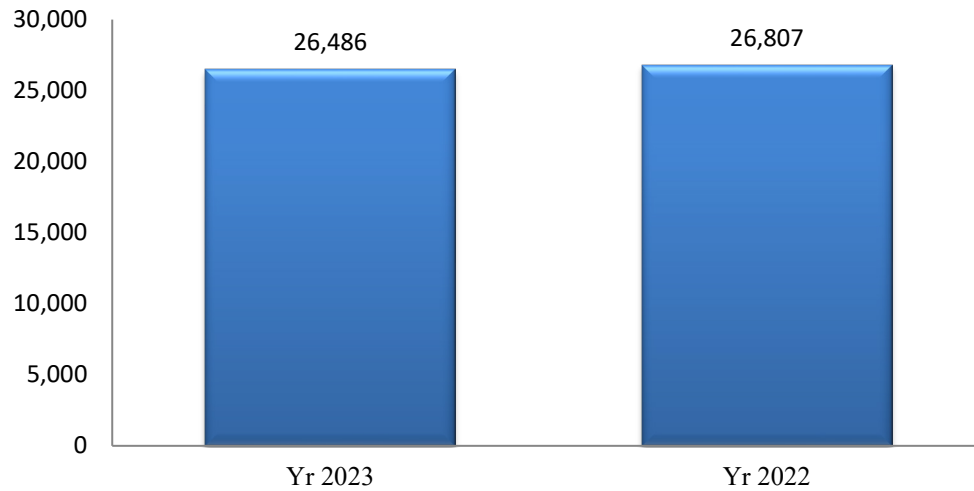
Interest Expenses -2023 Vs 2022
(Rs. Mn)



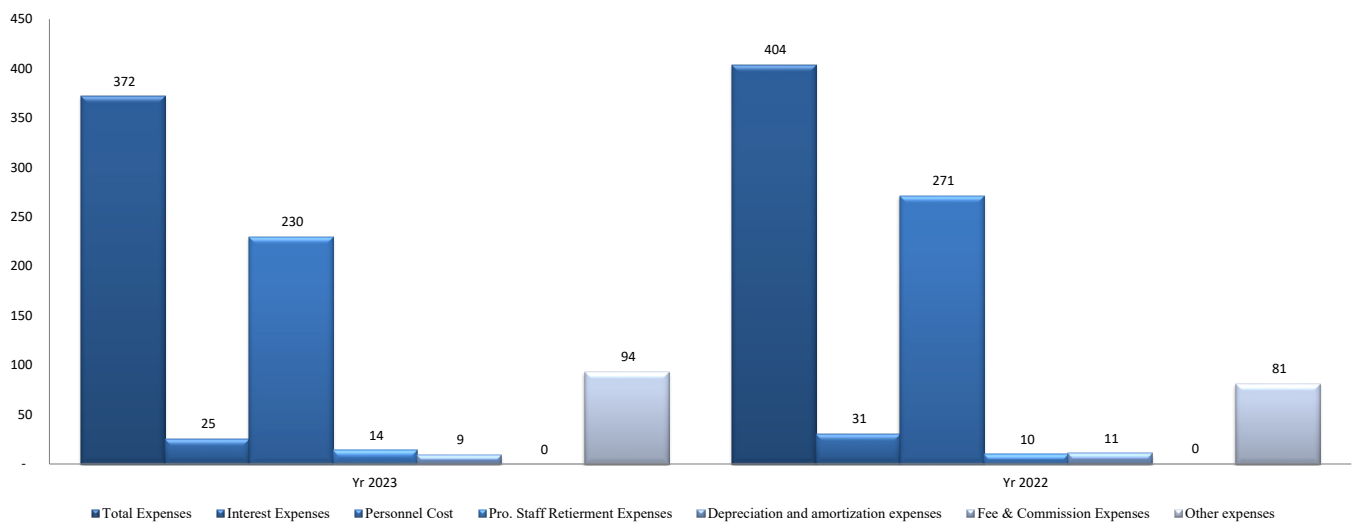
Deposit Comparison of 2023 Vs 2022
(Rs. Mn)



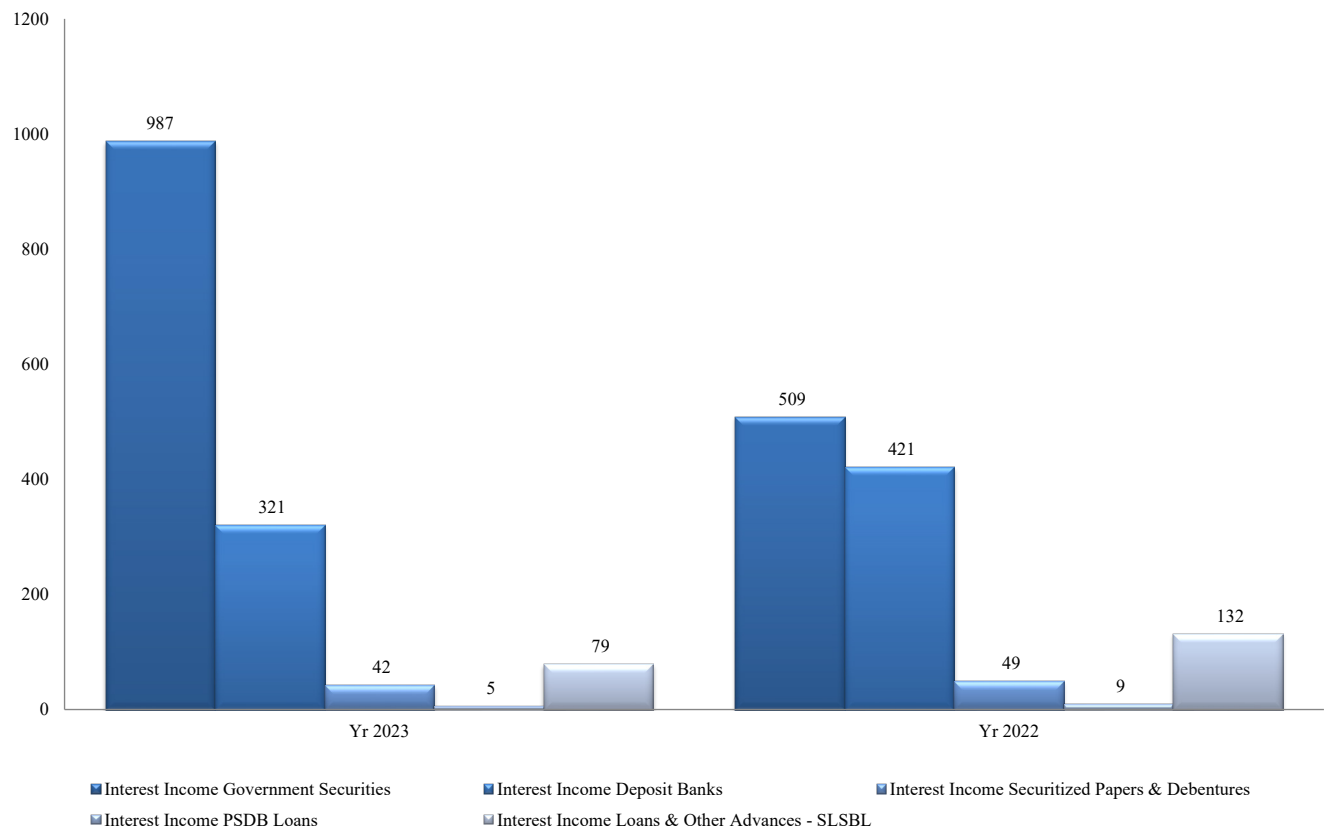
Number of Accounts Comparison 2023 Vs 2022



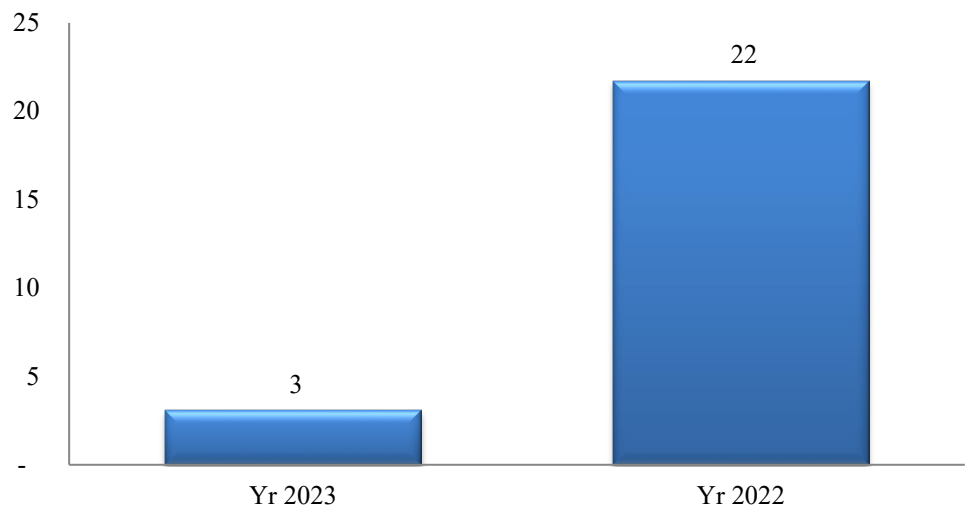
Comparison of Expenses 2023 Vs 2022



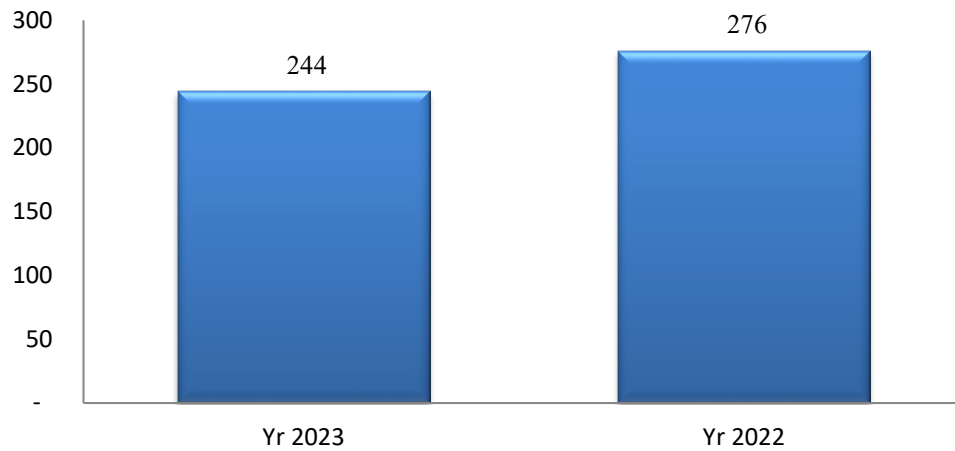
Interest Income 2023 Vs 2022
(Rs. Mn)



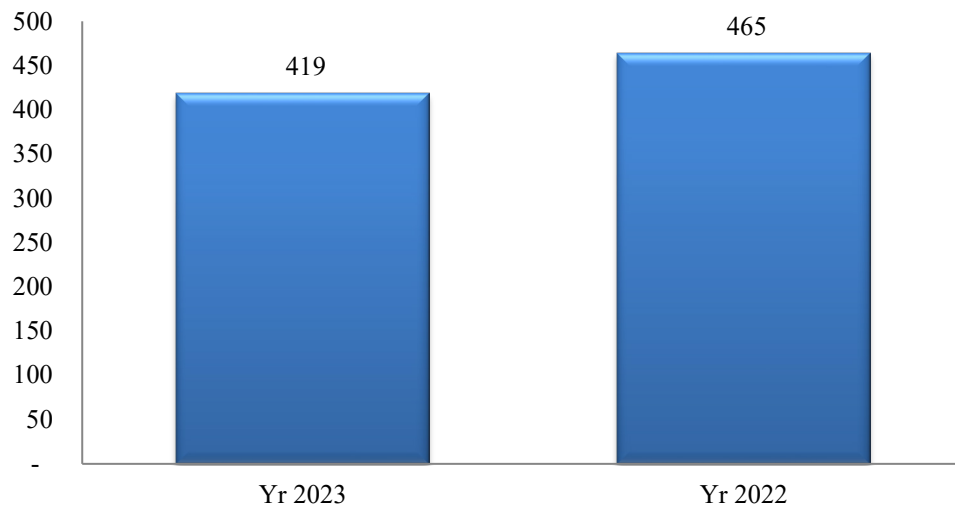
Micro Finance Interest Income
Comparison -2023 Vs 2022 (Rs. Mn)



**Micro Finance Loans and Advances
2023 Vs 2022 (Rs. Mn)**



**Total Deposits -2023 Vs 2022
(Rs. Mn)**



Chairman's Message



It is a pleasure and privilege to present my message for the Annual Report and Audited Financial Statements for 2023 of Sri Lanka Savings Bank Ltd on behalf of the Board of Directors.

The Sri Lanka Savings Bank demonstrated exceptional performance in the year 2023 highlighting its resilience in a difficult economic condition of the country.

Sri Lanka Savings Bank (SLSB) is functioning as a subsidiary of National Savings Bank (NSB) with effect from October 2019 as per a policy decision taken by Monetary Board of Central Bank of Sri Lanka (CBSL) to meet the Government budgetary proposal for financial consolidation.

Looking back over one and half decades, the Sri Lanka Savings Bank has commenced its business

operation in the year 2008 as a fully state-owned licensed specialized Bank under the provisions of the Banking Act with a primary objective of execution of the scheme formulated for the settlement of the deposit and liabilities of the defaulted Pramuka Savings and Development Bank Ltd.

As the Bank is already a fully-owned subsidiary of NSB and not carrying out its business operation currently due to the restrictions imposed by CBSL with effect from January 2021, only the assets and liabilities of the Bank have to be acquired by NSB to abide with the CBSL direction for fully absorption. Accordingly the absorption of assets, liabilities and staff of Sri Lanka Savings Bank in to the National Savings Bank is being carried out adhering to the guidance and oversight of the relevant governing authorities which instructed to complete before 2024.

In the absence of doing usual banking business, the Bank fully focused on recovering its loans and advances during the year 2023. In the 2023 financial year the Bank achieved a profit after tax of Rs. 758.72Mn which is an increase of 64.73% compared to the previous year.

I wish to thank my colleagues on the Board for their strong and consistent support and insightful guidance. My sincere appreciation is also extended to our team of loyal and dedicated employees led by the Corporate Management Team for their hard work. The immense support extended by the GM/CEO, Management Team and the staff of the National Savings Bank is highly commended. My appreciation is extended to our customers for their valued patronage and loyalty for being with the

Bank at the worst of the economic crisis even. I am also grateful to our stakeholders for their unstinted support throughout the year.

I am grateful to the continued support and assistance extended by the Hon. Minister of Finance, Economic Stabilization and National Policies and the Hon. State Minister of Finance. I appreciate the support and guidance extended by the Secretary to the Treasury and the officials, the Governor and officials of the Central Bank of Sri Lanka. My appreciation is extended to the Attorney General and the Auditor General.



Dushyanta Basnayake
Chairman

General Manager / CEO's Review



Sri Lanka Savings Bank demonstrated remarkable resilience and agility in 2023, achieving a 65% growth in profit after tax to Rs. 758.7 Mn, the highest since its incorporation, despite navigating a turbulent and challenging year.

Economic Environment

The year 2023 was challenging as the country emerged from an unprecedented economic crisis in 2022. The Sri Lankan economy faced significant difficulties in the first half of 2023 but showed signs of recovery in the second half, driven by a rapid moderation in inflation and greater stability in the exchange rate. Inflation, which peaked at 70% in September 2022, declined to 4% by the end of 2023. Additionally, the LKR appreciated by 11% against the USD in 2023, reversing the 81% depreciation of 2022. These improvements reflect

the effectiveness of the government's corrective actions, including broad-based policy reforms as part of the International Monetary Fund (IMF)-led structural adjustments aimed at restoring long-term economic stability in Sri Lanka.

Following a deep GDP contraction in 2022, the economy recorded a further contraction of 2.3% in 2023. However, the fourth quarter saw a GDP growth of 4.5% compared to the same period in 2022. By the end of 2023, foreign reserves had grown to USD 4 billion, and most restrictions on dollar transactions and imports were lifted. Increased USD liquidity, rising exports, improved worker remittances, and a recovering tourism industry contributed to a quicker-than-expected economic recovery. Inflation stabilized at a higher-than-desirable level, and the backlog of imports for manufacturing and construction industries eased considerably.

The global economy remained turbulent due to rising Central Bank rates, Russia's war in Ukraine, conflicts in the Middle East, a weakening Chinese economy, and climate-related disasters. Global growth is projected to remain subdued in 2024 due to tight monetary policies and restrictive credit conditions, despite expected declines in inflation.

Impact on the Banking Sector

In 2023, the banking sector faced multiple challenges. However, by year-end, foreign reserves improved, and interest rates fell to 12% from a high of 30%. Local banks faced threats from their investments in government securities during the time of default, and the debt moratoriums mandated by the government further complicated

the situation, leading to diminished margins and increased non-performing assets. Rising taxes and higher costs of essential goods and electricity strained individual borrowers. Despite these challenges, Sri Lanka Savings Bank's progress in 2023 is commendable, highlighting the resilience and strength of our business model.

Performance

In this challenging context, Sri Lanka Savings Bank mobilized its experience and expertise to deliver an admirable performance. The Bank's profit after tax increased by 65% to Rs. 758.7 Mn in 2023. Interest income rose to Rs. 1,435.0 Mn, an increase of Rs. 315.3 Mn from 2022, due to prudent asset investments and anticipated interest rate increases. Interest expenses decreased by 17% to Rs. 25.3 Mn. Fee and commission income remained flat in 2023.

Aggressive recovery efforts led to a reversal in impairment provisions amounting to Rs. 98.8 Mn, compared to an increase of Rs. 73.2 Mn in 2022. Structural changes and resource allocation to recovery efforts helped bring non-performing loans (NPLs) under control. Despite cost escalations, prudent cost management resulted in a 7.09% decrease in staff, administration, and operational expenses. The Bank's cost-to-income ratio stood at 21.07% one of the best in the industry. Corporate tax, VAT on financial services, and the Social Security Contribution Levy increased by 105.5% to Rs. 638.7 Mn. The Bank's total assets increased by Rs. 1,053.8 Mn due to the capitalization of retained earnings and property revaluations.

Lending to the microfinance sector declined due to Central Bank restrictions, with the portfolio

standing at Rs. 294.07 Mn at year-end. The Bank's capital adequacy ratios were the highest among Sri Lankan banks, with a Tier I ratio and total capital ratio of 163.76% as of December 31, 2023. The Bank revised its procedure manuals and strengthened risk management and control structures during the year.

Way Forward: Absorption of SLSB's Assets, Liabilities, and Staff into NSB

The Bank achieved these milestones with just four branches, and the lack of visibility has been a major growth constraint. The Ministry of Finance and the Central Bank of Sri Lanka have approved the absorption of SLSB's assets, liabilities, and staff into NSB. This process is ongoing, and Sri Lanka Savings Bank will cease to exist after its completion.

Appreciation

The challenging journey in the year 2023 would not have been possible without the support of our stakeholders, especially our valued customers who have continued to place their confidence in us and continue their strong standing relationships with us. I wish to take this opportunity to place on record my sincere thanks to our customers for being with us during this challenging time.

The Board of Directors has been a source of support throughout this testing year and played a key role in navigating the Bank. I thank our Chairperson and the Board of Directors for their advice and guidance throughout the year which proved invaluable in staying on the correct path

avoiding potential pitfalls. I thank my team who demonstrated their commitment, determination and courage in numerous ways during the year enriching our team spirit. I also express my sincere appreciation to the GM/CEO and Management of National Savings Bank for all the unstinted support and guidance given to us during the year. I would also like to thank the Governor and officials of the Central Bank of Sri Lanka for all the support extended to us. I earnestly like to keeping my thanking note to the Ministry of Finance and officials of the Treasury for the guidance given to the Bank.

A handwritten signature in black ink, appearing to read 'Sujith Fernando', is positioned above the printed name.

Sujith Fernando
GM/CEO

Board of Directors



Mr Dushyanta Basnayake

Chairman

Non-Independent Non-Executive Director

15 June 2023

Skills and Experience

Mr. Basnayake is a Fellow Member of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant (CGMA). He is a Certified Member of Sri Lanka Institute of Marketing and a Fellow Member of Chartered Professional Managers (Sri Lanka). He holds a BA (Honors) in Business Administration from London Metropolitan University (UK) and holds an Executive Master of Business Administration (EMBA) from Post Graduate Institute of Management (PIM), Sri Jayewardenepura University. He also holds a Master of Laws (LLM), International Trade from the Cardiff Metropolitan University, UK. Mr Basnayake started his career in Accountancy

at Ernst & Young, Chartered Accountants. He is a Management Consultant with extensive skills and experience over 35 years holding Executive positions in various Government Institutions and corporate sector companies.

Other Current Appointments

Chairman - NSB Fund Management Co Ltd,

Director - National Savings Bank

Chairman - Ayu Ventures (Pvt) Ltd, Medimarket (Pvt) Ltd.

Director - MIDAS Secretarial Services (Pvt) Ltd, and Asian Management Services (Pvt) Ltd.

Previous Key Appointments

Managing Director - Sri Lanka Insurance Corporation

Director Finance - Associated Newspapers of Ceylon Limited

Director - Galoya Plantations (Pvt) Ltd.

Executive Director – Apogee Group of Companies and Ceylon Newspapers (Pvt) Ltd.



Mr. Saliya Dharmawardena

Director – Treasury Representative

Non-Independent Non-Executive Director

Mr. Dharmawardena, an Additional Director General of Department of Public Enterprises, Ministry of Finance, is a Non-Independent Non-Executive Director appointed to the Board on 28.02.2023.

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

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

Mr. Dharmawardena has obtained the Certified Public Accountant (CPA) from CPA, Sri Lanka and CPA, Ireland.

Mr. Dharmawardena has served as a Director in the Department of Management Audit and Department of Public Enterprises. He serves as an Additional Director General, Department of Public Enterprises from 1st December 2020.

He brings to the Board more than 30 years experience serving in the Sri Lanka Administrative Service.



Mr. Hemantha Gamage

Senior Director

Independent Non-Executive Director

Mr. Gamage was appointed to the Board on 15th January 2020 as an independent Non-Executive Director. He is an Attorney-at-Law with 34 years' experience and serving as the Senior Director of the Sri Lanka Savings Bank Limited.

Mr. Gamage has served in the capacity of Director at the Sri Lanka Bureau of Foreign Employment from 2010 to 2012. He has also served as the legal consultant to the Sri Lanka Transport Board from 2009 to 2022.



Mr. Prasad Imbulagoda

Director

Independent Non-Executive Director

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

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



Mr. Janaka Arunashantha

Director

Independent Non-Executive Director

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

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



Mr. H.K.D. Lakshman Gamini

Director

Non-Independent Non-Executive Director

Mr. Lakshman Gamini was appointed to the Board on 15th June 2023 as a Non-Independent Non-Executive Director. He is serving as the Coordinating Secretary to the Ministry of Justice, Prisons Affairs & Constitutional Reforms.

He was the Chairman of the NSB Fund Management Company from 30.03.2021 to 15.12.2023. And he has also served in the capacity of Director at the National Savings Bank from 14.12.2020 to 15.12.2023.

Mr. Lakshman Gamini served People's Bank for a period exceeding three decades and was widely involved in international banking and branch banking.



Mahawattage Dona Nawamali Samadara Jayaratne

Director

Non-Independent Non-Executive Director

Ms. M.D.N.S. Jayaratne was appointed to the Board on February 2024 as Non-independent Non-Executive Director. She is a Class One officer of the Sri Lanka Accountants' Service and has been in the public service for almost 26 years in various positions. At present she is working as a Director of Ministry of Finance, Economic Stabilization National Policies. She is also a member of Director of Ranaviru Seva Authority from August 2022.

She has also served as a Member of the Board of Directors in many state owned enterprises such as Industrial Technology Institute (June 2021 to March 2022), and the University Provident Fund (June 2021 to August 2022) during her career.

Ms. Jayaratne holds a Bachelor's Degree in the field of Human Resource Management from the University of Colombo. She has obtained a Postgraduate Diploma in Commerce from the University of Kelaniya and a Master's Degree in Business Administration in Finance (FMBA) from KAIST University, Seoul, South Korea.

Senior Management



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



Mr. G.M.S.N.K.M. Gurusinghe
Chief Manager Recoveries –
Head Office Branch
B.Sc. Business Administration (Special)
(University of Sri Jayewardenepura)
AIB, Licentiate (ICASL)
PGEDBM(IBSL)
ADCM(IBSL)



Mr. K.M.W.C. Perera
Chief Manager Recoveries –
Mannar Branch
B.Sc. Human Resource Management
(Special)
(University of Sri Jayewardenepura)
MBA (University of Wales)
MHRM (University of Colombo)
PGDBM - LSC London
Associate Member - CIPM



Mr. E.W. Priyantha
Chief Manager -
Micro Loan Recoveries and
Human Resources Department
B.B.Mgt. Human Resource Management
(Special) (University of Kelaniya)
MBS-University of Colombo
CGAP Accredited Trainer (DQIR)



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



Mr. R.N. Rajamanthri

Senior Manager - PSDB Recoveries,
Administration and Establishment
MBS-(University of Colombo)
B. Com. (Special)
University of Kelaniya



Mr. H.K.E. Padmakumara

Senior Manager - Lease Recoveries and
Finance
MA-University of Kelaniya
B.B.Mgt. Accountancy (Special)
(University of Kelaniya)
IABF(IBSL)



Ms. T.P. Pushpakanthi

Senior Manager -
SME Recoveries and Credit
MBA – University of Kelaniya
BSc. Marketing Mgt (Special)
(University of Sri Jayawardenepura)
MSLIM, DCB(IBSL), DC-M (IBSL)
Life Membership - APB



Ms. S.P.P.L. Wanniarachchi

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



Mr. K. M. Perera

Senior Manager – Internal Audit
B.Sc Degree in Science
(University of Peradeniya)



Ms. W.M.T.R. Weerawardhana

Assistant Manager
Credit Administration
B. Com (General) Degree
(University of Sri Jayewardenepura)
ADCM(IBSL)



Ms. D. R. N. U. Peramuna

Acting Company Secretary
Attorney-at-Law
Notary public
Commissioner for oaths
Registered Company Secretary



Mr . S. M. D. G. P. D.

Karunarathna
Acting Risk and Compliance Officer
B.Sc. Management Special in
Accountancy & Finance
(Eastern University)
IABF(IBSL)

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 2023.

Review of Business

The Chairman's Message and the Review of Operations by the General Manager/CEO gives a detailed Report on the operations of the Sri Lanka Savings Bank Limited; for the financial year ended 31.12.2023.

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

Legal Status of the Bank

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

Board of Directors

The Board of Directors of Sri Lanka Savings Bank Limited comprised 07 Directors during the year under review. Board composition has been maintained until February 2023. Then Mr. Saliya Dharmawardena (Treasury Representative) was appointed in place of Mr. M.K.P. Kumara, Mr. B.M.D.B. Basnayake & Mr. H.K.D.

Lakshman Gamini was appointed in place of Ms Keasila Jayawardena & Mr. M.T.J. Perera and Mr. M.P. Ajith Wasantha Peiris was retired on 08th November 2023. 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 2023. The Directors of the bank during the year 2023 were as follows:

- Mr. B.M.D.B. Basnayake Chairman
(Non-Independent Non-Executive Director)
- Mr. Saliya Dharmawardena
Treasury Representative
(Non-Independent Non-Executive Director)
- Mr. Hemantha Gamage
Senior Director (Independent Non-Executive)
- Mr. Prasad Imbulagoda
Director (Independent Non-Executive)
- Mr. Janaka Arunashantha
Director (Independent Non-Executive)
- Mr. M P Ajith Wasantha Peiris
Director
(Non-Independent Non – Executive Director)
- Mr. H K D Lakshman Gamini
Director
(Non-Independent Non-Executive Director)

Participation of the Board Meeting - 2023

Name of the Director	No of Meetings held during 2023	No of Meetings eligible to attend	No of Meetings Attended
Mr. B.M.D.B. Basnayake	13	06	06
Mr. Saliya Dharmawardena	13	08	08
Mr. Hemantha Gamage	13	12	12
Mr. Prasad Imbulagoda	13	12	12
Mr. Janaka Arunashantha	13	12	12
Mr. M.P.Ajith Wasantha Peiris	13	03	03
Mr. H.K.D. Lakshman Gamini	13	06	06

Directors' Interest in Contracts

The Directors have no direct or indirect interest in any contract or proposed contracts with the Bank except as disclosed in the Note No. 37 to financial statement.

Directors' 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 has endeavored to institute an effective and comprehensive system of internal control covering financial operations and compliance and risk management, required to carry on the business of banking in an orderly manner. In

order to manage the Bank's assets and liabilities and secure as far as possible the reliability of records and ensure accuracy.

Corporate Governance

Systems and procedures are in place to ensure that Corporate Governance is followed. Specific measures taken in this regard are elaborated on Page No. 29 of this Report.

Audit Committee

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

- Mr. Saliya Dharmawardena
- Mr. Hemantha Gamage
- Mr. Lakshman Gamini

The report of the Audit Committee is given on Page No. 99

Vision, Mission and Corporate Conduct

The Bank's Vision and Mission are given on Page No. 3 of this Report. The business activities of the Bank were conducted adhering of the highest level of ethical standards in order to achieve the Vision and Mission of the Bank.

Auditors

The Financial Statements for the year have been audited by Government Auditors. A resolution pertaining to ratification of appointment of Auditors has been proposed at the Annual General Meeting.

Staff

As at 31st December 2023 there were 95 members employed by the Bank. The composition of this number is as follows:-

Cadre position as at 31.12.2023	
Designation	Number of Employees
General Manager / CEO	1
Chief Manager	4
Senior Manager	5
Manager	2
Deputy Manager	5
Assistant Manager	15
Officer	26
Senior Bank Assistant	16
Bank Assistant	6
Senior Office Assistant	3
Office Assistant	3
Senior Driver	4
Driver	1
Senior Labourer	1
Labourer	1
Caretaker	1
Total	95

General Manager / Chief Executive Officer (CEO)

The General Manager is the Chief Executive Officer of the Bank and is appointed by the Board

of Directors. The General Manager /CEO attends meetings of the Board by invitation.

Going Concern

The Board of Directors is satisfied that the bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

Financial Statement

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

Profit and Appropriations (in thousands)

Year ended	31.12.2023 (Rs)
Profit before taxation	1,155,970
Taxation	397,250
Profit after taxation	758,720
Retained Profit /(loss) brought Forward	4,286,246
Profit available for Appropriation	758,720
Directors have made the Following appropriations : to reserve	(38,549)
Retained Profit carried Forward	5,006,417

Revenue

The total gross income of the Bank for the financial year ended 31st December 2023 was Rs. 1,670.7 Million. The analysis of income is given in Note 5, 6 & 7 to the Accounts.

Capital Expenditure

The total expenditure on the acquisition of Property, Plant & Equipment during the year amounted to Rs. 0.2 Million. Details of which are shown in Note 19 to the accounts.

Statutory Payments

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

Post Balance Sheet Events

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



By order of the Board,

D.R.N.U. Peramuna

Actg. Company Secretary

Sri Lanka Savings Bank Limited

Date: - 19.04.2024

Colombo.

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

Compliance

The Financial Statements of the Sri Lanka Savings Bank (the Bank), as at 31st December 2023 are prepared and presented in compliance with the following:

Sri Lanka Savings Bank incorporated under the provisions of the Companies Act No. 07 of 2007 and amendments thereto.

Finance Act No. 38 of 1971.

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

Banking Act No. 30 of 1988 and amendments thereto and Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL) there under relating to Financial Statements formats and disclosure of information.

Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

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

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

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

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

There were no changes to the accounting policies and methods of computation since the publication of the Annual Report for the year ended 31 December 2023. Accordingly, there was no necessity to amend comparative information to comply with the current presentation.

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

Responsibility of Internal Control and Procedures

We are responsible for establishing, implementing and maintaining internal controls and procedures

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

Directors' Statement on Internal Control over Financial Reporting is provided on page 103 of this Annual Report. The Auditor General have audited the effectiveness of the Internal Controls over financial reporting adapted by the Bank and have given an unqualified opinion is provided on page 106 of this Annual Report.

External Audit

The Financial Statements of the Bank was audited by the Auditor General. The Auditor General's Report on the Bank's Financial Statements is

given on pages 108 to 113 of this Annual Report. The Board Audit Committee, reviewed all Internal Audit and Inspection Programmes, the efficiency of internal control systems and procedures and also reviewed the Significant Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the Board Audit Committee report on pages 99 of this Annual Report. To ensure complete independence, the Auditor General and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

Confirmation

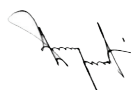
We confirm that to the best of our knowledge:

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

All taxes, duties, levies and all statutory payments payable by the Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank as at 31 December 2023 have been paid, or where relevant, provided for.



Sujith Fernando
General Manager/CEO



Eranjith Padma Kumara
Senior Manager (Finance and Planning)
31st March 2023
Colombo

CORPORATE GOVERNANCE

The Bank's Corporate Governance framework defines the structure of roles, practices and processes used to direct and manage the Bank. A strong and effective corporate governance framework has enabled the integrity, high performance and sustainability of the Bank. Corporate governance sets the Bank in the right direction, with a set of firmly established rules and procedures, governing every action and decision of the Bank.

Governance Frameworks

As a member of the financial market, bank has to comply with many rules, regulations, guidelines and directions. Those requirements can be divided as internal and external regulatory frameworks. The Bank has to ensure compliance to all applicable rules and regulations, without any violations.

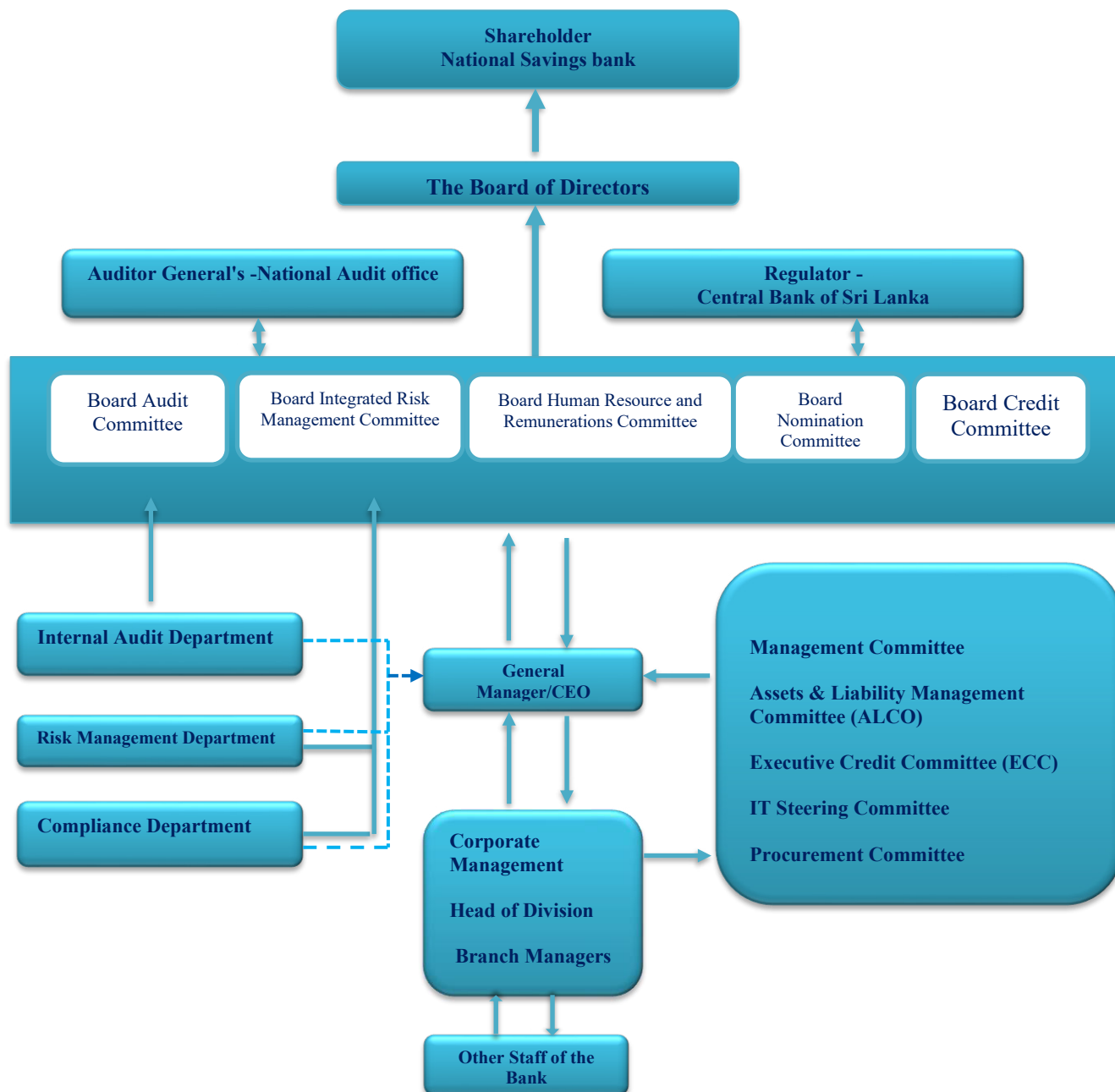
External Regulatory Frameworks

- Companies Act No. 7 of 2007
- Provisions of Banking Act No. 30 of 1988
- Banking Act Direction No. 12 of 2007 on Corporate Governance for LSBs
- Inland Revenue Act No. 24 of 2017
- Financial Transactions Reporting Act No. 06 of 2006
- Prevention of Money Laundering Act No. 05 of 2006
- Convention on the Suppression of Terrorist Financing Act No. 25 of 2005
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.
- Direction & circulars issued by the Secretary to the treasury on license specialized banks.

Internal Regulatory Frameworks

- Articles of Association
- Board-approved policies on all major operational aspects, Customer Charter, Manuals, TOR
- Internal controls, circulars and operational processes

Governance Structure of the Sri Lanka Savings Bank



Assurance

The Auditor General provides “True & Fair” opinion on the Financial Statements of the Bank and, provides an Independent Assurance Report on the Directors’ Statement on Internal Controls over Financial Reporting which are published in

this annual report. And also, National Audit Office certifies the level of compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Specialized Banks issued by the Central Bank of Sri Lanka.

The Board

The members of the Board of the Bank are appointed by the Secretary to the Treasury. The current Board comprises with Chairman and Non- Executive Directors. All Directors are eminent professionals of the State and private sector. The diverse range of skills and experience of the Non-Executive Directors enrich the Bank's risk management and control process. Profiles of the Directors are given on "Board of Directors" section of the Annual Report.

Role of the Board

The Board is responsible to provide leadership, oversight, control, development, and ensure long-term success of the Bank. The Board is also responsible for nurturing the right culture, instilling values and promoting ethical behavior throughout the Bank.

There is a formal schedule of matters reserved for the Board, which are reviewed regularly to ensure it remains current. The Board has delegated some of its responsibilities to Committees of the Board.

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

Board Composition

The present Board comprises of Six Directors who are eminent professionals in their chosen

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

Every Non-Executive Director submits a signed declaration of independence against the specified criteria and they are evaluated to ensure compliance with the criteria for determining independence. In the year under review, there were no circumstances that warranted the appointment of alternate Directors.

The Board has appointed an Independent Director as the Senior Director due to the Chairman not being an Independent Director. Mr. Hemantha Gamage was appointed as the Senior Director on 13-05-2020.

Board skills and expertise

Board skills and expertise as a financial intermediary, the Bank needs a broad range of skills to ensure the value creation in the interest of all stakeholders. The Board determines the required composition of skills in response to the rapidly changing environment and shifts in the Bank's long-term strategy.

Board Process

The Board meets at least once a month based on an agreed meeting schedule. Additional meetings are convened based on the requirements to do so. Directors regularly attend the meetings and

actively participate in the deliberations. Details of attendance at Board meetings are given on page 33. The Chairman is responsible for determining the agenda of meetings with assistance of the Secretary to the Board in consultation with the General Manager/CEO. The agenda is circulated to the Board members along with the relevant Board papers five days prior to the date of the Board meetings by the Secretary to the Board. This process allows the members of the Board for timely preparation for making deliberations and informed decisions. On exceptional situations, urgent Board papers are submitted at short notice or tabled during the meetings. Adequately detailed minutes of the meetings and the decisions made therein are maintained to access by Directors.

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

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

Conflicts of Interest

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

Holding of regular Board meetings

The Board meets at least once a month and additional meetings are convened based on necessity. The Board met thirteen (13) times during the year 2023.

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

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

Board Sub-committees

The Board is empowered through its Charter to delegate its powers, discretions and authorities to any committee or committees as it thinks fit to ensure that delegation promotes independent judgement and assists with the balance of power and effective discharge of duties. The Board

Committees are responsible for overseeing matters relating to their respective authorities within the remit of terms of reference. The Board however continues to retain the responsibility for committee decisions. Four mandatory committees; Board Audit Committee (BAC), Board Human Resource Remuneration Committee (BHRRC), Board Integrated Risk Management Committee (BIRMC) and Board Credit Committee (BCC) were formed as required by the Banking Act Direction No. 12 of 2007.

The attendance of each Director at Board meetings and respective committee meetings in 2023 are detailed below.

Name of the Director	Director status	Attendance at Committee Meetings Yr 2023				
		Board of Directors meetings	Board Audit Committee	Board Integrated Risk Management Committee	Board HR and Remuneration Committee	Board Legal & Recovery Committee
Ms. Keasila Jayawardena <i>Chairperson</i>	<i>Non-Executive Non-Independent</i>	07/07			01/01	02/03
Mr.D.M.D.B.Basnayake <i>Chairman</i>	<i>Non-Executive Non-Independent</i>	06/06			02/02	01/01
Mr.M.K.P.Kumara <i>Treasury Representative</i>	<i>Non-Executive Non-Independent</i>	01/01				
Mr.Saliya Dharmawardena <i>Treasury Representative</i>	<i>Non-Executive Non-Independent</i>	08/08	05/05	03/03	03/03	
Mr. Hemantha Gamage <i>Senior Director</i>	<i>Non-Executive Non-Independent</i>	12/13	06/06		03/03	03/03
Mr. Prasad Imbulagoda <i>Director</i>	<i>Non-Executive Non-Independent</i>	12/13		03/04		03/03
Mr. Janaka Arunashantha <i>Director</i>	<i>Non-Executive Non-Independent</i>	12/13		04/04		03/03
Mr. Jayantha Perera <i>Director</i>	<i>Non-Executive Non-Independent</i>	07/07	01/01		01/01	
Mr.Lakshman Gamini <i>Director</i>	<i>Non-Executive Non-Independent</i>	06/06	05/05			
Mr.Ajith Peiris <i>Director</i>	<i>Non-Executive Non-Independent</i>	03/03				
* Attendance : Number of meetings attended / Number of eligible meetings						

Appointment, Re-election and Resignation of Directors

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

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

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

Access to Information

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

Directors have unrestricted access to all information, as well as the Board acknowledges the need to obtain independent judgment from time to time, on certain matters. Accordingly, Board members are entitled to seek independent professional advice (including but not limited to legal, accounting, and financial advice) at the Bank's expense on any matter connected with the discharge of his/her duties and responsibilities.

Management Committees

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

Board's Role in Risk Management

The Board is cognizant of its responsibility for formulating and implementing appropriate and

adequate processes for risk management and sound internal control systems to safeguard shareholder interests and assets of the Bank. BAC assists the Board in relation to risk managements while BIRMC assists the Board in discharge of its duties with regard to risk management. BIRMC is supported by the Risk Management Department of the Bank. A comprehensive report on Bank's risk management process is included on pages 59 to 92.

Roles of Chairman and CEO

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

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

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

Role of Board Secretary

All Directors have access to the Board Secretary. The Board Secretary is responsible to the Board for ensuring all agreed procedures and applicable rules

and regulations are observed. In addition, the Board Secretary serves as the Secretary to all committees and maintains the minutes of all Board meetings and committee meetings. Other responsibilities of the Board Secretary include:

- Coordinating matters pertaining to the conduct of Board meetings and subcommittee meetings.
- Conducting proceedings in accordance with the relevant legislation
- Facilitating adoption of best practice on corporate governance including assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice.
- Acting as the communication liaison between Non-Executive Directors and Management.
- Ensuring appropriate disclosures on related parties and related party transactions in line with regulatory requirements

Directors and executive remuneration procedure

Board remuneration is decided according to guidelines set by the Ministry of Finance. No Director is involved in determining his/her own remuneration. The BHRRC makes recommendations to the Board pertaining to the remuneration and benefits of the CEO/GM and Key Management Personnel within agreed terms of reference and in accordance with the remuneration policies of the Bank, and the Collective Agreement. Remuneration is designed to attract, retain and motivate high performing,

qualified and experienced employees of the Bank. The Board in turn makes recommendations to the Minister of Finance who is the final authority for approval of their remuneration under the collective agreement.

The report of the BHRRC, disclosing the Statement of Remuneration Policy and the names of the Chairman and members of the BHRRC is given on page 93. The aggregate remuneration paid to the Directors is given on page 151.

Appraisal of the CEO

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

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

Independent judgment of Directors

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

Dedication of adequate time and effort by the Directors

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

Financial acumen

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

Circulation of information

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

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

Appraisal of Board performance

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

Disclosure of information in respect of Directors

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

- Name, qualifications, brief profile and the nature of expertise on pages 15 to 19.
- Number of Board and Board Sub-Committee meetings held in year 2023 and attendance on page 33.
- Names of committees in which the Director serves as the Chairman or a member on page 33.

Relations with shareholders

The Bank is a fully-owned subsidiary of National Savings Bank which is a Government owned Bank.

Major and material transactions

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

Financial reporting

The Annual Report presents a balanced review of the Bank's financial position, performance, and

prospects. Both narrative and visual elements have been used in presenting the information, to increase comprehension and clarity. The Bank takes every effort to ensure compliance with statutory requirement in the Annual Report and in the issue of interim communications on financial performance.

Code of Conduct and Ethics and Corporate Governance Report

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

Compliance with Banking Act Direction

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

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(1)	The responsibilities of the Board				
3(1)(i)	Procedures to be carried out to ensure the Board has strengthened the safety and soundness of the Bank				
	a) Check the Board approval of the bank's strategic objectives and corporate values. Check whether the Bank has communicated the bank's strategic objectives and corporate values throughout the Bank	Complied With			The Board of Directors has ratified the Strategic Plan for the years 2022 to 2026, formulated in 2021. However, operational activities of SLSB have been restricted by the Central Bank of Sri Lanka (CBSL) since January 5th, 2021, following the proposal for its merger with NSB. Consequently, the bank has been unable to pursue the approved Strategic Plan endorsed by the Board. Nevertheless, an Action Plan has been devised in accordance with the directives provided by the CBSL for the envisaged absorption of SLSB into NSB.
	b) Check the Board approval of the overall business strategy of the Bank. Check that the overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented. Check that the overall business strategy contains measurable goals, for at least the next three years.	Complied With			Board approved Strategic Plan, which includes the overall business strategy for the period 2022-2026. Board approved integrated Risk management policy includes Risk management procedures and mechanisms. Board periodically has reviewed the Risk Management Policy of the Bank.
	c) Check that the appropriate systems to manage the risks identified by the Board are prudent and are properly implemented.	Complied With			Board Integrated Risk Management Committee (BIRMC) takes initiative in assessing of all risks of the Bank.
	d) Check that the Board has approved and implemented policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied with			The Board has approved and implemented an effective communication policy with all stakeholders.
	e) Check that the Board has reviewed the adequacy and the integrity of the Bank's internal control systems and management information systems;	Complied with			The Board Audit Committee is assisting the Board which reviews the adequacy and integrity of the Bank's internal control system and management information system. The Internal Audit Division and the Government Audit reviews on the same and those are reviewed by Board Audit Committee and also the management responses on the same, during the year. The findings have been reported to the Board.
	f) Check that the Board has identified and designated key management personnel, as defined in the Sri Lanka Accounting Standards, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Complied with			Board has defined CEO, of the Bank and Key Management Personnel (KMPs) as defined in Bank Supervision Department. Guideline No. No 01 of 2019 issued on 19.12.2019 Board has further defined and designated the following categories as KMPs in line with the above Banking Act Determination. This consists of CEO/GM, Head of Finance, Head of HR, Compliance Officer, Head of Treasury, Head of Legal, Head of IT, Board Secretary, and any other officers falling under the definition of Section 2.1 of the above direction.
	g) Check that the Board has exercised appropriate oversight of the affairs of the Bank by key management personnel, that is consistent with Board policy	Complied with			Board has exercised appropriate oversight of the affairs of the Bank by key management personnel. KMPs are called by the Board to explain the matters under their purview as and when necessary.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	h) Check that the Board has defined the areas of authority and key responsibilities for the Board Directors themselves and for the key management personnel;	Complied with			There is clear segregation of authority and responsibilities between the Directors and the KMP. Board members are responsible for taking strategic decisions of the Bank. KMPs are responsible for carrying out the decisions made by the Board and for operations. Key responsibilities of the KMP are entirely operational based and are specified in their respective job descriptions.
	i) Check that the Board has periodically assessed the effectiveness of the Board Directors' own governance practices, including: (i) the selection, nomination and election of Directors and key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary	Complied with			A self-evaluation of the performance of the Board is carried out annually assessing its own governance practices. Related Party Transaction Policy is in place to manage the conflict of interest. Annual declarations of the Board of Directors in respect of related parties and their interests are obtained from Directors to monitor conflict, if any. A self-evaluation of the performance of the Board was carried out annually assessing its own governance practices where the same was done for the year 2023.
	j) Check that the Board has a succession plan for key management personnel.	Complied with			Board approved Succession Plan for KMPs is in place.
	k) Check that the Board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Complied with			Key Management Personnel are called regularly when the need arises by the Board to explain matters relating to their area of functions.
	l) Check that the Board has taken measures and processes in place to understand the regulatory environment and that the bank maintains a relationship with regulators	Complied with			Board has taken measures and processes in place to understand the regulatory environment and that the Bank maintains a relationship with regulators. CBSL Statutory Examination Report as at 31.12.2019 has been submitted to the Board for their information and to take actions where necessary. Attendance of the CEO at CBSL meetings further evidence the relationship maintained with the regulator. Summary report of the regulatory requirement, presents by the Compliance department to the Board every month.
	m) Check that the Board has a process in place for hiring and oversight of external auditors	Complied with			As per the 20th Amendments to the Constitution, Auditor General is the Auditor of the Bank. As per the Code of Best Practice on Corporate Governance, Terms of Reference, the Board Audit Committee (BAC), recommends the appointment and oversee the work of the external auditors.
3(1)(ii)	Check that the Board has appointed the Chairman and the Chief Executive Officer (CEO). Check that the functions and responsibilities of the Chairman and the CEO are in line with Direction 3(5) of these Directions.	Complied with			The secretary to the Finance Ministry appoints the Chairman of the Bank. Board shall appoint a fit and proper person to be the General Manager of the Bank who shall be the Chief Executive Officer of the Bank. Chairman and CEO's functions and responsibilities have been defined and approved by the Board. The responsibilities of Chairman and the CEO are defined and approved in line with the Section 3 (5) of this Direction.
3(1)(iii)	Check that the Board has met regularly and held Board meetings at least twelve times a year at approximately monthly intervals	Complied with			Board Meeting are held monthly while special meetings are scheduled on a needs basis. The Board has met 13 occasions during year 2023.
3(1)(iv)	Check that the Board has a procedure in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank	Complied with			As a practice, Directors include matters and proposals in the agenda for regular meetings.
3(1)(v)	Check that the Board has given notice of at least 7 days for a regular Board meeting to provide all Directors an opportunity to attend. And for all other Board meetings, notice has been given.	Complied with			Notice of meetings is given one week prior to the meeting via email. The agenda & Board Papers of the Board Meetings are circulated to the Directors 05 days prior to the meeting giving Directors time to attend & submit any urgent proposals.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(1)(vi)	Check that the Board has taken required action on Directors who have not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held. Participation at the Directors' meetings through an alternate director, however, to be acceptable as attendance.	Complied with			No Director has been absent for two-thirds of the meetings in the immediately preceding 12 months or three consecutive meetings.
3(1)(vii)	Check that the Board has appointed a company secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and carry out other functions specified in the statutes and other regulations.	Complied with			The Secretary to the Board of Sri Lanka Savings Bank is an Attorney-at-Law that complies with the provisions of Section 43 of the Banking Act No. 30 of 1988. The Board Secretary is primarily responsible for handling secretariat work to the Board and the other functions specified in the statutes and other regulations
3(1)(viii)	Check the process to enable all Directors to have access to advice and services of the company secretary.	Complied with			All Directors have access to advice & service of the Board Secretary who is responsible to the Board for follow up on Board procedures, compliance with rules & regulations & maintaining minutes & relevant records of the Bank.
3(1)(ix)	Check that the company secretary maintains the minutes of board meetings and there is a process for the Directors to inspect such minutes.	Complied with			The Secretary to the Board prepares the minutes of the Board meetings and circulates same to all Board members. The minutes are reviewed and approved by the Board members at the next Board meeting after incorporating any amendments/inclusions proposed by the Directors.
3(1)(x)	Check that the minutes of a Board meeting contain or refer to the following a) a summary of data and information used by the Board in its deliberations. b) the matters considered by the Board c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence d) the matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations e) the understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and f) the decisions and Board resolutions	Complied with			Detailed Board minutes contain the required details such as individual views of the members, ultimate decision of the Board, complies with strategies and policies of the Bank and further on data, reports and information used by the Board members in arriving at the decisions
3(1)(xi)	Check that there are procedures agreed by the Board to enable Directors upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense.	Complied with			Board approved policy is in place to seek independent professional advice in appropriate circumstances, at the Bank's expense.
3(1)(xii)	Check that there is a procedure to determine, report, resolve and to take appropriate action relating to Directors' avoid conflicts of interests, or the appearance of conflicts of interest.	Complied with			The Directors make declarations of their interest at appointment and when there is a change. Related Party Disclosure Policy is in place that details on the conflict of interest and the matters and actions to be taken on such situations.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	Check that a director has abstained from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern in which a director has substantial interest, is interested Check that has he/she been counted in the quorum for the relevant agenda item at the Board meeting.				
3(1)(xiii)	Check that the Board has a formal schedule of matters specifically reserved to it for decision to identify the direction and control of the bank is firmly under its authority	Complied with			The Board has formal schedule of matters reserved for their attention and a delegation of Authority ensures that the direction and control of the Bank is firmly under Board's control and authority.
3(1)(xiv)	Check that the Board has forthwith informed the Director of Bank Supervision of the situation of the bank prior to taking any decision or action, if it considers that the procedures to identify when the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.	Complied with			The Bank is solvent, and no such situation has arisen during the year to challenge its solvency.
3(1)(xv)	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.			Not Applicable	The Board monitors capital adequacy and other prudential measures to ensure compliance with regulatory requirements. Due to proposed acquisition of SLSB by NSB, Bank does not need to be complied with the minimum capital adequacy requirements as at 31st December 2023. During the Board of Directors (BOD) meeting, the matter concerning the capital requirement of the bank was deliberated upon. It was duly acknowledged that the NSB (National Savings Bank) provided a letter aimed at addressing the capital shortfall of SLSB upon evaluation of its performance.
3(1)(xvi)	Check that the Board publishes, in the bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.	Complied with			
3(1)(xvii)	Check that the Board adopts a scheme of self-assessment to be undertaken by each director annually, and maintains records of such assessments.	Complied with			The Bank has adopted a scheme of self-assessment to be undertaken by every Director, annually which is maintained by the Secretary to the Board. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual and the effectiveness of the Board as a whole.
3(2)	The Board's Composition				
3(2)(i)	Check that the Board comprise of not less than 7 and not more than 13 Directors				There were 10 Board of Directors time to time in the Board, but 7 Directors were maximum in any Board which existed in the year 2023. As at 31st December 2023, Board comprises 06 Directors including the Chairman. It contain 3 Independent Directors
3(2)(ii)	(A) Check that the total period of service of a director other than a director who holds the position of CEO, does not exceed nine years	Complied with			None of the Directors has exceeded the service of nine years during the year 2023. All the Directors have been appointed by the Secretary to the Treasury.
	(B) In the event of any director serving more than 9 years, check that the transitional provisions have been applied with.			Not Applicable	
3(2)(iii)	Check that the number of Executive Directors including the CEO does not exceed one-third of the number of Directors of the Board.	Complied with			All Directors are Non-Executive Directors and appointed by the Secretary to the Treasury.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(2)(iv)	Check that the Board has at least three independent Non-Executive Directors or one third of the total number of Directors whichever is higher Check if Non-Executive Directors can be considered Independent if he/she:	Complied with			Board comprises of Three Non-Executive Independent Directors. The Board comprised an adequate number of Independent Non-Executive Directors to comply with the direction during the current year.
a)	Holds a direct and indirect share holdings of more than 1 per cent of the bank;				
b)	Currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction 3(7) hereof, exceeding 10 per cent of the regulatory capital of the bank.				
c)	Has been employed by the bank during the two year period immediately preceding the appointment as director.				
d)	Has had a close relation; who is a director, CEO, a member of key management personnel, a material shareholder of the bank or another bank. (For this purpose, a "close relation" means the spouse or a financially dependent child)				
e)	Represents a specific stakeholder of the bank.				
f)	Is an employee or a director or a material shareholder in a company or business organization: I. which currently has a transaction with the bank as defined in Direction 3(7) of these Directions, exceeding 10 per cent of the regulatory capital of the bank, or II. In which any of the other Directors of the bank are employed or are Directors or are material shareholders; or III. In which any of the other Directors of the bank have a transaction as defined in Direction 3(7) of these Directions, exceeding 10 per cent of regulatory capital in the bank.				Mr. Ajith Peiris was a Non-Executive Director of the bank in the year 2023, who was the GM/CEO of the parent company- NSB at the same period. Directors are appointed to the Bank by the Secretary to the Treasury.
3(2)(v)	In the event an alternate director was appointed to represent an independent director, Check the person so appointed meet the criteria that applies to the independent director			Not Applicable	No alternative Director was appointed during the year 2023
3(2)(vi)	Check that the bank has a process for appointing independent Directors	Complied with			All Directors are Non-Executive Directors. Independent Directors are appointed by the Secretary to the Treasury.
3(2)(vii)	Check that the stipulated quorum of the bank includes more than 50% of the Directors and out of this quorum more than 50% should include Non-Executive Directors	Complied with			According to the Articles of Association (AOA), a quorum for meeting of the Board is four (04), if the total number of Directors is 7 and more than half the number of Directors should be present to constitute a quorum. All the Directors of the Bank are Non-Executive Directors.
3(2)(viii)	Check that the bank discloses the composition of the Board, by category of Directors including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the annual corporate governance report.	Complied with			Composition of the Board, including the names of the Chairman, Non-Executive Independent Directors and Non-Executive Non-Independent Directors have been disclosed in the Annual Report.
3(2)(ix)	Check the procedure for the appointment of new Directors to the Board.	Complied with			Appointment of the Directors is done by the Secretary to the Treasury as per the Articles of Association (AOA).

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(2)(x)	Check that all Directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment			Not Applicable	This does not arise since the Directors are appointed by the Secretary to the Treasury.
3(2)(xi)	Check if a director resigns or is removed from office, the Board: (a) announce the director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the bank, if any; and (b) Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Complied with			Director can resign by writing a letter to Secretary to the Treasury. The Secretary to the Treasury can also remove a Director. Directors' resignation and the reason for such resignation are duly informed to CBSL.
3(2)(xii)	Check, if there is a process to identify whether a director or an employee of a bank is appointed, elected or nominated as a director of another bank.	Complied with			Neither Directors nor employees of the Sri Lanka Savings Bank are appointed as Directors of another Bank.
3(3)	Criteria to assess the fitness and propriety of Directors				
3(3)(i)	Check that the age of a person who serves as director does not exceed 70 years	Complied with			None of the Directors of the Bank are over 70 years of the age as at 31st December 2023.
	a) Check that the transitional provisions have been complied with.			Not Applicable	
3(3)(ii)	Check if there is a process to identify whether a director holds office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.	Complied with			None of the Directors holds Directorships of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank during the year.
3(3)(iii)	Check that a Director or a Chief Executive Officer of a licensed Bank operating in Sri Lanka shall not be appointed as a Director or a Chief Executive Officer of another licensed Bank, operating in Sri Lanka before the expiry of a period of 6 months from the date of cessation of his/her office at the previous Bank.	Complied with			No such situation has arisen during the year.
3(4)	Management functions delegated by the Board				
3(4)(i)	Check that the delegation arrangements have been approved by the Board.	Complied with			Delegation of authority is in place. The Board reviews and approves the delegation arrangements and ensures that the extent of delegation addresses the needs of the Bank while enabling the Board to discharge its functions effectively without any hindrances.
3(4)(ii)	Check that the Board has taken responsibility for the matters in 3 (1) (i) even in the instances such actions are delegated.	Complied with			The Board has delegated its authority to KMPs through the CEO subject to final responsibility being retained with them.
3(4)(iii)	Check that the Board review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.	Complied with			The delegated powers are reviewed periodically by the Board.
3(5)	The Chairman and Chief Executive Officer				
3(5)(i)	Check that the roles of Chairman and CEO is separate and not performed by the same individual	Complied with			There is a clear separation of duties between the roles of the Chairman and the General Manager/CEO.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(5)(ii)	Check that the Chairman is a Non-Executive director and preferably an independent director as well. In the case where the Chairman is not an independent director, check that the Board designate an independent director as the senior director with suitably documented terms of Reference. Check that the designation of the senior director be disclosed in the bank's Annual Report.	Complied with			Chairman of the Bank is a Non- Independent Non-Executive Director. Mr.Hemantha Gamage who is an Independent Non-Executive Director had been appointed as Senior Director to comply with the direction of corporate governance.
3(5)(iii)	Check that the Board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the CEO and Board members and the nature of any relationships including among members of the Board.	Complied with			Bank has a process in this regard. The Board is cognizant that there are no relationships of any kind of financial, business, family, any other material/relevant relationship between the Chairman and the General Manager/CEO. Also, there are no relationships among the other Board Members.
3(5)(iv)	Check that the Board has a self-evaluation process where the Chairman: a).provides leadership to the Board; b).ensures that the Board works effectively and discharges its responsibilities; and c).ensures that all key and appropriate issues are discussed by the Board in a timely manner.	Complied with			The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibilities. The Board in a timely manner discusses all key issues.
3(5)(v)	Check that a formal agenda is circulated by the company secretary approved by the Chairman.	Complied with			The Secretary to the Board draws up the agenda for the meetings in consultation with the Chairman.
3(5)(vi)	Check that the Chairman ensures, through timely submission that all Directors are properly briefed on issues arising at Board meetings	Complied with			The Chairman ensure, that all Directors are properly briefed on issues arising at Board meetings. Agenda and Board papers are circulated to the Directors giving adequate time for them to go through the papers. Minutes of previous month's Board meeting are distributed to the Board members and tabled at the subsequent Board meeting for ratification/approval.
3(5)(vii)	Check that the Board has a self-evaluation process that encourages all Directors to make a full and active contribution to the board's affairs and the Chairman taking the lead to act in the best interest of the bank.	Complied with			The bank has a process of self- assessment which is carried out during the year to evaluate individual Director's performance of preceding year.
3(5)(viii)	Check that the Board has a self-evaluation process that assesses the contribution of Non-Executive Directors	Complied with			Self-evaluation process covers the contribution of Non-Executive Directors.
3(5)(ix)	Check that the Chairman engages in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied with			Chairman is a Non-Executive Director and he is not involved directly in executive functions to supervise KMPs or any other executive duties whatsoever.
3(5)(x)	Check that there is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with			Board maintains effective communication with the NSB who is the main shareholder of the Bank (Parent company). CEO of the NSB was a Non- Executive director of the Bank in the year 2023.
3(5)(xi)	Check that the CEO functions as the apex executive-in charge of the day-to-day management of the bank's operations and business.	Complied with			As per the functions and responsibilities of the CEO, he is the apex executive-in-charge of the day-to-day management of the Bank's operations and business.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(6)	Board appointed committees				
3(6)(i)	Check that the bank has established at least four Board committees as set out in Directions 3(6) (ii), 3(6) (iii), 3(6) (iv) and 3(6) (v) of these Directions. Check that each Board committee report is addressed directly to the Board. Check that the Board presents in its annual report, a report on each committee on its duties, roles and performance.	Complied with			The Bank has established five Board committees namely, Audit Committee, Human Resources and Remuneration Committee, Board Credit Committee, Legal & Recovery Committee and Integrated Risk Management Committee. Reports/minutes of such committees are submitted and tabled at the Main Board for the information and review by the Board. The Secretary to the Board serves as the Secretary to all Board subcommittees who arranges the meetings and maintain minutes, records etc.
3(6)(ii)	Audit Committee:				
	(a) Check that the Chairman of the committee is an Independent Non-Executive director and possesses qualifications and related experience	Complied with			The Chairman of the Audit Committee is a Non- Independent Non-Executive Director who represents the General Treasury. The Chairman of the Board Audit Committee holds required qualifications and experience. Profile of the Chairman of the Committee is disclosed in the annual report.
	(b) Check that all members of the committee are Non-Executive Directors	Complied with			All members of the Committee are Non-Executive Directors.
	(c) Check that the committee has made recommendations on matters in connection with: i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; ii) the implementation of the Central Bank guidelines issued to auditors from time to time; iii) the application of the relevant accounting standards; and iv) the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied with			Auditor General is the External Auditor of the Bank as per the statutes. Hence, the Committee has no role to play in the engagement of the External Auditor. As per the Terms of Reference, the Board Audit Committee makes the following recommendations among others: • Implementation of Central Bank guidelines issued to Auditors from time to time • The application of relevant accounting standards
	(d) Check that the committee has obtained representations from the external auditor's on their independence, and that the audit is carried out in accordance with SLAuS.	Complied with			Since the Auditor General is the External Auditor the independence and objectivity are maintained and guaranteed by the Constitution of Sri Lanka. Effectiveness of the audit process is discussed with the Superintendent of the Government Audit at the Board Audit Committee meetings.
	(e) Check that the committee has implemented a policy on the engagement of an external auditor to provide non-audit services in accordance with relevant regulations.			Not Applicable	The Auditor General is the External Auditor of the Bank.
	(f) Check that the committee has discussed and finalized, the nature and scope of the audit, with the external auditors in accordance with SLAuS before the audit commences.			Not Applicable	The scope and the extent of audit have been determined by the Auditor General as the External Auditor.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	(g) Check that the committee has a process to review the financial information of the bank, in order to monitor the integrity of the financial statements of the bank, its annual report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following i) major judgmental areas; ii) any changes in accounting policies and practices; iii) the going concern assumption; and iv) the compliance with relevant accounting standards and other legal requirements, and; v) in respect of the annual financial statements the significant adjustments arising from the audit.	Complied with			Committee has a process to review the financial information of the Bank quarterly and annually. Audited financial statements and the reports prepared for disclosure are presented to the Committee by the head of finance .
	(h) Check that the committee has met the external auditors relating to any issue in the absence of the executive management with relation to the audit.	Complied with			The BAC discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at the Committee meetings throughout. There were 2 BAC meetings without Executive management of the SLSB within the Year.
	(i) Check that the committee has reviewed the external auditor's management letter and the management's response thereto.	Complied with			Committee has reviewed Auditor General's reports submitted in the form of audit queries (Management letter) together with replies submitted by the Bank.
	(j) Check that the committee shall take the following steps with regard to the internal audit function of the bank: i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; v) Check that the committee is appraised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	Complied with Complied with Complied with Complied with			The Annual Audit Plan for the year 2023 prepared by the Internal Audit Division was submitted to the BAC was approved which includes the scope, functions and resource requirements relating to the plan. The Committee reviews the internal audit plan and the results of the internal audit procedures and ensures that appropriate actions are taken for improvements. Performance appraisal of Internal Auditor and the work process and results of the internal audit function are generally evaluated by the Audit Committee. Performance evaluation of senior staff is carried out according to the Board approved evaluation process by the Senior Internal Auditor and is tabled before the Board Audit Committee. Due to retirement of the head of Internal audit , appointed a new Head of internal Audit who was in senior manager grade. Decision taken by the Board Audit committee and it has confirmed by the BOD. No such situation has arisen during the year.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	vi) check that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency, and due professional care;				Internal Audit Department has confirmed the independence of the Internal Audit activity with Reference to provisions of the Internal Audit Charter of the Bank. As per BAC minutes the Internal Audit Department performs with impartiality, proficiency, and due professional care.
	(k) Check the minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	Complied with			The Board Audit Committee has reviewed major findings of Internal Audit and Management's responses thereto. It also ensures that the recommendations of such investigations were implemented.
	(l) Check whether the committee has had at least two meetings with the external auditors without the Executive Directors being present.	Complied with			Committee has had 2 meetings with the external auditors on 17th Nov & 08th Dec 2023 without the Executive Directors and KMP's.
	(m) Check the terms of Reference of the committee to ensure that there is; I) explicit authority to investigate into any matter within its terms of Reference; II) the resources which it needs to do so; III) full access to information; and IV) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary	Complied with			According to the Term of Reference, Board Audit Committee has been empowered the matters.
	(n) Check that the committee has met, at least four times and maintained minutes.	Complied with			BAC has held 6 meetings during the year 2023 and minutes of such meetings are maintained by the Board Secretary.
	(o) Check that the Board has disclosed in the annual report, I) details of the activities of the audit committee; II) the number of audit committee meetings held in the year; and III) details of attendance of each individual director at such meetings	Complied with			Details of the activities, Number of Audit Committee and attendance of the Audit Committee are disclosed in "Board Audit Committee Report" of the Annual Report 2023.
	(p) Check that the secretary of the committee is the company secretary or the head of the internal audit function.	Complied with			The Secretary to the Board of Sri Lanka Savings Bank acts as Secretary to the BAC and detailed minutes are maintained.
	(q) Check that the "whistle blower" policy covers the process of dealing with; I) The improprieties in financial reporting, internal control or other matters. II) In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and III) Appropriate follow-up action.	Complied with			Whistle Blowing Policy has been reviewed and approved in the Board for year 2023.
3(6)(iii)	Does the following rules apply in relation to the Human Resources and Remuneration Committee				
	a) Check that the committee has implemented a policy to determine the remuneration (salaries, allowances and other financial payments) relating to Directors CEO and key management personnel of the bank by review of the "Terms of Reference" and minutes	Complied with			Remuneration of the Directors are decided by the guidelines set up by the Ministry of Finance. Committee has implemented a Compensation/Remuneration Policy to determine the remuneration (salaries, allowances, and other financial payments) relating to CEO and KMPs basis on collective agreement.
	b) Check that the goals and targets for the Directors CEO and the key management personnel are documented.	Complied with			Goals and targets for the CEO/GM and KMPs are set based on the Strategic Plan and linked to Key Performance Indicators.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	c) Check that the committee has considered evaluations of the performance of the CEO and key management personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives	Complied with			Board Human Resource and Remuneration Committee (BHRRC) evaluates the performance of the CEO and KMPs .
	d) Check that the “Terms of Reference” provides that the CEO is not present at meetings of the committee, when matters relating to the CEO are being discussed by reviewing the minutes	Complied with			According to the Terms of Reference of the BHRRC, CEO shall be present at all meetings of the committee, except when matters relating to the CEO being discussed.
3(6)(iv)	Does the following rules apply in relation to the Nomination Committee:				
	a) Check that the committee has implemented a procedure to select/appoint new Directors CEO and key management personnel	Complied with			Directors are appointed by the Secretary to the Treasury. Main functions of the Board Nomination Committee are to be implemented a procedure to select/appoint CEO/GM and senior management personnel to set the criteria.
	b) Check that the committee has considered and recommended (or not recommended) the re-election of current Directors			Not Applicable	This requirement does not arise since Directors are appointed by the Secretary to the Treasury.
	c) Check that the committee has set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and the key management personnel, by review of job descriptions	Complied with			Board has approved the selection criteria such as qualifications, experience, and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and Key Management Personnel) included in their job descriptions. Further, Committee has granted approval for the evaluation criteria for the selection and appointment of KMPs in the Bank.
	d) Check that the committee has obtained from the Directors CEO and key management personnel signed declarations that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes.	Complied with			Signed affidavit and declarations of Directors and General Manager/ CEO are obtained by the Board Secretary and the same are obtained from the KMPs by the Human Resource Development Division and forwarded to the Central Bank for assessing the fitness and propriety at the time of appointment.
	e) Check that the committee has considered a formal succession plan for the retiring Directors and key management personnel.	Complied with			Board of Directors are appointed by the Secretary to the treasury. Board approved Succession Plan for CEO and Key Management Personnel is in place.
	f) Check that the Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied with			Majority of Nomination Committee constituted with independent Directors. The CEO is present at meeting by invitation.
3(6)(v)	Does the following rules apply in relation to the Integrated Risk Management Committee (IRMC):				
	a) The committee shall consist of at least three Non-Executive Directors CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee.	Complied with			Committee consists of three Non-Executive Directors, CEO/GM, Acting Risk & Compliance Officer and Company Secretary (Secretary to the Committee). Other KMPs who supervises credit, market, liquidity, operational, reputational and strategic risks are invited to attend the meeting on a regular basis.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	b) Check that the committee has a process to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	Complied with			The Board has approved the Policies on Credit Risk Management, Market and Liquidity Risk Management, Operational Risk Management on the recommendation of the BIRMC that provides the framework for assessment and management of risks. The Risk Management Division submits monthly reports on risk indicators on the predefined risk appetite levels which are reviewed by the Committee. The report discussed at the BIRMC contains Credit risk, Liquidity risk, Strategic risk of the bank.
	c) Check that the committee has reviewed specific quantitative and qualitative risk limits for all management level committees such as the credit committee and the asset-liability committees, and report any risk indicators periodically.	Complied with			The Committee reviews reports of management level committees such as the Credit Committee, the Asset and Liability Management Committee (ALCO) to assess the adequacy and effectiveness in addressing specific risks and to ensure those risks are managed within quantitative and qualitative risk limits as specified by the risk appetite level of the Bank which reviewed on a regular basis.
	d) Check that the committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	Complied with			The Committee takes prompt corrective actions to mitigate the effects of specific risks in situations where such risks are beyond prudent levels decided by the Board on recommendations of the Committee based on the regulatory and policy level requirements.
	e) Check how many times the committee has met at least quarterly	Complied with			The committee meets on quarterly basis and BIRMC has held Four (04) Committee during the financial year 2023. Details of meetings and attendance are given in the Annual Report.
	f) Check that the committee has reviewed and adopted a formal documented disciplinary action procedure with regard to officers responsible for failure to identify specific risks.				The Bank has established a disciplinary action procedure to address such issues. No necessities have arisen during the year.
	g) Check that the committee submits a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.	Complied with			The detailed minutes of the meetings are submitted to the next immediate Board meeting along with the comments and the summary of the Risk Management Reports.
	h) Check that the committee has establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations and that there is a dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.	Complied with			The Compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on areas of business operations. This function is headed by the Compliance Officer (CO). CO submits reports periodically to the BIRMC/BAC&BOD.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(7)	Related party transactions				
3(7)(i)	Check that there is an established and documented process by the Board to avoid any conflicts of interest that may arise from any transaction of the bank with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction: a) Any of the bank’s subsidiary companies; b) Any of the bank’s associate companies; c) Any of the Directors of the bank; d) Any of the bank’s key management personnel; e) A close relation of any of the bank’s Directors or key management personnel; f) A shareholder owning a material interest in the bank; g) A concern in which any of the bank’s Directors or a close relation of any of the bank’s Directors or any of its material shareholders has a substantial interest.	Complied with			The Board approved Related Party Transactions Policy is in place covering related parties, their transactions and restrictions on offering more favourable treatment to related parties in order to avoid any conflict of interest by the Board of Directors.
3(7)(ii)	Check that there is a process to identify and report the following types of transactions been identified as transactions with related parties that is covered by this Direction. 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	Complied with			Board approved documented policy in place which identifies types of related party transactions and for the Bank to avoid any conflicts of interest that may arise from any transaction with the related parties.
3(7)(iii)	Does the Board have a process to ensure that the bank does not engage in transactions with related parties as defined in Direction 3(7) (i) above, in a manner that would grant such parties “more favorable treatment” than that accorded to other constituents of the bank carrying on the same business.	Complied with			As per the Board approved policy, which identifies types of related party transactions and to ensure that the Bank does not engage in such transactions in a manner that would grant such parties “more favourable treatment” than that accorded to other constituents of the Bank carrying on the same transaction with the Bank.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	a) Granting of “total net accommodation” to related parties, exceeding a prudent percentage of the bank’s regulatory capital, as determined by the Board. For purposes of this sub-direction: I. “Accommodation” shall mean accommodation as defined in the Banking Act Directions, No.7 of 2007 on Maximum Amount of Accommodation. II. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank’s share capital and debt instruments with a maturity of 5 years or more.				
	b) Charging of a lower rate of interest than the bank’s best lending rate or paying more than the bank’s deposit rate for a comparable transaction with an unrelated comparable counterparty.				
	c) Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties.				
	d) Providing services to or receiving services from a related-party without an evaluation procedure.				
	e) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.				
3(7)(iv)	Check that the bank has a process for granting accommodation to any of its Directors and key management personnel, and that such accommodation is sanctioned at a meeting of its Board of Directors with not less than two-thirds of the number of Directors other than the director concerned, voting in favor of such accommodation and that this accommodation be secured by such security as may from time to time be determined by the Monetary Board as well	Complied with			This requirement is documented in the Board approved Related Party Transactions Policy. No such situation has arisen during the year.
3(7)(v)	a) Check that the bank has a process, where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a director of the bank, that steps have been taken by the bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a director.	Complied with			The Secretary to the Board obtains declarations from all the Directors prior to the appointment as a Director and they are requested to declare any further transactions. Employees of the Bank are aware of the requirement to obtain the necessary security as defined by the Monetary Board, if a need arises. There is a formal procedure in the Board approved policy of the Bank.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
	b) Check where such security is not provided by the period as provided in Direction 3(7) (v) (a) above, has the bank taken steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such director, whichever is earlier. c) Check that there is a process to identify any director who fails to comply with the above sub-directions be deemed to have vacated the office of director and has the bank disclose such fact to the public. d) Check the process in place to ensure clause 3 (7) (v) (c) does not apply to any director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.				
3(7)(vi)	Check that there is a process in place to identify when the bank grants any accommodation or “more favorable treatment” relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3(7)(v) above.	Complied with			As per the Board approved policy, there is a process in place at the Bank in this regard. No accommodation has been granted to employees on a favorable basis other than the general schemes applicable to all employees of the Bank, such as staff loan facilities.
3(7)(vii)	Check that there is a process to obtain prior approval from the Monetary Board for any accommodation granted by a bank under Direction 3(7) (v) and 3(7) (vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary Board and any remission without such approval is void and has no effect.	Complied with			As per the Board approved policy, there is a process in place at the Bank in this regard.
3(8)	Disclosures				
3(8)(i)	Check that the Board has disclosed: a) Annual audited financial statements prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English. b) Quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with			Annual Audited Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable Accounting Standards. Quarterly financial statements have been published in the newspapers in abridged form, in Sinhala, Tamil and English.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
3(8)(ii)	Check that the Board has made the following minimum disclosures in the Annual Report:				
a)	The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with			Disclosure on the compliance with applicable accounting standards and regulatory requirements in preparation of the Annual Audited Financial Statements have been made on the Statement of Directors Responsibility for Financial Reporting.
b)	The report by the Board on the bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with			Report by the Board on the Bank's internal control mechanism has been disclosed in the "Directors' Statement on Internal Control over Financial Reporting" in the Annual Report 2023.
c)	Check that the Board has obtained the external auditor's report on the effectiveness of the internal control mechanism referred to in Direction 3(8) (ii) (b) above.	Complied with			"Auditor General's Assurance Report" on Internal Controls, disclosed in the Annual Report of year 2023.
d)	Details of Directors including names, qualifications, age, experience fulfilling the requirements of the guideline fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank.	Complied with			Profiles of the all Directors are disclosed in the Annual Report. Remuneration paid for the Directors included in the Note 37, Notes to the Financial Statements.

S. No.	Details	Complied	Not Complied	Not Applicable	Reference -Level of Compliance of SLSBL
e)	Total net accommodation as defined in 3(7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital	Complied with			The net accommodations granted as a percentage of Bank's regulatory capital are given in Note 37 to the Financial Statements.
f)	The aggregate values of remuneration paid by the bank to its key management personnel and the aggregate values of the transactions of the bank with its key management personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the bank.	Complied with			Details are given in Note 37, Notes to the Financial Statements.
g)	Check that the Board has obtained the external auditor's report on the compliance with Corporate Governance Directions.	Complied with			The Bank has obtained a certificate from the Auditor General on the level of compliance with the Corporate Governance Direction No. 12 of 2007. All findings of the Auditor have been incorporated in this Corporate Governance Report.
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliance	Complied with			"The Director's statement on Internal Control for Financial Reporting" disclosed in the Annual Report year 2023.
i)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the bank to address such concerns.			Not applicable.	There were no supervisory concerns on lapses in the Bank's risk management or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision of CBSL and therefore, the Monetary Board has not directed any disclosures to be made public during the year.

Compliance requirement of the Corporate Governance Direction No. 12 of 2007

The Auditor General has performed procedures in accordance with the principles set out in Sri Lanka Standards on Related Services 4,400 – Engagements to Perform Agreed – Upon procedures regarding financial information issued by The Institute of Chartered Accountants of Sri Lanka to meet the compliance requirements of the Direction No. 12 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka. His findings given on his report dated 02.07.2024 were not materially different to the matters disclosed above and did not identify any significant inconsistencies to those reported above by the Board.



Ms. D.R.N.U. Peramuna
Secretary to the Board



Mr. B.M.D.B. Basnayake
Chairman

Auditor General's Report on Corporate Governance



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/A/SLSBL/2023/CG/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

07-July 2024

The Chairman

Sri Lanka Savings Bank Limited

Auditor General's Report of Factual Findings of Sri Lanka Savings Bank Limited on the compliance requirement of the Corporate Governance Directive issued by the Central Bank of Sri Lanka – 31 December 2023.

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

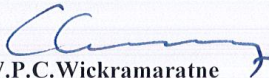
I report my findings in the attached Annexure - I to this report.

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

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

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

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


W.P.C. Wickramaratne
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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Compliance with the code of best practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

Code reference /Corporate governance principle	Level's of Compliance
A.Directors	
A.1 The Board	All Directors are Non- Executive Directors and appointed by the Secretary to the Treasury.
A.1.1 Regular meetings	Board Meeting are held monthly while special meetings are scheduled on a needs basis. The Board had met 13 occasions during 2023.
A.1.2 Roles and Responsibilities of the Board	The overall responsibility for the good governance of the Bank and details provided in the Corporate Governance Report & Directors' Statement report.
A.1.3 Compliance with laws and access to independent professional advice	The Board has an approved procedure in place to obtain independent professional advice and the expenses thereon are borne by the Bank.
A.1.4 Board Secretary	The Board Secretary is an Attorney-at-Law. All Directors have access to the Board Secretary. Further, she provides the Board with support and advice relating Board procedures and applicable rules and regulations. The appointment and the removal of the Secretary to the Board is a matter involving the whole Board.
A.1.5 Independent judgement	The Board of Directors of the Bank are experts in their fields and bring independent judgment in discharging their duties and responsibilities on matters relating to strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
A.1.6 Dedication of adequate time and effort by the Board and Board Committees	The Chairman and members of the Board have dedicated adequate time for the fulfillment of their duties as Directors of the Bank. The Board met at least once a month and followed up on issues of the previous meeting. They have attended Subcommittee meetings also.
A.1.7 Calls for resolutions	Board of Directors have an ability to call for resolutions.
A.1.8 Training of Directors	Directors are appointed by the Secretary to the Treasury and provides adequate trainings. The Board participated in a virtual meeting conducted by the Central Bank.
A.2 Chairman and Chief Executive Officer (CEO)	The positions of the Chairman and the Chief Executive Officer have been separated in line with the best practices in order to maintain the balance of power and authority. Chairman of the Bank is a Non-Executive Director while CEO is not a member of the Board.

A.3 Chairman's role	The Chairman provides the leadership role in order to preserve good governance and facilitates the effective functioning of the Board. The Chairman of Sri Lanka Savings Bank is a Non-Executive Director appointed by the Secretary to the Treasury.
A.4 Financial acumen	There is sufficient financial acumen on the Board and some of the Directors have professional qualification on finance/accounting or Management.
A.5 Board balance	The Board of the Bank comprises of ten Non-Executive Directors appointed by the Secretary to the Treasury time to time. However, 7 Directors were the maximum, Board meet at any time. It contained six Non-Independent and four Independent Directors. As at 31st December 2023, it was three Independent and three Non-Independent Directors. The Board of Directors annually submits a signed and dated declaration.
A.6 Supply of information	The Board papers were circulated to the Directors at least a week before the respective Board meetings. The Management provides appropriate and timely information to the Board generally.
A.7 Appointments to the Board	All Directors are appointed by the Secretary to the Treasury.
A.8 Re-appointment	As per the Article of Association of the Bank, the term of Directors valid as per Appointment offered by the treasury. No Director resigned during the year.
A.9 Appraisal of Board performance	Self-assessments by Board of Directors is done annually and Board assess their own performance to ensure that the Board is discharging their responsibilities satisfactorily. The Directors fill the self-evaluation form annually.
A.10 Disclosure of information in respect of Directors in the Annual Report	The details of Directors such as name, qualifications, expertise, Executive, Non-Executive and/or Independent, Non-Independent and related party transactions are disclosed in this Annual Report.
A.11 Appraisal of Chief Executive Officer (CEO)/General Manager	Performance of the General Manager/CEO is assessed annually based on the financial and non-financial target given in the strategic business plan with the assistance of BHRRC. The final report is submitted to the Board.
B.Directors' remuneration	
B.1 Directors' remuneration	The Directors' remuneration is decided by the Finance Ministry/ Secretary to the Treasury.
B.2 Level and make up of remuneration	The Directors' "Level and make up of remuneration" is decided by the Finance Ministry/ Secretary to the Treasury.
B.3 Disclosure of remuneration	Details of the Directors' total remuneration disclosed in the Note 37 in Note to the Financial Statements.

C. Relations with shareholder	
C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings.	As a state-owned Bank (Fully owned subsidiary of NSB), SLSB is conducting regular meetings with the Finance Ministry with the guideline of NSB. A Treasury representative, members of the NSB Board and GM/CEO of the NSB nominated as a members of the Board.
C.2 Communication with shareholder	As a state-owned Bank (Fully owned subsidiary of NSB), SLSB is keeping Effective Communication with NSB and Finance Ministry.
C.3 Disclosure of major and material transactions	There had not been any major material transactions during the year. Details have disclosed in the note 37 of the financial statements.
D. Accountability and audit	
D.1 Financial and business reporting (Annual Report)	SLSB Annual Audit is done by the National Audit office and a true and fair audit view had been received for view of its financial position and performance for the year ended 31 December 2023. Sri Lanka Savings Bank had complied with the requirements of the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 and amendments thereto. Quarterly and Annual Financial Statement have been prepared in accordance with Sri Lanka Accounting Standards. The Annual Report contains following disclosures which are required by the Code • Board of Directors profile • Statement of Directors' Responsibility for Financial Reporting • Directors' Statement on Internal Controls • General Manager/CEO's and Senior Manager's (Finance and Planning) Statement of Responsibility • Related Party Transactions
D.2 Risk Management and Internal Control	Directors' Statement on Internal Control report, Risk Management report and BIRMC Report are include in to the Annual Report.
D.3 Audit Committee	The Board Audit Committee comprises of three Non-Executive Directors and Treasury representative is the Chairman of the committee . A summary of the scope, duties and responsibilities of the BAC are given in Audit Committee report include in the Annual Report.
D.4 Related Party Transactions	Related Party Transactions has been disclosed in the Note 37 of the Note to the Financial Statements of the Annual Report.
D.5 Code of business conduct & ethics	All employees of the Bank including KMPs have to follow Board approved code of conduct and ethics. All executives of the Bank are required to submit asset liability declaration to the Human Resource Division annually. All the Directors furnish their annual assets and liability declaration to the relevant Ministry.
D.6 Corporate governance disclosures	Corporate Governance report of the Bank has included into the Annual Report with the levels of compliance.

RISK MANAGEMENT

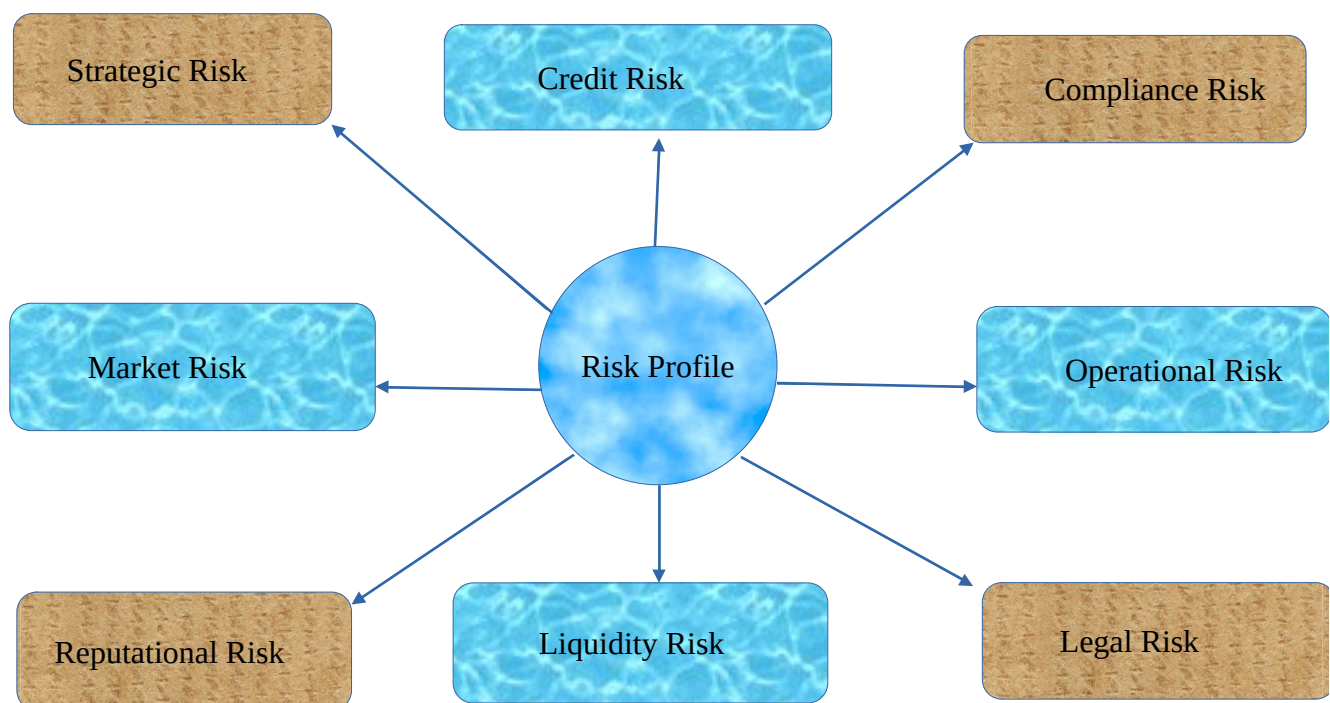
Scope of Risk Management

Banks are faced with different types of risks that may have a potentially adverse effect on both short-term objectives. Risk Management comprises of an awareness of market uncertainties and thereafter assigning a bank wide strategy to control such externalities within the existing network. We believe that risk management cannot exist in isolation and therefore decisions have to be taken to ensure that all its risk management policies and procedures are robust to mitigate measurable shocks across an integrated business operations.

We have established a comprehensive and reliable risk management system, carefully integrated across all business activities to fulfill shareholders (NSB & Government) expectations. Our risk

management approach is central to maintaining stability and for the safety of financial investments of the bank, its shareholders, As the government bank to government and customers. The approach to risk management is based on early identification and mitigation controls, in order to either elicit opportunities from an acceptance of risk within an acceptable level or in order to negate the impact of risk exposures.

Banks face several type of risks such as Credit Risk, Market Risk, Operational Risk and Liquidity Risk etc. Strategic Risk, Compliance Risk, Legal Risk, Reputational Risk, Equity Risk, Information & Cyber Risk, Interest Rate Risk etc also vital risk areas for financial institutions. These different types of risks may have potentially adverse effect on both short term and long term objectives. Hence, every bank tries to minimize these risks through their own robust risk culture and risk practices.



Risk Management comprises of an awareness of uncertainties and thereafter assigning a bank-wide strategy to control such externalities within the existing network. At Sri Lanka Savings Bank, having understood that risk management is an essential component of growth, we have already developed risk management policies and procedures that are applied across the SLS Bank to assist the business units in their daily interaction with customers. The regulator recommended risk framework is in place to manage the risk on an integrated basis and monitor developments in real time to provide the right level of information to the attention and action of Board Integrated Risk Management Committee (BIRMC) and Board of Directors.

Risk landscape during the pandemic year of 2023

The financial year 2023 was one of the most challenging periods in the history of Sri Lanka as the Economic crisis elevated risks and vulnerability of businesses. These challenges were compounded by volatile macroeconomic conditions stemming from the country's foreign exchange crisis, weakening fiscal position, escalating inflation levels and sovereign rating downgrade while exerting pressure in economic and financial systems. Accordingly, SLS Bank continued to invest in enhancing its risk management framework and methodologies to enhance its capabilities and strengthen. Its ability to minimize downside risks and seize opportunities for growth.

The main challenges during the year under review was stemming out from the existing and prevailing risks associated with the potential credit portfolio

stress with the phasing out of the support and forbearance measures of the Government and CBSL on COVID & economic crisis impacted borrowers, risks associated with increased demand. Furthermore, the environmental, social and governance risk has become a vital component of Enterprise-wide business and risk management. As a bank the economic crisis tested out resilience and that of our stakeholders. Our customers, which belong to grassroots and to economically underserved communities, were impacted considerably. Although, it exposed the bank's already higher than average NPLs to further rise. We also managed to arrest any negative impacts through a proper credit rating and approval system, with approval limits set a varying operational levels. In addition to that, business activities of Sri Lanka Savings Bank had been restricted since 05th January 2021, SLSB has not granted new Loans & Advances to the customers and has also ensured recoveries of the loans which have already been granted. Hence, Our NPL levels declined without PSDB Loans to 44.37% (NPL Loan portfolio – Rs.484,087,529/-) by the end of 2023, in comparison to 42.63% (NPL Loan portfolio – Rs.577,217,508/-) at the beginning of the year.

In 2023, we were focused mostly on constantly assessing the macroeconomics, due to the worsening economic impacts. With highly fluctuating foreign exchange rates, worsening rupee depreciation against the US Dollar, as well as the high interest rate environment. However, amidst all these considerations, our bottom line remained profitable, with a somewhat commendable increase in net operating income.



Approach to Risk Management

SLS Bank understands the importance of comprehensive risk management across the every facet of the business and for all stakeholders. While providing our customers the assurance that we will continue to provide the best value for them. It safeguards our investors (NSB Bank) and helps protect and enhance their return on investment. Additionally, It provides the necessary support for our regulations in terms of establishing industry growth.

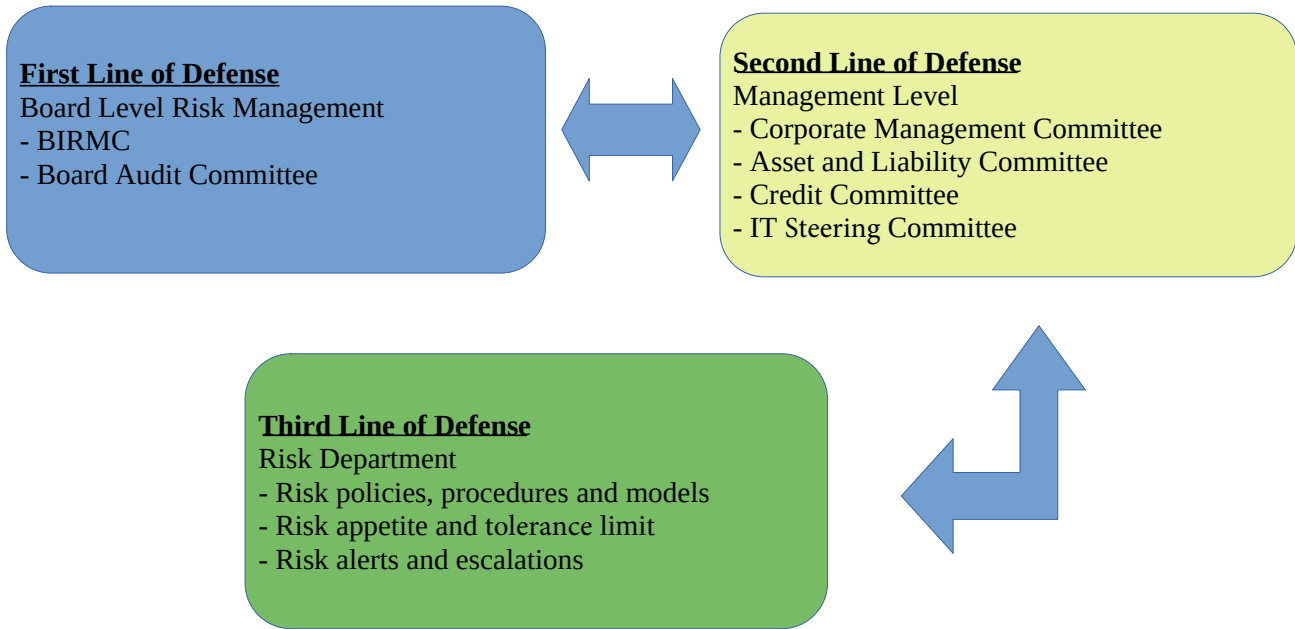
The bank adopts an integrated approach to risk management based on policy frameworks approved by the Board of Directors, governance structures and tools and techniques to identify, measure, mitigate and manage all materials risk exposures. The bank has in placed board approved Risk Management Policy (Revised on 2023.11.28), Compliance

Policy, Treasury Policy and procedure manual, IT Policy, and procedure, AML Policy (Asset & Liability Management policy), Whistle Blower Policy, Recovery Policy and Write-off Policy, Anti Money Laundering Policy and procedure, Related Party Transaction Policy, Loan Review Policy in supporting its risk management. The Board of Directors has the ultimate responsibility to provide oversight on managing risks. It formulates policy and sets the risk parameters. Comprehensive risk management framework of our bank is based on accepting various type of risks, controlled risk assessment, measurement and monitoring of these risks. The key components of the bank's Risk Management architecture rely on the risk governance structure, comprehensive processes and internal control mechanism based on approved policies and guidelines.

The bank’s risk management processes are guided by way of policies adopted appropriately for various risk categories, independent risk oversight and periodic monitoring by Board of Directors, Board Integrated Risk Management Committee and our Corporate Management and Asset Liability Committee (ALCO). The Board Integrated Risk Management committee (BIRMC) assists the

Board of Directors in this regard. In addition, These policies approved from time to time by Board of Directors, Sub Committees of Board from the basis for governing framework for each type of risk. In addition, Bank adopts model of three lines of defense in ensuring a structured approach to risk management, with the intention of being prudent, effective and risk conscious.

THREE LINES OF DEFENSE – RISK MANAGEMENT



Risk Management Policies

A comprehensive set of policies are actively pursued in assessing, mitigating and managing risk exposures that may affect our ability to function effectively. These policies are subject to annual review.

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

Objectives of Risk Management

The primary objectives of the risk management function of the bank are:

- to assist in decisions relating to accepting, transferring, mitigating, and minimizing risk and recommending way of doing so;
- to evaluate the risk profile against the approved risk appetite on an ongoing basis;
- to estimate potential losses that could arise from risk exposures assumed;
- to periodically conduct stress testing to ensure that the bank holds sufficient buffers of capital and liquidity to meet unexpected losses and honour contractual obligations;
- to integrate risk management with strategy development and execution.
- to institutionalise a strong risk culture within the bank.
- To safeguard stakeholders specially customers and shareholder's funds.
- To maintain financial stability
- to operate functions within pre-defined risk appetites and thresholds.
- to avoid or minimize exposure to probable risk factors and scenarios.

- To set clear control limits.
- To minimize cost impacts from risks by assessing exposures proactively.
- To maintain compliance to external laws and regulations.
- To improve credit portfolio and asset quality.

A Risk Conscious Culture

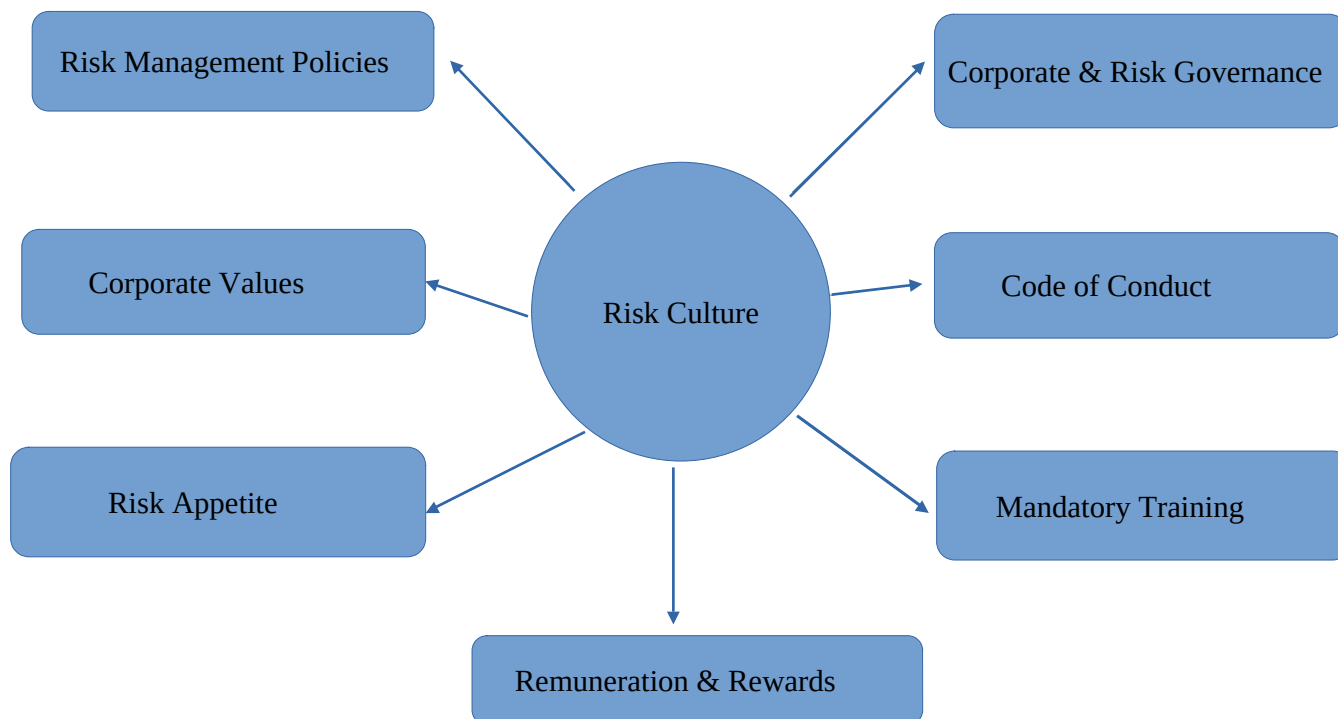
SLS Bank seeks to promote a strong risk culture throughout the organization to reinforce resilience by encouraging a holistic approach to the management of risk and return throughout the bank. This includes effective management of risk, capital and reputational profile. Employees at all levels are responsible for the management and escalation of risk and they are expected to exhibit behaviors that support a strong risk culture. High levels of risk awareness is key to establishing financial stability of the bank and strengthens business line growth strategies. In order to embed a risk awareness culture across the organization, training programmes are conducted on an ongoing basis in previous years and various communiques are issued continuously. In addition, a risk reporting process at multiple levels in our bank.

The risk culture of the SLS Bank is shaped by a comprehensive risk management policy framework, robust corporate and risk governance, mandatory training, competencies of the risk department and a remuneration framework that rewards a balanced approach to risk. It is

reinforced by a code of conduct applicable to all employees, the Whistle Blowing Policy to ensure confidentiality and provisions against retaliation.

These key drivers shapes the bank's attitudes, norms, and behaviours in relation to risk awareness, acceptance and management which is the key to

sustainable growth and profitability. Policies and guidelines are framed using clear and precise language enabling easy understanding of our risk philosophy, approach and appetite as articulated in our policies. Guidelines are issued to further clarify matters where ambiguity is manifest in the application of policies.

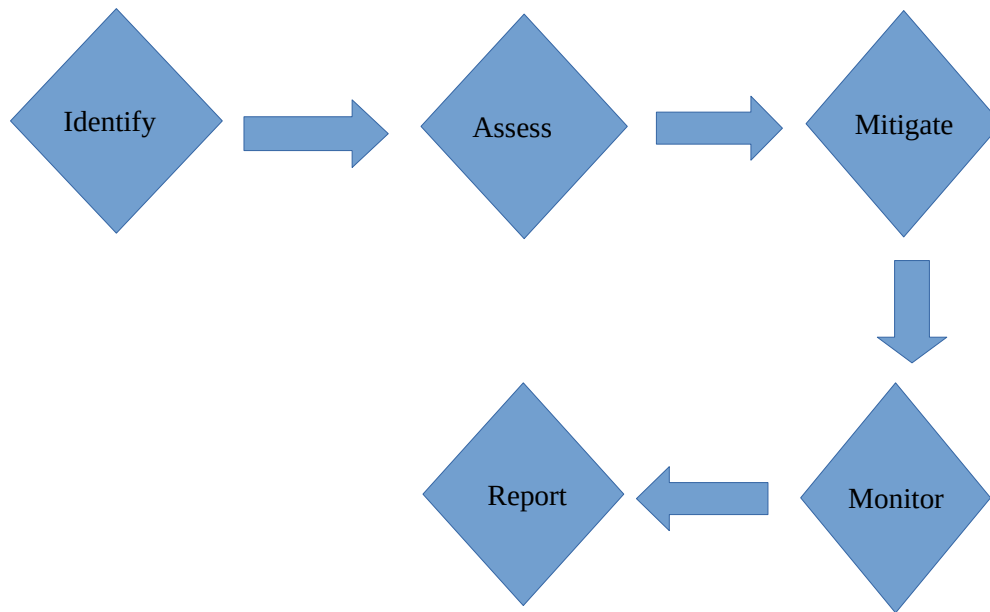


These are Principles that underpin risk culture in the bank

- There are defined risk appetites for risks taken by the bank
- Every risk taken by the bank should be approved within the risk management framework and should be adequately compensated
- Risk should be continuously monitored and managed

Risk Management Process of SLS Bank

SLS Bank follows a comprehensive risk management framework to ensure all risks are identified, assessed against accepted criteria and measures are implemented to mitigate risks. Through an effective monitoring mechanism all risks are monitored to assess the ongoing risk treatment mechanism and is presented to the BIRMC. Following is a graphical illustration of the bank's risk management process.



Identify

This includes the identification of major risks faced by the bank that require investigation. These risks are identified through the quarterly risk meetings.

Assess

The significance of each identified risk category is assessed using tools and techniques of evaluation. The assessment of the potential impacts of risks is integrated into the bank-wide stress tests. This assesses the bank's ability to absorb these events should the bank occur. The results of these tests indicate ability to absorb the impact of these risks if they were to materialise in line with the tests' parameters in relation to the currently available capital, liquidity reserves and available mitigation measures.

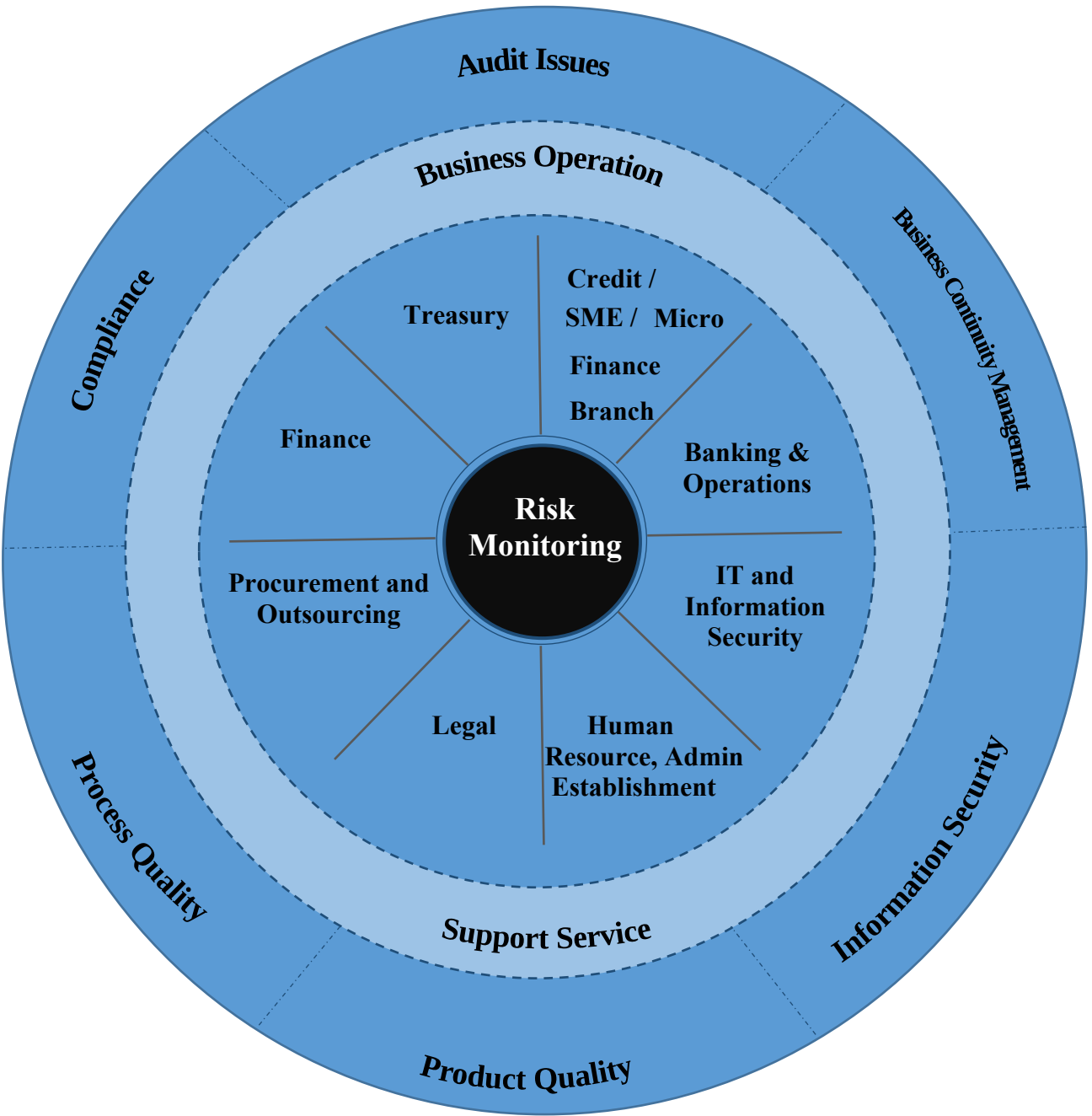
Mitigate

Risk mitigation is the systematic reduction in the extent of exposure to a risk and the likelihood of its occurrence. Mitigation involves developing

options and actions to enhance opportunities and reduce threats. The BIRMC of the bank reviews the risk reports and takes measures to prevent, safeguard and correct exceptional trends and reduce the probability of occurrence of such risks. Additionally, the bank takes further measures to limit and reduce identified potential risks.

Monitor

Risk monitoring and control involves keeping track of identified risk, residual risk and new risks. It also involves monitoring the execution of planned strategies for risk identification and evaluating its assessment. Bank's BIRMC closely monitors risk management measures implemented and adjusts to new risks when necessary. This is done on an ongoing basis in consultation with the Chief Executive Officer and Risk Management Division. BIRMC takes the risk related special decision and informed to BOD and BAC of any unforeseen significant changes that could arise for certain risk categories and any existing or potential risks that exceed or could exceed the risk appetite of the bank.



Risk Reporting

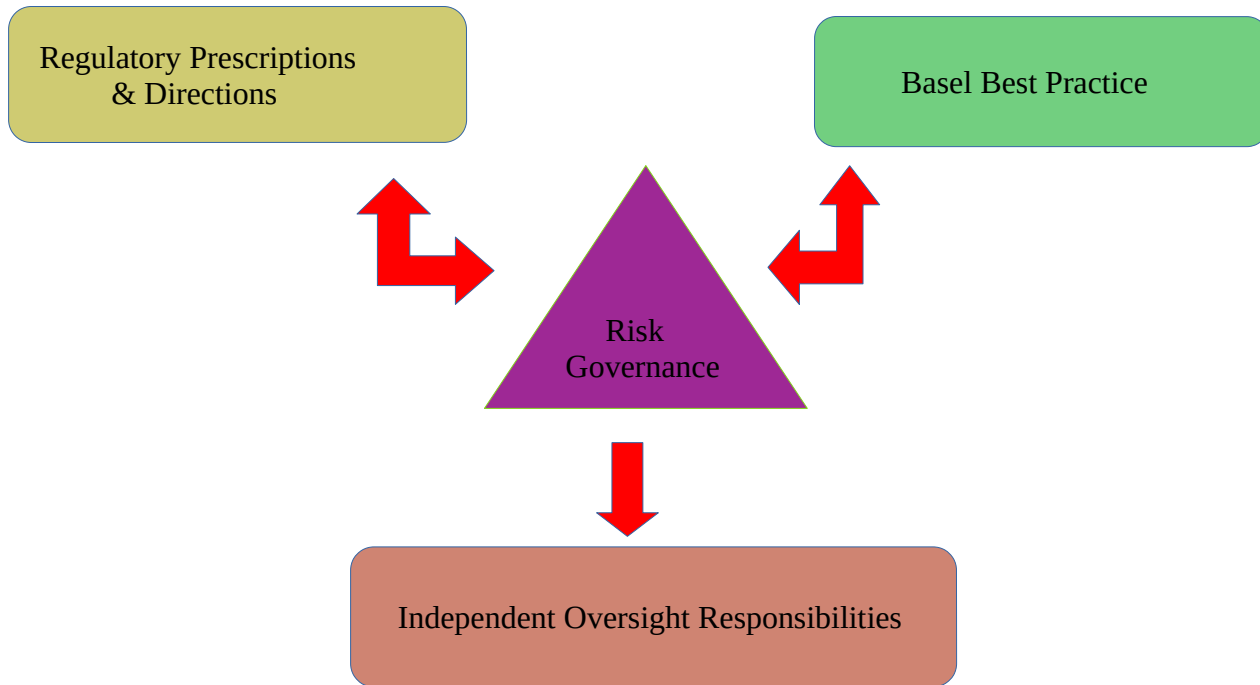
An integral part of risk management is regular reporting of those factors relating to the exposures that have been identified. Those reports are sent to the Board of Directors, the relevant department heads and the BIRMC by the Risk Officer and Bank is required to manage and report risks on a quarterly basis to the bank’s BIRMC in accordance to the formulated KRIs.

Risk Governance

The bank Board of Directors holds ultimate responsibility for the effective management of risk including setting the risk appetite, formulating policy and ensuring that risk parameters are maintained at manageable levels. The Board is assisted by the Board Integrated Risk Management Committee (BIRMC) in its risk related duties. BIRMC reviews the bank’s Credit, Market,

Liquidity and Operational risk indicators as well as, its internal capital adequacy (**Capital Adequacy Ratio –163.76% in SLS Bank**). The BIRMC is chaired by a Director with two other

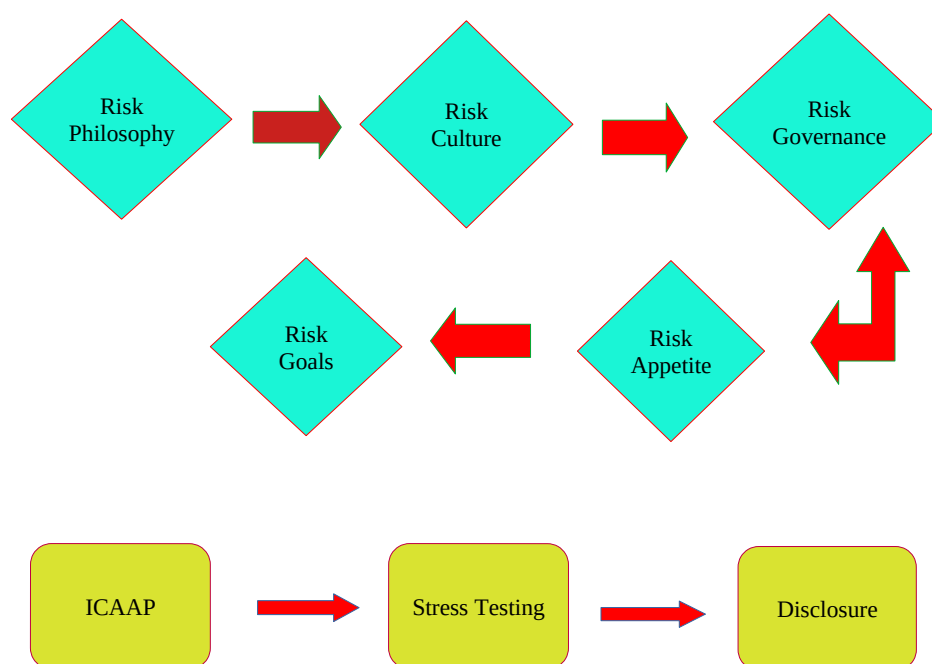
Non-Executive Directors and supported by for key management personnel including GM/CEO and Compliance Officer.



Risk Management Framework

SLSB has placed effective risk management framework to identify, assess and measure, mitigate, monitor risks faced by the bank. Credit Risk, Market Risk, Liquidity Risk, and Operational Risk are the key risk faced by the bank. Business model has inherently mitigated the market risk towards the bank up to immaterial level as SLSB is not performing activities which create market risk to bank. Other than above key risks, SLSB considers the various other risks such as compliance risk,

legal risk and reputational risk. These emerging risks highlight the importance and vulnerability of sound risk management in practice throughout the bank. SLSB is gradually adopting to the best practices of risk management techniques against industry development to mitigate the risks face by the bank. The Bank's policy framework was re-evaluated and updated in 2023 to ensure that the entire suite of policies addressed the changing needs of the bank.



Risk Appetite

Risk appetite is the accepted level of risk the bank is able and willing to operate with, in relation to achieving goals and objectives. The risk appetite of all categories of risks is ascertained, upon considering statutory regulations, borrowing covenants and operational boundaries, as well as, external determinants. It means the aggregate levels and types of risk that the bank is willing to assume or to avoid, in pursuit of its goals, objectives and operating plan, consistent with applicable capital, liquidity and other requirements and reinforces the risk culture. The BIRMC, in consultation with the Board of Directors, develops the risk appetite. The bank executed the strategic, capital and operating plans within the risk appetite and established limits.

Risk appetite expresses the aggregate level of risk the bank is willing to assume within its risk tolerance level in order to achieve its business objectives. These objectives are defined by a set of minimum quantitative metric and qualitative statements. Risk tolerance level is defined as the

maximum level of risk the bank can assume before breaching regulatory constraints and its obligations to stakeholders.

The risk appetite framework of the bank aims to achieve the following objectives:

- Align the bank's business strategy, products and processes with associated risk levels and risk appetite.
- Design risk appetite and thresholds in line with the risk management framework of the bank.
- Enable the senior management and the Board of Directors(BOD) to effectively monitor the material risks across the bank products of the bank, and take corrective actions, as and when required.
- Compliance with regulatory requirements on Risk Appetite underpinned by senior management monitoring of risks.

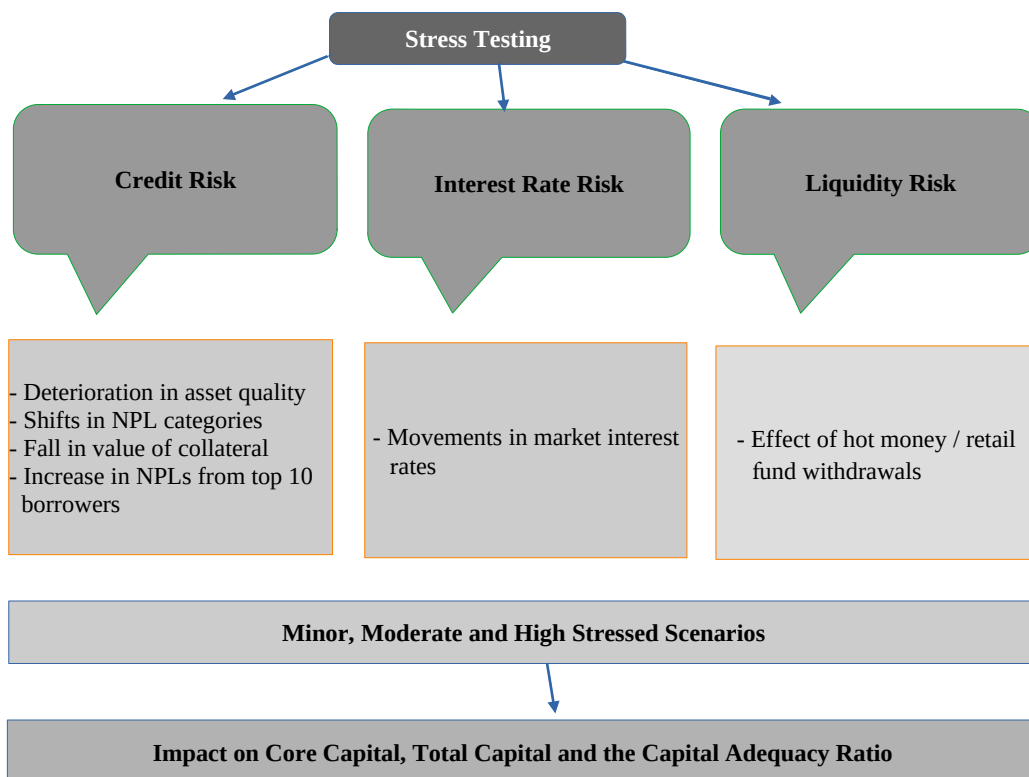
The risk appetite statement sets targets for quantitative elements such as Capital Adequacy, Rating, Profitability and efficiency, Concentration limits, Liquidity positioning and other risk type limits. Limit has set considering economic and market conditions and familiarity of business. The risk appetite is cascaded down to each bank product by risk type with risk goals and thresholds which are linked to specific performance measures linked to business or operations of the bank which eventually aggregates to define the risk appetite statement at the bank level.

Stress Testing

Stress testing is a simulation technique used to determine the reaction of asset and liability portfolios to different financial situations and stress testing is a tool that is used to assess the sensitivity of the current and potential risk profile relative to the bank's risk appetite. Stress testing is an integral

part of the SLS Bank Risk Management framework, which assesses the vulnerability and movements in key financial variables, which could impact the bank's profitability, liquidity and capital adequacy and results are designed to indicate the resilience of the bank to face potential and future risks.

As a part of the Internal Capital Adequacy Assessment Process (ICAAP) under pillar-02 the bank conducts regular stress testing to identify potential impacts that fluctuations in market variables and other risk factors could have on the bank risk profile. Stresses in the bank's Credit, Market, Liquidity are evaluated with reference to capital and earning positions. The Board Integrated Risk Management Committee (BIRMC) conducts regular reviews of the stress testing outcomes, including the major assumptions that underpin them.



Board Integrated Risk Management Committee (BIRMC)

The BIRMC plays a central role in integrated risk management functions. The committee sets out the risk management framework, promoting a risk conscious culture. They assess all risks on a monthly basis, while assessing the effective functioning of management committees. They take swift remedial measures to mitigate certain risks, before they reach unacceptable levels. Such measures are taken in line with bank policies, statutory and regulatory requirements and guidelines for LSBs.

BIRMC meetings are held quarterly to assess risks and mitigate them, and to update the business continuity plans. The committee also ensures compliance function to ensure that compliance risks are mitigated and that the bank complies with all mandatory laws, regulations and internal policies.

Capital Adequacy and ICAAP Framework

In line with Basel requirements and as prescribed in the ICAAP framework, the bank uses internal models to assess and quantify the risk profile, to stress test risk drivers and to assess capital requirements to support them. Internal limits which are more stringent than the regulatory requirements provide early warnings with regard to capital adequacy.

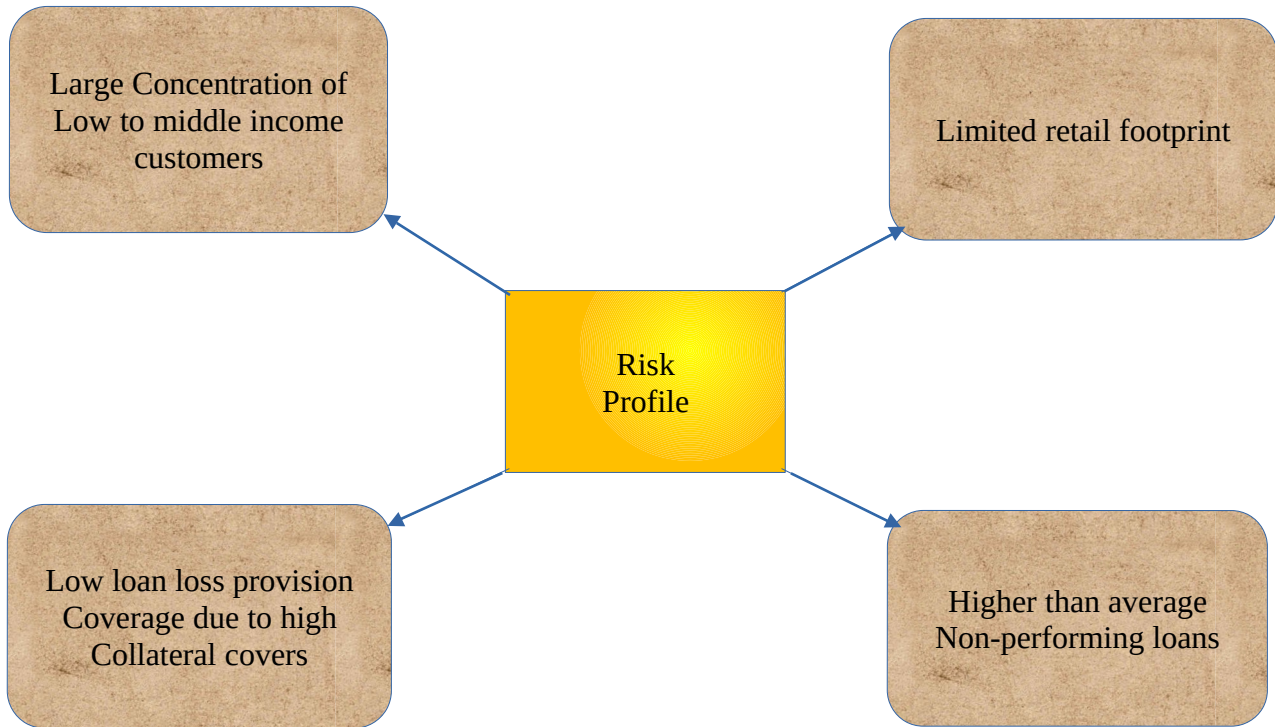
ICAAP supports the regulatory review process providing valuable inputs for evaluating the required capital in line with future business plans. It integrates strategic focus and risk management plans with the capital plan in a meaningful manner with inputs from Senior Management, Management Committees, Board Committees and the Board and also takes into account potential risk of capital being inadequate under stressed conditions. The ICAAP process also identifies gaps in managing qualitative and quantitative aspects of reputational risk and strategic risk. The Bank is compliant with both regulatory and its own prudential requirements of capital adequacy.

Capital Ratios	Regulatory (Minimum)	Dec – 2023 (Drafted)	Dec – 2022 (Audited)	Dec – 2021 (Audited)
CET – 1	7%	163.28%	165.24%	101.06%
Tier – 1	8.5%	163.28%	165.24%	101.06%
Total	12.5%	163.76%	165.24%	101.06%
Minimum capital requirement of the Bank	Rs. 7.5 Bn	Rs. 6.84 Bn	Rs. 6.06 Bn	Rs. 5.7 Bn

Risk Profiling

We determine our key risks through a review process that analyses the risk faced by SLS Bank,

in relation to our strategy and long term aspirations, reputation and delivery of business plans, in the context of the external and internal environment.



Internal risks are managed systematically on a proactive basis while external risks are monitored on an ongoing basis to assess potential impacts on our operations. External environment risk factors are Political Environment, Macroeconomic conditions, regulatory changes & Climate changes etc.

● Political Environment

The growing instability of the political environment following the pandemic induced disruptions and looming macroeconomic stresses amplified the downside risks to many sectors, straining resources at national, entity and individual levels.

● Regulatory Changes

The CBSL implemented various monetary policy measures to safeguard borrowers, strengthen the economy, alleviate external sector risks and support the banking sector. Furthermore, directions were issued from time to time to prevent excess volatility and outflow in the foreign exchange market which had a significant impact on banking operations.

● Macroeconomic Conditions

Even though businesses began to showcase their adaptability and overall economic conditions worsened during the year fueled by the foreign currency shortage, elevated inflation and downgrade of the sovereign rating.

● Climate change

Risk arising from climate change including unpredictable weather patterns and natural disasters continue to rank among the most significant risk the world is currently facing. The bank is aware of the high risk of doing business in vulnerable industries and has taken the necessary precautions where needed.

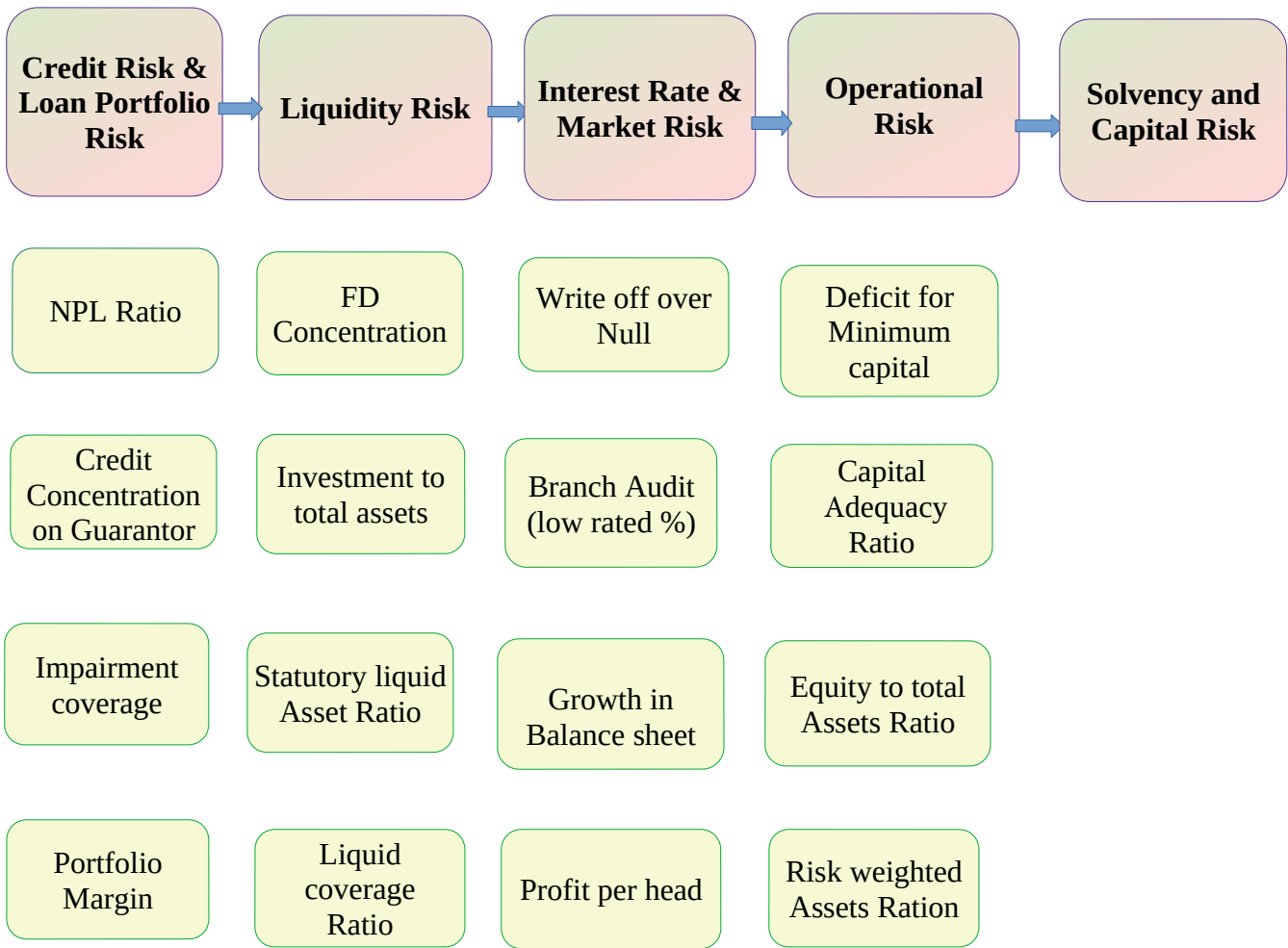
● Emerging risk

The rapid growth in digitalization of the banking products and services and adaptation of the latest

technology passes new and emerging risks in terms of it and cyber security threats and vulnerabilities.

Risk Indicators

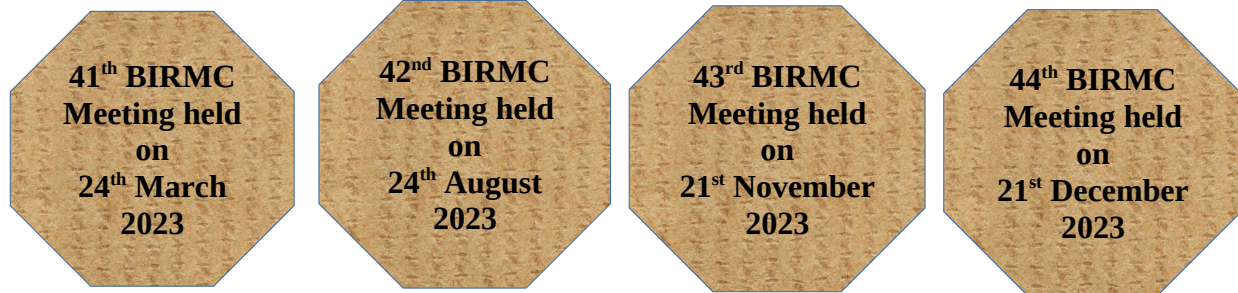
Each risk category is segregated into the following risk areas, which entail several indicators. These indicators are regularly assessed quantitatively to ascertain risk levels.



Risk Meetings

During the year under review, four (4) BIRMC meetings were conducted to discuss all key risks of the bank such as, Credit, Market, Liquidity,

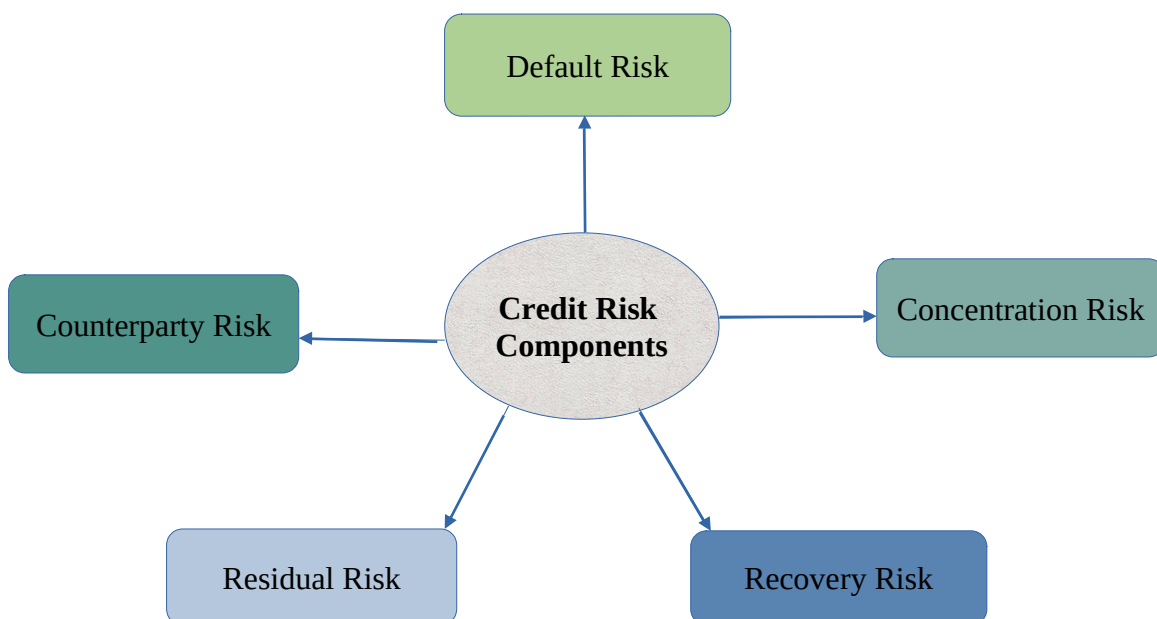
Operational Risks and the key risk indicators. The discussions and conclusions reached at the meeting are recorded in minutes and circulated to the Board of Directors for their information and necessary action. SLS Bank, BIRMC meetings details of the year 2023 are mentioned below.



Credit Risk

Credit risk is the potential losses to earnings arising as a result of customers and or counter-parties failing to discharge their contractual obligations. Credit risk can arise from default risk, concentration of counter-parties, industry sectors and geographical regions. Moreover, Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any financial contract, principally, the failure to make required

payments on loans. The Bank is exposed to Credit default risk arising from non payment of regular loan repayments and exposed to concentration risk arising from uneven distribution of credit facilities to individual borrowers either by name, product, geographical regions or industry sectors. As well as, credit risk is the largest risk exposure for the bank stemming from its portfolio of lending product that total assets of the bank.



SLS Bank has in place the Board Credit Committee which is charged with the responsibility of implementing the bank’s credit risk management framework. A Board approved Risk management policy (Include the Credit Risk policy & Credit Risk Strategy) outlines the responsibilities, tools and techniques for Credit risk identification,

measurement, mitigation and management. Key aspects, amongst others, of the bank’s credit policy include pre-credit sanctioning criteria, delegated approval authority, due diligence, collateral management and post-credit monitoring. The framework is reviewed and updated regularly based on evolving best practises as well as emerging risks and opportunities.

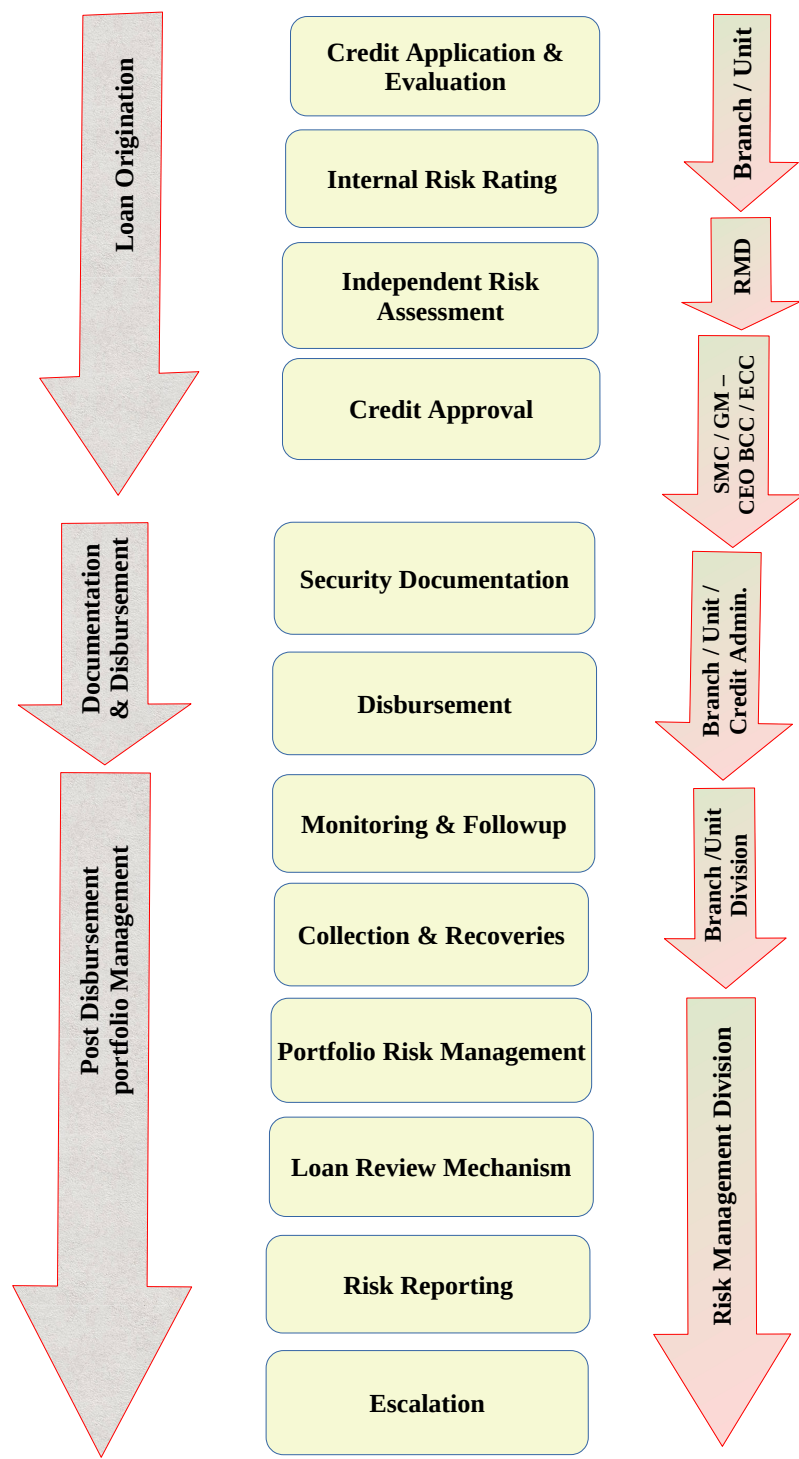


Figure : Segregation of Duties for Credit Risk Management

The bank's processes facilitate management of Credit risk throughout the life cycle of the loan as depicted in the table of segregation of duties for Credit Risk Management. Key credit risk management tools, controls and processes in place are briefly describe below.

- Segregation of credit risk management tasks Facilitates objective review from both business and risk management perspectives throughout the life cycle of the loan as set out in above chart with high levels of specialization at each stage.

- Internal Risk Ratings

Risk ratings are assigned to borrowers above a certain threshold agreed internally using the internal risk ratings which have been approved/ accepted by the regulator.

- Independent Risk Assessment

Higher value facilities of Individual and Corporate loans, SME, Personal, Leasing facilities are independently reviewed by the Risk Management Division.

- Delegation of Authority

Approval of credit facilities above a specified threshold have been assigned to related delegation authorities of the bank. Prior to final approver/ approving authorities, Risk Management Division provides its assessment to facilitate a well-informed credit decision.

- Collateral

The bank obtains collateral as a secondary recourse through mortgage bonds over movable and immovable property, guarantees and lien over financial assets and assignments of receivables.

Regular valuations are carried out to ensure adequacy of collateral cover throughout the life cycle of the loan. Regular valuations are carried out to ensure adequacy of collateral cover throughout the life cycle of the loan.

- Loan Review Mechanism

The LRM function carries out post reviews of credit facilities covering all business lines in order to identify qualitative improvements in credit evaluation and administration process and gain insights regarding the effective functioning of processes and controls in place. Report from Loan Review Mechanism is submitted to BIRMC and Board.

- Management of Large Exposures

Large borrower exposures are maintained within internal risk limits of 20 Largest exposures and bank monitors material exposures and substantial exposures as a part of the Bank's internal risk goals.

- Early Warning signals (EWS)

Large borrower exposures are maintained within internal risk limits of 20 Largest exposures and bank monitors material exposures and substantial exposures as a part of the Bank's internal risk goals.

Credit Risk Profile - 2023

Year 2023 was a very critical year to the SLSB due to Central Bank of Sri Lanka (CBSL) restrictions on business operations since 2021 and impact of economic crisis of Sri Lanka. Central Bank of Sri Lanka restricted the certain business operations including new credit disbursements of SLSB with effect from 04th January 2021. Therefore, Bank's main credit related function was to recovery of loans.

Present economic crisis impacted on Sri Lanka economy with resulting an economic slowdown. Several sectors such as Tourism, Manufacturing and Construction sectors were highly impacted. Those sectors granted loan facilities was mainly

transferred to the NPL category. There are few loan facilities granted to those sectors in SLS Bank. Therefore, SLS Bank has not faced the higher risk from those sectors in 2023.

Composition of Stage-Wise Portfolio - 2022
SLS Bank Total Credit Portfolio without PSDB Loans

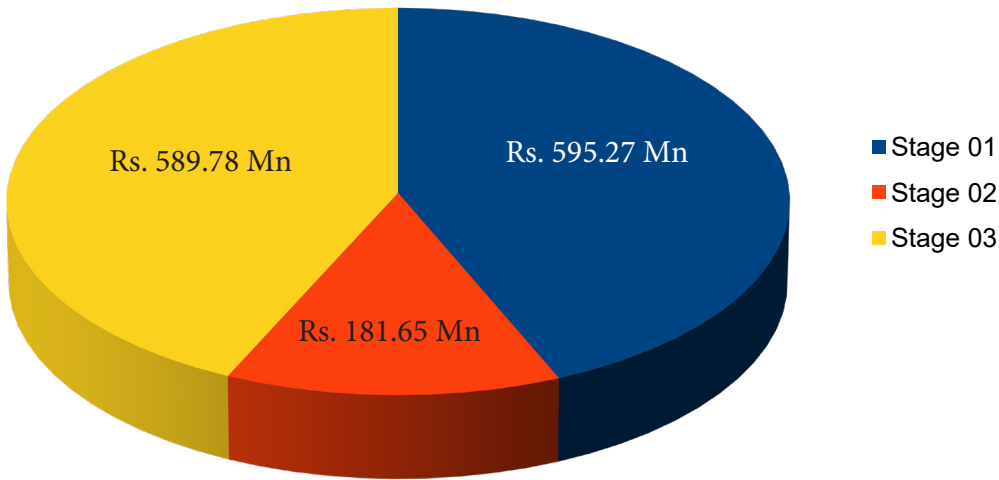


Figure – 01

Composition of Stage-Wise Portfolio - 2023
SLS Bank Total Credit Portfolio without PSDB Loans

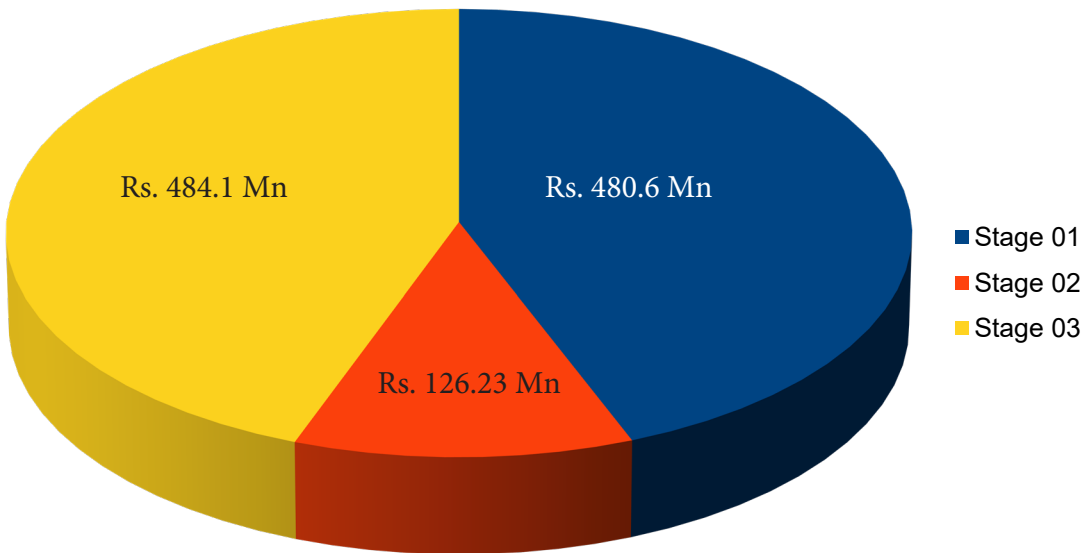


Figure – 02

Composition of Product-Wise Advances Portfolio 2021/2022/2023

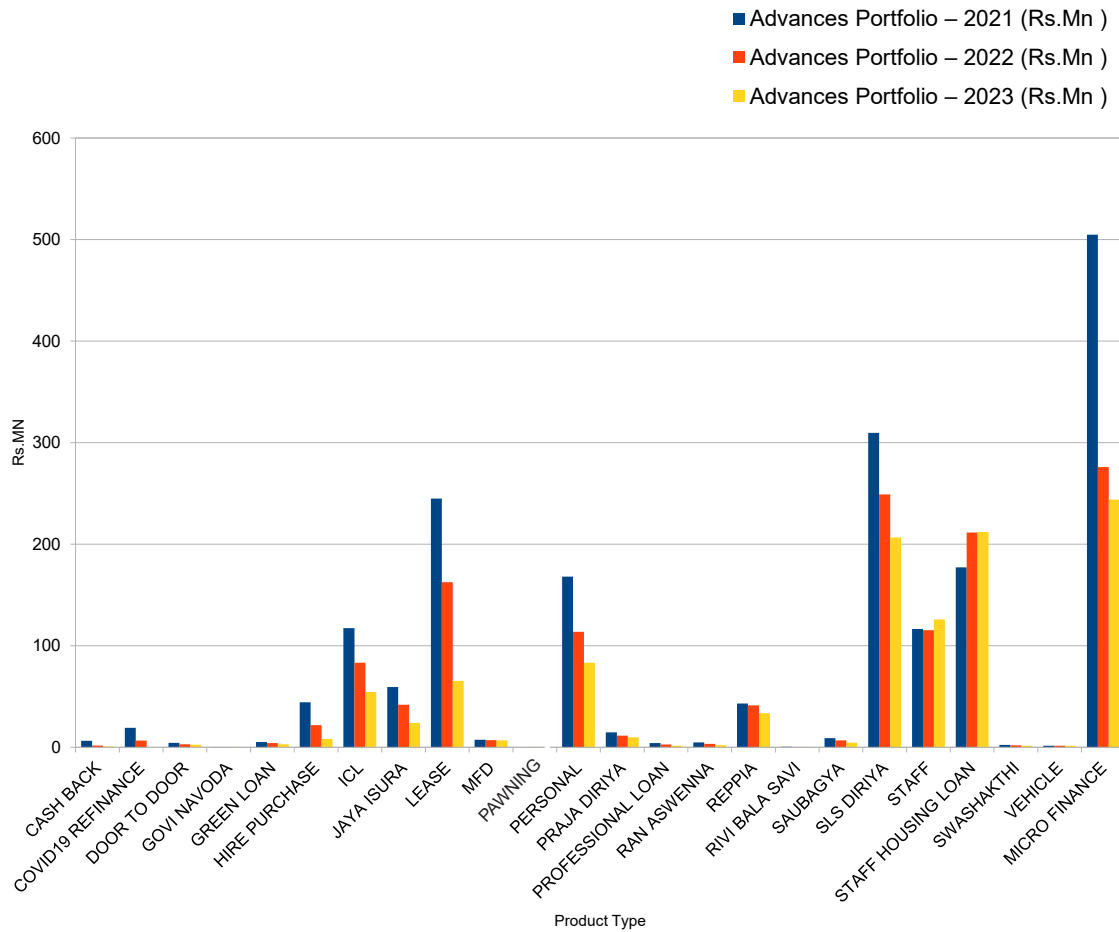


Figure – 03

Composition of Branch-Wise Advances Portfolio 2022 / 2023

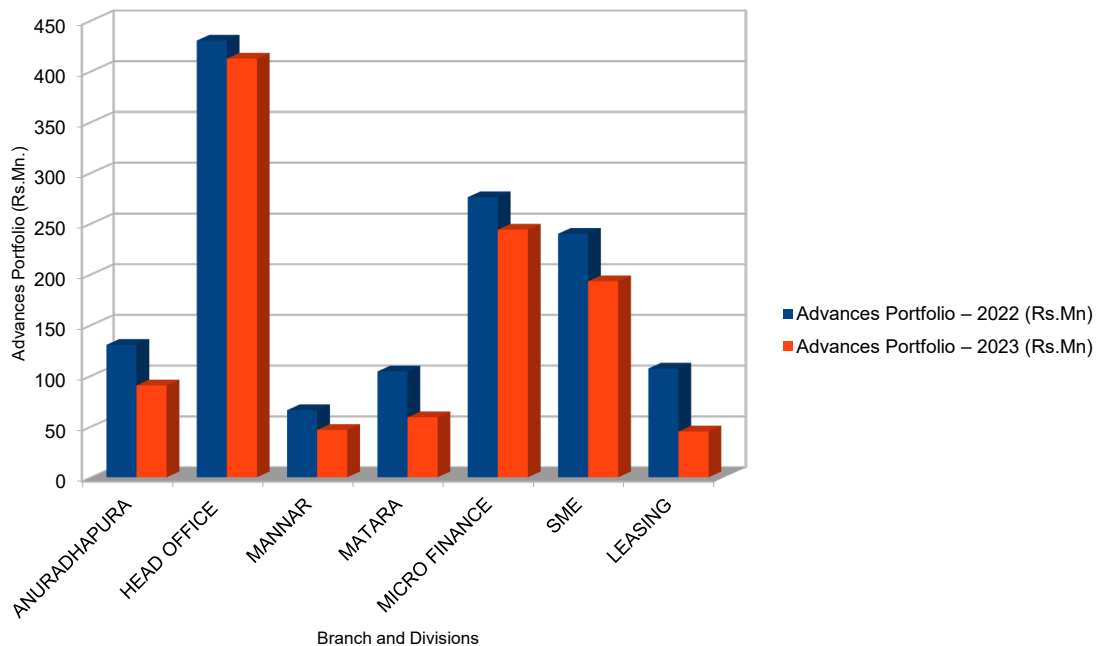


Figure – 04

Credit Risk Management

Board approved Integrated Risk Management policy provides the fundamental for Credit Risk management and IRM policy provides the guidelines for identifying, analyzing and measuring and monitoring mechanism to mitigate the credit risk. The Board of Directors, Board Sub Committees and Management Level Committees directly involved in credit risk management process through periodic review of credit risk profile, delegating authority for credit approvals from top level to bottom level according to quantum and risk profile of the facilities.

Credit Default Risk

The risk of loss arising from a counterparty being unlikely to pay its loan obligations in full or the counterparty is more than 90 days past due on credit obligation. Bank’s gross NPL ratio at the end of 2022 stood at 44.37% (excluding PSDB loans). However Bank’s NPL ratio is very high shown due to the Central Bank of Sri Lanka restricted the certain business operations including new credit disbursements of SLSB with effect from 04th January 2021. Therefore, Bank’s main credit related function was the recovery of loans. Even though NPL rate increased, low volume of NPL amount has been decreased by Rs.93.13 Mn by the end of financial year 2023. At the end of the year 2023, amount of impairment provision against loan portfolio decreased by Rs.113.17 Mn (2023- Rs.1,409.63 Mn, 2022- Rs.1,522.80).

Impairment Provision against Loan Portfolio
2022 / 2023

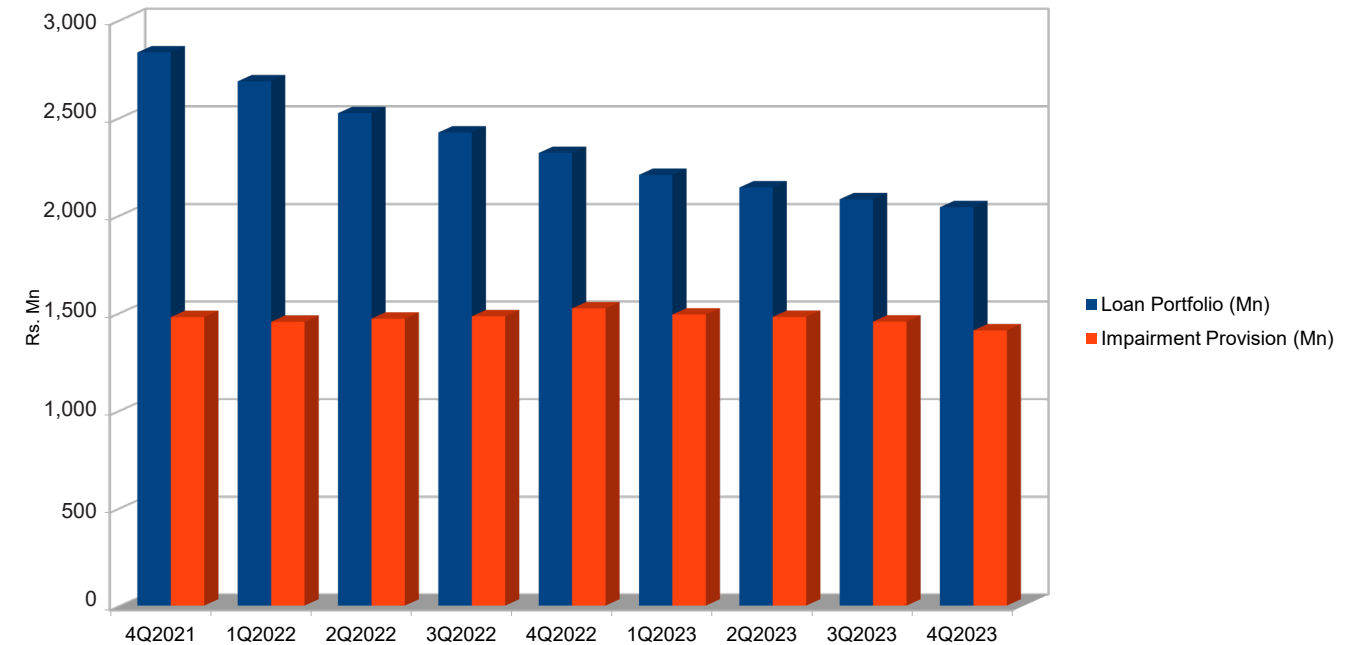


Figure – 05

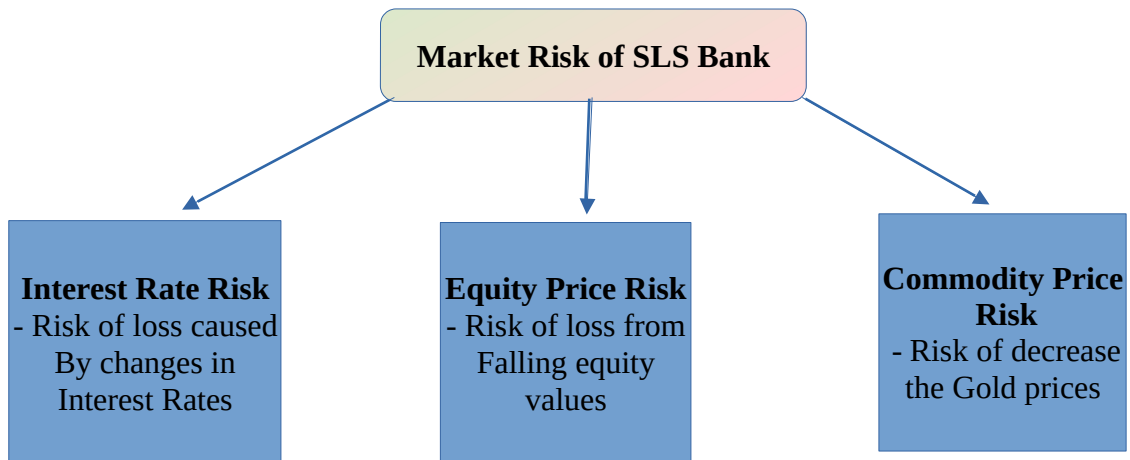
Concentration Risk

Concentration risk is the potential for a loss in value of the loan portfolio when an individual or group of exposures move together in an unfavorable direction. The implication of concentration risk is that it can generate such a significant loss when recovery is unlikely. The Exposures can be geographical or sector-wise. The goal of credit risk management is to maximize a Bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The Bank maintains a diversified portfolio, managing concentrations across the products, industry sectors, counter parties and geographies in line with its risk appetite. Concentration risk in credit portfolios comes through uneven distribution of loans to individual borrowers (Name concentration), Loan products

(Product concentration), Geographical distribution (Geographical concentration) or in industry or services sectors (Sector concentration).

Market Risk

Market risk is the risk of losses of both on-balance sheet and off-balance sheet positions that arise from movement in market prices. Market risk arises as a result of increase or decrease of value of instruments / investments as a result of volatility and unpredicted movements in market factors such as interest rate, equity prices, commodity prices etc. Interest rate risk in banking book is the key market risk exposed by the bank and Equity price risk and commodity price risk adjoined to the SLSB is minimal. Bank is not exposed to foreign currency risk.



Assets & Liability Management Committee (ALCO) holds the front line responsibility for managing Market risk of the Bank and it regularly attends to:

- ◆ Monitor the maturity profile of the interest rate sensitive assets and liabilities.
- ◆ Assess short & medium term liquidity profile of the bank.

- ◆ Take appropriate investment decisions considering movement in market prices.

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

Interest Rate Risk

The bank's main market risk exposure relates to interest rate changes in the trading portfolio of Government securities. Interest rate risk can be defined as change in a bank's portfolio value due to interest rate fluctuations. It is the potential loss from unexpected changes in interest rates, which can significantly affect a bank's profitability and market value of equity. Interest rate risk in banking is originated by a mismatching of assets and liabilities maturities and interest rate re-pricing on assets and liabilities. Interest rate risk to the bank can either arise from rate sensitive financial assets and liabilities in trading book or rate sensitive financial liabilities in the Banking Book.

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates. The bank's interest rate sensitive assets and Interest Rate sensitive liabilities are analyzed by different maturity buckets to determine repricing risk and to identify appropriate strategies to optimize earnings of the Bank.

Interest Rate Risk in Banking Book (IRRBB)

Main aspect of the banking book related to market risk management principally involves in minimizing the potential adverse effect of interest rate movements on earning such as net interest income and the economic value of equity. This risk results from different repricing characteristics of banking book assets and liabilities.

Equity Price Risk

Equity price risk is the risk of loss arising from the adverse movement in the value of equity investments held by the bank due to various reasons such as deterioration in performance or net assets value of respective business ventures. In addition to that Equity Price Risk relates to potential losses in earnings resulting from adverse fluctuations of the share prices. Bank's Equity investment portfolio is managed taking a long term view and accounted in banking book of the Bank.

Investment made in quoted shares is a portfolio vested from Pramuka Savings and Development Bank (PSDB) and it represent only 2.11% of the total assets of the bank. Further the bank does not hold such investment in bank's trading book other than holding for long period for purpose of achieving capital gain. Total market value of quoted investment portfolio as of 31st December 2023 was Rs. 201.25 Mn and it is 95.84 % increase in market value compared to portfolio as at end of 2022.

Commodity Price Risk

The Bank's Commodity price risk limited to the extent of the pawning portfolio which is impacted by the movements of gold prices. The Bank's exposure to the Pawning portfolio is Rs.0.03 Mn (Rs.28,500/-) and it is significant drop compared to previous years' portfolios. (2022 – Rs.0.03 Mn, 2021 – Rs.2.1 Mn & 2020 – Rs.38.6 Mn). This significant drop occurred due to CBSL restrictions over Bank's operations. Hence Bank's exposure to commodity price risk is negligible.

Liquidity Risk

Liquidity risk is the potential risk arising from the inability to meet the bank's obligations in a timely manner as and when they become due, as result of the mismatch between the maturities of the bank's assets and liabilities. As well as, Liquidity risk relates to the possibility that the bank will be unable to meet its financial obligations by settling them in cash or being able to convert a security or hard asset to cash without a loss of capital and/ or income in the process.

Liquidity risk is defined as the risk of loss resulting from;

- Increased funding costs
- A lack of funding of new activities
- A lack of funding to meet the bank's commitments

ALCO is the main governance committee for overseeing the liquidity risk of the bank and it ensure the sufficiency of liquidity levels. ALCO is responsible for managing the bank's liquidity risk. The committee regularly reviews the bank's cash flows positions, projections, funding capabilities and pricing decisions to ensure internal targets and regulatory liquidity requirements are met.

Description	Regulatory Requirement	2023	2022	2021	2020
Statutory Liquid Asset Ratio	20%	1289%	1024%	742%	511%
Liquidity Coverage Ratio	90%	17148%	3747%	1482%	567%
Net Stable Funding Ratio	100%	221%	181%	172%	199%

Figure 06 : Table of liquidity Ratios

Liquidity risk is measured through stock approach, flow approach (Maturity Gap analysis) and stress testing techniques. The stock approach evaluates liquidity in terms of key ratios which demonstrate the liquid assets stored at the balance sheet date.

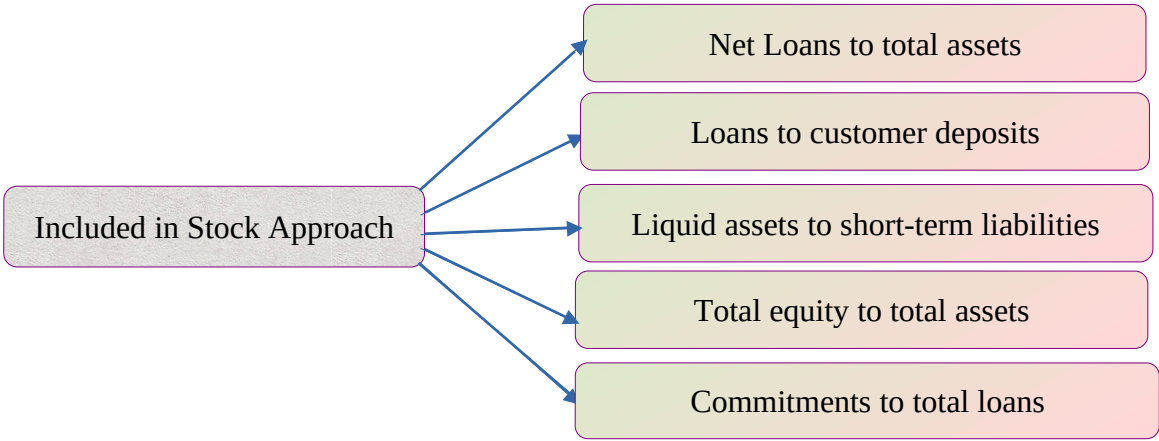
◆ Flow Approach

Flow Approach (Maturity gap analysis report) is a key tool for measuring liquidity risk of the Bank. Bank prepares the maturity gap report quarterly to identify maturity mismatches and observations are reported to management and BIRMC accordingly. Bank has set the maturity gap limit to ensure that Bank is always safe in liquidity risk.

Under the flow approach, Liquidity gap analysis is one of the methods used by the bank to assess liquidity risk. Liquidity gap results are periodically calculated, monitored and used for sensitivity analysis and stress testing.

◆ Stock approach

As measured by stock approach, the bank's overall liquidity level remained high throughout the following year. SLS Bank has calculated and analysed the following key ratios to measure liquidity risk under the above stock approach.



Maturity gap position of the SLS Bank Investment portfolio Analysis of December 2023 is given below to descriptive manner.

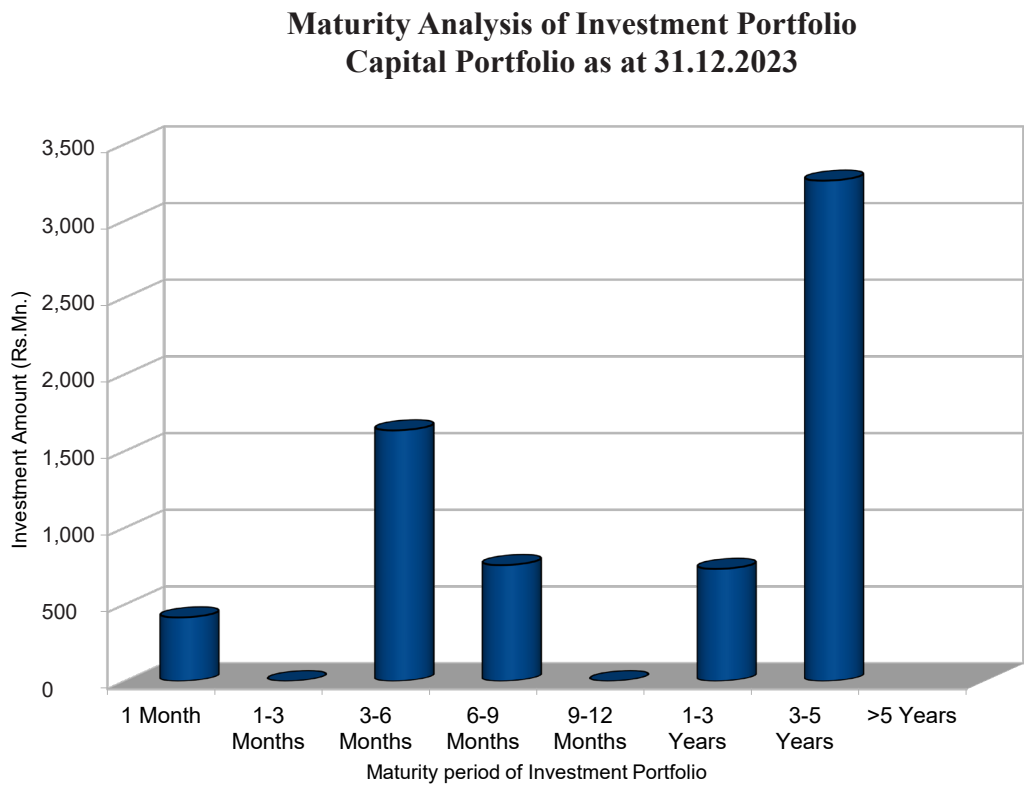


Figure 07 : Summary of Investment Maturity Analysis - Capital as at 31.12.2022

Operational Risk

Operational Risk is an expression of danger from unexpected direct or indirect losses, resulting from inadequate or failed internal processes, people and systems and external events, caused by credit or market. As well as, Operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems, or from external

events such as natural disasters, social or political events. It is inherent in all banking products and processes and Bank's objective is to control it in a cost-effective manner. Operational risk includes legal risk but excludes strategic and reputational risk.

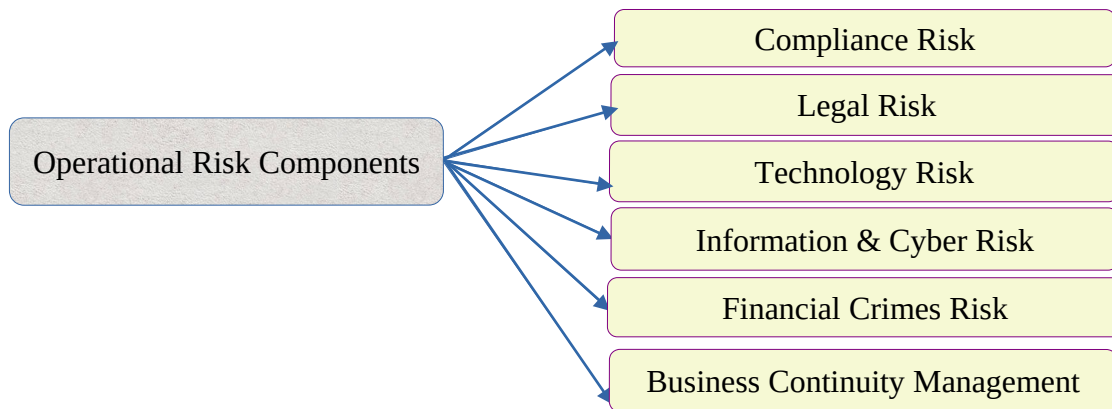


Figure : Operational Risk Components

Operational Risk originates from both the bank's business and support units and is an inevitable

element of the natural course of business activities, product and processes.



Operational Risk Management

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events such as natural disasters, social, or political events that may impact the bank. The bank is exposed to operational risk as it is inherent in all banking product and processes.

The Bank manages operational risk through policies, risk assessment, risk mitigation including insurance coverage, procedures relating to outsourcing of business activities, managing technology risk, creating a culture of risk awareness across the Bank, and monitoring and reporting. Thus, it is no longer appropriate to permit the management of operational risks only to the individual departments as it is likely to occur in all activities of business and may lead to both financial and non-financial losses.

This risk is inherent to the bank in all its material product, activities, processes and system, and is emerging as an important component of the enterprise-wide risk management system.

Managing operational risks is a key element of the Integrated Risk Management Framework of the bank. Therefore the bank is planning to implement an operational risk management system to enhance operational risk management capabilities of the bank by way of automating manual processes while establishing a sound framework.

Further, the Bank as a risk transfer strategy, has signed up for insurance to cover fire, natural disaster, theft/ robbery and fraud and outsourced certain back-office functions/processes that are

permitted by the outsourcing direction issued by the regulator. Risk Management Division also reviews and ensures the adequacy of the bank's insurance policies and that the acceptable levels of control are in place in the outsourced activities of the bank prior to signing up.

The Bank's Integrated Risk Management policy outlines the clear guidelines to manage operational risk. The Bank's branches and Business Units as the first line of defence are responsible for identification of operational risks at the point of origination. Risk Management Division evaluates the impact of operational risk events and reports to BIRMC accordingly. Internal Audit Division periodically reviews the effectiveness and efficiency of internal control systems in place, and operational risk management process across the Bank.

People Risk

People are the most important asset in the bank and also the most vulnerable asset. People risk has the potential to cause losses due to inadequate of human resources, inappropriate employee activity and the bank's failure to comply with employee related requirements. The Bank's HR related risks are managed through HR Policies and procedures (All Policies) which ensures uniformity in employee practices, effective recruitment practices and continuous focus on enhancing employee value propositions.

Covid-19 pandemic situation of the country disrupted the normal business operations of the Bank and Bank was able to quickly respond to it same by giving priority to employees' health and safety. As an essential service provider,

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

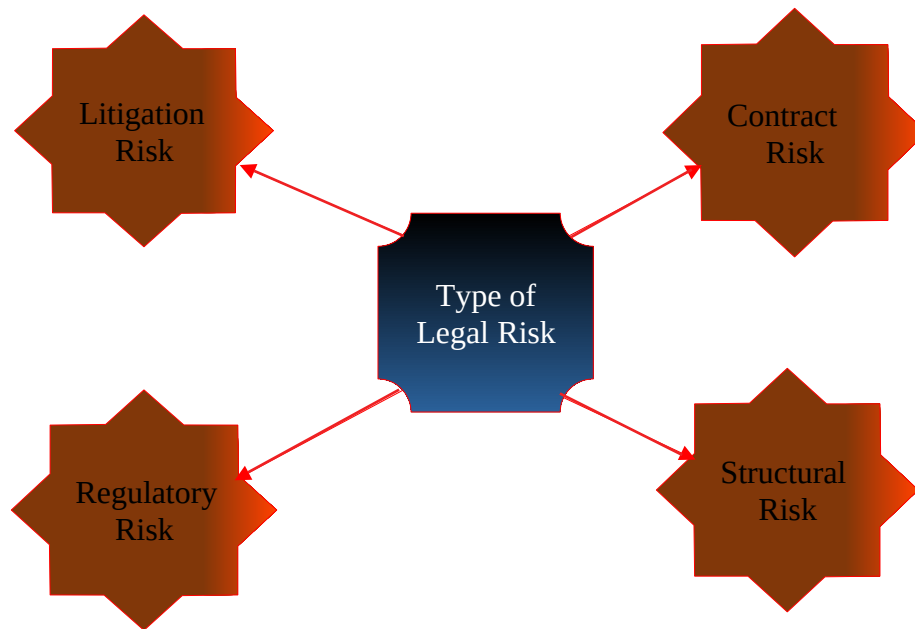
People Risk Mitigating Factors

- ◆ Substantial investments in developing skills and competencies

- ◆ Organizational culture which encourages mentoring and knowledge sharing
- ◆ Recognition programmes which value employee contributions

Legal Risk

Legal Risk is the current and potential risk to earnings to capital arising from violations of, or nonconformance with laws, rules, regulations, prescribed practice, or ethical standards issued by the regulator from time to time. Legal Risk can be of following types.



Legal risk also can be defined as the risk of financial or reputational loss that may result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to the way law and regulation apply to the business, its relationships, processes, products and services. As well as, Legal risk is an integral part of operational risk and it is defined as the exposure to the adverse consequences resulting from inaccurately drafted contracts and their execution, the absence of written agreements or

inadequate agreements resulting in fines, penalties, or punitive damages.

Legal risk is primarily managed by Legal division of the Bank ensuring that, all applicable regulations are fully taken into consideration for contracts with individuals and institutions who maintain business relationships with the Bank. Managing legal risk is delegated to business unit owners and with the oversight of Legal division. Legal & Recovery

Committee monitors the material legal risk events and take appropriate corrective and preventive actions immediately and reports to the attention of Board of Directors’ attention where it is necessary.

Strategic Risk

Strategic Risk refers to the strategic decisions, plans, objectives which may go wrong due to actions or in actions by the parties to strategic decision making process, adversely affecting the shareholder’s capital (NSB Bank & Government) of the SLS bank. e.g:- Incorrect decisions, inadequate information for decision making, delayed remedial actions etc.

Strategic risk is potential loss stemming as a result of inefficient, inadequate or failed business plans, forecasts and decisions which create loss of market share, and failure to achieve strategic goals. Corporate Management and the Board of Directors takes the responsibility to lead the Bank through

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

As the regulator, the Central Bank of Sri Lanka having considered the supervisory concerns & potential challenges to SLSB, through its letter dated 4th January 2021, decided to impose restrictions over new loan disbursements and accepting new deposits. NSB as Parent Bank of SLSB is of the view that, existence of SLSB as a separate Bank is vital to NSB to achieve its strategic goals. If regulator doesn’t withdraw the imposed regulator, the Board of Directors of NSB have decided to merge SLSB with NSB. With the limited business operations, Bank’s operational performance has reduced compared to previous years. Management level committees such as Management Committee, & ECC meets at least once a month and discusses the performance of the Bank. During the year 2023, Bank was more concerned about the recovery of NPL and payment for depositors.

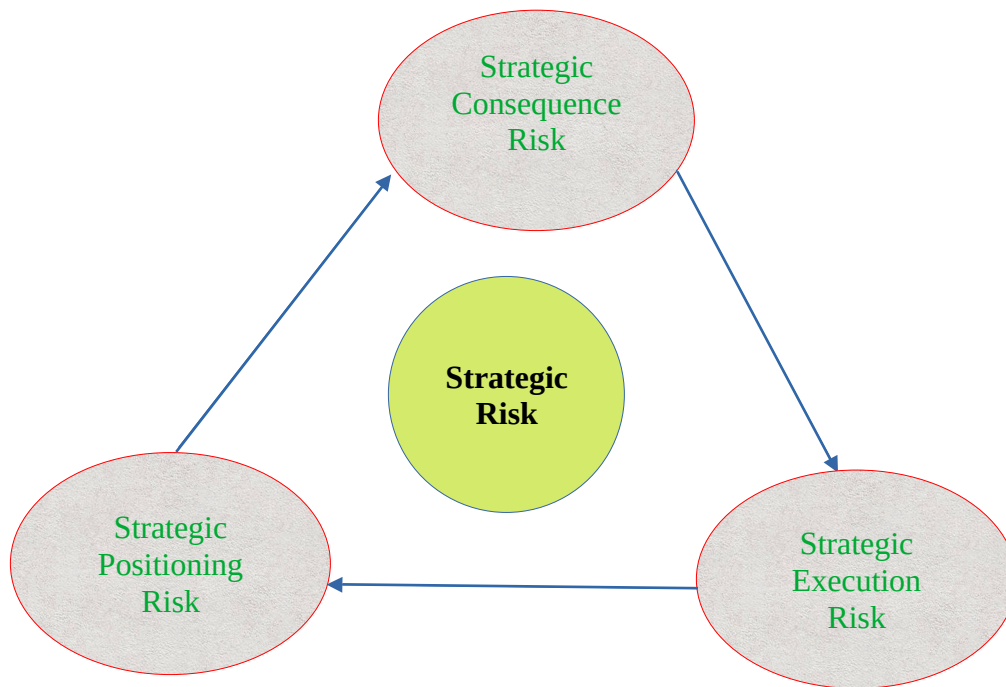
Factors of Strategic Risk



Strategic risk can be considered as the risk of losses arising from unsuccessful business plan or inability to implement suitable business plan, failure to respond promptly to the changes in the business environment and inadequate resource allocation causing adverse impact on earnings and capital of the bank. Missing out on potential upside opportunities can also be considered under strategic risk.

Responsibilities for strategy development rests with the divisional heads through the strategic planning and budgeting process which aligns with SLS Bank's visions, mission and the risk appetite. Strategic risk could arise due to worsening of general economic and market conditions locally and globally. The Board has the oversight responsibility towards the strategic risk of the bank. Senior Management continuously monitors strategic risk through frequent reviews.

Elements of Strategic Risk



Reputation Risk

Reputation risk refers to the potential adverse effects, which can arise from the bank's reputation being tarnished due to factors such as unethical practices, regulatory actions, parent company's actions (NSB bank), customer dissatisfaction and complaints, negative/ adverse publicity etc. The bank remains committed to continuously strive to maintain and improve its reputation in all the business activities of bank operates.

Reputation risk is the risk of adversities to earnings or solvency of the bank due to negative stakeholders perception on business practices and financial conditions. In general, reputational risk is broadly managed through systems and controls adopted for all other risk as reputational risk is driven by a wide range of other business risks which are managed by the policies, procedures, code of conduct and business ethics. Board of Directors oversees the

reputational risk management which is carried out by the CEO/GM and Corporate Management. The bank has a zero risk appetite for reputational

losses. Thus, Risk Management Division monitors the reputational vulnerabilities using tools and customer compliant analysis.

Factors of Reputation Risk



Information Technology & Cyber Risk

Technology continues to be the main driver of transformation within the banking industry as we move to a platform economy, necessitating a sharper focus on information technology and Cyber risk.

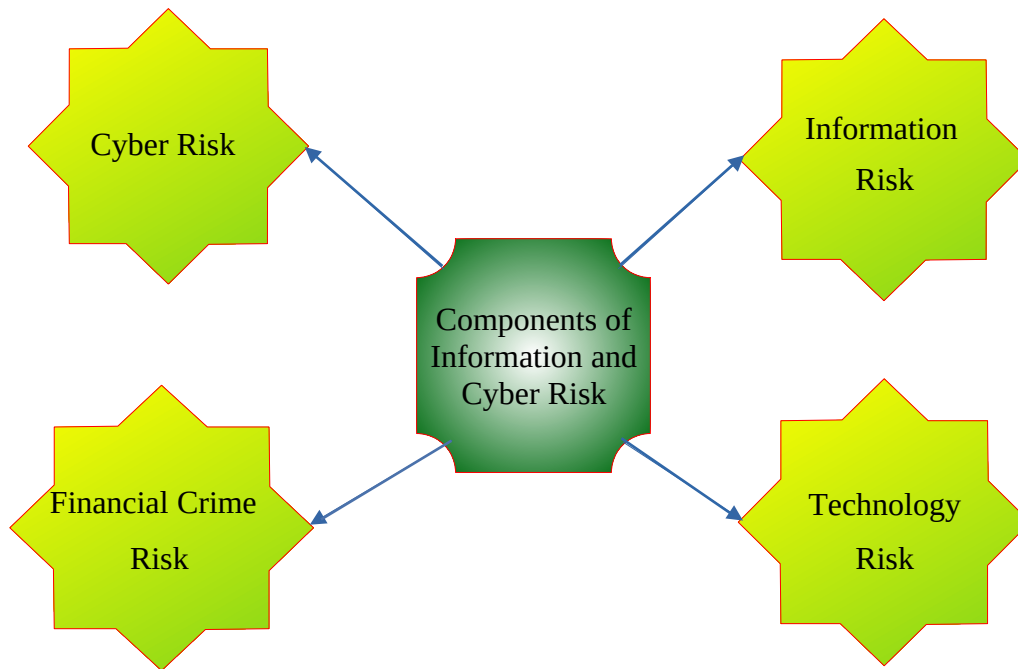
Information technology risk arises from the use of computer systems in the day-to-day conduct of the

bank's operations, storage and retrieval of information and reports and use of internet and other digital platforms. The risk can occur due to the choice of faulty or unsuitable technology and adoption of untried or obsolete technology. The bank inherently faces a technology risk as its operations are highly dependent on information technology. Technology is a key source of

competitive advantage for the banking sector due to its strong dependence on technology to facilitate complex processes and handle large amounts of informations. This underscores the vital importance of adopting an effective information technology (IT) risk management process.

Cybercrime continues to evolve at a rapid pace making these the leading risks for many businesses

as gleaned from global surveys, necessitating investments in sophisticated tools for managing this omnipresent threat. This includes Cyber risks such as hacking and theft of information, system breakdowns and failures, technological obsolescence and inadequate infrastructure to support business volumes.



Mitigating Factors of IT and Cyber Risks

Risks arising from the inability to acquire and maintain robust and secure technology in line with customer expectations and competition. Cyber risk stems from cyber attacks or breaches to systems, networks or databases resulting in loss of customer data, disruption to operations or reputational damages. Mitigating factors are mentioned below.

- Strong IT governance including a robust IT policy and procedure and clearly defined responsibilities.

- Regular IT vulnerability assessments
- Ongoing investments in upgrading hardware and software
- IT audits by independent parties

Mitigating the IT and Cyber Risk

The bank maintains a well established IT governance structure to avoid risk of data loss. A separate backup is maintained at an off-site location as well.

- Password and access controls to authenticate user access and activation of necessary validation and verification at information entry level.
 - Fire protection and smoke detectors to detect heat at the server rooms and UPS rooms.
 - Disaster recovery plan to continue operations in the event if the primary site becomes unavailable
- Currently SLSB does not perform internet banking

operations and does not have ATMs. Therefore IT risk adjoining to the SLSB has inherently reduced up to a certain level. IT Steering Committee plays key role in managing IT risk in the Bank and IT Steering Committee identifies the required changes, upgrades and develops the existing system and takes suitable actions with instructions of Board of Directors where it is necessary.

Compliance Risk

Compliance risk arises due to non-compliance with applicable laws, regulations, codes of conduct and standards of good practice that results in financial loss and reputational loss. Compliance helps to maintain and enhance the reputation of the Bank. A dedicated compliance unit headed by the Compliance Officer, reporting directly to the Board

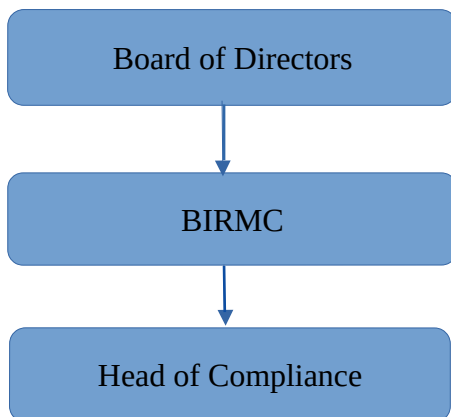
and BIRMC Committee, ensures that the bank is compliant with all relevant external regulations and internal guidelines. Meanwhile, a Board approved Compliance policy is in place, specifying how compliance risks are identified, monitored and managed by the bank in a systematic and holistic manner.



Objectives of Managing Compliance Risk

- Elevate bank's reputation by enhancing its reputation
- Maintain customer confidence and trust
- Ensure smooth and efficient operations of the Bank
- Ensure employee integrity
- Provide products and services of the highest quality
- Increase the strength and stability of the Bank
- Ensure sustainability of the Bank

Compliance Risk governance



The Board holds highest responsibility to ensure compliance with relevant external regulations and internal guidelines. The Board is duly supported by the BAC and the BIRMC in its compliance functions. The Compliance Officer, reporting directly to the BIRMC, ensures that the Bank is fully compliant. The Compliance Officer oversees the compliance status of the Bank and regularly assesses the Bank's compliance and reports the status to the BIRMC and Board of Directors. The

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

Mandatory compliance functions

- ✓ Develop and review compliance policies and procedures to eliminate or minimize the risk of noncompliance with regulatory requirements and guard the Bank from reputational risk.
- ✓ Develop a code of conduct/ethics for all employees clearly articulating the best practices and monitor and ensure compliance at all levels.
- ✓ Develop and review an Anti-Money Laundering Policy aligned to Know Your Customer (KYC) regulations, to be adhered by all departments of the Bank
- ✓ Maintain regular contact and a good working relationship with regulators based on clear and timely communication and mutual understanding.
- ✓ Nurture a culture of compliance within the Bank.
- ✓ Keep abreast with new legal and regulatory developments relevant to the Bank and facilitate effective implementation.
- ✓ Furnish reports highlighting regulatory developments, changes in laws and any other relevant developments to the Management that could give rise to compliance issues.
- ✓ Highlight any breaches in compliance and work with the management to address and rectify them within an acceptable time frame.

- ✓ Submit monthly compliance reports to the Central Bank of Sri Lanka on compliance with Central Bank Directives and Guidelines and as stipulated by the law.
- ✓ Prepare and submit quarterly compliance reports to the Board Integrated Risk Management Committee (BIRMC).
- ✓ Submit monthly compliance reports to the Board.
- ✓ Establish a customer charter based on directions issued by the Central Bank of Sri Lanka.
- ✓ Prepare policies and implement procedures to minimize compliance risk and reputation risk including developing a Whistle-Blowing Policy and a Code of Conduct.
- ✓ Liaise with the Credit Information Bureau to maintain updated credit details of customers.

Ancillary compliance functions

- ✓ Promote compliance as a success enabler
- ✓ Conduct assessments and reviews at regular intervals to assess compliance with internal and external regulations.
- ✓ Represent the compliance function in relevant internal and external committees.
- ✓ Clearly communicate policies on compliance to Management and staff.

- ✓ Liaise with the Bank's internal and external audit function, to address compliance issues.

- ✓ Follow up on compliance issues identified through audits.

Liaise with the Auditors and conduct random compliance audits on risk based assessment

Prevention of money laundering and terrorist financing

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

Compliance reporting

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

Future Focus

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

Report of the Board Human Resource and Remuneration Committee

1.HR and Remuneration Committee (HRRC)

The Human Resource & Remuneration Committee was formed in compliance with Section 3(6)(iii) of Direction No. 12 of 2007, on the subject “Corporate Governance for Licensed Specialized Banks in Sri Lanka”, issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No 30 of 1988. The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction.

1.1 Scope of the Committee

The Board appointed empowered Committee is to review all significant HR & Remuneration policies of the Bank. According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to determine the Remuneration Policy relating to Directors. However, in the case of Sri Lanka Savings Bank, the remuneration of Directors is determined in accordance with the circulars and instructions issued by the Government of Sri Lanka, the ultimate stakeholder of the Bank. However, the committee determines the remuneration in relation to CEO and key management personnel of the Bank. Responsibility for setting Key Performance Indicators (KPI) for CEO and key management personnel and evaluating their performance against the set KPIs also lies with the Committee.

1.2 Members

The members of the Committee during the year under review are as follows:

Mrs. Keasila Jayawardena – Chairperson
(Up to 14.06.2023)

Mr. B M D B Basnayake – Chairman
(From 15.06.2023 to date)

Mr. Saliya Dharmawardena – Member

Mr. Hemantha Gamage – Member

Mr. Jayantha Perera – Member
(From 01.01.2023 to 04.05.2023)

Mr. B. M. D. B. Basnayake, the Chairman of the Bank, has chaired the Committee since 15.06.2023, while Mrs. Keasila Jayawardena, the former Chairperson of the Bank, chaired the Committee from 01.01.2023 to 14.06.2023. The Company Secretary served as the Secretary of the Committee. The Chief Executive Officer (CEO) shall present at meetings of the committee, except when matters relating to the CEO are being discussed. Other members of staff are invited to attend the meetings when the Committee requires their presence.

1.3 Meetings

After three successful meetings during the year 2023 almost all recommendations to the Board of Directors were adopted and such decisions were implemented during the year. The attendance of committee members at meetings is stated in the table. The quorum for a meeting is two (2) members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Name of Director	No. of meetings	
	Held	Attended
Mrs. Keasila Jayawardena	01	01
Mr. B M D B Basnayake	02	02
Mr. Saliya Dharmawardena	03	03
Mr. Hemantha Gamage	03	03
Mr. Jayantha Perera	01	01

2. Main functions

- Determine the remuneration policy (salaries, allowances and other financial payments) relating to the Chief Executive Officers (CEO) and other Key Managerial Personnel of the Bank.
- Set goals and targets for the Directors, CEO and Key Managerial Personnel.
- Lay down guidelines, policies and parameters for the compensation structures for all Key Managerial Personnel, Executive and other staff members of the Bank and oversee the implementation thereof.
- Evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance based incentive and make recommendation on promotion and other employment related decisions in relation to the Key Managerial Personnel and members of the Management to the Board of Directors.
- Make recommendations to the Board of Directors from time to time of the additional / new expertise required by the Bank.
- Assess and recommend to the Board of Directors of the promotions, extension of probationary period and contract of employment, termination of employment of the Key Management Personnel, address succession planning and issues connected to the Organizational Structure.
- Review the senior level of the organization structure and staffing of the Bank and its succession plan, and when necessary, submit its concerns and recommendations to the Board.
- Review or make recommendations to the Board in respect of the human resources policies, practices and organizational structures, all of which should provide consistency with the strategic plan, support operational effectiveness and efficiency, and maximize human resources potential.
- Make recommendations / decisions / directions pertaining to the statutory payments made by the Bank on behalf of its employees (EPF, ETF, Terminal Benefits, etc.), ensuring the effective fulfillment of all commitments arising as a result of the employer-employee relationship.
- Review general issues, such as training and employee development programmes, turnover, employee engagement and diversity.
- Providing guidance and policy direction for relevant matters connected to general areas of Human Resources Management of the Bank.
- Promoting a culture of regular performance reviews to enable staff to obtain feedback from

their superiors in further of achieving their objectives and development goals.

3. Summary of Activity

- a) During the year, Human Resources and Remuneration Committee comprehensively reviewed the performance of the KMPs of the Bank for the year 2022 against the set goals and targets and granted the increments, bonuses and promotions for the staff members including the KMPs.
- b) The total number of staff as at 01st January 2023 was 104 and by the end of the year it was 95.
- c) The educational / professional background of the executive level management is given below:
- d) External training and development of staff to take on new challenges was the other key area. Bank has nominated employees to attend trainings in the vital areas and majority of them were conducted online.

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.

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

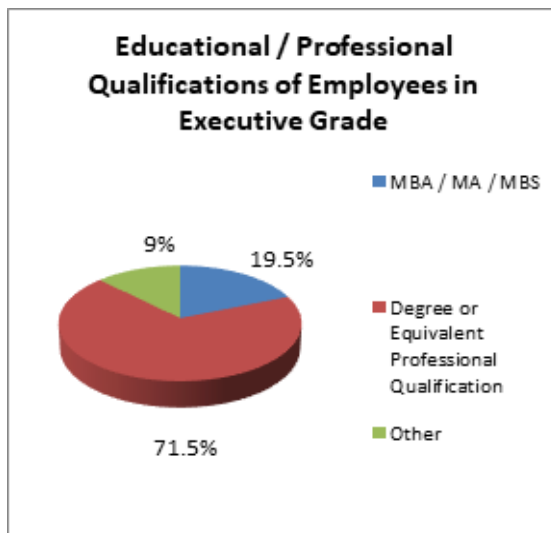
- e) The Bank also introduced various benefits like medical insurance, critical illness cover, personal accident cover, staff housing loan, enhanced maternity facilities, bonus, encashment of unutilized leave, library facilities to staff as a motivational & retention strategy.



Mr. B M D B Basnayake

Chairman

Board Human Resource and Remuneration Committee



Report of the Board Integrated Risk Management Committee

Charter of the BIRMC

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

Composition of BIRMC 2023

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

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

Mr. Saliya Dharmawardena

Non-Independent, Non-Executive Director

Mr. Prasad Imbulagoda

Independent, Non-Executive Director

Mr. Janaka Arunashantha

Independent, Non-Executive Director

Management Level representatives

Mr. M.A.S. Fernando

GM/CEO

Mrs. Nadeeka Peramuna

Officer – Legal, Company Secretary and Secretary to BIRMC

Mr. S.M.D.G.P.D. Karunaratna

Acting Manager-Compliance/Risk

Brief profiles of the Board members and the General Managers/CEO of the Board Integrated Risk Management Committee during year 2023 are given on the reports of “Board of Directors and Senior Management”.

Attendance of the Committee members during the year 2023 is as below.

Name	Eligible to attend	Attended
Mr. Saliya Dharmawardena	03	03
Mr. Janaka Arunashantha	04	04
Mr. Prasad Imbulagoda	04	03

Roles and Responsibilities of BIRMC

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

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

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

BIRMC Activities in 2023

- ✓ Reviewed the risk management report submitted on quarterly, covering the all risk management aspect of the Bank.
- ✓ Reviewed the risk management policies including integrated risk management policy, risk appetite and risk tolerance limits.
- ✓ Reviewed the strategic risk of the Bank on restriction imposed by the CBSL with limitation of business operation.
- ✓ Reviewed the compliance programme and compliance report submitted by the Compliance Officer.
- ✓ Reviewed the Bank's policies, procedure manuals and submitted for approval of the Board of Directors.
- ✓ Reviewed the liquidity position of the bank.

- ✓ Reviewed the credit quality of the Bank's lending portfolio and given necessary recommendation to Board of Directors.



.....
Mr. Prasad Imbulagoda

Member

Board Integrated Risk Management Committee



.....
Mr. Janaka Arunashantha

Member

Board Integrated Risk Management Committee

Report Of the Board Audit Committee

The Board Audit Committee (BAC) was constituted in accordance with the provisions of Public Enterprises Circular No. PED 55 dated December 14, 2010 and rules applicable to the BAC under the Corporate Governance for Licensed Specialized Banks stipulated by the Central Bank of Sri Lanka under the provisions of the Section 3 (6) (ii) of the Banking Act Direction No. 12 of 2007.

Composition of the Committee

The BAC comprises of three (03) Non-Executive Directors including a Treasury Representative who chairs the Committee. Mr. H.M.S. Dharmawardane is appointed as Treasury Member to the Board of Sri Lanka Savings Bank in place of Mr.M.K.P.Kumara with effect from February 28, 2023.

The members who served the BAC during the year 2023 are as follows:

Name	Designation	Period served
Mr.M.K.P. Kumara (Ceased to be a Director with effect from February 21, 2023)	Chairman	From 01/01/2023 to 21/02/2023
Mr. H.M.S. Dharmawardane (Appointed as a Director with effect from February 28, 2023)	Chairman	From 28/02/2023 to 31/12/2023
Mr.H.D.P.Gamage	Member	From 01/01/2023 to 31/12/2023
Mr. M.T.J. Perera (Ceased to be a Director with effect from June 15, 2023)	Member	From 01/01/2023 to 15/06/2023
Mr. H.K.D. Lakshman Gamini (Appointed as a Director with effect from June 15, 2023)	Member	From 15/06/2023 to 31/12/2023

Meetings

During the year 2023, six (06) BAC Meetings were held and proceedings of such Meetings were regularly reported to the Board. The Company Secretary (Acting) / Legal Officer functions as Secretary to the BAC Meetings. Generally, a representative from the Auditor General's Department participates to the BAC as an observer. Mrs.R.L.T.Priyangani attended five (05) BAC Meetings representing the Auditor General in

the year 2023. Ms.G.M.N.Lakmini attended one (01) BAC Meeting on the absence of Mrs.R.L.T Priyangani representing the Auditor General in the year 2023 as well.

The Senior Management including General Manager/CEO, Senior Manager - Lease Recoveries and Finance, Senior Manager - Internal Audit, Acting Risk & Compliance Officer attend the Meetings by invitation.

Attendance of the BAC members during the financial year ended December 31, 2023 is as follows.

Name	Eligible to attend	Attended
Mr.M.K.P. Kumara	-	-
Mr. H.M.S. Dharmawardena	05	05
Mr.H.D.P. Gamage	06	06
Mr.M.T.J. Perera	01	01
Mr.H.K.D. Lakshman Gamini	05	05

Mandate and Role

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

Terms of Reference

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

(a) Determination of the responsibilities of the Internal Audit division and review of the annual audit plan.

(b) Review and evaluate internal control systems for all activities of the entity.

(c) Review performance at regular intervals for cost effectiveness and to eliminate unnecessary/ wasteful expenditure etc.

(d) Liaise with external auditors and follow up on Auditor General's/ External Auditor's Management Letters.

(e) Ascertain whether statutes, regulations, rules and circulars are complied with.

(f) Review financial statements to ensure compliance with Accounting Standards.

(g) Review internal audit/ external audit reports, Management Letters for remedial action.

(h) Review implementation of recommendations/ directives of the Committee on Public Enterprises.

(i) Reporting to the Board of Directors any matters which have been identified that the Committee needs to be considered, actioned or improved upon.

(j) Prepare report on the findings of the Committee for inclusion in the Annual Report.

Financial Reporting

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

The Committee reviews quarterly non-audited interim financial statements together with supporting information that included significant assumptions and judgments made in the preparation of final financial statements.

Internal Controls

The BAC assesses the effectiveness of internal control over financial reporting. This process assesses the adequacy and effectiveness of the internal controls and the processes for controlling risks to ensure compliance with laws and regulations. The Committee ensures that appropriate actions are taken by the management on the recommendations of the Internal Auditors to improve the effectiveness of the internal control system of the Bank. The basis of the internal control framework, which enables the Board of Directors to pursue its functions and take necessary measures.

Internal Audit & Inspection

The BAC ensures that Internal Audit function is independent of the activities it audits and it performs with impartiality proficiency and due professional care. The Committee monitors and reviews the scope, resources, extent and effectiveness of the activities of Internal Audit Division of the Sri Lanka Savings Bank.

The Internal Audit Division of the Bank carries out audits of Branches, Divisions and other Units as per the Risk Based Annual Internal Audit Plan. The frequency of audit is determined by the level of risk assessed. The audit plan is approved by the BAC for implementation.

The Committee under review attended the following during the year

(a) Reviewed the Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Savings Bank Limited for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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

(c) Reviewed the Auditor General's Report of Factual Findings of Sri Lanka Savings Bank to the Board of Directors on the compliance requirement of the Corporate Governance Direction issued by the Central Bank of Sri Lanka - 31 December 2022.

(d) Reviewed and discussed issues raised at CBSL Statutory Examinations and follow-up actions by the Bank Management and monitored the progress of rectification.

(e) Reviewed the internal audit reports and the performance of the Internal Audit Department.

Extend Gratitude to the External Auditors

Finally, I take this opportunity to extend my gratitude to Mrs.R.L.T.Priyangani & Ms. G.M.N.Lakmini for their continuous support and guidance towards to strengthen the internal controls of the Bank throughout the year 2023 for attending all BAC Meetings by either of them representing the Auditor General.



Mr. H.M.S. Dharmawardena
Chairman of the Board Audit Committee
Colombo, Sri Lanka
January 23, 2024

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with the Banking Act Directions No. 12 of 2007, Section 3 (8) (ii) (b), the Board of Directors present this Report on Internal Control System over Financial Reporting of Sri Lanka Savings Bank Ltd based on the prevailing guidelines.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control system in place at Sri Lanka Savings Bank Ltd. ("the Bank"). In considering such adequacy and effectiveness, the Board recognizes that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this regard, 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 frauds.

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 in business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the ICASL. The Board

has assessed the internal controls over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

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

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

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

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

- Board Sub Committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual

budget as well as the policies and business directions that have been approved.

➤ The Internal Audit Division (IAD) of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. Findings of the Internal Audit Department are submitted to the Board Audit Committee for review at their periodic meetings.

➤ The Board Audit Committee (BAC) of the Bank reviews periodically the internal control issues identified by the respective Internal Audit Department of the Bank, regulatory authorities and management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Board Audit Committee Meetings are forwarded to the Board of the Bank on a periodic basis. Further, the activities undertaken by the Audit Committee of the Bank are set out in the Board Audit Committee Report on pages 99 to 102 in this annual report.

➤ In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn were observed and checked by the Internal

Audit Department for suitability of design and effectiveness on an ongoing basis. The Bank has adopted the Sri Lanka Accounting Standards comprising LKAS and SLFRS processes to comply with requirements of recognition, measurement, classification and disclosure.

➤ The Board Integrated Risk Management Committee (BIRMC) has been established by the Board to assist the Board to oversee the overall management of principal areas of risk of the Bank. The Board has also established an independent Compliance Unit which ensures that Bank's activities are conducted in accordance with applicable laws, regulations and regulatory directives and any issue of non-compliance is reported to BIRMC periodically. The report on the Risk Assessment is submitted by the BIRMC to the Board periodically.

➤ Management level Committees have also been functioning with appropriate empowerment to ensure effective management and supervision of Bank's core areas in the day-to-day business operations.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

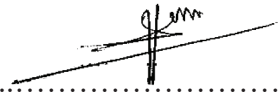
The External Auditors, the Auditor General will review the above Directors' Statement on Internal Control over Financial Reporting of the Bank for the year ended December 31, 2023 and will report to the Board.

By order of the Board



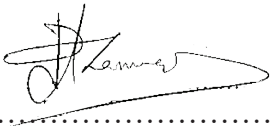
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Mr. B.M.D.B. Basnayake
Chairman of the Board



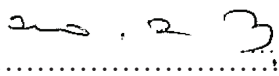
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Mr. H.M.S. Dharmawardena
Chairman of the Board Audit Committee
Director



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Mr. H.D.P. Gamage
Member of the Board Audit Committee
Director



.....

Mr. H.K.D. Lakshman Gamini
Member of the Board Audit Committee
Director

January 23, 2024

Colombo

Auditor General's Report on Directors' Statement on Internal Control



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මගේ අංකය
எனது இல.
My No.

} BAN/A/SLSBL/IC/2023/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

} 16 MAY 2024



The Chairman

Sri Lanka Savings Bank Limited

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

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") of Sri Lanka Savings Bank Limited included in the annual report for the year ended 31 December 2023.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the section 3 (8) (ii) (b) of the Banking Act Direction No. 12 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050 (Revised)

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the Internal Control of the Sri Lanka Savings Bank Limited.

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

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

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



Summary of Work Performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of Internal Control over Financial Reporting of the Bank.

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

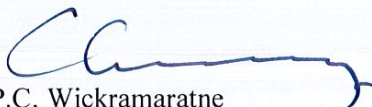
SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require me to consider whether the processes described to deal with material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

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

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

My Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the annual report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of Internal Control System over the Financial Reporting of the Bank.



W.P.C. Wickramaratne

Auditor General

Auditor General's Report on Financial Statements



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/A/ SLSB/FA/2023/01

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

22 March 2024

Chairman

Sri Lanka Savings Bank Limited.

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Savings Bank Limited for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Savings Bank Limited (the “Bank”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



1.2 Basis for Opinion

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

Emphasis of Matter

I draw attention to Note: 2.7.ii to the financial statements, which discusses the proposed change in business activities of the Bank. My opinion is not modified in respect of this matter.

1.3 Other information included in the Bank's 2023 Annual Report.

The other information comprises the information included in the Bank's 2023 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Bank's 2023 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154(6) of the Constitution that will be tabled in due course.

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

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

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

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

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

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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 163 (2) (d) of the Companies Act, No.7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

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

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

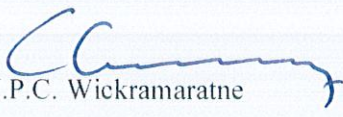
2.2 Based on the procedures performed and evidences obtained were limited to matters that are material, nothing has come to my attention;

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

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

2.2.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018

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


W.P.C. Wickramaratne
Auditor General

SRI LANKA SAVINGS BANK LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2023

	NOTE	2023 LKR	2022 LKR Restated
Interest income	5	1,435,052,049	1,119,714,896
Interest expenses	5	(25,388,549)	(30,726,098)
Net interest income		1,409,663,501	1,088,988,798
Fee and commission income	6	346,213	329,726
Fee and commission expenses	6	(17,250)	(28,917)
Net fee and commission income/(expenses)		328,963	300,809
Other operating income (net)	7	235,328,504	128,386,049
Total operating income		1,645,320,968	1,217,675,656
Impairment (charges)/reversal	8	98,815,727	(73,199,495)
Net operating income		1,744,136,695	1,144,476,161
Personnel expenses	9	(243,689,447)	(281,205,826)
Depreciation and amortization expenses	10	(9,459,402)	(10,759,862)
Other expenses	11	(93,532,714)	(81,186,321)
Operating profit before VAT & SSCL on financial services		1,397,455,132	771,324,153
Value Added Tax (VAT) on financial services		(212,254,173)	(140,670,043)
Social Security Contribution Levy (SSCL) on financial services		(29,230,619)	(4,807,979)
Operating profit after VAT & SSCL on financial services		1,155,970,340	625,846,132
Income Tax expenses	12	(397,250,122)	(165,258,016)
Profit for the year		758,720,218	460,588,117
<i>*The accounting policies, notes No. 1 to 43 form an integral part of these financial statements.</i>			
Basic Earning per share	13	92	56

SRI LANKA SAVINGS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023

	NOTE	2023 LKR	2022 LKR Restated
Profit for the period ended		758,720,218	460,588,117
Items that will not be reclassified to income statement			
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income		99,513,850	(62,345,567)
Actuarial Gain/(loss) on defined benefit plan		(613,264)	(660,973)
Changes in Revaluation Surplus		257,562,350	-
Other comprehensive income for the period ended, net of taxes		356,462,936	(63,006,540)
Total comprehensive income for the period ended		1,115,183,153	397,581,576

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

SRI LANKA SAVINGS BANK LIMITED

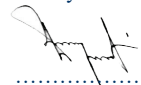
STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST DECEMBER 2023

	NOTE	31.12.2023 LKR	31.12.2022 LKR Restated
Assets			
Cash and cash equivalents	14	31,893,667	47,256,632
Placements with Banks	15	1,042,215,991	1,963,287,274
Financial assets at amortised cost			
- Loans and Advances	16.1	630,952,774	796,327,303
- Debt and Other Instruments	16.2	6,075,045,802	4,426,048,609
Financial assets measured at fair value through Profit & Loss	17	-	-
Financial assets measured at fair value through other comprehensive income	18	202,496,949	102,924,777
Property, plant and equipment	19	1,134,147,974	884,129,270
Right of use assets	20	103,699	638,447
Investment property	21	349,000,000	204,977,000
Intangible assets	22	3	1,183,750
Deferred tax assets	23	-	11,283,730
Other assets	24	45,679,585	19,654,179
Total assets		9,511,536,445	8,457,710,973
Liabilities			
Due to Banks	25	-	190,736
Financial liabilities at amortised cost	26		
Due to depositors	26.1	418,862,147	464,579,057
Due to other borrowers	26.2	293,890,729	301,614,895
Lease liability	27	132,951	798,065
Debt securities issued	28	73,169,003	73,555,478
Retirement benefit obligations	29	60,794,309	51,461,497
Current tax liability	30	204,141,025	182,456,994
Deferred tax liability	23	27,727,059	-
Other liabilities	31	208,954,222	274,372,407
Total liabilities		1,287,671,446	1,349,029,129
Equity			
Stated capital/assigned capital	32	3,805,290,302	3,805,290,302
Statutory reserve fund	33	326,700,883	288,764,872
OCI Reserve	34	104,108,934	4,595,082
Retained earnings	35	5,006,416,543	4,286,245,601
Other reserves	36	(1,018,651,662)	(1,276,214,012)
Total equity		8,223,864,999	7,108,681,845
Total equity and liabilities		9,511,536,445	8,457,710,973
Contingent liabilities and commitments	38	2,963,374	1,736,539

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

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



Eranjith Padmakumara
Senior Manager- Finance



M.A.S. Fernando
General Manager/CEO

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

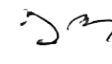
Signed for and on behalf of the Board.



B.M. Dushyantha Basnayake
Chairman



Director



Director

SRI LANKA SAVINGS BANK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Ordinary Share Capital	Capital Pending Allotment	PSDB Revenue Deficit	Statutory Reserves Fund	OCI Reserve	Revaluation Reserve	Revenue Reserve	Total Equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01.01.2023	820,446,600	2,984,843,702	(2,166,190,408)	266,507,389	66,940,650	895,633,734	3,938,822,437	6,807,004,104
Prior Year Adjustments							(95,903,836)	(95,903,836)
Balance as at 01.01.2023 after adjustments	820,446,600	2,984,843,702	(2,166,190,408)	266,507,389	66,940,650	895,633,734	3,842,918,601	6,711,100,268
Profit for the year	-	-	-	-	-	-	460,588,117	460,588,117
Actuarial Gain on defined benefit plan	-	-	-	-	-	-	(660,973)	(660,973)
Fair value changes	-	-	-	-	(62,345,567)	(5,657,339)	5,657,339	-
Revaluation Gain transfer to retained earnings	-	-	-	-	-	-	(22,257,483)	-
Transferred to statutory reserve fund	-	-	-	22,257,483	-	-	(22,257,483)	-
Balance as at 31.12.2022 restated	820,446,600	2,984,843,702	(2,166,190,408)	288,764,872	4,595,082	889,976,395	4,286,245,600	7,108,681,844
Balance as at 01.01.2023 Restated	820,446,600	2,984,843,702	(2,166,190,408)	288,764,872	4,595,082	889,976,395	4,286,245,600	7,108,681,844
Profit for the year	-	-	-	-	-	-	758,720,218	758,720,218
Actuarial loss on defined benefit plan	-	-	-	-	-	-	(613,264)	(613,264)
Fair value changes	-	-	-	-	99,513,850	-	-	99,513,850
Revaluation Gain transfer to retained earnings	-	-	-	-	-	257,562,350	(37,936,011)	257,562,350
Transferred to statutory reserve fund	-	-	-	37,936,011	-	-	(37,936,011)	-
Balance as at 31.12.2023	820,446,600	2,984,843,702	(2,166,190,408)	326,700,883	104,108,932	1,147,538,745	5,006,416,543	8,223,864,997

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

SRI LANKA SAVINGS BANK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2023

	NOTE	2023 LKR	2022 LKR Restated
Cash flows from operating activities			
Profit before tax		1,155,970,340	625,846,132
Adjustment for:			
Prior year adjustment		(1)	(95,903,837)
Non-cash items included in profits before tax	39	(297,505,192)	(4,214,644)
Change in operating assets	40	(489,757,941)	95,300,023
Change in operating liabilities	41	(41,926,296)	(335,510,719)
Contribution paid to defined benefit plans		(5,197,459)	(1,031,971)
Tax paid		(336,555,301)	(314,750,928)
Net cash generated from operating activities		(14,971,850)	(30,265,944)
Cash flows from investing activities			
Purchase of property, plant and equipment	19.1	(200,381)	(3,365,409)
Purchase of Intangible assets	22.1	-	(2,100,000)
Proceeds from the sale of property, plant and equipment			11,386,990
Proceeds from the sale of Investment property			7,510,000
Purchase of Financial investments		-	-
Proceeds from the sale of maturity of financial investments		-	-
Net cash (used in)/from investing activities		(200,381)	13,431,581
Cash flows from finance activities			
proceeds from the issue of ordinary share capital		-	-
Repayment of subordinate debts		-	-
Dividend paid to the Shareholders		-	-
Net cash (used in)/from investing activities		-	-
Net increase/(decrease) in cash & cash equivalents		(15,172,230)	(16,834,363)
Cash and cash equivalents at the beginning of the year		47,065,896	63,900,259
Cash and cash equivalents at the end of the year	42	31,893,666	47,065,896

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

SRI LANKA SAVINGS BANK LIMITED

ACCOUNTING POLICIES

1. Corporate information

1.1 General

Sri Lanka Savings Bank Limited (SLSBL) is a limited liability Company, incorporated in July 2006, in Colombo, under the Companies Act No 17 of 1982 and re-registered in September 2008 under the Companies Act No.7 of 2007. The Bank is a licensed specialized bank registered under the Banking Act No.30 of 1988. The registered office of the Bank is at 265, Ward Place, Colombo 07. Branches are located in Mannar, Matara, Anuradhapura and Borella.

1.2 Principal activities and nature of operations

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

1.3 Date of authorization for issue

The Financial Statements of the bank for the period ended 31st December 2023 were authorized for issue on 23rd January 2024.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank (Statement of financial position, Statement of Income, Statement of comprehensive income, Statement of changes

in equity, Statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Banking Act No. 30 of 1988.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Presentation of financial statements

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

2.5 Materiality & aggregation

In compliance with Sri Lanka Accounting Standard

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

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

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

2.6 Comparative information

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

2.7 Use of significant accounting judgments, estimates and assumptions

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

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

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

i. Useful life-time of the property and equipment

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

ii. Merger with National Savings Bank

The Director - Bank Supervision of Central Bank of Sri Lanka has informed by letter dated 05th January, 2021 either to sell, liquidate or merge SLSB with NSB as per a decision taken by the Monetary Board of the Central Bank of Sri Lanka. The Monetary Board has directed SLSB to refraining from granting any new loans, accepting deposits, recruiting new staff and entering into new contracts with any party due to the merger process. It is agreed by the Board of Directors of the Parent Company to absorb the assets & liabilities and staff of Sri Lanka Savings Bank into National Savings Bank. The Director - Bank Supervision of Central Bank of Sri Lanka has informed by letter dated 11th January 2024 to complete the absorption process before 31st March 2024. Accordingly, a time bound action plan prepared by both NSB and SLSB has been sent to the Director Bank Supervision and as per that plan, the Bank will be liquidated subsequent to the absorption of assets, liabilities and staff of SLSB into NSB.

Impairment losses on loans and advances

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

iii. 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.

iv. Defined benefit plans

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

2.8 Changes in Accounting Policies

2.8.1 Sri Lanka Accounting Standard (SLFRS 16) – Leases

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

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

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

2.8.1.1. Identifying a Lease

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

1. Availability of identified asset
2. Bank's right to control the use of the identified asset

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

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

2.8.1.2 Right-of-use assets

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

2.8.1.3 Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease

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

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

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

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

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

2.8.1.6 Measurement

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

- the Bank leaves comparatives as previously reported
- any difference between asset and liability recognized in opening retained earnings at transition

- measure ROU asset as if SLFRS 16 had been applied from lease commencement (but using discounting rate at date of transition)

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

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

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

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

Discount Rate

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

• Separating Components of a Contract

The Bank elects to consistently apply as a practical expedient not to separate non-lease components from lease components, and instead account for

each lease component and any associated non-lease components as a single lease component.

- Initial Direct Costs

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

3. Significant accounting policies

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

3.1 Cash and cash equivalents

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

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

3.2 Financial assets – Recognition and measurement

3.2.1 Date of recognition

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

3.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and

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

3.2.3 Non-derivative financial assets

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

3.2.4 Classification and Subsequent Measurement of Financial Assets

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

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

3.2.4.1 Financial assets measured at amortized cost

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

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

3.2.4.2 Financial assets measured at FVOCI

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

3.2.5 Reclassification of Financial Instruments at “Amortized Cost

-to Fair value through other comprehensive income

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

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

3.2.6 De-recognition of financial assets financial liabilities

3.2.6.1 Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less and new liability assumed) and any cumulative gain or

loss that had been recognized in OCI is recognized in profit or loss.

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

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

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

3.2.6.2 Financial assets

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

3.2.7 Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective

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

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

The mechanics of the ECL method are summarized below:

• **Stage 1:**

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

• **Stage 2:**

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

The expected cash shortfalls are discounted by an approximation to the original EIR.

• **Stage 3:**

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

3.2.8 Collateral valuation

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

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

3.3. Non-financial assets

3.3.1. Property, Plants and Equipment

Recognition and measurement

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

Minimum Requirements for Capitalization

Expenditures at Acquisition:

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

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

Expenditures Subsequent to Acquisition:

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

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

Cost model

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

Revaluation Model

After recognition as an asset, Lands & Buildings

whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every three (03) years to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

Subsequent cost

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

Such cost should meet the above Minimum Requirements for Capitalization.

Depreciation

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

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

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

De-recognition

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

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

3.3.2. Impairment of non-financial assets.

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

3.3.3. Investment property

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

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

Cost model

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

Fair Value

After recognition as Investment buildings, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every three (03) years to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

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

3.3.4. Inventories

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

3.3.5. Borrowing costs

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

3.3.6. Intangible Assets

An Intangible asset is an identifiable non-monetary

asset without physical substance.

3.3.6.1 Basis of Recognition

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

3.3.6.1 (a) Computer Software

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

3.3.6.2 Subsequent Expenditure

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

3.3.6.3 Amortization of Intangible Assets

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

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

3.3.7. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of SLFRS

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

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

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

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

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

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

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

ii. Other Financial liabilities

Other financial liabilities including deposits, debt issued by the Bank and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition

and subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

3.3.8. De-recognition of financial liabilities

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

3.4. Retirement Benefit Obligations

3.4.1. Defined Benefit Plan

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

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

determine its present value. Any unrecognized past service costs are deducted.

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

3.4.2. Contribution Plans

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

Employees' Provident Fund

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

Employees' Trust Fund

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

3.5. Provisions

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

3.6. Financial guarantees

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

3.7. Taxation

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

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

3.7.1. Current tax

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

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

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

3.8. Recognition of income and expenses

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

3.8.1. Interest income and interest expense

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

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

Interest income and expense presented in the Income Statement include interest on financial assets and liabilities measured at amortized cost calculated on an effective interest basis.

Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income.

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

3.8.2. Fees and commission income

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

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

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

3.8.3. Dividend income

Dividend income is recognized in the statement of comprehensive income on an accrual basis

when the Bank's right to receive the dividend is established.

3.9. Cash flow statement

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

3.10. Standards issued but not yet effective

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

3.11. Debentures

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

4. Financial instruments - Risk Management

4.1 Risk management structure

The Board of Directors has the authority to determine the overall risk management framework for the Bank and has the responsibility to oversee the effective implication of risk management strategies. Accordingly, the Board approves the risk management policies and formulates goals

and limits for risk appetite and strategy. The Board has established Board sub committees to effectively manage all types of risks faced by the Bank. The Board has appointed the Integrated Risk Management Committee, which has the responsibility to monitor the overall risk process within the Bank.

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

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

BIRMC committee represent six members comprising three (3) Non-Executive Directors form the Board of Directors and three permanent members from the Management who are GM/CEO, Head of Risk and Company Secretary. Committee is chaired by the Treasury representative Director. The Committee by its discretion may call Chief Managers, Senior Managers or any other officer of the Bank to be present at the meeting.

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

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

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

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

The bank has maintained fully provision for PSDB loans amounting Rs. 940,417,516 as at 31 December 2023 where such loans vested with 100% provisions.

Sri Lanka Savings Bank Ltd

For The Year Ended December 2023

Notes to the Financial Statements

Net Interest Income

	31.12.2023 LKR	31.12.2022 LKR Restated
Interest income		
Interest income-Treasury bonds	834,372,700	406,552,637
Interest income-Treasury bills	147,458,753	72,938,319
Interest income- REPO investments	5,466,354	29,336,299
Interest income- Debenture	42,497,908	48,989,300
Interest income- Fixed Deposits	311,173,839	414,501,464
Earning from Unit Trust	-	-
Interest income- Commercial paper	-	-
Interest income- Call Deposit	9,594,379	6,525,614
Interest income- Savings Account	16,962	20,306
Interest income- PSDB loans	5,487,351	9,210,505
Interest income- Leasing	14,108,403	24,026,575
Interest income- Loans against deposit balances	156,559	643,434
Interest income- Hire purchases	2,510,429	5,230,967
Interest income- Loans to partner organizations	3,084,806	21,716,464
Interest income- Door to Door Loans	68,780	271,321
Interest income- Staff loans	5,238,050	5,642,466
Interest income- Personal loans	10,622,087	15,536,110
Interest income- Individual & corporate loans	5,153,778	10,046,312
Interest income- MFD Loans	208,528	70,749
Interest income- Pawning advances	29,222	316,841
Interest income- Praja Diriya Loans	124,142	537,154
Interest income- Vehicle loans	90	43,599
Interest income- Staff Housing Loans	6,780,712	6,331,356
Interest income- Professional Loans	299,032	389,035
Interest income- SIs Diriya	22,087,165	28,044,742
Interest income- Swashakthi Loan	29,845	36,188
Interest income- Jaya Isura Loan	5,983,042	6,061,094
Interest income- Rivi Bala Savi Loan	10,375	38,552
Interest income- Ran Aswenna Loan	308,412	605,488
Interest income- Green Loan	497,530	659,419
Interest income- Govi Nawoda Loan	11,731	28,220
Interest Income- Covid 19 Rf Loan	66,069	695,917
Interest Income- Saubagya Loan	341,829	479,063
Interest Income - Covid 19 impact	1,263,187	4,189,386
Total interest income	1,435,052,049	1,119,714,896
Interest expenses		
Due to other customers	3,898,076	9,105,102

	31.12.2023 LKR	31.12.2022 LKR Restated
5.1 Net Interest Income from Sri Lanka Government Securities		
Interest income	987,297,807	508,827,255
Net interest income	987,297,807	508,827,255
6. Net Fee and Commission Income		
Fee and commission income	346,213	329,726
Fee and commission expenses	(17,250)	(28,917)
Net Fee and commission income	328,963	300,809
Comprising		
Commission on Service Charges	50,901	63,852
Documentation charges	-	-
Processing fees loans	68,000	35,150
Inspection charges	10,500	35,150
Commission insurance general	191,312	157,574
Commission for Debenture Investments	-	-
Non-refundable deposit income	25,500	38,000
Total Fee and commission income	346,213	329,726
Fee and Commission Expenses		
CRIB charges	17,250	28,917
Introducer Commission Expense - Leasing & HP	-	-
Total Fee and commission expenses	17,250	28,917
7. Other Operating Income (net)		
Gain on sale of Property, Plant and Equipment	-	2,686,990
Gain on sale of Investment Properties	-	1,910,000
Dividend income	662,499	832,707
Sundry income	1,617	2,811,492
Income- Nuwara Eliya bungalow	37,500	42,000
Income- Anuradhapura bungalow	5,000	5,000
Cultivation income	-	397,000
Provision recovered other receivable	-	19,885
Loan Provision recovered (Over Provision)	11,908,049	22,389,806
Penalty interest	28,361	140,646
Leasing Repossession Proceed A/C	111,099	-
Termination income	380,320	2,741,720
Legal charges recovered	140,000	551,459
Tax Penalty Waive off	78,031,059	93,857,344
Revaluation Surplus - Investment Properties	144,023,000	-
Other Operating Income (net)	235,328,504	128,386,049
8. Impairment Charges /(Reversal)		
Placement with banks		
Stage 1	127,382	(4,500,877)
Financial assets at amortised cost - loans & advances		
Stage 1	(13,640,373)	(59,555,880)
Stage 2	(19,641,598)	25,231,601
Stage 3	(67,978,455)	101,373,536
Loan write-off/waive-off	2,253,729	10,678,963
Financial assets at amortised cost - Debt instruments		
Stage 1	63,589	(27,847)
Total	(98,815,727)	73,199,495

	31.12.2023 LKR	31.12.2022 LKR Restated
Personnel Expenses		
Salary and bonus	182,175,916	218,289,783
Contributions to defined contribution/benefit plans	22,622,506	22,045,053
Other allowance and staff related expenses	24,974,018	30,753,545
Gratuity	13,917,007	10,117,445
Total	243,689,447	281,205,826
Depreciation and amortization expenses		
Depreciation of property, plant and equipment	7,740,906	7,320,669
Amortization for Intangible assets	1,183,748	1,585,000
Amortization for ROU assets	534,749	1,854,192
Total	9,459,402	10,759,862
Other Expenses		
Directors' emoluments	3,174,201	3,105,511
Audit related fees	1,155,700	771,800
Office administration and establishment expenses	31,924,127	24,011,819
Professional fee	1,576,600	326,560
Legal fee	5,847,929	8,607,754
License Fee	3,804,000	3,804,000
Repairs and maintenance	15,577,629	11,377,946
Advertisements	1,735,599	1,640,189
Labour outsourcing expenses	5,600	2,750
Security charges	8,476,586	9,251,668
Insurance	647,764	781,427
Printing and stationery	693,127	1,329,553
Rates and taxes	314,581	607,727
Donation	-	17,500
National Insurance Trust Fund Levy	7,833,901	4,590,764
Transport and fuel expenses	8,509,787	8,699,260
Subsistence and lodging expenses	356,832	237,806
Miscellaneous	1,753,371	1,670,102
Leasehold property - Interest	46,506	237,305
Bank charges	98,873	59,699
Repossess Loss	-	55,181
Total	93,532,714	81,186,321

	31.12.2023 LKR	31.12.2022 LKR Restated
12. Tax Expenses		
Current Year expense		
Current Year	358,535,251	187,442,155
Prior Year's Provision	(295,918)	(8,961,174)
Deferred Tax expense		
Temporary Difference	39,010,789	(13,222,965)
Prior Year's Provision	-	-
Total	397,250,122	165,258,016
Effective tax rate (%)	34.37	26.41
Effective tax rate (excluding deferred tax) (%)	30.99	28.52
12.1 Reconciliation of the Accounting Profit to Income Tax Expenses		
Profit before tax	1,155,970,340	625,846,132
Income Tax for the period (Accounting Profit @ 30%)	346,791,102	168,834,216
Add: Tax effect of expenses that are not deductible for tax purposes	83,576,862	53,794,762
(Less): Tax effect of expenses that are deductible for tax purposes	(71,832,713)	(35,186,824)
Tax expense for the period	-	187,442,155
12.2 The deferred tax (credit)/charge in the Income Statement comprises the following:		
Deferred tax assets	(2,799,844)	(15,438,449)
Deferred tax liabilities	41,810,633	2,215,484
Deferred tax (credit)/charge to Income Statement	39,010,789	(13,222,965)
13. Earning per share		
Net profit attributable to ordinary equity holders	758,720,218	460,588,117
Weighted average number of ordinary shares for basic earning per share	8,204,466	8,204,466
Basic earnings per ordinary share	92	56

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Notes to the Financial Statements

	31.12.2023 LKR	31.12.2022 LKR
14 Cash and Cash Equivalents		
Cash in hand	2,930,708	4,814,151
Balances with banks (Note 14.1)	28,962,959	42,442,481
Total	31,893,667	47,256,632
14.1 Balances with banks		
NSB Savings Account	263,680	390,305
People's Bank - Borella No. 1 (078-1-001-5-8517396)	1,320,113	197,892
People's Bank - Borella No. 2 (078-1-001-7-0000683)	1,899,570	-
People's Bank - Collection account leasing (078-1-003-3-8517396) People's Bank - Liberty Plaza - PSDB	1,014,409	648,314
(309-1-002-5-8517396) Bank of Ceylon - Borella - 0007521176	13,293	138,920
Bank of Ceylon - Mannar - 0074291980	171,372	378,550
People's Bank - Mannar - 044-1-001-2-0060585	220,522	550,822
People's Bank - Matara - 032-1-001-2-0000683	1,486,439	386,074
People's Bank - Anuradhapura - 008-1-001-2-0000683	792,225	1,146,883
People's Bank - NDTF 309-1001-72536876	1,423,178	679,521
People's Bank - Call deposit	1,358,158	1,925,200
Total	19,000,000	36,000,000
15 Placements with Banks		
Fixed deposits- People's Bank	1,042,367,164	456,246,959
Fixed deposits- Bank of Ceylon Fixed	-	111,613,699
deposits- National Savings Bank (-)	-	1,395,450,407
Impairment on Financial Assets		
Stage 01	(151,173)	(23,791)
Total	1,042,215,991	1,963,287,274

16.1 Financial assets at amortised cost - Loans and Advances

Gross loans and receivables		
Stage 01	487,270,107	606,394,633
Stage 02	128,421,887	182,590,382
Stage 03	484,476,116	577,818,051
PSDB Loans	940,417,516	952,325,566
(Less): Impairment on Loan & Advances		
Stage 01	(8,511,229)	(22,151,602)
Stage 02	(23,457,263)	(43,098,861)
Stage 03	(437,246,845)	(505,225,300)
PSDB Loans	(940,417,516)	(952,325,566)
	-	
Net loans and receivables	630,952,774	796,327,303

16.1.1 Analysis**By product****Loans and advances**

Micro Finance - PO Loans	244,020,906	276,039,484
Micro Finance Development Loans	6,784,929	6,900,713
REPPIA	33,527,468	41,320,825
Staff loans	125,934,334	115,408,598
Special loans-staff	-	39,048
Loans against deposit balances	118,477	2,965,530
Loans - Door to door	2,436,209	2,957,666
Loans against PSDB balances	1,858,000	1,920,000
Loans -Public and private employment	83,491,471	114,000,538
Loans - Individual & corporate Loans	54,503,107	83,661,424
Pawning advances	28,500	62,800
Loans - Vehicle loan	1,475,978	1,475,988
Praja Diriya Loans	9,769,662	11,470,818
Staff Housing Loans	211,998,924	211,480,679
Professional Loans	1,553,197	2,812,407
Loans & Advances - vested from Pramuka Savings &	940,417,516	952,325,566
SLS Diriya	207,133,186	249,830,469
Swashakthi Loan	1,430,465	1,854,958
Jaya Isura Loan	26,207,362	42,018,581
Rivi Bala Savi Loan	18,789	166,240
Cash Back Loan	808,387	1,598,929
Ran Aswenna Loan	2,053,795	3,413,392
Green Loan	2,904,703	4,178,138
Govi Nawoda Loan	16,856	151,065
Covid 19 Refinance Loan	1	6,547,988
Saubagya Loan	4,476,621	6,794,497
Lease rental receivable	16.1.2 65,986,425	151,214,352
Hire purchases receivable	16.1.3 8,124,635	21,758,593
Interest Receivable - Covid 19 impact	88,027	73,932
Interest Receivable - Subsidy Refinance Loan	3,417,696	4,685,415
Loan Control	2,963,375	1,736,540
Undisbursed loans	(2,963,374)	(1,736,539)
Net Total	2,040,585,626	2,319,128,632

By industry		
Agriculture and fishing	313,462,701	338,159,389
Manufacturing	569,274,332	658,745,332
Tourism	51,676,920	53,176,920
Transport	37,106,880	37,106,880
Construction	333,283,209	333,283,209
Traders	369,412,370	465,147,462
New economy	21,716,903	21,716,903
Others	344,652,311	411,792,538
Gross total	2,040,585,626	2,319,128,632

16.1.2 Lease rental receivable

Lease rental receivable	66,425,917	151,266,162
Unearned Interest Asset	12,511,627	30,699,174
(Less) Unearned Interest Liability	(12,951,119)	(30,750,984)
Net Lease rental receivable	65,986,425	151,214,352

16.1.3 Hire purchase receivable

Hire purchase receivable	8,343,977	21,977,935
Unearned Interest Asset	1,307,931	3,458,457
(Less) Unearned Interest Liability	(1,527,273)	(3,677,799)
Net Hire purchase receivable	8,124,635	21,758,593

16.1.4 Movements in impairment during the Year

Stage 1		
Opening Balance	22,151,602	81,707,482
Charge/(Write back) to income statement	(13,640,373)	(59,555,880)
Balance at the end of the year	8,511,229	22,151,602

Stage 2		
Opening Balance	43,098,861	17,867,260
Charge/(Write back) to income statement	(19,641,598)	25,231,601
Balance at the end of the year	23,457,263	43,098,861

Stage 3		
Opening Balance	505,225,300	403,851,764
Charge/(Write back) to income statement	(65,724,726)	112,052,499
Write Off During the Year	(2,253,729)	(10,678,963)
Balance at the end of the year	437,246,845	505,225,300

PSDB		
Opening Balance	952,325,566	974,715,371
Capital Recoveries	(11,908,049)	(22,389,806)
Balance at the end of the year	940,417,516	952,325,566

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

Sri Lanka Government Securities	5,646,731,343	3,872,859,169
Debenture investments	428,314,459	553,189,440
Other investments	-	-
Total	6,075,045,802	4,426,048,609

16.2.1 Sri Lanka Government Securities

Treasury Bills	1,681,155,271	497,649,545
Treasury Bonds	3,915,535,069	3,375,209,625
Reverse Repo investment	50,041,003	-
Total	5,646,731,343	3,872,859,169

16.2.2 Debenture investments

Debentures	413,870,000	532,190,000
Int Receivable - Debentures	14,564,566	21,055,958
(-) Impairment on Financial Assets	(120,107)	(56,518)
Net Debenture investments	428,314,459	553,189,440

16.2.3 Other investments

Commercial papers	6,000,000	6,000,000
Other investments	165,594,500	165,594,500
(Less) Provision made on PSDB Assets	(171,594,500)	(171,594,500)
(-) Impairment on Financial Assets - Stage 01	-	-
Net Other Investments	-	-

16.2.4 Analysis

<u>Bv Collateralization</u>		
Pledged as collateral	5,646,731,343	3,872,859,169
Unencumbered	-	-
Total	5,646,731,343	3,872,859,169

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

Unit Trust Investment	-	-
Total	-	-

Sri Lanka Savings Bank Ltd

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18	Financial assets measured at fair value through other comprehensive income	31.12.2023	31.12.2022
		<u>LKR</u>	<u>LKR</u>
	Equity securities	244,973,133	145,400,961
	(Less) Impairment chargers	(42,476,184)	(42,476,184)
	Net Investments	202,496,949	102,924,777

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

18.1 Quoted equity security

Investment company	As at 31.12.2023		As at 31.12.2022	
	No of shares	Cost of shares	No of shares	Cost of shares
		<u>LKR</u>		<u>LKR</u>
National Development Bank	18,340	1,400,786	17,451	1,357,158
Commercial Bank Limited	241	11,321	228	10,295
Lanka Orix Leasing Company	200	855	200	855
Sampath Bank Limited	11,095	324,771	10,827	311,103
Watawala Plantation	4,046	21,305	4,046	21,305
Trans Asia Hotel	4,000	34,983	4,000	34,983
Lanka Ceramic PLC	917	23,536	917	23,536
Lanka Walltile PLC	585	2,073	585	2,073
Kelani Valley Plantations	11,000	198,121	11,000	198,121
Hapugastenna Plantations	100	2,666	100	2,666
Aitken Spence	18,000	160,364	18,000	160,364
Pan Asia Bank Limited	10,298,499	96,012,455	10,298,499	96,012,455
Hatton Plantations PLC	4,000	30,480	4,000	30,480
		98,223,716	10,369,853	98,165,394
				102,760,478

18.2 Unquoted Equity Securities

	As at 31.12.2023			As at 31.12.2022		
	No of shares	Cost of shares	Management valuation	No of shares	Cost of shares	Management valuation
		<u>LKR</u>	<u>LKR</u>		<u>LKR</u>	<u>LKR</u>
Pramuka Merchant Corporation	500,000	5,000,000	-	500,000	5,000,000	-
Prime Development & Constructions	230,000	2,300,000	-	230,000	2,300,000	-
Janashakthi Life	2,500,000	25,000,000	-	2,500,000	25,000,000	-
Janashakthi Holding	1,000,000	10,000,000	-	1,000,000	10,000,000	-
Vanik Incorporation	17,000	176,184	-	17,000	176,184	-
(Less) Impairment for shares		(42,476,184)			(42,476,184)	
CRIB	200	164,300	164,300	200	164,300	164,300
Net investment in unquoted shares		164,300	164,300		164,300	164,300

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

18.3 Movements in impairment during the Year

	31.12.2023	31.12.2022
	<u>LKR</u>	<u>LKR</u>
Balance at the beginning of the year	42,476,184	42,476,184
Charge/ (write back) to income statement	-	-
Balance at the end of the year	42,476,184	42,476,184

Sri Lanka Savings Bank Ltd

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Notes to the Financial Statements

19 Property, Plant and Equipment		31.12.2023	31.12.2022
		LKR	LKR
Cost		1,262,803,196	1,022,042,162
Accumulated depreciation		(128,655,221)	(137,912,892)
		1,134,147,974	884,129,270

19.1 Property, Plant and Equipment		Land	Building	Motor Vehicles	Computer Equipment	Office Equipment	Telephone Equipment	Furniture & Fittings	Total
		LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost/fair value									
Balance at the beginning of the year 2022		866,200,000	6,564,000	49,146,186	53,559,083	31,178,879	2,168,481	20,760,124	1,029,576,753
Additions					3,275,125	85,549	-	4,735	3,365,409
Disposals		(8,700,000)		(2,200,000)					(10,900,000)
Depreciation adjustment for revalued assets									-
Revaluation gain/(Loss)									-
Transfers during the year									-
Balance at the end of the year 2022		857,500,000	6,564,000	46,946,186	56,834,208	31,264,428	2,168,481	20,764,859	1,022,042,162
Balance at the beginning of the year 2023		857,500,000	6,564,000	46,946,186	56,834,208	31,264,428	2,168,481	20,764,859	1,022,042,162
Additions					78,450	106,500	15,430	0	200,381
Disposals									-
Fixed Assets Verification entry									
Revaluation gain/(Loss)		258,000,000	(437,650)		(5,637,488)	(9,505,948)	1,815,495	(3,673,756)	(17,001,697)
Transfers from investment Properties									257,562,350
Balance at the end of the year 2023		1,115,500,000	6,126,350	46,946,186	51,275,170	21,864,980	3,999,406	17,091,104	1,262,803,196

19.1 Property, Plant and Equipment

	Land	Building	Motor Vehicles	Computer Equipment	Office Equipment	Telephone Equipment	Furniture & Fittings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Accumulated depreciation								
Balance at the beginning of the year 2022	-	375,450	39,626,167	41,436,502	29,548,126	1,381,977	20,424,001	132,792,223
Charge for the year	-	375,450	2,380,000	3,592,443	580,225	244,216	148,335	7,320,669
Over / Under Depreciation adjustments	-	-	-	-	-	-	-	-
Depreciation adjustment for revalued assets	-	-	-	-	-	-	-	-
Disposals	-	-	(2,200,000)	-	-	-	-	(2,200,000)
Balance at the end of the year 2022	-	750,900	39,806,167	45,028,946	30,128,351	1,626,193	20,572,335	137,912,892
Balance at the beginning of the year 2023	-	750,900	39,806,167	45,028,946	30,128,351	1,626,193	20,572,335	137,912,892
Charge for the year	-	375,450	2,380,001	4,145,232	507,845	198,249	134,130	7,740,907
Fixed Assets Verification entry	-	-	-	(5,636,254)	(9,432,267)	1,815,416	(3,745,473)	(16,998,578)
Depreciation adjustment for revalued assets	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at the end of the year 2023	-	1,126,350	42,186,168	43,537,924	21,203,929	3,639,857	16,960,993	128,655,221
Net book value at 31.12.2023	1,115,500,000	5,000,000	4,760,018	7,737,246	661,051	359,549	130,111	1,134,147,974
Net book value at 31.12.2022	857,500,000	5,813,100	7,140,019	11,805,262	1,136,077	542,288	192,524	884,129,270

There are 17 motor vehicle amounting Rs.35,046,186.00 fully depreciated as of 31/12/2023 but still in use.

There are 402 Computer Equipment items amounting Rs.34,687,701.00 fully depreciated as of 31/12/2023 but still in use.

There are 80 Telephone Equipment items amounting Rs.3,009,346.00 fully depreciated as of 31/12/2022 but still in use.

There are 897 Furniture & Fittings items amounting Rs.12,748,237.00 fully depreciated as of 31/12/2023 but still in use.

There are 33 Re-Furbishments items amounting Rs. 3,911,771.00 fully depreciated as of 31/12/2023 but still in use.

There are 91 Office Equipments items amounting Rs.17,340,231.00 fully depreciated as of 31/12/2023 but still in use.

There are 151 Other Assets items amounting Rs.2,677,112.00 fully depreciated as of 31/12/2023 but still in use.

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Notes to the Financial Statements

	31.12.2023 LKR	31.12.2022 LKR Restated
20 Right-of -Use Assets (ROU assets)		
Right-of -Use Assets (ROU assets)	2,073,993	22,647,050
(Less) Provision for Amortization on ROU assets	(1,970,294)	(22,008,602)
Closing balance	103,699	638,447

Leasehold Property has been recognized as per SLFRS -16.

21 Investment Properties		
Land		
Cost		
Balance at the beginning of the year	195,785,000	201,385,000
Addition	-	-
Disposal		(5,600,000)
Revaluation Gain	145,215,000	-
Transfers to Land	-	-
Balance at the end of the year	341,000,000	195,785,000
Building		
Cost		
Balance at the beginning of the year	9,192,000	9,192,000
Revaluation Gain/(Loss)	(1,192,000)	-
Transfers to building		
Balance at the end of the year	8,000,000	9,192,000
Accumulated depreciation		
Balance at the beginning of the year	-	-
Depreciation for the year	-	-
Balance at the end of the year	-	-
Net balance as at 31st December 2023	8,000,000	9,192,000
	-	-
Total balance as at 31st December 2023	349,000,000	204,977,000

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

22 Intangible assets		
Computer Software and Licenses	3	1,183,750
Sub total	3	1,183,750

22.1 Computer Software and Licenses.		
Cost		
Opening balance	14,125,000	12,025,000
Addition	-	2,100,000
Closing balance	14,125,000	14,125,000
Accumulated Depreciation		
Opening balance	12,941,250	11,356,250
Charge for the year	1,183,748	1,585,000
Closing balance	14,124,997	12,941,250
Net book value as at the year	3	1,183,750

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

23 **Deferred tax (assets)/liabilities****(a) Deferred tax assets**

Opening balance	15,438,449	-
Charge for the year recognised in		-
- Profit and loss	2,799,844	15,438,449
- Other comprehensive Income	-	-
Closing Balance	18,238,293	15,438,449

(b) Deferred tax liability

Deferred tax liability	4,154,719	1,939,235
Income Statement	41,810,633	2,215,484
Closing Balance	45,965,352	4,154,719
Net Deferred tax liabilities	(27,727,059)	11,283,730

24 **Other Assets**

Assets vested from PSDB	20,455,009	20,455,009
Receivables	37,727,521	11,212,998
Advances	677,143	437,698
Refundable deposits	202,051	163,051
Other advance	537,999	537,881
Sundry debtors	0	-
Inventory	1,326,015	1,478,729
Deposits & prepayments	5,208,855	5,823,822
Total	66,134,594	40,109,188
Less: Impairment charges	(20,455,009)	(20,455,009)
Total	45,679,585	19,654,179

Other Assets vested from PSDB

Discount paid in advance	13,356,809	13,356,809
Deposit fund on behalf of PSDB L/T Case	7,098,200	7,098,200
Total	20,455,009	20,455,009

25 **Due to other Banks**

People's Bank - Borella No. 2 (078-1-001-7-0000683)	-	190,736
Total	-	190,736

26 **Financial liabilities at amortised cost**

Due to depositors	25.1	418,862,147	464,579,057
Due to other borrowers	25.2	293,890,729	301,614,895
Total		712,752,877	766,193,951

26.1 **Due to depositors**

Total amount due to depositors	25.1.1	418,862,147	464,579,057
Total		418,862,147	464,579,057

26.1.1 **Analysis****By product**

Normal savings	69,930,465	82,632,754
Normal savings Co-Operative	6,850,203	10,884,147
Minor savings	11,449,014	11,958,174
Ladies savings	2,580,689	5,892,150
Senior citizen's savings	3,942,823	5,756,344
Normal savings - staff	2,126,454	7,852,426
Door to door savings	3,408,606	3,746,170
Fixed deposits	7,768,981	29,061,255
SLS Thilina	2,790,401	2,961,787
Pramuka Savings and Development bank - deposits	307,174,671	303,021,282
Janasewana Swashakthi minor savings	839,028	811,779
Janasewana Swashakthi ordinary savings	813	787
Sub Total	418,862,147	464,579,057

26.2 Due to other borrowers

PSDB - Borrowing	31,707,499	32,102,499
Micro finance loans to ADB	257,920,730	257,920,729
Payable-Refinance Loan Swashakthi (CBSL)	-	-
Payable- Refinance Loan Saubagya (CBSL)	4,262,500	6,591,667
Payable- Refinance Loan Covid 19 Re (CBSL)	-	5,000,000
Sub Total	293,890,729	301,614,895

27 Lease Liability

Lease Liability on ROU assets	132,951	798,065
Total	132,951	798,065

27.1 Lease Liability on ROU assets

Balance at the beginning of the year	798,065	3,187,515
Addition during the year	-	-
Lease Interest for the year	46,506	237,305
Less: Paid during the year	(711,620)	(2,626,755)
Closing balance	132,951	798,065

27.2 Maturity analysis - Lease Liabilities

Amount Payable within one year	132,951	665,114
Amount Payable within one to three years	-	132,951
Amount Payable within three to five years	-	-
Total	132,951	798,065

28 Debt securities issued

Unsecured Subordinate Debentures	52,227,210	52,503,210
Interest payable	20,941,793	21,052,268
Sub Total	73,169,003	73,555,478

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

29 Retirement benefit obligation

Balance at the beginning of the year	51,461,497	41,651,614
Add: Gratuity charge for the period	13,917,007	10,180,880
(Gain)/loss arising from changes in actuarial assumptions	613,264	660,973
Less: Payments made/Payable during the year	(5,197,459)	(1,031,971)
Balance at the end of the year	60,794,309	51,461,497

The actuarial valuation of the gratuity liability of the bank was carried out as at 31.12.2023 by Actuarial & Management Consultants (Pvt) Ltd. The valuation method used by the actuaries to value the fund is the 'Project unit credit method' permitted by the Sri Lanka Accounting Standard No: 19 'Employee benefits'. The bank does not fund the gratuity liability externally.

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

Retirement age	60	60
Rate of interest	0.13	0.18
Salary increment	0.10	0.15
Mortality Table	A67/70	A67/70

30 Current Tax Liability

Opening Balance at the beginning of the period	182,456,994	318,726,941
Charges for the period	358,535,251	187,442,155
Payments made during the period	(336,555,301)	(314,750,928)
(less) adjustments	(295,918)	(8,961,174)
Balance at the end of the year	204,141,025	182,456,994

31. Other liabilities

Interest payable	31.1	66,985,266	65,381,818
Payable -expense creditors	31.2	119,047,939	186,193,242
PSDB liabilities	31.3	21,457,607	21,428,407
Inter branch accounts	31.4	0	0
Sundry creditors	31.5	1,463,410	1,368,939
Total		208,954,222	274,372,407

31.1 Interest Payable

Interest payable - PSDB Borrowing	66,985,266	65,381,818
Sub Total	66,985,266	65,381,818

31.2 Payable -Expense Creditors

Accrued expenses	66,903,020	128,675,806
Other payables	52,144,919	57,517,436
Sub Total	119,047,939	186,193,242

31.3 PSDB liabilities

Margin account loans	21,457,607	21,428,407
Sub Total	21,457,607	21,428,407

31.4 Interbranch accounts

Borella branch	(99,374,180)	(99,374,180)
PSDB current account	280,927,887	288,262,221
SLSB current account	(2,576,463,297)	(2,655,606,905)
Matara current account	(68,771,969)	(89,524,739)
National Development Trust Fund current account	2,319,882,826	2,435,123,227
Branch Account - Anuradhapura	48,000,298	26,981,946
Branch Account - Mannar	95,798,436	94,138,428
Inter branch - Loan	-	-
Sub Total	(0)	(0)

31.5 Sundry creditors

WW/OP Contribution collected from employees	35,109	35,109
Staff security deposit	208,500	208,500
Staff critical illness fund	1,148,997	1,061,873
Payable - CRIB charges	19,400	-
Payable VAT leasing	2,754	2,747
Payable-Deposit Insurance	48,650	60,709
Sub Total	1,463,410	1,368,939

32 **Stated Capital/Assigned Capital**

Ordinary shares	820,446,400	820,446,400
Ordinary shares application	200	200
Capital pending allotment	2,984,843,702	2,984,843,702
Total	3,805,290,302	3,805,290,302

The amount of Capital pending allotment is amounting Rs. 2,984,843,702 (Rs. 2,982,232,678.56 + Rs. 2,611,024) which is the equity of National Development Trust Fund (NDTF) (which includes Rs.2,129,435,718.56 from National Development Trust Fund and Rs.852,796,960 from National Development Trust Fund Company Limited by Guarantee) merged with the bank on 30/09/2010.

33 **Statutory Reserve Fund**

Balance at the beginning of the year	288,764,872	266,507,388
Transfer during the period	37,936,011	22,257,483
Balance at the end of the year	326,700,883	288,764,872

The Reserve Fund was created to comply with the Directions No 33 of 1998 issued by the Central Bank under Banking Act, No. 30 of 1988. During the period 2023, the bank has transferred sum equal to 5% of the Net Profits for the year ended 31st December 2023 to Reserve Fund.

34 **OCI Reserve**

	Balance at the beginning of the period as at 01.01.2023	Movement/ transfers	Balance at the end of the period 31.12.2023
	LKR	LKR	LKR
OCI Reserve	4,595,083	99,513,850	104,108,934
Total	4,595,083	99,513,850	104,108,934

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

35 **Retained Earnings**

Balance at the beginning of the year as previously stated	4,286,245,601	3,938,822,438
Prior Year adjustments	(1)	(95,903,836)
Profit for the year- restated	758,720,218	460,588,117
Actuarial gain/(loss) on defined benefit plan	(613,264)	(660,973)
Transferred to statutory reserve fund	(37,936,011)	(22,257,483)
Transfer from revaluation reserve account		5,657,339
Balance at the end of the year	5,006,416,543	4,286,245,601

Breakup of the Prior Year Adjustments

Being Payment made for 1st installment of Surcharge Tax	62,377,317
Being Payment made for 2nd installment of Surcharge Tax	62,377,317
Being Reversal over provision of Contingent Liabilities for	(28,850,798)
	<u>95,903,836</u>

36 **Other Reserves**

	Balance at the beginning of the year as at 01.01.2023	Movement/ transfers	Balance at the end of the year 31.12.2023
	LKR	LKR	LKR
Revenue deficit before vesting	(2,166,190,408)	-	(2,166,190,408)
Revaluation reserve	889,976,395	257,562,350	1,147,538,745
Total	(1,276,214,012)	257,562,350	(1,018,651,662)

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

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

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Notes to the Financial Statements

37 Related party disclosures

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures".

37.1 Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

(i) KMP of the Bank

Key Management Personnel include the members of the Board of Directors of the Bank (including the Executive and Non-Executive) and Corporate Management including the GM/CEO and Senior Managers of the Bank.

(ii) Compensations to KMP

	2023.12.31	2022.12.31
Short Term Employment benefits	39,437,737	53,889,612
Post employment benefits	-	-
	<u>39,437,737</u>	<u>53,889,612</u>
Directors Emoluments -Sitting	1,523,000	1,846,000
Allowances Directors Emoluments -Fixed	1,649,201	1,259,511
Allowances Remuneration of Corporate Management	<u>36,265,536</u>	<u>50,784,101</u>
	<u>39,437,737</u>	<u>53,889,612</u>

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

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

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

Items in the Statement of financial Positions	2023.12.31	2022.12.31
Assets		
Loan and receivables	40,284,754	50,314,401
Total	40,284,754	50,314,401
Liabilities		
Deposit (FD's/Savings)	121,662	1,486,167
Total	121,662	1,486,167

(iv) Net Accommodation as a percentage of Bank's Regulatory Capital

As at 31st December	2023.12.31	2022.12.31
Loan and receivables	40,284,754	50,314,401
Regulatory Capital	6,198,671,916	6,214,866,200
Net Accommodation as a % of regulatory capital	0.65	0.81

(v)

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

Type Of Loan	Balance as at 31 Dec.2022 (Rs)	Security Details as at 31 Dec. 2022	
		Security Details	Value (Rs .Mn)
Staff Housing Loans /Staff Loan	42,882,856	Land	47.55
Staff Vehicle Loans /Leasing /HP	6,745,530	Personal Guarantor	14.70
Other Loans	686,015	Personal Guarantor	
Total	50,314,401		62.25

Type Of Loan	Balance as at 31 Dec.2023 (Rs)	Security Details as at 31 Dec. 2023	
		Security Details	Value (Rs .Mn)
Staff Housing Loans /Staff Loan	34,542,782	Land	51.35
Staff Vehicle Loans /Leasing /HP	5,132,603	Personal Guarantor	12.90
Other Loans	609,369	Personal Guarantor	
Total	40,284,754		64.25

38 **Contingent liabilities and commitments**

	2023	2022
Commitment for unutilised credit facilities	2,963,374	1,736,539
Other commitments indirect credit facilities	-	-
Capital commitments (Note 38.1)	-	-
	<u>2,963,374</u>	<u>1,736,539</u>
Contingent liabilities		
Guarantees	-	-
	<u>-</u>	<u>-</u>
Total commitment and contingencies	<u>2,963,374</u>	<u>1,736,539</u>

Existing legal cases against SLSB

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

38.1 **Capital commitments**

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

39 **Events after the reporting period**

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

Special Note:

The Board of Directors of the Parent Company, National Savings Bank has agreed to absorb the assets, liabilities and staff of Sri Lanka Savings bank in to National Savings Bank. The Director - Bank Supervision of Central Bank of Sri Lanka has informed by letter dated 11th January 2024 to complete the absorption process before 31st March 2024. Accordingly, a time bound action plan prepared by both NSB and SLSB has been sent to the Director bank Supervision and as per that plan the Bank will be liquidated subsequent to the absorption of assets, liabilities and staff of SLSB in to NSB.

40 Non-Cash Items Included in Profit Before Tax

	31.12.2023	31.12.2022
	LKR	LKR
Depreciation of property, plant and equipment	7,740,907	7,320,669
Gain on sale of property, plant and equipment	-	(2,686,990)
Gain on sale of Investment Properties	-	(1,910,000)
Depreciation of Intangible assets	1,183,747	1,585,000
Charge for defined benefit plans	13,917,007	10,117,445
Impairment of loans and receivables	(98,815,727)	73,199,495
Amortization for ROU assets	534,749	1,854,192
Lease Liability interest	46,506	237,305
Dividend Income	(58,322)	(74,418)
Tax Penalty Waive off	(78,031,059)	(93,857,344)
Revaluation Surplus - Investment Properties	(144,023,000)	-
Total	(297,505,192)	(4,214,644)

41 Change in Operating Assets

	31.12.2023	31.12.2022
	LKR	LKR
Placements with Banks	920,943,901	2,751,476,513
Loans and Advances	264,381,227	482,621,644
Debt and Other Instruments	(1,649,060,782)	(3,143,559,845)
Other assets	(26,022,288)	(3,938,290)
Total	(489,757,941)	86,600,023

42 Change in Operating Liabilities

	31.12.2023	31.12.2022
	LKR	LKR
Due to depositors	(45,716,909)	(300,084,609)
Due to other borrowers	(7,724,165)	(17,629,541)
Lease Liability	(711,620)	(2,626,755)
Debt securities issued and other borrowings	(386,476)	(16,002,611)
Other liabilities	12,612,874	832,797
Total	(41,926,296)	(335,510,719)

43 Cash and Cash Equivalent

	31.12.2023	31.12.2022
	LKR	LKR
Cash in hand and cash at bank	31,893,667	47,256,632
Due to bank	-	(190,736)
Total	31,893,667	47,065,896

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44. Financial Risk management

Introduction

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

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

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

Risk Management Framework

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

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

Risk Appetite

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

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

Risk Management Process

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

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

44.1. Credit Risk

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

44.1.1. Credit Quality Analysis

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

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

As at 31st December	2023		2022	
	Max Exposure to Credit risk (Rs.)	Net Exposure to Credit risk (Rs.)	Max Exposure to Credit risk (Rs.)	Net Exposure to Credit risk (Rs.)
Cash and cash equivalents	31,893,667	28,962,959	47,256,632	42,442,481
Placemenst with Banks	1,042,215,991	1,042,215,991	1,963,287,274	1,963,287,274
Financial Assets Recognized through profit & Loss				
- Measured at Fair Value				
- Designated at Fair Value				
Financial assets at amortised cost				
- Loans and Advances	630,952,774	630,119,022	796,327,303	794,672,482
- Debt and Other Instruments	6,075,045,802	428,314,459	4,426,048,609	553,189,440
Financial assets measured at fair value through other comprehensive income	202,496,949	202,496,949	102,924,777	102,924,777
Total	7,982,605,184	2,332,109,381	7,335,844,596	3,456,516,455

44.1.1.2. Concentration of credit risk by product and Sector

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

Concentration by Product

As at 31st December	2023 (Rs.)	2022 (Rs.)
Loan & Advances		
Cash Back	2,784,864	6,484,459
Refinance	7,894,318	18,027,901
Lease/HP	75,587,038	174,448,932
Staff	337,933,258	326,928,326
Personal	85,044,668	116,812,944
SME/Business Loans	346,874,558	447,998,221
Vested from PSDB	940,417,516	952,325,566
Micro Finance	244,020,906	276,039,484
Pawning	28,500	62,800
Total	2,040,585,626	2,319,128,632

Concentration by Sector

As at 31st December	2023 (Rs.)	2022 (Rs.)
Agriculture and fishing	313,461,000	338,158,000
Manufacturing	569,276,000	658,746,000
Tourism	51,677,000	53,177,000
Transport	37,106,000	37,106,000
Construction	333,283,000	333,283,000
Traders	369,414,000	465,149,000
New economy	21,717,000	21,717,000
Others	344,651,626	411,792,632
Total	2,040,585,626	2,319,128,632

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

As at 31st December 2023	Neither Past due Nor Impaired Rs.	Past Due but not impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash and cash equivalents	31,893,667			31,893,667
Placemenst with Banks	1,042,367,164			1,042,367,164
Financial Assets Recognized through profit & Loss				
- Measured at Fair Value				
- Designated at Fair Value				
Financial assets at amortised cost				-
- Loans and Advances				-
Loan & Advances without PSDB	344,358,102	439,887,670	315,922,338	1,100,168,110
Portfolio vested from PSDB			940,417,516	940,417,516
- Debt and Other Instruments	6,075,165,909			6,075,165,909
Financial assets measured at fair value through other comprehensive income	202,496,949		42,476,184	244,973,133
Total	7,696,281,791	439,887,670	1,298,816,038	9,434,985,500

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

Age distribution of past due but not individual impaired facilities by class of financial assets are as below.

As at 31st December 2023	1 to 30 Days Rs.	31 to 90 Days Rs.	More than 90 days Rs.	Total Rs.
Financial Assets at amortised cost - Loans & Advances (Gross)	142,912,005	128,421,887	168,553,778	439,887,670

As at 31st December 2022	Neither Past due Nor Impaired Rs.	Past Due but not impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash and cash equivalents	47,256,632			47,256,632
Placemenst with Banks	1,963,311,065			1,963,311,065
Financial Assets Recognized through profit & Loss				
- Measured at Fair Value				
- Designated at Fair Value				
Financial assets at amortised cost				-
- Loans and Advances				-
Loan & Advances without PSDB	338,145,890	691,235,841	337,421,336	1,366,803,066
Portfolio vested from PSDB			952,325,566	952,325,566
- Debt and Other Instruments	4,426,105,127			4,426,105,127
Financial assets measured at fair value through other comprehensive income	102,924,777		42,476,184	145,400,961
Total	6,877,743,492	691,235,841	1,332,223,085	8,901,202,418

Age distribution of past due but not individual impaired facilities by class of financial assets are as below.

As at 31st December 2022	1 to 30 Days Rs.	31 to 60 Days Rs.	More than 90 days Rs.	Total Rs.
Financial Assets at amortised cost - Loans & Advances (Gross)	268,248,742	182,590,382	240,396,716	691,235,841

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

As At 31st December 2023	Amortised Cost					Impairment Provision				As per Financial Position Rs.
	Not Impaired Rs.	Stage -1 Rs.	Stage -2 Rs.	Stage -3 Rs.	Total Rs.	Stage -1 Rs.	Stage -2 Rs.	Stage -3 Rs.	Total Rs.	
Cash and cash equivalents	31,893,667				31,893,667				-	31,893,667
Placemenst with Banks		1,042,367,164			1,042,367,164	151,173			151,172.56	1,042,215,991
Financial Assets Recognized through profit & Loss										
- Measured at Fair Value					-				-	-
- Designated at Fair Value					-				-	-
Financial assets at amortised cost					-					
- Loans and Advances	344,358,102	142,912,005	128,421,887	1,424,893,632	2,040,585,626	8,511,229	23,457,263	1,377,664,361	1,409,632,852	630,952,774
- Debt and Other Instruments	5,646,731,343	428,434,566			6,075,165,909	120,107			120,107	6,075,045,802
Financial assets measured at fair value through other comprehensive income	202,496,949			42,476,184	244,973,133			42,476,184	42,476,184	202,496,949
Total	6,225,480,061	1,613,713,736	128,421,887	1,467,369,816	9,434,985,500	8,782,508	23,457,263	1,420,140,545	1,452,380,316	7,982,605,184

As At 31st December 2022	Amortised Cost					Impairment Provision				As per Financial Position Rs.
	Not Impaired Rs.	Stage -1 Rs.	Stage -2 Rs.	Stage -3 Rs.	Total Rs.	Stage -1 Rs.	Stage -2 Rs.	Stage -3 Rs.	Total Rs.	
Cash and cash equivalents	47,256,632				47,256,632				-	47,256,632
Placemenst with Banks		1,963,311,065			1,963,311,065	23,791			23,790.81	1,963,287,274
Financial Assets Recognized through profit & Loss										
- Measured at Fair Value					-				-	-
- Designated at Fair Value					-				-	-
Financial assets at amortised cost					-					
- Loans and Advances	338,145,890	268,248,742	182,590,382	1,530,143,617	2,319,128,632	22,151,602	43,098,861	1,457,550,865	1,522,801,328	796,327,303
- Debt and Other Instruments	3,872,859,169	553,245,958			4,426,105,127	56,518			56,518	4,426,048,609
Financial assets measured at fair value through other comprehensive income	102,924,777			42,476,184	145,400,961			42,476,184	42,476,184	102,924,777
Total	4,361,186,469	2,784,805,765	182,590,382	1,572,619,801	8,901,202,418	22,231,911	43,098,861	1,500,027,049	1,565,357,821	7,335,844,596

44.2. Liquidity Risk

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

44.2.1. Statutory Liquid Assets Ratio (SLAR)

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

As at 31st December	2023 Rs. "000"	2022 Rs. "000"
Cash	3,665	3,697
Balances with licensed commercial banks	978,978	1,799,843
Money at call in Sri Lanka		
Treasury Bills and Securities issued or guaranteed by the Government of Sri Lanka	1,627,174	399,339
Commercial Papers/ Promissory Notes (50% of the investment)		
Treasury Bonds	3,853,468	3,323,923
Sri Lanka Development Bonds		
Total Liquid Assets (Daily average statutory liquid assets during the month of December)	6,463,285	5,526,802
Total Liability base subject to maintain liquid assets requirement	501,315	579,463
Liquid Assets ratio	1289%	954%

44.2.2. Maturity of assets and liabilities

SLSB has maintained positive maturity gap position over long period.

Maturity analysis

Group	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total as at 31.12.2023	Total as at 31.12.2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	SLSB	SLSB	SLSB	SLSB	SLSB	SLSB	SLSB
Assets with contractual maturity (interest-bearing assets)						*	*
Cash and cash equivalents	19,000					19,000	36,000
Placements with banks	394,705	647,511				1,042,216	1,963,287
Financial assets at amortised cost							
- loans and advances	43,691	90,745	149,899	74,248	272,369	630,953	796,328
- debt and other instruments	50,041	1,843,237	757,133	3,424,635		6,075,046	4,426,049
	507,437	2,581,493	907,032	3,498,883	272,369	7,767,214	7,221,663
Other assets (non-interest-bearing assets)							
Cash and cash equivalents	12,894					12,894	11,257
Financial assets measured at fair value through other comprehensive income			202,497			202,497	102,925
Property, plant and equipment					1,134,148	1,134,148	884,129
Right of use assets	104					104	638
Investment properties					349,000	349,000	204,977
Goodwill and intangible assets							1,184
Deferred tax assets							11,284
Other assets	11,877	2,495	17,020		14,287	45,680	19,654
	24,875	2,495	219,517		1,497,435	1,744,322	1,236,047
Total assets	532,312	2,583,988	1,126,550	3,498,883	1,769,804	9,511,536	8,457,711
Liabilities with contractual maturity (interest-bearing liabilities)							
Due to banks							191
Financial liabilities at amortised cost							
- due to depositors	320,472	16,590	27,511	25,980	28,310	418,862	464,579
- due to other borrowers	289,628	2,225	2,038			293,891	301,615
Debt securities issued	73,169					73,169	73,555
	683,269	18,815	29,548	25,980	28,310	785,922	839,940
Other liabilities (non-interest-bearing liabilities)							
Lease liabilities	133					133	798
Retirement benefit obligations					60,794	60,794	51,461
Current tax liabilities	204,141					204,141	182,457
Deferred tax liabilities			27,727			27,727	
Other liabilities	62,393	28,874	41,301	41,345	35,042	208,954	274,372
Stated capital/ Assigned capital					3,805,290	3,805,290	3,805,290
Statutory reserve fund					326,701	326,701	288,765
Retained earnings					5,006,417	5,006,417	4,286,246
Other reserves					(914,543)	(914,543)	(1,271,619)
	266,667	59,568	69,028	10,651	8,319,701	8,725,615	7,617,771
Total liabilities & Equity	949,936	78,383	98,576	36,630	8,348,011	9,511,536	8,457,711
Gap	(417,624)	2,505,605	1,027,974	3,462,253	(6,578,208)		
Cumulative Gap	(417,624)	2,087,981	3,115,955	6,578,207	(0)		
Cumulative Liabilities	949,936	1,028,319	1,126,895	1,163,525	9,511,536		
Cumulative Gap as a % of Cumulative Liabilities	-44%	203%	277%	565%	0%		

*Represents the aggregate of the contractual maturities based on undiscounted cash flows.

44.3. Market Risk

Market risk is defined as potential losses arise on off-balance sheet positions due to movement of market prices. Interest rate risk is the key market risk exposed by the bank and Equity price risk and commodity price risk adjoined to the SLSB is minimal. Bank is not exposed to foreign currency risk.

44.3.1. Trading and Non trading exposure

Below tables present the assets and liabilities subject to market risk

	2023			2022		
	Carrying Amount Rs.	Amount exposure to trading Rs.	Non Trading Exposure Rs.	Carrying Amount Rs.	Amount exposure to trading Rs.	Non Trading Exposure Rs.
Assets subject to Market Risk						
Cash and cash equivalents	31,893,667		31,893,667	47,256,632		47,256,632
Placemenst with Banks	1,042,215,991		1,042,215,991	1,963,287,274		1,963,287,274
Financial Assets Recognized through profit & Loss - Measured at Fair Value - Designated at Fair Value						
Financial assets at amortised cost - Loans and Advances - Debt and Other Instruments	630,952,774 6,075,045,802		630,952,774 6,075,045,802	796,327,303 4,426,048,609		796,327,303 4,426,048,609
Financial assets measured at fair value through other comprehensive income	202,496,949		202,496,949	102,924,777		102,924,777
Total	7,982,605,184	-	7,982,605,184	7,335,844,596	-	7,335,844,596

	2023			2022		
	Carrying Amount Rs.	Amount exposure to trading Rs.	Non Trading Exposure Rs.	Carrying Amount Rs.	Amount exposure to trading Rs.	Non Trading Exposure Rs.
Liabilities subject to Market Risk						
Due to banks	-		-	190,736		190,736
Financial liabilities recognized through profit & Loss						
Financial Liabilities at Amortised cost - Due to Depositors - Due to Other Borrowers	418,862,147 293,890,729		418,862,147 293,890,729	464,579,057 301,614,895		464,579,057 301,614,895
Lease Liability	132,951		132,951	798,065		798,065
Debt securities issued	73,169,003		73,169,003	73,555,478		73,555,478
Total	786,054,831	-	786,054,831	840,738,231	-	840,738,231

44.3.2. Equity Price Risk

The Bank's Equity investment portfolio is managed taking a long term view and accounted in banking book. Market value of the equity investment portfolio was Rs. 202.4 Mn and its 2.13% of total assets base of the Bank. The Bank calculates the mark to market calculations for quoted equity portfolio on weekly basis and circulate to ALCO members on weekly basis.

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

	2023			2022		
	Financial Assets recognized through Profit & Loss Rs.	Financial assets measured FVOCI Rs.	Total Rs.	Financial Assets recognized through Profit & Loss Rs.	Financial assets measured FVOCI Rs.	Total Rs.
Market Value of equity security portfolio as at 31st December		202,496,949	202,496,949		102,924,777	102,924,777

	2023			2022		
	Impact to P & L Rs.	Impact OCI Rs.	Impact to Equity Rs.	Impact to P & L Rs.	Impact OCI Rs.	Impact to Equity Rs.
Shock of 5% on equity prices (Upward)	-	10,124,847	10,124,847	-	5,146,239	5,146,239
Shock of 5% on equity prices (downward)	-	(10,124,847)	(10,124,847)	-	(5,146,239)	(5,146,239)
Shock of 10% on equity prices (Upward)	-	20,249,695	20,249,695	-	10,292,478	10,292,478
Shock of 10% on equity prices (downward)	-	(20,249,695)	(20,249,695)	-	(10,292,478)	(10,292,478)
Shock of 20% on equity prices (Upward)	-	40,499,390	40,499,390	-	20,584,955	20,584,955
Shock of 20% on equity prices (downward)	-	(40,499,390)	(40,499,390)	-	(20,584,955)	(20,584,955)

44.3.3. Interest Rate Risk

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

Interest Rate Risk of the banking Book arises due to the gap differences in maturity or time remaining to their next re-pricing of rate sensitive assets and rate sensitive liabilities. The bank's interest rate sensitive assets and Interest Rate sensitive liabilities are analysed by different maturity buckets to determine re-pricing risk and to identify appropriate strategies to optimise earnings of the Bank.

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

	2023		2022	
	Parallel Increase Rs. 000	Parallel Decrease Rs. 000	Parallel Increase Rs. 000	Parallel Decrease Rs. 000
Net Interest Income				
Change in 50 bps	5,756	(5,756)	5,537	(5,537)
Change in 100 bps	11,513	(11,513)	11,073	(11,073)
Change in 200 bps	23,026	(23,026)	22,146	(22,146)

As at 31st December 2023	0 to 1 Month Rs. 000	0 to 3 Months Rs. 000	0 to 6 Months Rs. 000	0 to 12 Months Rs. 000
Interest Bearing Assets	487,606	507,437	2,216,619	3,088,930
Bank Balances & Placements	413,705	413,705	413,705	1,061,216
Financial liabilities recognized through profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Loans and Advances	23,861	43,691	71,718	134,436
- Debt and Other Instruments	50,041	50,041	1,731,196	1,893,278
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Interest Bearing Liabilities	342,386	683,269	688,466	702,084
Due to banks				
Financial liabilities recognized through profit & loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Due to Depositors	314,093	320,472	325,669	337,061
- Due to Other Borrowers	10,000	289,628	289,628	291,853
Debt securities issued	18,292	73,169	73,169	73,169
Net rates sensitive Assets/(Liabilities)	145,221	(175,832)	1,528,153	2,386,847
Interest rate sensitivity ratio (%)	142.41%	74.27%	321.96%	439.97%

As at 31st December 2022	0 to 1 Month Rs. 000	0 to 3 Months Rs. 000	0 to 6 Months Rs. 000	0 to 12 Months Rs. 000
Interest Bearing Assets	613,022	645,838	1,558,261	2,950,897
Bank Balances & Placements	154,052	154,052	938,555	2,005,730
Financial liabilities recognized through profit & Loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Loans and Advances	30,477	63,293	110,810	210,390
- Debt and Other Instruments	428,493	428,493	508,896	734,777
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Interest Bearing Liabilities	395,029	437,328	446,525	472,017
Due to banks	191	191	191	191
Financial liabilities recognized through profit & loss	-	-	-	-
Financial Liabilities at Amortised cost				
- Due to Depositors	311,282	322,918	330,611	354,990
- Due to Other Borrowers	10,000	40,664	42,168	43,281
Debt securities issued	73,555	73,555	73,555	73,555
Net rates sensitive Assets/(Liabilities)	217,993	208,509	1,111,736	2,478,879
Interest rate sensitivity ratio (%)	155.18%	147.68%	348.98%	625.17%

SRI LANKA SAVINGS BANK LIMITED

ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

AS AT 31ST DECEMBER 2023

In Rupee Thousands	As at 31/12/2023	As at 31/12/2022
Product-wise Gross loans and advances		
By product - Domestic Currency		
Overdrafts	-	-
Term loans	1,026,029	851,438
Lease rental receivable	74,111	172,973
Credit Cards	-	-
Pawning	29	63
Pramuka Savings & Development Bank's Loans (PSDB)	940,418	952,326
Housing loans	-	15,401
Staff loans	-	326,928
Total	2,040,586	2,319,129
Stage-wise impairment on loans & advances		
Less: Accumulated impairment under stage 1	(8,511)	(22,152)
Accumulated impairment under stage 2	(23,457)	(43,099)
Accumulated impairment under stage 3	(1,377,664)	(1,457,551)
Net value of loans & advances	630,953	796,327
Movements of impairment during the period		
Under Stage 1		
Opening balance	22,152	81,707
Charge/(write back) to income statement	(13,640)	(59,556)
Closing balance	8,511	22,152
Under Stage 2		
Opening balance	43,099	17,867
Charge/(write back) to income statement	(19,642)	25,232
Closing balance	23,457	43,099
Under Stage 3		
Opening balance	1,457,551	1,378,567
Charge/(write back) to income statement	-	101,374
Other Movements	(79,887)	(22,390)
Closing balance	1,377,664	1,457,551
Total Impairment	1,409,633	1,522,801

SRI LANKA SAVINGS BANK LIMITED
ANALYSIS OF DEPOSITS
AS AT 31ST DECEMBER 2023

	Current Period	Previous Period
	As at	As at
In Rupees Thousands	31/12/2023	31/12/2022
By Product		
Demand deposits	-	-
Savings deposits	103,918	132,497
Fixed deposits	7,769	29,061
Pramuka Savings & Development Bank's Loans (PSDB) deposits	307,175	303,021
Total	418,862	464,579

SRI LANKA SAVINGS BANK LIMITED **ANALYSIS OF FINANCIAL INSTRUMENTS BY** **MEASUREMENT BASIS** **AS AT 31ST DECEMBER 2023**

a. Bank – 31/12/2023

In Rupees Thousands	AC	FVPL	FVOCI	Total
ASSETS				-
Cash and cash equivalents	31,894			31,894
Balances with central banks				-
Placements with banks	1,042,216			1,042,216
Derivative financial instruments	-			-
Loans and advances	630,953			630,953
Debt Instruments	6,075,046			6,075,046
Equity Instruments			202,497	202,497
UnitTrust Investments		-		-
Total financial assets	7,780,108	-	202,497	7,982,605
LIABILITIES				-
Due to banks	-			-
Derivative financial instruments				-
Financial liabilities at amortised cost				-
- Due to depositors	418,862			418,862
- Due to other borrowers	293,891			293,891
Debt securities issued	73,169			73,169
Total financial liabilities	785,922	-		785,922

a. Bank – 31/12/2022

In Rupees Thousands	AC	FVPL	FVOCI	Total
ASSETS				-
Cash and cash equivalents	47,257			47,257
Balances with central banks				-
Placements with banks	1,963,287			1,963,287
Derivative financial instruments	-			-
Loans and advances	796,327			796,327
Debt Instruments	4,426,049			4,426,049
Equity Instruments			102,925	102,925
UnitTrust Investments		-		-
Total financial assets	7,232,920	-	102,925	7,335,845
LIABILITIES				-
Due to banks	191			191
Derivative financial instruments				-
Financial liabilities at amortised cost				-
- Due to depositors	464,579			464,579
- Due to other borrowers	301,615			301,615
Debt securities issued	73,555			73,555
Total financial liabilities	839,940	-		839,940

SRI LANKA SAVINGS BANK LIMITED
SELECTED PERFORMANCE INDICATORS
(BASED ON REGULATORY REPORTING)
AS AT 31ST DECEMBER 2023

Item	31/12/2023	31/12/2022
Regulatory Capital Adequacy (LKR in Thousands)		
Common Equity Tier 1	6,843,172	6,068,129
Core (Tier 1) Capital	6,843,172	6,068,129
Total Capital Base	6,863,411	6,068,129
Regulatory Capital ratios (%)		
Common Equity Tier 1 capital (%) (Minimum Requirement - 7%)	163%	165%
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.50%)	163%	165%
Total Capital Ratio (%) (Minimum Requirement - 12.50 %)	164%	165%
Leverage Ratio (Minimum Requirement - 3%)	73%	73%
Regulatory Liquidity		
Statutory Liquid Assets (LKR in Thousands)	6,463,285	5,526,802
Statutory Liquid Assets Ratio (%) (Minimum Requirement - 20%)	1289%	954%
Total Stock of High-Quality Liquid Assets (LKR in Thousands)	6,829,632	3,015,200
Liquidity Coverage Ratio - Rupee (%) (Minimum Requirement - 100%)	3661%	8826%
Net Stable Funding Ratio (%) - Minimum Requirement - 100%)	221%	181%
Assets Quality (Quality of Loan Portfolio)		
Gross Non Performing Advances Ratio (%) (net of Interest in suspense)	44%	42%
Net Non Performing Advances Ratio (%) (net of Interest in suspense and Provision)	1%	1%
Impaired Loans (Stage 3) Ratio (%)	4%	5%
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	90%	87%
Profitability		
Interest Margin (%)	19%	15%
Return on Assets (before Tax) (%)	13%	7%
Return of Equity (%)	10%	6%

BASEL III – Market Discipline Disclosure Requirement under PILLAR III

TEMPLATE 01: KEY REGULATORY RATIO – CAPITAL AND LIQUIDITY

Item	Amount (LKR '000)	
	31-Dec-23	31-Dec-22
Regulatory Capital (LKR '000)		
Common Equity Tier 1	6,843,172	6,068,129
Tier 1 Capital	6,843,172	6,068,129
Total Capital	6,863,411	6,068,129
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement-2020-7.00%,2019-7.00%)	1.63	1.65
Tier 1 Capital Ratio (Minimum Requirement-2020-8.50%,2019-8.50%)	1.63	1.65
Total Capital Ratio (Minimum Requirement-2020-12.50%,2019-12.50%)	1.64	1.65
Leverage Ratio (Minimum Requirement-2020 - 3.00% , 2019-3.00%)	0.73	0.73
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	6,463,285	5,526,802
Statutory Liquid Assets Ratio (Minimum Requirement -20%)		
Domestic Banking Unit (%)	1289.27%	953.78%
Off-Shore Banking Unit (%)	N/A	N/A
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2020-90% ; 2019-100%)	3661%	8826%
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2020-90% ; 2019-100%)	N/A	N/A

TEMPLATE 02: BASEL III COMPUTATION OF CAPITAL RATIOS

Item	Amount (LKR '000)	
	31-Dec-23	31-Dec-22
Common Equity Tier 1 (CET1) Capital after Adjustments	6,843,172	6,068,129
Common Equity Tier 1 (CET1) Capital	6,972,217	6,198,672
Equity Capital (Stated Capital)/Assigned Capital	3,805,290	3,805,290
Reserve Fund	326,701	288,765
Published Retained Earnings/(Accumulated Retained Losses)	2,840,226	2,104,617
Published Accumulated Other Comprehensive Income (OCI)		
General and other Disclosed Reserves		
Unpublished Current Year's Profit/Loss and Gains reflected in OCI		
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to CET1 Capital	129,046	130,543
Goodwill (net)		
Intangible Assets (net)	0	1,184
Shortfall of the cumulative impairment to specific provisions		
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity	129,046	71,459
Regulatory adjustments applied to CET1 Capital due to insufficient AT1 and Tier 2 Capital to cover adjustments	-	57,900
Additional Tier 1 (AT1) Capital after Adjustments		
Additional Tier 1 (AT1) Capital		
Qualifying Additional Tier 1 Capital Instruments		
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to AT1 Capital		
Investment in Own Shares		
Others (specify)		
Tier 2 Capital after Adjustments	20,240	0
Tier 2 Capital	20,240	32,321
Qualifying Tier 2 Capital Instruments		
Revaluation Gains		
General provisions	20,240	32,321
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to Tier 2	-	32,321
Investment in Own Shares		
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity		32,321
CET1 Capital	6,843,172	6,068,129
Total Tier 1 Capital	6,843,172	6,068,129
Total Capital	6,863,411	6,068,129
Total Risk Weighted Assets (RWA)	4,191,018	3,672,266
RWAs for Credit Risk	2,726,731	2,585,670
RWAs for Market Risk		
RWAs for Operational Risk	1,464,286	1,086,596
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	1.63	1.65
of which: Capital Conservation Buffer (%)		
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		
Total Tier 1 Capital Ratio (%)	1.63	1.65
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	1.64	1.65
of which: Capital Conservation Buffer (%)		
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		

TEMPLATE 03:
TEMPLATE 03: COMPUTATION OF LEVERAGE RATIO

Item	Amount (LKR '000)	
	31-Dec-23	31-Dec-22
Tier 1 Capital	6,843,172	6,068,129
Total Exposures	9,383,972	8,316,752
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	9,461,495	8,446,427
Derivative Exposures		-
Securities Financing Transaction Exposures	50,041	-
Other Off-Balance Sheet Exposures	1,482	868
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	73%	73%

TEMPLATE 04:
COMPUTATION OF LIQUIDITY COVERAGE RATIO (BANK) – ALL CURRENCY

Item	Amount (LKR'000)			
	Reporting Period		Previous Reporting Period	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)		6,542,517.53		3,015,199.89
Total Adjusted Level 1A Assets		6,540,818.74		2,964,489.80
Level 1 Assets	6,540,735.13	6,540,735.13	3,013,247.40	3,013,247.40
Total Adjusted Level 2A Assets		-		-
Level 2A Assets		-		-
Total Adjusted Level 2B Assets	1,782.39	1,782.39	1,952.49	1,952.49
Level 2B Assets	1,782.36	1,782.39	1,952.49	1,952.49
Total Cash Outflows		152,616.43		136,654.00
Deposits	111,021.86	11,102.19	143,711.82	15,967.98
Unsecured Wholesale Funding	187,944.28	75,177.71	113,235.46	75,490.30
Secured Funding Transactions				
Undrawn Portion of Committed (Irrevocable) Facilities and Other				
Contingent Funding Obligations				
Additional Requirements	66,336.53	66,336.53	-	45,195.72
Total Cash Inflows		392,193.32		146,316.27
Maturing Secured Lending Transactions Backed by Collateral	50,096.00	-	347,826.00	-
Committed Facilities				
Other Inflows by Counterparty which are Maturing within 30 Days	389,593.72	377,663.71	16,142.52	116,142.52
Operational Deposits				
Other Cash Inflows	29,059.22	14,529.61	30,173.75	30,173.75
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) *100		17,147.61		88.26

TEMPLATE 05: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

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

TEMPLATE 06: SUMMARY DISCUSSION ON ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS

"For summary discussion on adequacy/meeting current and future capital requirements, refer Risk Management Report on pages 59 to 92.

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

Amount (LKR'000) as at 31.12.2023								
Asset Class	Exposures before Credit Conversion Factor (CCF) and CRM			Exposures after CCF and CRM			RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	Total	On-Balance Sheet Amount	Off-Balance Sheet Amount	Total	RWA	RWA Density
Claims on Central Government and CBSL	5,596,690	-	5,596,690	5,596,690	-	5,596,690	-	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	164	-	164	164	-	164	164	100
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-
Claims on Banks Exposures	1,140,876	-	1,140,876	1,140,876	-	1,140,876	443,339	39
Claims on Financial Institutions	428,340	-	428,340	428,340	-	428,340	214,183	50
Claims on Corporates	3,565	-	3,565	3,565	-	3,565	3,565	100
Retail Claims	482,239	200	482,439	482,239	100	482,339	387,241	80
Claims Secured by Residential Property	101,485	2,763	104,248	101,485	1,382	102,867	102,867	100
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	47,230	-	47,230	47,230	-	47,230	46,442	98
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,531,863	-	1,531,863	1,531,863	-	1,531,863	1,528,932	100
Total	9,332,453	2,963	9,335,416	9,332,453	1,482	9,333,935	2,726,732	667

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

Description	Amount (LKR '000) as at 31.12.2023(Post CCF & CRM)						Total Credit Exposures Amount
	0%	20%	50%	75%	100%	150%	>150%
Asset Classes							
Claims on Central Government and CBSL	5,596,690	-	-	-	-	-	5,596,690
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	0
Claims on Public Sector Entities	-	-	-	-	164	-	164
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	0
Claims on Banks Exposures	-	423,668	717,209	-	-	-	1,140,876
Claims on Financial Institutions	-	-	428,314	-	25	-	428,339
Claims on Corporates	-	-	-	-	3,565	-	3,565
Retail Claims	-	-	-	369,127	110,396	-	479,522
Claims Secured by Residential Property	-	-	-	-	102,867	-	102,867
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	0
Non-Performing Assets (NPAs)	-	-	3,941	-	40,923	2,366	47,229
Higher-risk Categories	-	-	-	-	-	-	0
Cash Items and Other Assets	2,931	-	-	-	1,528,931	-	1,531,862
Total	5,599,621	423,668	1,149,464	369,127	1,786,871	2,366	9,331,115

**TEMPLATE 10:
OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH**

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31.12.2023		
			1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		104,829	182,656	261,623
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach					183,036
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					1,464,286

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

Item	Amount (LKR '000) as at 31.12.2023				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	9,511,536	9,511,536	9,382,491	-	129,046
Cash and Cash Equivalents	31,894	31,894	31,894	-	-
Balances with Central Banks	-	-	-	-	-
Placements with Banks	1,042,216	1,042,216	1,042,216	-	-
Derivative Financial Instruments	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-
-Loans and Advances	630,953	630,953	630,953	-	-
-Debt and Other Instruments	6,075,046	6,075,046	6,075,046	-	-
Financial assets measured at fair value through Profit & Loss	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	202,497	202,497	73,451	-	129,046
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	1,134,148	1,134,148	1,134,148	-	-
Right of use assets	104	104	104	-	-
Investment properties	349,000	349,000	349,000	-	-
Goodwill and Intangible Assets	0	0	0	-	-
Deferred Tax Assets	-	-	-	-	-
Other Assets	45,680	45,680	45,680	-	-
Liabilities	1,287,671	1,287,671	-	-	-
Due to Banks	-	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-	-
-Due to depositors	418,862	418,862	-	-	-

-Due to other borrowers		293,891	293,891	-	-	-
Lease Liability		133	133	-	-	-
Debt Securities Issued		73,169	73,169	-	-	-
Retirement benefit obligations		60,794	60,794	-	-	-
Current Tax Liabilities		204,141	204,141	-	-	-
Deferred Tax Liabilities		27,727	27,727	-	-	-
Other Provisions		-	-	-	-	-
Other Liabilities		208,954	208,954	-	-	-
Due to Subsidiaries		-	-	-	-	-
Subordinated Term Debts		-	-	-	-	-
Shareholders' Equity		8,223,865	8,223,864	-	-	-
Stated capital/Assigned capital		3,805,290	3,805,290	-	-	-
Statutory reserve fund		326,701	326,701	-	-	-
OCI reserve		104,109	-	-	-	-
Retained earnings		5,006,417	5,110,525	-	-	-
Other reserves	-	1,018,652	1,018,652	-	-	-
Total Equity and Liabilities		9,511,536	9,511,536	-	-	-
Off-Balance Sheet Liabilities		2,963	2,963	-	-	-
Guarantees				-	-	-
Performance Bonds		-	-	-	-	-
Letters of Credit		-	-	-	-	-
Other Contingent Items		-	-	-	-	-
Undrawn Loan Commitments		2,963	2,963	-	-	-
Other Commitments		-	-	-	-	-

**TEMPLATE 12 -
EXPLANATION OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING AND
REGULATORY EXPOSURE AMOUNTS**

"(a) Loans and receivables to other customers

The loans and receivables to customers considered in regulatory reporting differs with the published financial statements since CBSL time based provisions were netted off when arriving at loans and receivables for regulatory reporting purposes, while impairment allowances based on incurred losses have been netted off in loans and receivables for publication purposes. The impairment allowance has been computed using established processes with judgments being exercised when determining the presence of objective evidences of impairment. The process used in determining the impairment provision has been described in detail in Note No 3.2.7 (Page No 125) to the financial statements.

(b) Financial assets at fair value through OCI

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

**TEMPLATE 13-
EXPLANATION OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING AND
REGULATORY EXPOSURE AMOUNTS**

The Risk Report from pages 59 to 92 disclose the Bank's approach to risk management including governance structures, policies, processes, limits and the current risk profile of the Bank.

SRI LANKA SAVINGS BANK LIMITED
Notice of
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE SRI LANKA SAVINGS BANK LIMITED WILL BE HELD ON OF 2024 AT NO.....,,, AT P.M.

AGENDA

1. To receive and to consider the Report of the Directors, Statement of Accounts and the Balance sheet of the Company for the year ended 31st December 2023 and the Report of the Auditors thereon.
2. To re-appoint National Audit Office as Auditors for the year ended 31st December 2024.

By Order of the Board,

D.R.N.U.Peramuna
Actg. Company Secretary
Colombo
03.05.2024

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:

Dr. Harsha Cabral	of Colombo or failing him
Mr. B.M.D.B.Basnayake	of Colombo or failing him
Mr. Jude Nilukshan	of Colombo or failing him
Mr. S.R.W.M.R.P. Sathkumara	of Colombo or failing him
Mr. Lakshman Gamini	of Colombo or failing him
Mr. M.P.A.W. Peiris	of Colombo or failing him
Mr. Saliya Dharmawardena	of Colombo or failing him
Mr. Hemantha Gamage	of Colombo or failing him
Mr. Prasad Imbulagoda	of Colombo or failing him
Mr. Janaka Arunashantha	of Colombo or failing him

..... of

.....

as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on theand at any adjournment thereof.

Signed thisday of2024

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

.....
Signature

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

Notes 01. Please delete the inappropriate words
 02. Instructions as to completion are given overleaf

INSTRUCTIONS AS TO COMPLETION

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

SRI LANKA SAVINGS BANK LTD

Statistical Indicators 2013-2023

	Audited 2013 Rs.000'	Audited 2014 Rs.000'	Audited 2015 Rs.000'	Audited 2016 Rs.000'	Audited 2017 Rs.000'	Audited 2018 Rs.000'	Audited 2019 Rs.000'	Audited 2020 Rs.000'	Audited 2021 Rs.000'	Audited Restated 2022 Rs.000'	Audited 2023 Rs.000'
Operating results											
Gross Income	1,017,512	796,399	746,195	980,754	1,093,386	1,041,065	1,157,242	875,502	677,992	1,248,431	1,670,727
Interest Income	996,420	710,502	676,169	924,924	1,039,799	1,019,059	1,019,646	789,309	602,160	1,119,715	1,435,052
Interest Expenses	141,289	183,376	147,622	140,792	143,526	94,080	95,068	75,574	55,207	30,726	25,389
Net Interest Income	855,131	527,125	528,546	784,132	896,273	924,980	924,578	713,735	546,953	1,088,989	1,409,664
Other Income	19,810	84,050	66,766	50,868	49,298	19,444	135,932	82,055	73,699	128,386	235,329
Operating Expenses ,Loan Provisions and VAT, NBT & DRL	318,228	337,235	153,661	221,385	332,651	446,784	427,910	384,316	292,505	591,830	489,351
Profit before tax	551,140	267,686	432,283	599,700	604,369	488,106	633,964	415,341	330,231	625,846	1,155,970
Income tax (12,088)		32,831	-	-	-	136,840	186,147	140,285	75,086	165,258	397,250
Profit after tax	563,229	234,855	432,283	599,700	604,369	351,266	447,817	275,056	255,144	460,588	758,720
Assets											
Cash and Short-term Funds	109,981	17,059	40,462	58,816	30,990	31,235	18,802	105,548	64,001	47,257	31,894
Loans and Investment's (with Impairment adjustment)	7,536,786	8,233,984	8,271,244	8,735,368	8,851,139	8,470,088	8,019,408	8,024,894	7,514,597	7,288,588	7,950,712
Property,Plant and Equipment/Intangible assets /Investment Properties	203,407	206,322	670,366	654,400	643,759	629,271	621,819	1,113,064	1,108,030	1,090,290	1,483,148
Other assets	161,186	222,473	192,617	234,617	13,242	44,968	56,970	22,210	18,209	31,576	45,783
Total	8,011,361	8,679,838	9,174,689	9,683,201	9,539,130	9,175,562	8,716,999	9,265,716	8,704,836	8,457,711	9,511,536
Liabilities and shareholder's funds											
Total Deposits	749,211	1,192,188	907,707	916,690	1,077,385	1,088,555	1,076,178	1,077,085	764,664	464,579	418,862
Borrowings	3,083,641	3,111,104	3,123,339	3,159,076	2,157,082	1,646,209	816,118	710,400	408,803	375,170	367,060
Other liabilities	345,172	363,094	799,819	838,937	914,315	1,053,802	1,893,927	948,381	724,366	509,280	501,750
Shareholder's funds	3,833,337	4,013,451	4,343,824	4,768,498	5,390,348	5,386,995	4,930,776	6,529,849	6,807,004	7,108,682	8,223,865
Total	8,011,361	8,679,838	9,174,689	9,683,201	9,539,130	9,175,562	8,716,999	9,265,716	8,704,836	8,457,711	9,511,536
Performance ratios											
Return on Average Assets	7%	3%	5%	6%	6%	5%	7%	5%	4%	7%	13%
Return on Average Equity	16%	6%	10%	13%	12%	7%	9%	5%	4%	7%	10%
Net Interest Margin	12%	7%	7%	9%	10%	11%	11%	9%	7%	15%	19%
Loans to Deposits	429%	248%	384%	422%	392%	363%	349%	339%	371%	499%	487%
Cost to Income	17%	26%	32%	24%	23%	35%	23%	31%	48%	31%	21%
NPL (gross)	47%	55%	43%	37%	33%	37%	41%	42%	49%	42%	44%
NPL (net)	5%	12%	8%	7%	6%	-2%	1%	-1%	-4%	5%	4%
Income growth	34%	-22%	-6%	31%	11%	-5%	11%	-24%	-23%	84%	34%
Deposit growth	53%	59%	-24%	1%	18%	1%	-1%	0%	-29%	-39%	-10%
Shareholder ratios (Rs.)											
Earnings per share	123	51	94	131	132	43	55	34	31	56	92
Net Assets per share	836	875	948	1,040	1,176	657	601	796	830	866	1,002
Other information											
Number of employees	73	96	106	123	116	109	103	107	106	104	95
Number of branches	4	4	4	4	4	4	4	4	4	4	4
Profit Per Employee (Rs.Mn)											
	7.55	2.79	4.08	4.88	5.21	4.48	6.15	3.88	3.12	6.02	12.17
Number of shares											
	4,584,466	4,584,466	4,584,466	4,584,466	4,584,466	8,204,466	8,204,466	8,204,466	8,204,467	8,204,467	8,204,467



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இலங்கை சேமிப்பு வங்கி
Sri Lanka Savings Bank

A FULLY OWNED SUBSIDIARY OF



No.265, Ward Place , Colombo 07.

Telephone : 0112691721/2,

0112674700/1/2/3

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