

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Bank (the "Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries (the "Group") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the income statement, statement of other 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.

The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Section 5(1) of the said Finance Act. My comments and observations which I consider should be reported to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at 31 December 2024 and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group 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 Group.

1.4 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 skepticism 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 Group'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Bank, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Bank has complied with applicable written law, or other general or special directions issued by the governing body of the Bank;
- Whether the Bank has performed according to its powers, functions and duties; and
- Whether the resources of the Bank had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

1.5.1 Receivables

Audit Issue	Management Comment	Recommendation
1.5.1.1. Long outstanding balance in Suspense A/C - Amount paid to pending deliveries (GL code – 393470) Suspense account amount paid to suppliers on pending deliveries, includes advances made to suppliers for obtaining Information Technology equipment. Once projects are completed, the amounts in this account will be capitalized based on the nature of the services obtained. As of 31 December 2024, the total balance in this account stands at Rs.1.6 billion and, certain balances amounting to Rs. 872 million have been outstanding for more than one year without any actions taken to clear. Out of the above balance, Rs.511	The balance represents advances paid to suppliers for IT-related projects. As of 30 June 2025, the outstanding balance is Rs. 1,810.4 million, of which Rs. 427.5 million relates to amounts pending from 2020 and prior periods. The delays are mainly due to prolonged project timelines and pending documentation. Reconciliations with suppliers and user departments are ongoing, and older advances are being cleared through capitalization or recovery. A structured plan is in place to substantially reduce the balance by year-end 2025, with	Review the ongoing projects and take necessary actions to reconcile Long outstanding balances in Suspense A/C - Amount paid to pending deliveries.

million had been remained from year 2020 and prior period. strengthened controls to prevent recurrence.

1.5.2 Payables

Audit Issue	Management Comment	Recommendation
1.5.2.1.Unavailability of customer wise system records on a group of Fixed deposits Customer wise system records or any properly maintained manual records were not available in the Bank for a group of fixed deposits aggregating to Rs.81.2 million which are believed to be belonging to persons in Northern Province who had deceased during the war. Those deposits are classified under the General Ledger No. 415501 Suspense Time Deposit Local.	Following to be noted in this regard. • During the war period, the branches of Mullaitivu (020), Paranthan (111) and Mankulam (165) were destroyed by bomb attacks and all branch-level banking documents were lost. • At the time, these branches operated manually and submitted trial balances to the Wannu Regional Head Office (RHO) every six months. • When reinstating the branches after the war, the balances were credited to GL 415501 based on the trial balances available at the RHO which contained only the Account Number and the Balance. • These accounts carry only the account number and the balance, whenever customers present their fixed deposit certificates and valid identification, the respective branch debits this account and releases the funds to the customer after obtaining approval from the RHO. • The trail balances maintained by these	Take necessary actions to ensure safety of customer deposits.

branches are reconciled annually with the general ledger control (GL 415501) to ensure accuracy.

1.5.3 Advances

Audit Issue	Management Comment	Recommendation
1.5.3.1. 162,721 number of loans amounting to Rs.464,231.8 million had been granted by the Bank during the year 2024. Above granted loans include number of rescheduled loans of 3,063 amounting to Rs.9,242.5 million. Out of the loans granted during the year 2024, 2,822 number of loans amounting to Rs.6,002.4 million had been remained in the non-performing category as at 31 December 2024. Above outstanding balance includes rescheduled capital loans balance of Rs.5,082.8 million, rescheduled interest & merge loans balance of Rs.847.6 million and other loans balance of Rs.72 million.	Percentage of transferring the loans granted during 2024 to non performing category stands at 1.3 percent which is acceptable given the macro-economic conditions prevailed in the country. Nevertheless, given the priority and attention in recovering Non-Performing Loans (NPLs) through a structured and focused approach, the bank is in the process of reducing the highlighted non performing loans in terms of number of accounts and amounts. Accordingly, Bank was able to reduce the capital outstanding balance of loans granted during the year 2024 from Rs.439,727 million of 31 December 2024 to Rs.309,519.66 million as at 30 June 2025 by Rs.130,207.34 million. Further, Bank was able to recover the capital outstanding balance of rescheduled loans by Rs.493.33 million as at 30 June 2025 from Rs.6,002.37 million of 31 December 2024 to Rs.5,509.04 million.	Take necessary actions to grant loans and advances as per the objectives of the Bank to eligible customers in accordance with approved guidelines and circulars and to recover effectively and efficiently. Further, take necessary steps to strengthen the quality of loan portfolio.
1.5.3.2. Gross loans & advances of the bank recorded as Rs.1,671,180 million as at 31 December 2024 and when compared with the previous year end balance of Rs.1,846,390 million resulting a decrease of Rs.175,210 million or 9.5 percent.	Gross loans & advances of the bank recorded as Rs.1,743,682 million as at 30 June 2025 and when compared with the balance as at 31 December 2024 amounting to Rs.1,671,180 million resulting increase of Rs.72,502 million or 4.3 percent.	
1.5.3.3. Capital Outstanding balance of loans and advances as at 31 December 2024 from which any single installment has	As a result of aggressive recovery measures implemented, during the period of 6 months from 31	

not been recovered are given below.

Grant Year	No. of Loans Granted	Capital Granted Rs.million	Capital Outstanding as at 31.12.2024 Rs.million
2024	201	3,610.0	3,462.7
2023	185	505.8	479.7
2022	94	1,871.8	1,847.0
2021	87	62.9	51.4
	567	6,050.5	5,840.8

December 2024 to 30 June 2025, the bank has been able to recover Rs. 227.17 million from the highlighted capital outstanding balance of loans and advances which any single installment has not been recovered. Further, recovery process on-going and details are as follows;

Grant Year	Capital Outstanding as at 30.06.2025 Rs.million	Capital Recovered from January- June Rs. Million
2024	3,441.24	21.49
2023	304.88	174.79
2022	1,836.88	10.17
2021	30.72	20.72
	5,613.72	227.17

The Bank has adopted the write off policy for unrecoverable non performing debts each year as applicable, only for the purpose of proper reflection in books of accounts. It should be highlighted that, all possible recovery measures are being continued to recover the said write-off advances.

1.5.3.4. Details of written off balances and written off recoveries during the last five years period are given below.

Year	Rs. million			Written-off Recoveries
	Capital	Interest	Total	
2020	363.20	1,321.12	1,684.32	13.57
2021	108.86	761.26	870.12	15.29
2022	276.67	365.45	642.12	15.35
2023	40.31	26.93	67.24	190.57
2024	-	7.12	7.12	36.01
	789.04	2,481.88	3,270.92	270.79

Note: During the year 2024, the capital

Further, the recovery of write-off debts has been set as a key performance indicator of the Recoveries Department and is closely monitored on monthly basis, to ensure the effectiveness of recovery process.

As at 30 June 2025, the written off value cumulative was Rs. 1.00 (Only single facility) while written-off recovery Month To Date value was Rs.16 million. Further, during the year 2024, bank has written-off only 26 facilities amounting to Rs.26 which capital outstanding balance of Rs.1.00 each, while a written-off recovery amount is Rs.36 million.

written off value of the bank includes Rs.26 for 26 facilities which stood with capital outstanding balance of Rs.1 each.

As at 30 June 2025, stage 3 loans amounted to Rs. 308,839.6 million, compared with Rs. 307,001.3 million as at 31 December 2024, reflecting an increase of Rs. 1,838.3 million (0.6 percent). The movement is primarily due to adverse macroeconomic conditions, sectoral stress in construction, SMEs, and import-dependent businesses, as well as the impact of currency depreciation on foreign currency exposures.

1.5.3.5. Loans categorized under stage 3 category had been increased by Rs.23,239 million or 8 percent as at 31 December 2024 as compared with preceding year.

A detailed review indicates that the increase is largely concentrated in a few large exposures, rather than a broad-based deterioration of the loan book. The Bank has strengthened portfolio monitoring, restructured viable accounts, and pursued recovery and legal actions where necessary. Adequate provisioning has been maintained under SLFRS 9, and enhanced credit risk management practices have been introduced to mitigate further slippages.

1.5.3.6. Total Non - Performing Advances over Rs.10 million (CIF level) amounted to Rs. 134,569.03 million as at 31 December 2024 with Rs. 63,621.62 million of capital outstanding and Rs. 70,947.41 million of interest outstanding balance. Out of the above total capital outstanding, Rs. 34,761.4 million or 54.64 percent had been remained without sufficient securities. Details are given below.

Total Non - Performing Advances over Rs.10 million (CIF level) amounting to Rs. 140,934.97 million as at 30 June 2025, represent incremental of Rs. 6,365.94 million with comparing to total balance as at 31 December 2024 which was Rs. 134,569.03 million. The Capital Outstanding and the interest outstanding balance as at 30 June 2025 were Rs.66,450.08 million and Rs.74,484.89 million respectively. (Total Rs.140,934.97 million)

This was mainly due to LKR depreciation, Reschedule non performing advances adding to the non performing portfolio and Global non performing effect etc.

The securitization of advances is

Security Description	Outstanding Capital Amount as at 31.12.2024 Rs. million	% From Total Capital Outstanding of NP over Rs.10 million	considered very seriously when the initial advance disbursement stage of the respective facilities. However, we take maximum effort to securitize the facilities from Recoveries department side when we make effort to reschedule non performing facilities especially consider the unsecured facilities and strengthen the less securities facilities.
Inadequate property /Other Securities	15,402.17	24.21	
Corporate Guarantee	5,927.98	9.32	
Personal Guarantee	8,491.23	13.35	
Clean Basis	4,940.02	7.77	
	34,761.40	54.64	

1.5.3.7. Total outstanding balance of top 10 non-performing loans (NPLs) as at 31 December 2024 was Rs. 75,240.01 million which includes capital outstanding balance of Rs.33,949.97 million and interest outstanding balance of Rs.41,290.04 million. Details are given below.

The top 10 NPLs capital position of non performing debts have increased despite all possible causes of actions that have been taken to recovery of the debts. Comparing to Capital balance as at 31 December 2024 the balance increased by Rs.463.81 million due to rupee depreciation, prevailing situation in the economy and advance classification changes in loan portfolio etc. Ex: Global NPL Capital outstanding as at 31 December 2024 – Rs.33,949.97 million

Capital outstanding as at 30 June 2025 – Rs.34,413.78 million

Further the increased capital balance of Rs.463.81 million included, Rs.324.40 million Rescheduled capitalized advance of Softlogic Holdings PLC which the Capital Balance as at 31 December 2024 was Rs.2,499.47 million and balance as at 30 June 2025 was Rs.2,823.87 million respectively.

	Name of the Customer	No of Loans	Capital Balance Rs.million	Interest Balance Rs.million	Total Balance Rs.million
1	Lanka Hotels & Residencies (Pvt) Ltd	4	5,488.94	2,727.90	8,216.84
2	W M Mendis and Company Ltd	9	3,840.38	1,243.43	5,083.81
3	Srei Equipment Finance Ltd	1	3,713.73	703.88	4,417.61
4	The Grand Mountain hotel (pvt) Ltd	6	1,458.50	1,213.10	2,671.60
	LAK Steel Engineering Pvt Limited	7	1,613.05	907.20	2,520.25
	Lak Gypsum PVT LTD	11	150.97	51.45	202.42
	Lak Brand Furniture PVT LTD	6	65.60	0.28	65.88
		30	3,288.12	2,172.03	5,460.15
5	CML MTD Construction LTD	34	2,582.04	3,757.48	6,339.52
	Walkers Piling (pvt) ltd	19	343.45	437.18	780.62
	Walkers Equipment LTD	12	293.16	379.84	673.00
	Walkers sons and co engineers PVT LTD	1	25.55	119.11	144.67
	MTD Walkers PLC	1	7.10	7.89	14.99
		67	3,251.30	4,701.50	7,952.80
6	Nawaloka Steel Industries Pvt Ltd	3	516.73	394.14	910.87
	Nawaloka Const Company Pvt Ltd	31	2,231.14	1,868.07	4,099.21
	East West Marketing pvt Ltd	1	138.50	71.14	209.64
	New Ashford International Pvt Ltd	2	33.18	19.05	52.23
	Nawaloka Petroleum Pvt Ltd	1	115.00	60.13	175.13
		38	3,034.55	2,412.54	5,447.08
7	Yashoda Holdings (PVT) LTD	36	2,424.32	19,274.82	21,699.14
	Yashoda Marketing	1			6.44

	Services (PVT) LTD.		0.73	5.70	
	Yoshi Advertising (PVT) LTD.	1	0.47	3.68	4.16
	Yuni Agencies Transport (PVT) LTD.	1	0.84	6.62	7.46
	Yuni Printers (PVT) LTD.	3	11.02	98.39	109.41
	Ruhunu Agro fertilizer Co. Ltd.	9	498.50	4,031.62	4,530.12
	Ruhunu Plywood Products Pvt Ltd	2	90.25	626.18	716.43
	Murni Bakery Equipment Pvt Ltd	1	4.30	28.94	33.24
		54	3,030.44	24,075.94	27,106.38
8					
	Mihin Lanka(Pvt) Ltd	3	3,017.17	867.05	3,884.22
9					
	Huravee Int'l (Pvt)	1	2,785.88	1,985.82	4,771.70
10					
	Softlogic Holdings PLC	3	2,499.47	399.95	2,899.42
		210	33,949.97	41,290.04	75,240.01

1.5.3.8. Exposure to State Owned Enterprises (SOEs)

- (i) Total outstanding loans and advances belonging to Central Government and SOEs have been recorded as Rs. 455,957 million or 27.28 percent from total loans and advances portfolio of the Bank as at 31 December 2024. Accordingly, outstanding loan balances from SOE's had been reduced by Rs. 325,445 million or 41.65 percent as compared with the preceding year. However, out of SOE's loan balance, Rs.262,583 million had been converted in to five treasury bonds with regard to the CPC loans taken over by the government.
- Loan and Advances to SOE has been reduced from Rs. 455,967 million as at 31 December 2024 to Rs. 429,426 million(Capital Outstanding) as at 30 June 2025. Further CPC Domestic restructuring was completed in December 2024. Accordingly, USD exposure was converted to a term loan of USD 546.2 million. LKR exposure of Rs. 262.58 billion was converted to Bonds where servicing of USD exposure is happened as per the Domestic Debt Restructuring agreements.
- (ii) The aggregated amount of investments and other receivables from government was Rs.1,505,120 million as at 31 December 2024 and accordingly, total
- The aggregated amount of investments and other receivables from government was Rs.1,668,894 million as at 30 June 2025 and

exposure to the Central Government & SOE's was Rs.1,961,077 million and it represents 59.47 percent from total assets of the Bank.

accordingly, total exposure to the Central Government & SOE's was Rs.2,120,165 million and it represents 59.36 percent from total assets of the Bank.

(iii) Total outstanding balance of loans and advances belonging to the Central Government and State Owned Enterprises (SOEs) and investments and other receivables from government during the last 5 years period are given below.

Although exposure levels have been high in recent years, the Bank has maintained adequate provisioning and continues to monitor such exposures closely. A diversification strategy has been initiated to reduce reliance on SOE lending.

Loans & Advances	2020	2021	2022	2023	2024
Loans & Advances belongs to the Central Government & SOEs (Rs.million)	844,821	937,386	871,619	781,402	455,957
Increase of Central Government & SOEs Loans and Advance balance compared to the previous year (Rs.million)	243,525	92,564	(65,767)	(90,217)	(325,445)
Increase of Central Government & SOEs Loans and Advance balance compared to the previous year (%)	40.55	10.96	(7.02)	(10.35)	(41.65)
Total Loans & Advances (Rs.million)	1,723,466	1,936,974	1,915,788	1,846,389	1,671,180
% of Central Government & SOEs Loans	49.02	48.39	45.50	42.32	27.28

**and Advance
balance out of
Bank's Total
Loans &
Advances**

Total Assets of the Bank (Rs.million)	2,230,119	2,647,641	2,972,028	3,038,195	3,297,799
% of Loans & Advances of Central Government & SOEs out of Total Assets of the Bank	37.88	35.40	29.33	25.72	13.83
Investments made & other receivables from Central Government (Rs.million)	435,343	672,155	1,024,096	1,041,466	1,505,120
Total Asset Exposure of Central Government & SOEs	1,280,164	1,609,540	1,895,715	1,822,868	1,961,077
% of Central Government & SOEs exposure out of Total Assets of the Bank	57.40	60.79	63.79	60.00	59.47
Total payable to SOEs (Borrowings & Deposits)	222,257	226,722	418,932	480,710	536,206

(iv) Interest receivable balance on Senior Citizen Fixed Deposit

An amount of Rs. 11,392.75 million had been received to the Bank from the General Treasury during the year 2024 with regard to interest receivable on senior citizen fixed deposits. However, outstanding interest receivable balance

The outstanding balance as at 30 June 2025 is Rs 9,225 million, compared with Rs. 11,202 million as of 31 December 2024. During 2025, the Bank successfully recovered Rs. 1,976 million from the General

from Government of Sri Lanka on Senior Citizen fixed deposits had been recorded as Rs. 11,202.10 million as at 31 December 2024.

Treasury. Continuous follow-ups with the Ministry of Finance are being carried out to ensure timely settlement.

(v) CPC Debt Restructuring

As per the budget proposal, Government had taken over the foreign currency debt of Ceylon Petroleum Corporation (CPC) to People's Bank with effect from 31 December 2022. Several discussions were conducted regarding the restructuring terms and restructuring agreement had been signed on 13 December 2024 considering the exposure to CPC as at 30 June 2024. Accordingly,

a) Outstanding dollar principal of USD 446.7 million and accrued interest of US\$ 99.5 million had been restructured into a new USD loan of 546.2 million matured in 31 December 2044. Further, upfront payment of Rs.31,000 million had been paid by the General Treasury as per the agreement in the form of an advance interest payment for USD loan.

b) Outstanding LKR principal amount of Rs.224.4 billion and due interest of Rs.38.2 billion had been settled

As at 30 June 2025, the Bank's total exposure to CPC stands at Rs. 172,159.44 million equivalents, comprising USD loan facilities and rupee-denominated Treasury Bonds. The restructuring arrangement has strengthened the quality of the asset portfolio, reduced short-term repayment pressure, and improved liquidity management. All related instruments are government-backed, ensuring recovery certainty.

The Bank restructured the outstanding dollar principal of USD 446.7 million and accrued interest of USD 99.5 million into a new long-term USD loan facility maturing on 31 December 2044. In addition, the General Treasury provided an upfront settlement of Rs. 31,000 million as advance interest payment for this facility. This restructuring has significantly reduced the short-term repayment pressure, provided defined repayment terms, and enhanced the Bank's ability to manage foreign currency liquidity.

The outstanding rupee principal of Rs. 224.4 billion and accrued interest of Rs. 38.2 billion were settled through the issuance of five Treasury Bonds amounting to Rs. 262,583 million with maturities in 2026, 2028, 2030, 2032, and 2034. In addition, the Treasury settled Rs. 1,057 million as past due interest in the form of an upfront payment. This arrangement has secured the Bank's exposure to CPC under government-

against five treasury bonds amounting to Rs. 262,583 million matured in 2026,2028,2030,2032 and 2034. Further, upfront payment of Rs. 1,057 million had been paid by the General Treasury as the past due interest from interest commencement date to coupon commencement date.

(vi) Restructuring of Sri Lanka International Sovereign Bonds (SLISBS)

The government announced the exchange of outstanding international bonds for new instruments on 26 November 2024. Accordingly, the bank had participated in the Local Option of the SLISB restructuring proposal, which was specially offered to local bond holders by the government. As part of this option, 30 percent of the face value of the SLISBs originally held by the bank was converted in to rupee denominated Treasury Bonds. The remaining 70 percent of the face value was settled through a USD- denominated Step-Up Bond with a capital haircut of 10 percent. Additionally, the accrued coupon (Past Due Interest) on the original SLISBs was settled through a USD – denominated bond (PDI Bond) at a haircut of 11 percent. The Bank's holding of the total investment portfolio of ISBs was USD 51.8 million, which includes the face value of USD 49.9 million and the total interest outstanding amount of USD 1.9 million as at the restructuring date. Accordingly, capital gain on restructuring amounting to Rs. 111.7 million and day one loss of Rs.3,547.4 million had been incurred to the Bank from the restructuring.

(vii) Top 10 SOE loans and advances

Loan outstanding balances of top 10 SOEs including Central Government as at 31 December 2024 had been recorded as Rs. 429,377 million with capital of

backed instruments, improving recovery certainty and minimizing credit risk.

Following the restructuring concluded in November 2024, the Bank's holding of ISBs as at 30 June 2025 stands at USD 35.5 million (equivalent Rs. 10,655.8 million). The conversion resulted in a one-time day-one accounting loss of Rs. 3,547.4 million, offset by capital gains of Rs. 111.7 million. The restructured portfolio, comprising Treasury Bonds and USD Step-Up Bonds, enhances long-term recovery prospects and portfolio stability.

The exposure of top 10 SOE's is reduced to Rs.361,412 million as at 31 August 2025. Further, no new facilities were granted to SOE's

Rs. 421,034 million and interest of Rs. 8,343 million. This represents 94.2 percent of total outstanding balance of loans and advances belonging to the Central Government & SOEs. Details are given below.

Name	Total Receivables (Rs. million)	Security type	Security value (million)
Deputy Secretary to Treasury	4,859.06	Loan Agreement	-
	168,916.82	Treasury Indemnity	-
Sub Total	173,775.88		
Ceylon Electricity Board	400.57	Clean Mortgage over receivables	-
	47,872.49	(Rs.)	38,887.50
	12,650.51	Treasury Guarantee (Rs.)	12,543.67
Sub Total	60,923.57		
Road Development Authority	248.19	Assignment over toll collection	-
	13,652.09	Letter of Undertaking (Rs.)	12,892.88
	33,872.82	Treasury Guarantee (Rs.)	35,000.00
			44.72
	3,524.36	Treasury Guarantee (USD)	
	8,965.17	Treasury Indemnity (Rs.)	8,380.06
Sub Total	60,262.63		
Srilankan Airlines	1,426.30	Treasury Guarantee (Rs)	1,351.90
	5,732.05	Treasury Guarantee (USD)	42,882.57
	14,081.05	Letter of Comfort (Rs.)	13,450.00
	30,139.38	Letter of Comfort (USD)	100.00
Sub Total	51,378.78		
Director Pensions	18,024.54		-
Sub Total			

	18,024.54		-
State Fertilizer Company Ltd	73.87	Cash Back (Rs.)	1,660.00
	17,918.85	Treasury Comfort (Rs.)	38,503.30
Sub Total	17,992.72		
Ceylon Shipping Corporation	15,494.83	Treasury Guarantee (USD)	143.82
Sub Total	15,494.83		
National Water Supply & Drainage Board		Government Treasury Guarantee covering 25 percent of the loan value for full tenor of the facility and an undertaking from Ministry of Finance to meet 75 percent of debt obligations from budgetary allocations.	
	1,585.51		
	2,317.61	Treasury Guarantee (Rs.)	3,874.69
	1,031.48	Treasury Guarantee (Euro)	7,624.77
		Treasury Undertaking Letters (Rs.)	
	7,945.88		9,613.00
Sub Total	12,880.48		
State Pharmaceutical Corporation	2,942.59	Letter of Comfort (Rs.)	6,000.00
	9,860.27	Clean	
Sub Total	12,802.86		
Urban Development Authority	5,840.65	Treasury Undertaking (Rs.)	11,510.00
Sub Total	5,840.65		
Grand Total	429,376.94		-

1.5.3.9. Observations on Loans granted to Ceylon Royal Teas (Pvt) Ltd

Above company engages in exporting value added teas to USA, Chile, Canada and China and one of the board director of Ceylon Royal Teas (Pvt) Ltd was a foreign delegate. Capital receivable

Take necessary actions to grant loans and advances to eligible borrowers in accordance with the

balance of Rs.194.1 million had been recorded as at 31 December 2024 with regard to the above company.

Following observations are made.

I. As per the Section 8.3 of Title 8 of Credit Procedure Manual, need to assess the character of the borrower for integrity as a credit principle. Further, as per the internal memo dated 09 October 2023, a case had been filed by the US government at the District Court of Colombia and another case by the Sri Lankan government at the Magistrate Court pertaining to the above Director regarding the money laundering. The case of money laundering is always a crime and laundered money can be seized by the Government. However, Bank had approved loan facilities without having certified copies of court proceedings or any withdrawn or release from the above case. Further, as per the Board Executive Credit Committee (BECC) minute dated 24 July 2024, Legal department has informed that statements given by third parties cannot be relied other than proceedings or orders issued by the court regarding the court cases.

II. Fixed deposit of Rs.10 million had been opened on 23 July 2024 for the funds available in the LKR margin account in relation to Ceylon Royal Teas (Pvt) Ltd. However, any established procedure is not available in the bank regarding the opening of fixed deposits for the funds available in the margin accounts.

established circulars and guidelines of the Bank. Further, policies need to be developed and approved regarding the payment of interest for the funds held in margin account since established procedure is not available.

Approval of the Board had been obtained as per the decision to the BP No. 613/2024 to grant facilities by waiving the condition imposed in BP No. 321/2024 to obtain certified copies of court proceedings or any withdrawn or release or last entry of such case, considering the legal opinion, focusing on the export remittances, proposed valuable immovable security and satisfactory past repayment.

Fixed Deposit was opened by debiting funds available in the LKR Savings Margin Account opened in the name of the company as per their request and reassigned to the term loans granted under the company's name.

1.5.3.10. Observations on Loans granted to Politically Exposed Persons (PEPs)

Loans amounting to Rs.5 million (Rs.4.5 million & Rs.0.5 million) had been granted by the Kegalle Main branch under SMELoC additional financing III – Tea small holders scheme with the Board approval under the loan No. 0278001000010642 & 0278001000010651 at the interest rate of 16.36 percent on 31 October 2023 for new Tea planting. Above loan was secured by the mortgage of property called “Madoltenna Estate” which has an extent of 30 Acres, 02 rude & 18 perches with a forced sale value of Rs.48 million. Refinance had been approved by the Ministry of Finance under the reference No.SMELoC/2023/PB/AF3/TEAG/T 5/0013058. Accordingly JFPR grant of Rs.500,000 was approved and 10 percent interest rate applied from 05 February 2024. Following observations are made.

- I. As per the Manager’s Circular No.810/2021, Japan Fund for Poverty Reduction (JFPR) grant is allowed for tea small holders with landholding of not exceeding 10 acres. However, above loan had been secured by a mortgage property with an extent of 30 acres owned by the borrower (as per the loan documents) and accordingly, not qualified for the above grant of Rs.500,000.
- II. Above loan had been secured by the mortgage of property called “Madoltenna Estate” which has an extent of 30 acres 02 rude & 18 perches with a forced sale value of Rs.48 million. As per the copy of Deed of Exchange No.6432 dated 07 November 2014, above property had been exchanged under section

Strengthen the internal controls relevant to loans granted under refinance schemes and take necessary actions against responsible parties.

Noted the Comment.

As per the comments, considerable deviations were observed.

Accordingly, the Deputy General Manager (SME, Development & Micro Finance) has instructed that an internal inquiry be carried out in this regard. The Regional Manager – Kegalle has confirmed that the inquiry has been initiated and that they expect to submit the final report to the Investigation & Inquiries Department by 30 September 2025.

22(1)(1) of the Land Reform Law
from Land Reform Commission.

- (i.) Property called
“Amitirigalawaththa” with an
extent of 30 acres 02 rude 38
perches had been handed over
by the borrower in exchange of
Madoltenna Estate from the
Land Reform Commission. As
per the Gazette Notification
dated 04 March 1975, above
borrower is only entitled for the
lease hold right of the property
and therefore, it is questionable
the free hold ownership of the
exchanged land. However,
branch manager had confirmed
the free hold ownership of the
above borrower as per the
security confirmation report
dated 02 March 2023.
- (ii.) Seal of the Land Reform
Commission has not been
placed in the Deed of Exchange
No.6432 dated 07 November
2014 which may be affected
when taking legal actions (if
needed).
- (iii.) As per the Deed of Exchange
No.6432, Madoltenna Estate
refers the land marked “Lot 2
depicted in Plan No.093/2012
dated 27 June 1996 made by a
Licensed Surveyor. However,
such plan was not available in
the loan file. Legal problems
may be encountered since the
available plan No.4633 of
another Licensed Surveyor
differs from the plan mentioned
in the Deed of Exchange.

(iv.) As per the loan documents, above mortgaged property has 30 years old rubber plantation and new cinnamon cultivation. However, the customer had requested the loan of Rs.5 million for tea plantation.

a) Branch manager had confirmed the utilization of Rs.3 million for the specified purpose as per the inspection report dated 07 July 2024. However, during the audit inspection dated 25 April 2025, it was observed that tea plantation had not been made in the above land.

b) Further, during the inspection it was observed that tea estates were not available in that area and only rubber plantations were available. Tea leaves collecting centre was not observed and therefore, it is not feasible for tea plantation. However, branch had not considered the relevant facts before granting the loan.

1.5.3.11. Observations on Loans granted to the Chairman of Softlogic Holdings

I. Loan No: 48001000008803-Rs.500 million

Term loan facility of Rs.500 million had been granted based on the security of shares of Softlogic Holdings PLC on 27 March 2018 to the above customer as per the decision taken on the BECC paper No.222/2018 by the Board Executive Credit Committee (BECC) in order to subscribe for the rights issue of Softlogic Holdings PLC. Above loan need to be

Take necessary actions to grant loans and advances in accordance with established circulars and guidelines of the Bank.

repayable in 6 annual installments within 07 years inclusive of 01 year grace period. Following observations are made.

- | | |
|---|--|
| <p>(i.) As per the Section 6.3 of Credit Procedure Manual (CPM) - Title 15 Credit Exposure to Equity Market Transactions, the value of the facility offered to any customer should not exceed the total Forced Sales Value (FSV) of the pool of shares offered as collateral at any time. As per the Section 3.3.2 valuation of Title 15 of CPM, FSV is calculated as 50 percent of the current market value. Accordingly, FSV of the collateral was calculated as Rs. 384 million (shares 32 million*24*50%) and therefore, adequate securities had not been obtained by the Bank.</p> | <p>It was considered at that time, the borrower is a well-known businessperson with a good track record (having clear CRIB reports) and credit facilities had been granted with necessary approvals. After rescheduling, the prevailing total exposure of the customer (capital outstanding) amounts to Rs. 293.34 million as at 16 September 2025, with the repayments. As at 16 September 2025, share coverage is 136 percent (from capital + interest outstanding) from the market value.</p> |
| <p>(ii.) As per the Section 6.4 of CPM- Title 15 Credit Exposure to Equity Market Transactions, the pool of shares offered as security must be reasonably diversified and there must be at least three different shares making up the pool and no single type of share must account for more than 50 percent of the market value of the pool. However, contrary to the above, only shares of Softlogic Holdings PLC had been obtained as security.</p> | <p>It was considered at that time as the borrower is a well-known businessperson with a good track record (having clear CRIB reports) and facilities had been granted with necessary approvals. Presently rescheduled Term Loans are secured by company shares of The Lanka Hospital PLC, Softlogic Holdings PLC, Softlogic Finance PLC, Asiri Hospital Holdings PLC, ODEL PLC and Softlogic capital PLC.</p> |
| <p>(iii.) As per the Section 6.6 of CPM- Title 15 Credit Exposure to Equity Market Transactions, margin trading facilities to any individual should not exceed Rs.100 million. However, contrary to the above, Rs.500 million had been granted to the above customer.</p> | <p>Noted the Comment. Based on the given justifications in the limit paper such as; borrower is a well reputed business person in the country and assignment over shares of Softlogic Holdings PLC at that time, necessary approvals has been received. As at 14 September 2025 total exposure of the customer has</p> |

been reduced from Rs. 800.0 million to Rs. 293.34 million.

- (iv.) As per the Section 6.2.8 of CPM – Title 5 General Lending Procedure/Practices, maximum repayment period of the loans granted against quoted public company shares is one year. Further, as per the risk comments, it was suggested only Rs.300 million for 5 years period without a grace period. However, term loan facility of Rs.500 million repayable in 07 years, inclusive of 01 year grace period had been approved as per the decision of the BECC.
- Loan was structured with a repayment period of 7 years inclusive of a grace period of 1 year, based on the repayment capacity of the customer assessed through the documents submitted by the customer at that time.

II. Loan No: 48001000009544 - Rs.300 million

Term loan facility of Rs.300 million had been granted based on the security of shares of 7 companies on 31 July 2019 to the above customer as per the decision to the BECC paper No.465/2019 to make personal payments, repayable in 5 years inclusive of 01 year grace period.

- (i.) As per the Section 6.3 of CPM- Title 15 Credit Exposure to Equity Market Transactions, the value of the facility offered to any customer should not exceed the total FSV of the pool of shares offered as collateral at any time. As per the section 3.3.2 valuation of Title 15 of CPM, FSV is calculated as 50 percent of the current market value. Accordingly, FSV of the collateral was Rs. 210 million (Rs.420 million *50%) and therefore, adequate securities had not been obtained by the Bank.

It was considered at that time the borrower is a well known business person with a good track record (having clear CRIB reports) and credit facilities had been granted with necessary approvals. After rescheduling, the prevailing total exposure of the customer (capital outstanding) amounts to Rs. 293.34 million as at 16 September 2025, with the repayments. As at 16 September 2025, share coverage is 136 percent (from capital + interest outstanding) from the market value.

- (ii.) As per the Section 6.2.8 of CPM – Title 5 General Lending Procedure/Practices, maximum repayment period of the loans granted against quoted public company shares is one year. However, term loan facility of Rs.300 million, repayable in 05 years inclusive of 01 year grace period had been approved as per the decision of the BECC. Loan was structured with a repayment period of 5 years inclusive of a grace period of 1 year, based on the repayment capacity of the customer assessed through the documents submitted by the customer at that time.
- (iii.) As per the note 02 of the BECC paper No.465/2019 dated 28 June 2019, the borrower had an outstanding balance of Rs.4,418 million with other banks as at 31 March 2019 out of the approved limit of Rs.4,625 million. However, bank had granted the above facility to the aforesaid customer for the purpose of personal needs. Based on the reputation of the customer and the good track record (having clear CRIB reports) at that time loan was considered with necessary approvals.
- III. Total receivable balance of Rs. 382.1 million had been recorded as at 31 December 2024 with capital and interest & other charges of Rs.374.5 million and Rs.7.6 million respectively. With the implementation of reschedulement on 09 August 2024, total due as at 14 September 2025 is reduced to Rs. 300.46 million (Capital Rs. 293.34 million and Interest Rs. 7.12 million).

1.5.3.12. Observations on Loans granted to Bio Foods (pvt) Ltd

Bio Foods (Pvt) Ltd established in 1993 as a certified organic and fair-trade company processing and exporting organic products such as green tea, spices, black tea, coconut based products, frozen herbs, and fruits. As per the BECC No.394/2020 dated 18 May 2020, approval of the BECC had been granted to renew existing credit facilities amounting to Rs.800 million and to grant one-off short term loan for Rs.100 million repayable in one year. Following observations are made.

Take necessary actions to grant loans and advances to eligible customers in accordance with established circulars and guidelines of the Bank by enhancing customer due diligence and creditworthiness assessments during the loan approval process

- I. As per the details in the BECC paper No.394/2020, above company has shown continuous losses from 31 March 2017. Facility I had been granted up to 100 percent of the FSV of the property mortgaged. Stock mortgage had been obtained based on the stock report provided by the customer with pending inspection and valuation by the Bank. Without considering the adverse situation of the borrower and inadequate securities, Bank had granted Rs.100 million loan based on the Personal guarantee to finance the business activities of the borrower.
- This credit package was initially granted on 2003 and its renewal was done in 2020 despite the loss making situation as they were in stress situation and not in a position to get settled outstanding in full. Rs.100.0 million facility granted to the company even with adverse financial situation with an expectation of company will overcome from their financial crisis after clear out the COVID impact due to one of major exporter in country, 40 percent company stake owned by GLS Bank Germany and 60 percent of the company revenue from European countries.
- and as well implement stricter monitoring and follow-up mechanisms to minimize future defaults. It was further recommended to accelerate the recovery efforts of the Bank.
- II. Approval of the Board Executive Credit Committee (BECC) had been obtained to extend/revolve the facilities granted to above company through the BECC paper Nos. 119/2022, 818/2022, 882/2022, 111/2023, 396/2023. However,
- Facilities were extended time to time to allow the business to function due to the prevailed & ongoing crisis situation of the company as well as country since there is no any alternative solution & most of external factors are beyond the control of the customer. Company was not a will full defaulter and our expectation was that the situation would be gradually improve with the recovery of the economy and the support of banks by extending longer tenures.
- (i.) Credit Risk Rating assessed by the bank had been deteriorated gradually from “B” to “C”.
- | | points | rate |
|------------|--------|------|
| 21.05.2020 | 42 | B |
| 12.01.2022 | 25 | CC |
| 04.05.2023 | 21 | CC |
| 02.10.2023 | 19 | C |
- Risk rating deteriorated due to extension of facilities, loss making and delay in repayment. As company's revenue is form of 100 percent export oriented entity it is highly impacted from COVID 19 pandemic situation.
- (ii.) As per the minutes of the risk management and other divisions mentioned in the BECC papers, it was mentioned that the repayment capacity,
- Loans have been considered only on recovery basis without increasing the exposure since most of external factors are beyond the control of the customer.

profitability, credit risk rating, net worth and other financial indications such as Interest Coverage Service Ratio (ICSR) & Debt Coverage Service Ratio (DCSR) was not satisfied. However, loans had been recommended with “no option” basis.

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|---|---|
| <p>(iii.) As per the Section 18 of the aforesaid BECC paper No.396/2023, it was mentioned that stock valuation reports from the regional managers were expected to receive and asset declarations had not been submitted by the client. Further, stocks located premises have been mortgaged to other banks. Therefore, it was observed that without confirming the security value, BECC had decided to renew the existing credit package.</p> | <p>Even though the inspection was pending the stock and debtors position was assessed and mentioned in the paper.</p> <p>Personal guarantee has been obtained from the founder & Chairman of the company since the inception of the relationship to bind him to the liabilities to a certain extent. We informed him to submit a new & complete assets declaration when renewing the facility despite having the initial declaration. However, they did not accept the offer stating that they were negotiating for a new investment and intended to settle total outstanding from the investment proceeds. However, it was not materialized as expected by the client.</p> |
| <p>(iv.) Borrower had requested restructuring of loans and fresh cash infusion of USD 6.5 million on 7 January 2025. As per the reply letter to the borrower by Deputy General Manager (recovery) on 9 April 2025, liabilities had been transferred to the Business Revival Unit in order to consider any business revival program and prepare an acceptable repayment plan to the existing liabilities and requested the borrower to deposit Rs.1 million weekly as a nominal payment, until a revival program</p> | <p>Customer continuous the payment of Rs.1.0 million. A paper was submitted on 06 August 2025 to Credit Risk Management Committee by Business Revival Unit informing to give them two months period from 02 July 2025 to submit the audited financials with considering the customer's request. Until 02 September 2025, customer allows to pay Rs.1.0 million if it is not materialized recovery action will be initiated.</p> |

be implemented. However, as per the correspondence file, it was observed that neither a revival plan had been introduced nor recovery actions have been commenced as at 24 July 2025.

- (v.) A total receivable balance of Rs.1,314.6 million had been recorded with regard to the above company as at 31 December 2024 comprising a capital outstanding balance of Rs. 1,090.4 million, accrued interest balance of Rs. 216.5 million and late charges aggregating to Rs.7.7 million.
- Total outstanding balance of Rs.1,380.6 million had been recorded as at 31 August 2025 comprising the capital balance of Rs.1,076.2 million, accrued interest of Rs.292.9 million and penalty of Rs.11.5 million. Currently, the company is paying Rs. 1.0 million weekly to the Margin Account and the current balance is Rs.21.2 million.

1.5.3.13. Observations on loan granted to Techno Park Development(Pvt) Ltd As per the BP CR No.26/2021 dated 24 September 2021, approval of the Board had been granted on 27 September 2021 to release Rs.750 million out of the proposed term loan facility of Rs.6 billion on clean basis for Techno Park Development Company (Pvt) Ltd (SPV) to be utilized for the Techno Park Project in Galle based on the cabinet decision of the meeting held on 06 September 2021 with regard to the Cabinet Paper No. 21/1641/301/020 on “Establishment of Techno Parks”. However, the security by way of Treasury Guarantee covering the full value and tenor of the term loan facility had been obtained on 29 March 2022 which is nearly six months after the loan granting. Following observations are made.		Take necessary actions to grant loans and advances to eligible customers in accordance with established circulars and guidelines of the Bank by enhancing customer due diligence and creditworthiness assessments during the loan approval process and as well implement stricter monitoring and follow-up mechanisms to minimize future defaults. It was further recommended to accelerate the recovery efforts of
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(i.) The aforesaid loan had been released on clean basis without performing any detailed analysis of source of repayment, project viability, total project cost, income generation avenues, and budgetary allocation for additional funding. Further, no feasibility study had been conducted prior to the commencement of the project. As per the details in the Board Paper No. 715/2021, Bank had requested a comprehensive proposal regarding the Techno Park from the Secretary Ministry of Technology at the meeting held on 30 July 2021. However, no such comprehensive proposal was available in the corresponding loan file. (ii.) Although the Bank had requested the project report, projected cash flows, treasury guarantee or treasury assurance letter, deed and approved surveyor's plan of the property at Galle, street line and non-vesting certificate, extracts for the last 25 years, and valuation report through the letter dated 07 September 2021, none of these documents were found in the corresponding loan file. (iii.) Although the operations of Techno Park Development (Pvt) Ltd have not been	The loan was initially intended to be granted for Rs.6.0 billion against mortgage over land and building of Techno Park Galle with a 31-acre state land on 50 years lease or a Treasury Guarantee /Comfort Letter covering full value and tenor. However, the Rs.750.0 million was disbursed urgently on clean basis until finalization of formal evaluation of the project. Since the finalization of Rs.6.0 billion facility was not materialized, the Bank has negotiated with the General Treasury to obtain a Treasury Guarantee covering the full value and tenor of the disbursed amount and has been successful to obtain a Treasury Guarantee even after six months securing the Bank's interest. The Rs.750.0 million was granted as a bridging facility to meet an urgent commitment until finalizing the Rs.6.0 billion formal evaluation of the project. As explain above, despite our several requests, the required details have not been submitted for evaluation and the Rs.6.0 billion facility was therefore not granted. Subsequently loan was fully secured by a Treasury Guarantee. The loan was granted with the understanding that it will be serviced from the project cash flows after	the Bank.
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activated, and there are no directors or officials available to manage the company, the grace period has been extended from time to time. Further, the above loan had not been categorized as Non Performing Loan (NPL) as at 31 December 2024 though any recovery has not been made. (iv.) The total outstanding balance of Rs.1,231.6 million had been recorded in relation to the above loan as at 31 December 2024 including the capital outstanding balance of Rs.750 million.	commencement of the operations. However, the project has not been implemented as expected and hence no cash flows generated. Therefore, loan could not be serviced on the due date. However, there is a valid Treasury Guarantee (valid up to 28 February 2029) covering the entire exposure and accordingly based on the Board approval we have extended the capital and interest grace period up to 31 October 2025 without extending the original repayment period. Hence, we have not classified the loan as non performing. Further as per the recent discussion had with the General Treasury officials, they are in the process of seeking the possibility of settling said liability. However, the loan has been classified as Stage 3 and impaired based on specific calculations and as at 30 June 2025 impairment amount was Rs. 288.60 million. The General Treasury is in the process of seeking the possibility of settling this liability and several meetings had been held with the relevant parties. Based on such discussions, our understanding is that the liability will be settled in due course.	
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs.41,583.7 million and the corresponding profit in the preceding year amounted to Rs.15,345.4 million. Therefore, an improvement amounting to Rs.26,238.3 million by 171 percent of the financial result was observed. The main reason for the improvement is the decrease of interest expenses by Rs.98,423 million or 28.9 percent as compared with previous year.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review as compared with the preceding year with the percentage of increase or decrease are given below.

Description	Variance Amount Increase/(Decrease) (Rs.million)	Variance %	Reasons for the Variance
Interest Income	(45,503)	(12.9)	Interest rates for customer advances and government securities were remained low than the preceding year.
Interest Expense	(98,423)	(28.9)	Repricing of deposits portfolio.
Personnel Expenses	11,341	46.3	Due to new collective agreement signed for the year 2024-2026.

2.3 Ratio Analysis

According to the information made available, certain important ratios of the Bank for the year under review and the preceding year are given below with the comparison to the Sector Ratios published by the Central Bank of Sri Lanka.

Description	Sector Ratio	Bank	
		2024	2023
Performance Ratios			
Return on Equity (ROE)	15.6	14.7	6.6
Return on Assets (ROA)	2.6	1.3	0.5
Interest Margin	4.3	3.4	1.8
Assets Quality Ratio			
Impaired Loans (Stage 3) Ratio	12.1	10.3	8.8
Capital Adequacy Ratios			
Tier 1 Capital (Minimum 9.5%)	14.9	10.9	12.4
Total Capital (Minimum 13.5%)	18.4	16.5	17.4
Statutory Ratio			
Liquidity Coverage Ratio (Minimum Requirement 100%)	Rupee-340.9 All currency- 288.4	Rupee – 353.9 All currency – 279.5	Rupee – 256.7 All currency – 207.9
Net Stable Funding Ratio (Minimum Requirement 100%)	164.8	178.9	164.3

3. Operational Review
3.1 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
I. Version Upgrade of the Inward Clearing System Software		
As per the details in the EOC paper No.716/2018 dated 25 July 2018, Inward Clearing Module of the Bank was performed through two different systems as inward clearing of 194 branches performed through a system developed by IT department and the rest of the branches performed through a system provided by a private company. Due to shortcomings in the prevailed system and low cost in version upgrade than purchasing a new system, principle approval for the version upgrade of the Inward Clearing Module had been granted by the EOC paper No.716/2018. Accordingly, approval for the version upgrade of the Inward Clearing Module had been granted at a cost of Rs.5,842,000 via the decision to the EOC paper No. 568/2020 dated 30 June 2020. However, at a later stage approval of Executive Operations Committee (EOC) had been granted to terminate the inward clearing version upgrade project with private company and to continue with consolidated clearing system and as well to write – off the sum of Rs. 2,921,000 paid to above company by the decision to the EOC No.368/2024 dated 19 March 2024.		It is recommended that the Bank strengthens its IT project governance by ensuring thorough feasibility studies, cost-benefit analyses, and clearly defined project timelines are conducted and documented before project initiation. All future IT-related procurements should strictly comply with internal procurement guidelines, including review and approval of technical specifications by the Technical Evaluation Committee and Procurement Committee. Furthermore, milestone-based payment structures should be enforced to prevent premature disbursements, and accountability must be established for inconsistent recommendations and inadequate project monitoring that led to uneconomic expenditure.

Following observations are made.

- (i) As per the details submitted in the EOC paper No.568/2020 dated 10 June 2020, Acting Senior Manager Central Back Office, DGM Process Management, SDGM Retail Banking and Chief Information Officer had highlighted the importance of version upgrade as compared to purchasing a new system. However, as per the details in the EOC paper No.1315/2022 dated 01 December 2022 Senior Manager Central Back Office, Chief Manager Central Back Office, Deputy General Manager Channel Management and Chief Information Officer have preferred the procurement of already developed system due to being more cost effective.

In the year 2018, the scope of Inward Clearing Version Upgrade was limited only to the Inward Clearing leg out of all clearing functions due to the audit findings of deficiencies in the existing Inward Clearing process which needed to correct. At that time it was worthwhile to obtain a version upgrade from the existing vendor rather than purchasing from a new vendor as there were no considerable change requirements identified in other clearing legs. After 04 years, the need of considering a comprehensive system covering the entire clearing processes (current and futuristic) emerged due to the requirement of centralizing some clearing operations of branch level, comply with the Information Security audit requirements, etc.
- (ii) As per the e-mail sent by Assistant General Manager - Process Management & Quality Assurance dated 13 January 2023 to the Chief Information Officer, it has been mentioned that progress of the project as 25 percent. However, Rs.2, 921,000 had been paid to the above company which is 50 percent of the total cost on 28 July 2020. Therefore, it is questionable whether any proper follow up had been made regarding the version upgrade by the IT division.

Bank's officials have recommended the two proposals under two different scopes in two different time periods (04 years gap) in the view of obtaining the optimum benefit to the Bank timely. Bank had to pay 50 percent of the Purchase Order value merely under the payment terms agreed and stated in the Purchase Order and that was irrelevant to the portion of work done. However, the project completion has been remained at 25 percent (as per AGM - Process Management & Quality Assurance) at the Bank's end

due to the issues encountered in developing the interfaces, Core Banking back-end developments with online real time entry posting formats and customer details (J Form information) for overdrawn cheque approving.

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|--|---|
| <p>(iii) As per project details provided by the bank, evidences were not available towards the proper feasibility study, cost benefit analysis, time lines of the project.</p> | <p>The need of this version upgrade of the existing system emerged as a rectification to the deficiencies identified as audit findings of the current Inward Clearing process. Hence, it was a must requirement that the Bank has to incur a cost to rectify. In that case, though a feasibility study report namely was not there, said requirements adequately addressed in the EOC paper.</p> |
| <p>a) Any evidence of feasibility study regarding the version upgrade of inward clearing module was not available. Accordingly, it was observed that the Bank had not assessed the feasibility of version upgrade against the procurement of a new system covering all four clearing modules with the assessment of industry practices. Therefore, a cost of Rs.2, 921,000 which had been already incurred seems to be an uneconomic expense incurred by the Bank.</p> | <p>Though a formal feasibility study report was not there, the requirement was assessed vide the EOC paper No. 568/2020 alternatively by identifying key issues. The system design and architecture offered by the version upgrade of the inward clearing leg was totally absorbed to the Consolidated Clearing (four legs) system's Inward Clearing module. Thereby the Bank has gained technological benefit indirectly from the company although a cost of Rs. 2.9 million (50 percent Advance Payment) has been incurred.</p> |
| <p>b) Cost benefit analysis helps to ensure that IT projects are financially viable, contribute to the organization's profitability, and provide a solid return on investment.</p> | <p>Similarly, a cost benefit analysis has also not been done namely since the requirement was then mandatory where Bank should have addressed the issues in the existing process. However, the</p> |

However, cost benefit analysis was not available for the above project.

cost related facts were considered in purchasing the version upgrade with proper approval (EOC paper No. 568/2020).

c) Timelines are crucial for IT projects since it is essential for maintaining control, efficiency, and quality in IT projects, while ensuring effective usage of software purchases. However, time lines were not available for the above project.

Though a project timeline had been included in the proposal, it could not achieve by the bank again due to the issues encountered in developing the interfaces.

(iv) As per the Section 6.1 (d) (ii) and 3.1 (f) of Chapter 02 of the People's Bank's Procurement Guidelines, specifications related to the procurement work shall be reviewed and approved separately by the Technical Evaluation Committee and the Procurement Committee. However, any evidence was not available to prove whether they have complied with the said instructions.

A Technical Committee Evaluation has not been conducted since this has not been procured via a Tender procedure but considered as a mandatory requirement to upgrade the existing system.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
I. Though the gross income of the Bank is comparatively high among other peer banks in the banking industry, net interest income as a percentage of gross income is comparatively low and recorded as 29.1 percent as at 31 December 2024. However, other banks had reported the above ratio ranging from 34.5 percent to 50.4 percent.	As at 30 June 2025, this ratio stood at 36.7 percent. Measures including repricing strategies and expanding fee-based income are being implemented to improve margins.	It is recommended that the Bank conducts a comprehensive review of its income structure and cost management strategies to identify factors contributing to the relatively low net interest income and to implement appropriate measures accordingly.
II. Further, profit as a percentage of gross income of the bank recorded as 6.8 per cent as at 31 December 2024 and other peer banks in the banking industry	Profit as a percentage of gross income was 9.6 percent compared to peer averages ranging from 13.4 percent to	

recorded from 13.3 per cent to 21.7 per cent .

18.2 percent.

Profit as a percentage of gross income is also comparatively low. The Bank is focused on improving efficiency, repricing strategies, and diversifying business to enhance profitability in the medium term.

III. Electronic Fund Transfer (EFT) Switch & Card Management System (CMS) inclusive of Internet Payment Gateway (IPG) Project

Bank had identified the requirement of Electronic Fund Transfer (EFT) Switch & Card Management System (CMS) inclusive of Internet Payment Gateway (IPG) Project initially in 2012. Though Expression of Interest called and 16 proposals had been received and 7 vendors were shortlisted, purchasing of new ATM Switch project was stalled. Therefore, bank had upgraded the prevailed switching hardware due to reached their end of life and purchased two Tandem NS servers on June 2015 for Rs. 224.9 million with 3 year warranty. Further, Local support charges for 3 years for hardware was Rs.13.8 million and accordingly total cost was Rs.238.7 million.

In 2016, bank launched Self Banking Unit (SBU) project and 5 year agreement had been signed to outsource ATM switch to facilitate Kiosk and CDMs in terms of fund transfers, utility bill payments, mobile top ups, deposits, bill payments due to not facilitating ATM Switch. Bank had initiated tender process in January 2020 to purchase new EFT Switch and CMS inclusive of IPG for the second time after 8 years under tender No. RFP 03-2020. Thereafter, RFP had been amended to accommodate more bidders locally and internationally and

The Bank must implement robust pre-project evaluation procedures, enforce strict timelines with milestone tracking, and ensure proper alignment of project scope, procurement actions, and approvals. As well the Bank should establish clear accountability for prolonged delays and ensure future procurements are driven by well defined requirements, properly documented justifications, and effective stakeholder coordination to avoid recurrence of such costly inefficiencies.

tender was published and RFP called under tender No 01-2021 for the third time on 01 January 2021. Due to issues prevailed, RFP had been called from local and foreign vendors to supply, install and maintain an Electronic Fund Transfer Switch (EFT Switch) and Card Management System (CMS) inclusive of Internet Payment Gateway (IPG) (Total Solution) for fourth time (RFP 05-2021) on 01 August 2021.

However, EOC have identified that even though tender has been called for three scopes (New EFT Switch, CMS & IPG), initiative have already taken with regard to CMS & IPG. Therefore, the committee decided at their meeting held on 01 June 2021 (EOC No 730/2021) to go ahead only with the requirement of new EFT Switch and TEC should consider the same. Further, EOC identified with the implementation of Prime 4 System IPG requirement as well as the Credit Card Management in CMS has already been fulfilled and decided to go ahead only with the purchasing process in relation to EFT Switch and descope the CMS only for Debit Card Management at their meeting held on 30 July 2021. However, it was observed that the tender was published under RFP 05-2021 was for a total solution inclusive of IPG. Thereafter, addendums were made to tender changing the requirement as “Supply, install and maintain an Electronic Fund Transfer Switch and Card Management System” and requirement of IPG (Total solution) was removed and addendum were published on 03 August 2021.

Following observations are made.

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| <p>(i) After expiry of the agreement for outsource the ATM switch which was initially signed for five years in 2016, the bank has renewed the</p> | <p>Noted the comment.
An ATM switch implementation normally takes a minimum of two years due to the complexity</p> |
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agreement for another 5 years until bank owned ATM switch go live, since all outsourced machines to be operated. Accordingly, Rs.9,466 million had been paid by the bank from 2017 to 2024 as cost for outsourced ATM Switch due to unavailability of proper own ATM Switch.

of the project. Until such time, we need to maintain the ATM switch to support Cash Recycling Machine (CRM) and Cash Deposit Machines (CDM) machines. Based on this requirement, the Bank's Management, with the approval of the Board of Directors, decided to renew the prevailed agreement for another five years.

- (ii) Further, Rs. 726.8 million had been paid by the bank from 2018 to 2024 for existing COSES system and Tandem servers due to not being able to go to a new ATM Switch.

Please note that this pricing was agreed upon in year 2015 and approved by the Board for a period of 10 years at the time of purchase. As long as we are using the old switch, we are required to pay maintenance fees to keep the system up and running.

- (iii) Following observations are made regarding the tender No RFP 05-2021 Supply, installation and maintenance of an Electronic Fund Transfer Switch and Card Management System.

- a) Project Authorization Request (PAR) approved on 21 January 2020 used for previous cancelled tenders (RFP 03-2020 and RFP 01-2021) had been used as PAR for tender No RFP 05. However, it was observed that changes were made in the scope of the project to be aligned with the budget of the respective year. Accordingly new PAR is typically required to reflect the revised conditions and to ensure that the project is properly authorized before moving forward after a tender cancellation and recall.

The Project Authorization Request (PAR) is intended solely for the approval of budget allocations for a project at a given time. Accordingly, we used the initial PAR for RFP 05/2021, since the previous tenders were cancelled without utilizing the approved PAR. The project scope was subsequently modified based on the guidance provided by the Executive Operations Committee on 30 July 2021. However, the PAR was not revised, as its purpose was limited to budget approval only.

- b) Tender was opened on 06 October 2021 and 09 offers had been received. After the evaluation process, purchase order had been issued on 24 January 2023 for purchase of EFT Switch & Card Management System and it was observed that the bank has taken 1 year and 3 months for completing the tender process. Although the time scale of the project was mentioned in the PAR as 8-10 months, the bank was not able to complete the procurement within that time. Further no any procurement time schedule was available for the audit.
- Noted the comments. The delay in process was due to several reasons of which some are beyond the control of the bank. The economic downturn experienced during the procurement was a major factor for the delay. In addition, considering the importance of the project TEC evaluated the proposals in many aspects and took around 7 months when significant value addition was made. Due to external issues that arose during the tender process and the economic crisis, we were unable to meet the 8 – 10 month timetable and unable to adhere to the procurement timeline in 2021. We have added the procurement time schedule at the moment the purchase request form is raised after the new revision to the procurement manual.
- c) As per the point No. 11 of the PAR, cost benefit analysis should be attached with the PAR. Even though the Executive Operations Committee approved the PAR, cost benefit analysis was not available for the audit.
- Noted the comments. Due to technical limitations of the prevailed switch and prevailing market competition, Peoples Bank was compelled to go for a new ATM switch. This was already budgeted under the PB Annual Budget.
- d) As per the information provided by the bank, project to be developed as two phases and actual start date of the phase 1 was 16 January 2024. Accordingly, it was observed that it took around one year to start the project after issuing the purchase order. Further, Functional Specification Document (FSD) had been
- From the date of the Purchase Order to the finalization and signing of the Statement Of Work (SOW) agreement, a considerable amount of time was required to complete the SOW content and agreement conditions. The agreement was signed off on 28 June 2023, and FSD discussions commenced on 01 August 2023.

signed off on 09 May 2024 and considerable time (around one year and 04 months) had been taken to FSD sign off from the purchase order issued date.

If the FSD had not been carried out with due care, there would have been a high possibility of requirements emerging later as Change Requests (CRs), which could lead to additional costs. Therefore, multiple review cycles were conducted to ensure that all requirements were thoroughly captured.

Following the publication of the tender, the project was initially planned to commence on 31 July 2023 and be completed by 30 November 2023. However, the FSD stage extended beyond the planned timeline due to the need for proper identification and resolution of technical issues, as well as the overall complexity of the project.

- e) As at the audited date on 14 November 2024, 12 percent of phase 1 was completed and expected go live date is 04 March 2025. Further phase 2 expected to be start on 03 March 2025 and go live on 17 November 2025. Therefore, if the project is completed as expected it will take around 4 years and 3 months to go live from the date of tender published.

At present, Phase 1 has been successfully completed and gone live. Phase 2 is expected to be completed within the next three months.

- f) According to the above facts, though the bank had initiated the project of new ATM Switch in 2012, it was observed that, the bank was not able to implement it over 12 years and it would have taken more than 13 years when project is completed. Further any feasibility study regarding this project was not available

As per the project timeline, the project commenced following the issuance of the Purchase Order. The agreement was signed on 28 June 2023, and signed the SOW and agreement on 09 May 2023.

A detailed Functional Solution Design (FSD) document was prepared to identify the

for the audit.

feasibility of the requirements. This process involved extensive discussions with all relevant operational departments to ensure clarity and accuracy. The FSD was signed off on 26 April 2024.

The comprehensive RFP, developed in collaboration with the business departments, served as the feasibility study for the project. Due to technical limitations of the existing switch and prevailing market competition, People's Bank was compelled to proceed with a new ATM Switch. This initiative was already budgeted under the Bank's Annual Budget.

The total annual cost of the new switch will result in significant cost savings. The prevailed switch will be discontinued along with its associated maintenance costs. The maintenance cost of the new switch is projected to be approximately 40 percent lower than the current switch maintenance cost after three years, as the first three years are free from maintenance charges. The new switch will be implemented under a 10-year costing plan. Furthermore, debit card management costs currently incurred under TSYS maintenance will also be discontinued with the implementation of the new switch.

3.3 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
As per the decision to the Executive Operations Committee (EOC) paper No.975/2024 dated 13 August 2024, it was approved to dispose the laptop used by the former General Manager by recovering the money held in margin account. However, as per the decision to the EOC No.1130/2024 and EOC No.1465/2024 two ipads had been given to two retired Deputy General Managers of the Bank.	Related lap tops had been given as per the decisions to the Executive Operations Committee (EOC) No.1130/2024 and 1465/2024.	If required, the Bank should develop and implement a clear, standardized policy on the disposal of official devices upon retirement, and obtain the Ministry Level Approval for such policy before such disposals. Further, necessary approvals from the Board should be obtained for the already disposed 2 ipads.

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
3.4.1 Procurement Time Schedule As per the Section 4.2.2 of Government Procurement Guidelines, Procurement Time Schedule (PTS) is a schedule describing in chronological order, steps of each individual procurement action, from the point of commencement until its completion. Further, PTS shall include all activities from the commencement up to the preparation of draft bidding documents which shall be prepared without delay and all activities after the preparation of the bidding document. As per the Section 3 (e) of Chapter 02 of Bank Procurement Manual, reviewing and agreeing upon the Procurement Time Schedule (PTS) is a duty of Procurement Committee in order to award the contract as planned. As per the Section 6 (d) (I) of Chapter 02, Technical Evaluation Committee should recommend and agree with the respective Procurement Time Schedule in order to award the contract within the	The bank has a board approved Separate Procurement Manual. In accordance to that the Supplies Department has incorporated the procurement time schedule into the Purchase Request Form at the beginning of the purchase. Procurement Manager mentioned the procurement time line considering the nature of the procurement the same is approved by Chief Manager Supplies in compliance with the 1.9.26 of procurement manual.	Take necessary actions to

minimum possible time period. Further, as per the Section 1.9.26 of Procedure Manual (effective from 01 November 2023), chief manager (supplies) should provide the procurement time schedule with the procurement request and procurement officer should plan the purchases according to the given PTS.

However, Procurement Time Schedule (PTS) has not submitted to the audit and only available was Time Scales of Project under Section 8 (Ex:6 months) of the Project Authorization Request.

3.4.2 Purchase of 02 Nos Desktop Computer Machine – Tender No - PB/SU/QE/09/23/172

Head of Building Engineering Services had requested from Head of IT through DGM (BSS) on 20 February 2023, to upgrade or provide new desktop computer machines to compatible with renewed licensed software package, along with a specification. Above request had been received to Chief Information Officer (CIO) on 21 February 2023, to IT department on 23 February 2023, to BSS department on 17 August 2023 and to supplies department on 18 August 2023. In addition to above request, 02 Nos. of 24” size monitors had been requested on 20 September 2023 by the head of Building Engineering Services. Accordingly, quotations had been called to purchase two new desktop computers through e-procurement on 03 October 2023.

Following observations are made.

It is recommended that the Bank strengthen its procurement governance by compliance with all the guidelines and circulars established relating to the procurement activities and ensure that Bank's funds are effectively utilized towards the procurement.

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| <p>I. As per the Section 6.1.(a) of Procedure Manual for Procurement, Supplies, Stores & Inventory Control (effective from 22 November 2017), the Technical Evaluation Committee (TEC) need to be recommended the Specification for the approval of the Procurement Committee before calling for Bids (Currently for purchases more than Rs. 2.0 million). However, TEC had been appointed on 19 October 2023 after receiving the bids. At the meeting held on 17 November 2023, TEC had advised to cancel and recall the quotations, as the Specification is mismatched.</p> | <p>Noted the comments.</p> <p>Initial quotation had been called without reviewing the specification by Technical Evaluation Committee. Since the offers received are not complied with the bank requirement TEC has advised to cancel and recall the quotation after Specification review and approved by the technical Evaluation Committee.</p> <p>Accordingly, The Supplies Department has called the quotation with the revised specification reviewed and approved by the Technical Evaluation Committee.</p> |
| <p>II. As per the request of Head of Building Engineering Services dated 20 February 2023, 64 GB or more RAM had been requested. However, as per the Specification prepared by the TEC for first recall, 16GB RAM had been mentioned. Accordingly, it was observed that user requirement had not been considered by the TEC.</p> | <p>At the time of Specification reviewing the TEC has decided that the 16GM RAM is sufficient and considering the future requirement TEC decided to request maximum memory upgradable up to 64GB. Accordingly, requirement of the user department had been addressed by the TEC.</p> |
| <p>III. Though the bidders should be given a minimum of 14 days to submit their competitive bids in the e-procurement method as per the Section 4.2.8.(v) (new manual effective from 01 November 2023), only 4 days – 8 days had been only given and adequate time period had not</p> | <p>Noted the comments.</p> <p>Since initial quotation had to cancel and recall, considering the urgency of the requirement the supplies department had given short period for the said procurement. However, the supplies department will get the necessary approval in such deviations in future.</p> |

been given.

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| IV. | In the aforesaid EOC paper, it was also mentioned after reviewing the sample obtained, the User Department notified the bidder that the machine would meet the requirement if the bidder upgraded to a RAM of 32GB or more. Further, it was mentioned that because there was only one offer, TEC had checked the unit price and concluded that, the quoted price was extremely high and CIO had advised to obtain three quotations from the open market. It was observed that if the specification had been properly prepared to suit the user requirement, such issues and delay in procurement process would not arise. | Noted the comment,
Instruction has been issued to the relevant officers to streamline the process including the preparation of proper specifications before initiating the purchase to avoid such delays in procurement process in future. |
| V. | As per the Section 4.2.13.(v), bid evaluation should be carried out with a 3-member committee including CM (Supplies) and officers above 3-II of which at least one officer is from the relevant department. Even though, it was mentioned in the above EOC paper that the procurement for email method had been followed it was not observed that, such an evaluation had been performed. | Noted the comments.
These PCs were urgently required to carry out building engineering departments' works. Therefore, the procurement was finalized without submitting to the TEC. User department has checked the received quotation and confirm the acceptant subject to change of RAM 32GB or higher. The supplies department has obtained the covering approval from EOC for non-submission to the TEC. |
| VI. | As per the Section 5.2.8 of the Procedure Manual for all purchases (Goods, Services & contracts) more than | Noted the comments.
Since this was open quotation received via email due to urgency of the purchase, the bank has not submitted |

Rs.1million, the successful bidder should submit a performance bond/ Guarantee acceptable to the bank, valid for a specific period as per the nature of good or service / to cover the warranty period. However, purchase order had been issued without obtaining a Performance Bond. Though these two desktop computers are in specific nature, supplies department has not considered to obtain a Performance Bond to cover the warranty period in order to minimize the risk.

the formal quotation request with the terms and conditions. Therefore, the performance bond has not been obtained and covering approval has been obtained from EOC for the same.

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
3.5.1 Analysis of Staff Cost		It is recommended that the Bank undertakes a thorough review of its human resource efficiency and cost management strategies, to align staff costs with income generation and improve overall operational efficiency.
(i) It was observed that, though the Bank had incurred a cost of Rs.4.69 million per employee per year, the profit generated per employee was only Rs.3.29 million for the year 2024. However, other banks had reported a profit per employee ranging from Rs.6.17 million to Rs.10.2 million per year.	As at 30 June 2025, the Bank's profit per employee was Rs. 4.85 million compared with Rs. 3.29 million in 2024.	
(ii) Personal Expenses as a percentage of Net operating income of the Bank was 29.93 percent for the year 2024 which representing the highest value comparing to other banks in the same industry. The same ratio of other banks are ranging from 14.86 percent to 19.91 percent during the year under review.	As at 30 June 2025, personnel expenses represented 26.61 percent of Net Operating Income, compared to 29.93 percent in 2024. This ratio remains above the peer range of due to collective agreements	

workforce productivity and optimizing operational efficiency.

4. Accountability and Good Governance

Audit Issue	Management Comment	Recommendation
I. As per the Section 8(1) of People's Bank Act No.29 of 1961, the Board shall consist of 10 directors and as per the Banking Act Direction No 05 of 2024 effective from 01 January 2025, the number of directors on the Board of Licensed Banks shall not be less than 7 and not more than 13. However, only 5 directors constituted the Board of the Bank as at 31 December 2024.	The Bank has sent several correspondences to Ministry of Finance (MOF) seeking suitable appointments to the Board of Directors of the Bank. The Cabinet of Ministers has approved the extension of the extraordinary selection procedure on appointment of Independent Directors until 31 July 2025, which is beyond the control of the Bank.	Take necessary follow up actions to available required number of Board Directors and constitute sub committees.
II. Board Audit Committee, Board Integrated Risk Management Committee and Board Nomination Committee had not been conducted by the Bank from October 2024 due to inadequate members to the Board.	Due to the unavailability of the Board of Directors following the Presidential Election in September 2024 and the absence of Independent Directors, which was beyond the control of the Bank, the meetings of the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), and Board Nomination Committee (BNC) could not be held. Nevertheless, the BIRMC meeting was conducted on 12 September 2025.	